



Life Sciences and Materials Sciences

Presentation to Investors

Q3 Results 2015, 3 November 2015

HEALTH • NUTRITION • MATERIALS



Safe harbor statement

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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, which can be found on the company's corporate website, www.dsm.com

- Q3 2015 Operational performance
- Business conditions and outlook

Highlights Q3 2015

[DSM reports Q3 2015 results](#)

- Sales up 8%, driven by 7% organic growth in Nutrition and foreign exchange
- Solid volume growth in Human Nutrition; very strong volume growth in Animal Nutrition
- Nutrition EBITDA: negative impact of vitamin E and Swiss franc largely offset
- Performance Materials EBITDA: improved on lower input costs and cost savings despite soft sales
- Strong operating cash flow of €300 million
- 2015 outlook maintained

Quote from Feike Sijbesma

“DSM continued to make good progress in Q3 in both EBITDA and cash generation. These results demonstrate the benefits of our focus on improving our operational performance. We are starting to implement the previously announced €125-150 million cost reduction program for the DSM-wide support functions. Tomorrow at our Capital Markets Day, we will announce our strategy and targets for the coming years, as well as an additional efficiency and cost reduction program in Nutrition.”

It is increasingly difficult to predict macro-economic developments. Assuming no major changes in current market conditions for the remainder of this year, we maintain our full year outlook to deliver an EBITDA in 2015 ahead of 2014, the increase mainly driven by positive foreign exchange effects.”



*Feike Sijbesma CEO /
Chairman of the Managing Board*



Results Q3 2015 - Key figures

Q3 -2015	Q3-2014	Δ%	(€ million)	YTD-2015	YTD-2014	Δ%
Continuing operations before exceptional items:						
1,945	1,794	8%	Net Sales	5,796	5,240	11%
287	281	2%	EBITDA	814	784	4%
0.59	0.64	-8%	EPS (€)	1.61	1.78	-10%
0.70	0.76	-8%	Core EPS (€)*	1.95	2.08	-6%
Total DSM before exceptional items:						
2,102	2,323	-10%	Net Sales	7,009	6,909	1%
290	315	-8%	EBITDA	908	878	3%
Total DSM after exceptional items:						
36	93	-61%	Net profit	65	252	-74%
0.19	0.51	-63%	EPS (€)	0.33	1.41	-77%

* Core net EPS is the EPS from continuing operations before exceptional items and before acquisition related (intangible) asset amortization

Net sales growth Q3-2015 versus Q3-2014

(€ million)	Q3 2015	Q3 2014	Diff.	Volume	Price/ Mix	FX	Other
Nutrition	1,253	1,091	15%	6%	1%	6%	2%
Performance Materials	631	638	-1%	-3%	-5%	7%	
Innovation Center	42	40	5%	-5%	-1%	11%	
Corporate Activities	19	25					
Continuing Operations*	1,945	1,794	8%	2%	-1%	6%	1%

* Continuing operations

Net sales growth YTD-2015 versus YTD-2014

(€ million)	YTD-2015	YTD-2014	Diff.	Volume	Price/ Mix	FX	Other
Nutrition	3,699	3,211	15%	5%	0%	9%	1%
Performance Materials	1,927	1,842	5%	1%	-4%	8%	
Innovation Center	115	112	3%	-9%	-1%	13%	
Corporate Activities	55	75					
Continuing Operations*	5,796	5,240	11%	3%	-2%	9%	1%

* Continuing operations

EBITDA - development Q3

EBITDA (€ million)	Q3-2015	Q3-2014	Δ%
Nutrition	213	225	-5%
Performance Materials	102	87	17%
Innovation Center	0	-4	
Corporate Activities	-28	-27	
Continuing Operations*	287	281	2%

* Continuing operations

EBITDA - development YTD

EBITDA (€ million)	YTD-2015	YTD-2014	Δ%
Nutrition	616	650	-5%
Performance Materials	294	243	21%
Innovation Center	-8	-15	
Corporate Activities	-88	-94	
Continuing Operations*	814	784	4%

* Continuing operations

Nutrition

Q3-2015	Q3-2014	Δ%	(€ million)	YTD-2015	YTD-2014	Δ%
1,253	1,091	15%	Net sales	3,699	3,211	15%
		6%	Volume			5%
		1%	Price/Mix			0%
		6%	FX			9%
		2%	Other			1%
213	225	-5%	EBITDA	616	650	-5%
17.0%	20.6%		EBITDA margin	16.7%	20.2%	
146	163	-10%	EBIT	412	471	-13%
			Capital employed	5,247	5,034*	

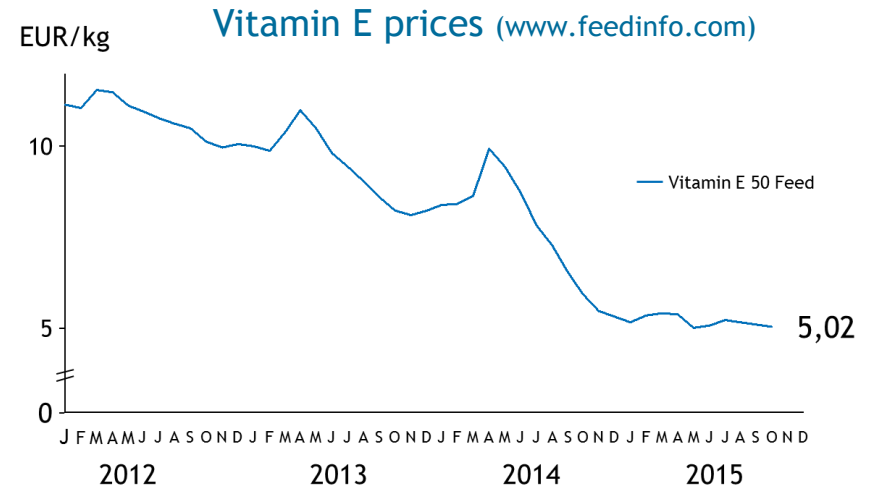
* year-end 2014

- Q3 sales increased 15%, driven by very strong volume growth in [Animal Nutrition & Health](#) and solid volume developments in [Human Nutrition & Health](#). As a result of higher prices for some vitamins and other, partly in-sourced, ingredients, the price/mix-effect was slightly positive despite lower vitamin E prices
- Q3 EBITDA was 5% lower at €213 million versus Q3 2014. Good volume growth and overall positive foreign exchange rates largely offset the negative impact of lower vitamin E prices (of more than €30 million). Positive foreign exchange rates effects mainly associated with the US dollar were partly offset by the negative impact of the Swiss franc, the Brazilian real and the Chinese renminbi. The weakening of the Brazilian real, to which DSM is exposed mainly via its Tortuga business, had a negative EBITDA impact of ~€5 million
- [DSM Food Specialties](#) showed good volume in Enzymes and Cultures. Also the yeast extract-based savory business is performing increasingly well

Animal Nutrition & Health

Q3-2015	Q2-2014	Δ%	(€ million)	YTD-2015	YTD-2014	Δ%
593	527	13%	Net sales	1,739	1,512	15%
		12%	<i>Organic growth</i>			9%

- Volume: Q3 showed very strong volume growth driven by the premix activities and specialty products in Europe and Latin America. Although underlying business conditions in the global animal feed markets are expected to remain favorable, going forward DSM will face tougher comparative figures for organic growth as from Q4 2014



- Price: As in the first half of this year, the price development compared to Q3 2014 was a combination of significantly lower vitamin E prices and higher prices for a range of other products. Since a substantial part of these other products are in-sourced, these increased prices only have limited benefit at EBITDA level

Human Nutrition & Health

Q3-2015	Q3-2014	Δ%	(€ million)	YTD-2015	YTD-2014	Δ%
464	406	14%	Net sales	1,396	1,232	13%
		2%	<i>Organic growth</i>			0%

- Volume: DSM delivered solid volume growth in spite of the continued soft environment in several key market segments. The dietary supplements businesses continued to show good growth in Europe and Asia and an ongoing mixed picture in the US where sales of fish oil and (multi) vitamin based supplements declined in Q3. I-Health, DSM's B2C business, continued to deliver double-digit growth. Conditions in the Food & beverage segment are unchanged with good sales development in Europe and Asia and ongoing weak sales in North and South America. Markets for Infant Nutrition are stable, although DSM's sales were relatively weak in Q3 due to timing of orders
- Price: Prices were slightly lower versus Q3 2014 mainly as a result of lower vitamin E prices and some mix effects

Performance Materials

Q3-2015	Q3-2014	Δ%	(€ million)	YTD-2015	YTD-2014	Δ%
631	638	-1%	Net sales	1,927	1,842	5%
		-3%	Volume			1%
		-5%	Price/Mix			-4%
		7%	FX			8%
		0%	Other			0%
102	87	17%	EBITDA	294	243	21%
16.2%	13.6%		EBITDA margin	15.3%	13.2%	
69	55	25%	EBIT	196	153	28%
			Capital employed	1,833	1,744*	

* year-end 2014

- Sales in Q3 decreased by 1% compared to Q3 2014 as a result of overall soft volumes, although strong in specialties, and lower prices reflecting lower input costs
- In **DSM Engineering Plastics** volumes were slightly down. PA6 polymers sales were weak, amplified by restricted product availability due to temporary production issues. Compounds and specialty products showed good volume growth
- In **DSM Resins and Functional Materials** volumes declined due to weak demand. Lower prices reflected lower input costs and a less favorable mix. The market environment for the UV curable coating resins business of DSM AGI in Asia remained difficult
- **DSM Dyneema** delivered modest organic growth versus Q3 2014 mainly due to timing of orders in comparison with Q3 2014

Performance Materials - continued

- EBITDA in Performance Materials for the quarter increased by 17% versus Q3 2014. On a structural base, good margin management and efficiency & cost savings programs over recent years contributed positively. The increase in EBITDA was, however, also enhanced by positive foreign exchange effects as well as temporarily strong margin improvements due to low input costs
- EBITDA of [DSM Engineering Plastics](#) was substantially up due to higher margins and lower costs
- EBITDA of [DSM Resins and Functional Materials](#) was materially up due to continued good margins and lower costs
- [DSM Dyneema](#) showed solid EBITDA growth

Innovation Center

Q3-2015	Q3-2014	Δ%	(€ million)	YTD-2015	YTD-2014	Δ%
42	40	5%	Net sales	115	112	3%
		-5%	Volume			-9%
		-1%	Price/Mix			-1%
		11%	FX			13%
		0%	Other			0%
0	-4		EBITDA	-8	-15	
-7	-10		EBIT	-29	-36	
			Capital employed*	563	523*	

* year-end 2014

- Sales: DSM Biomedical continues to operate in a challenging US market
- EBITDA in Q3 improved compared to Q3 2014 driven by a stronger focus in the innovation activities, cost savings and positive currency developments

Corporate Activities

Q3-2015	Q3-2014	(€ million)	YTD-2015	YTD-2014
19	25	Net sales	55	75
-28	-27	EBITDA	-88	-94
-38	-39	EBIT	-121	-129

- EBITDA in Q3 2015 was in line with the average quarterly run-rate as well as Q3 2014

Discontinued Operations

Polymer Intermediates and Composite Resins

Q3-2015	Q3-2014	(€ million)	YTD-2015	YTD-2014
157	529	Net sales	1,213	1,669
3	34	EBITDA	94	94
3	14	EBIT	76	33

- Discontinued operations comprises net sales and operating profit of DSM Fibre Intermediates and DSM Composite Resins up to and including 31 July 2015. From that date onwards their activities have been transferred to ChemicalInvest

Key joint ventures and associates

Q3-2015	Q3-2014	Δ%	(€ million)	YTD-2015	YTD-2014	Δ%
103	99	4%	DSM Sinochem <i>EBITDA margin approx.</i>	332 13%	305	9%
455	384	18%	DPx Holdings* <i>EBITDA margin approx.</i>	1,335 20%	601	n.a.
365	n.a.	n.a.	ChemicalInvest** <i>EBITDA margin approx.</i>	365 3%	n.a.	n.a.

* DPx respective periods are: for the third quarter from 1 May - 31 July, for year-to-date 2015 from 1 Nov 2014 - 31 July 2015 and for year-to-date 2014 from 11 March 2014 - 31 July 2014.

** ChemicalInvest figures refer to the period from 1 August - 30 September.

- **DSM Sinochem Pharmaceuticals** (50% DSM) showed a solid financial performance in Q3 supported by favorable exchange rate effects
- **DPx holdings** (49% DSM): DPx showed a solid performance. Margin was in line with previous quarters. On 8 June 2015 DPx, to be renamed Patheon, has filed a registration statement on Form S-1 with the United States Securities and Exchange Commission relating to the proposed initial public offering of its common stock. The timing of the offering as well as the number of shares to be offered and the price range for the offering have not yet been determined
- **ChemicalInvest** (35% DSM): Sales in Q3 were lower than last year, with lower caprolactam sales coming from a loss in production following an outage in China and low feedstock costs



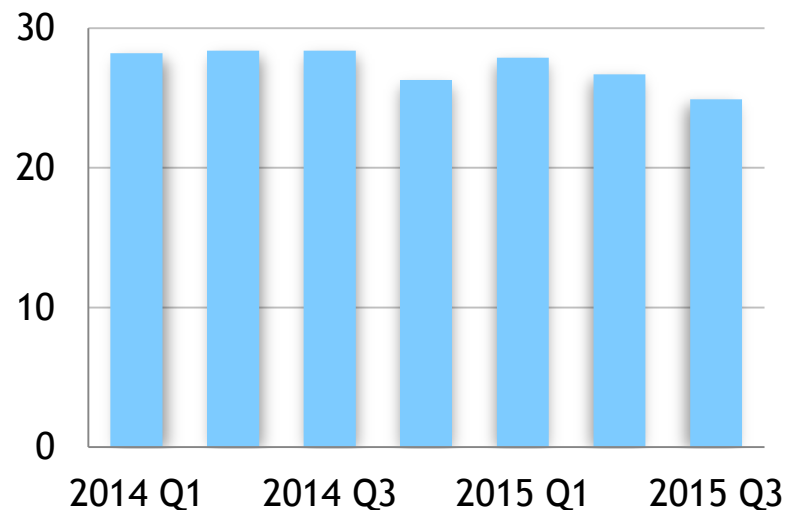
Cash flow

Cash Flow (€ million)	9M'15	9M'14
Cash from operating activities	382	390
Cash from investing activities*	-35	-364
Free cash flow from operations	347	26
Balance sheet (€ million)	Sept 30 2015	YE 2014
Net debt	2,395	2,420

* Excl. changes in fixed-term deposits, incl. acquisitions

- Cash provided by operating activities from continuing operations in Q3 2015 was €300 million (Q3 2014: €252 million)
- Operating working capital (continuing operations) expressed as a percentage of annualized sales amounted to 24.9% compared to 26.3% at year-end 2014, in line with DSM's ambition to further reduce operating working capital. In Nutrition, operating working capital as a percentage of annualized sales declined from 34% at year-end 2014 to 32%.
- Net debt decreased by €468 million compared to Q2 2015, reflecting the good operating cash flow and a positive development in mark-to-market value of financial derivatives held as well as the proceeds from the sale of the Polymer Intermediates and Composite Resins activities of €282 million

% OWC continuing activities



- Q3 2015 Operational performance
- Business conditions and outlook

Business Conditions

Animal Nutrition

- Stable demand in animal feed markets
- Vitamin E prices continue to be under pressure
- Large maintenance shutdowns in Q4

Human Nutrition

- F&B: continued improved conditions in Europe, NA starting to show some improvements; Asia weakening; South America weak
- US retail sales of vitamin-based dietary supplements weak
- US fish-oil based omega-3 dietary supplements weak
- Infant Nutrition markets stable at a good level

Performance Materials

- In general, slower growth environment in Asia
- Continued volatility in Polyamide-6 chain
- Margins, which have benefited from lower input costs in past quarters, are expected to normalize
- Expect the usual-limited- de-stocking effects in Q4

2015 Outlook maintained

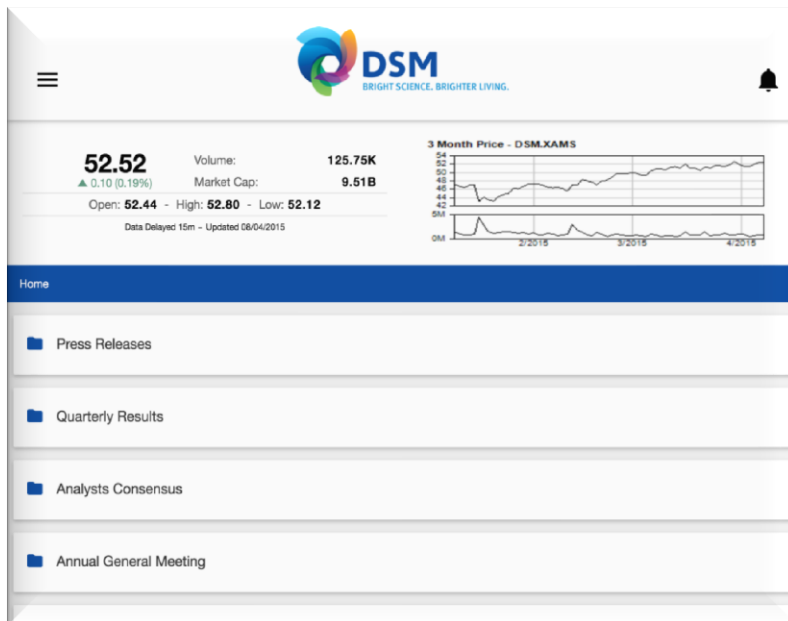
- The volatility in currencies, including the strengthening of the Swiss franc and the US dollar against the Euro, and the recent weakening of the Brazilian real will have a mixed effect on DSM's 2015 results compared to 2014. Based on current exchange rates and the 2015 hedge effects, an overall annual positive impact on 2015 EBITDA is estimated at approximately €35 million
- The negative price impact of vitamin E on DSM's 2015 EBITDA is estimated to be approximately €100 million compared to 2014
- It is increasingly difficult to predict the macro-economic developments. Assuming current market conditions will continue for the remainder of the year, DSM maintains its full year outlook: DSM aims to deliver an EBITDA in 2015 ahead of 2014, the increase mainly driven by positive foreign exchange effects

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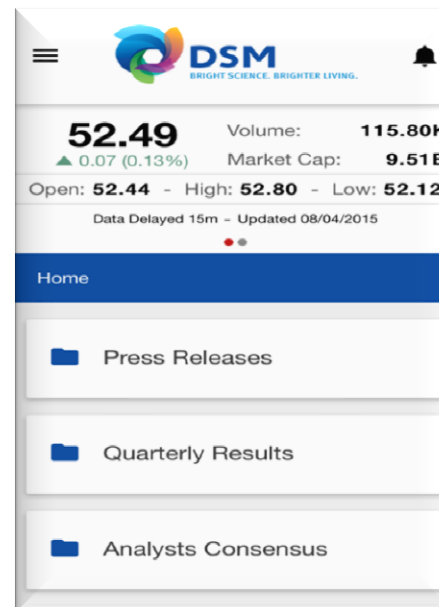
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