

Global Infant Nutrition

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US Field Trip
September 4, 2014

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

DSM's Position on Importance of Breastfeeding

Human milk represents the nutritional gold standard for infant nutrition and DSM strongly supports and follows the WHO recommendation that infants should be exclusively breastfed for the first six months of life to achieve optimal growth, development and long-term health. Thereafter, older infants and young children should receive nutritionally adequate and safe complementary foods, while continuing to breastfeed for up to two years or more. DSM believes that breastfeeding is an unequalled way of providing ideal food for the healthy growth and development of infants and is also an integral part of the reproductive process with important implications for the health of mothers.. For many reasons, however, not every infant will be fed breast milk exclusively for 6 months. Indeed, some mothers choose not to breastfeed; some mothers may breastfeed only part of the time and a small percentage perhaps cannot breastfeed their babies. Infant formula, although it can never equal breast milk, is formulated in an attempt to ensure that the most nutritionally complete substitute possible is made available for babies who are not breastfed. Breast milk should be the nutritional gold standard by which formula milk should be assessed. The industry's goal over the years has been to continually improve the quality and safety of infant formula. We believe that components like DHA and ARA, as well as other infant nutrition innovations, help achieve this goal.

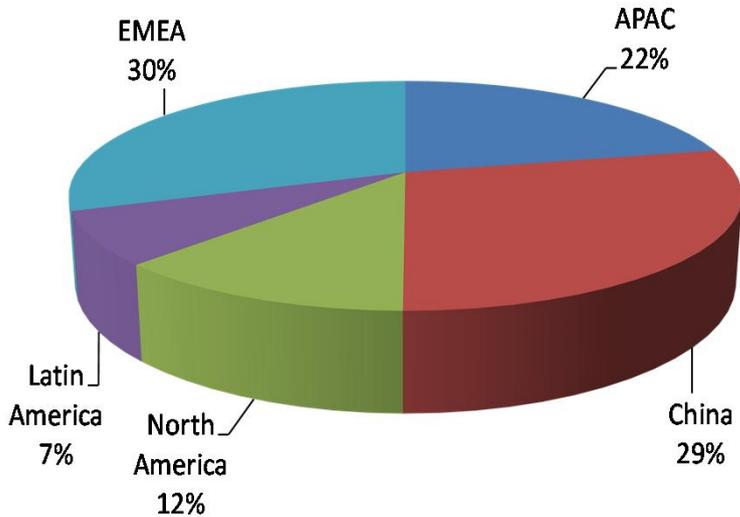
<http://www.dsm.com/corporate/sustainability/managing-sustainability/position-papers.html#>

Infant Nutrition (INF) Industry Fundamentals

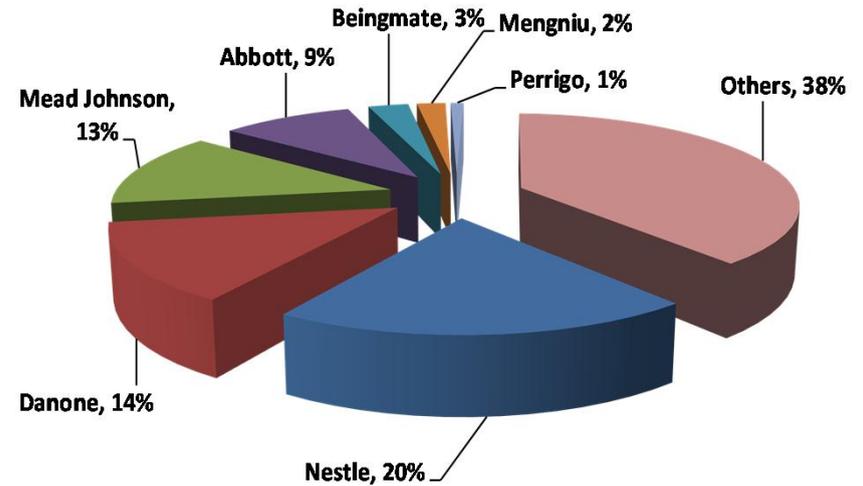
- For today's discussion, INF refers to infant formula products for babies aged 0 -12 months
 - Growing demand for INF line extensions in toddler/children's products
- Growth drivers of the INF market
 - Global economic prosperity
 - Population trends
- The industry has grown ~5% CAGR in recent years
 - Focus on China and emerging markets for growth
- Premium and super-premium products, containing optional ingredients, have outperformed standard products
 - These are key segments for DHA/ARA and other optional ingredients
- Quality and regulatory standards continue to become more stringent and impactful

Global Infant Nutrition Market

INF Volume by Region



INF Manufacturers by Volume



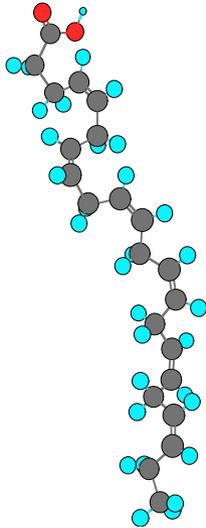
- Top 15 countries >70% of global volume
- US and China ~40% of global volume

- Top 20 companies >75% of global volume
- Top 4 companies ~50% of global volume

Source: Euromonitor, 2014
0-12 month infant formulas

DHA and ARA Primer

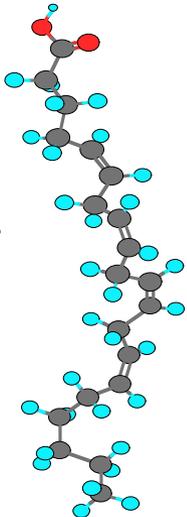
DHA



Docosahexaenoic Acid (DHA) 22:6 n3

- Important component of all cell membranes
 - Abundant in neural, retinal and cardiovascular conducting tissue
- Important in infant development and maintains cardiovascular, visual and neural function throughout the lifespan
- Crosses the placenta as a key nutrient for the fetus preferentially compared to other fatty acids
- Always found in human milk

ARA



Arachidonic Acid (ARA) 20:4 n6

- Essential for growth
- Precursor of immune regulators and cell regulation molecules
- Crosses the placenta as a key nutrient for the fetus
- Always found in human milk

Clinical Rationale for DHA/ARA in INF

- DHA/ARA, naturally found in breast milk, are found in great concentrations in the brain and eyes
- Infants have a limited capacity to synthesize DHA and ARA. Supplementation achieves tissue levels that are necessary to support health and development and thus complements breastfeeding
- Early research success led to comprehensive clinical trials which demonstrated improved cognitive and visual development
- Studies continue to support the importance of DHA/ARA in infant health and development
- DHA and ARA must be provided together to achieve optimal benefits

Commercial History of DHA/ARA in INF

- The core nutritional content of infant formula is highly regulated
 - Infants and young children have specific nutritional needs, which vary depending on their age and phase of development. As infants are a particularly vulnerable group, it is essential that foods for infants are governed by strictest standards and that these standards are subject to regular evidence-based review
 - The addition of optional ingredients which provide a definitive clinical benefit are important differentials; DHA/ARA being good examples
 - Consumer demand for the developmental benefits of DHA/ARA supports their continued addition to an increasing percentage of infant formulas globally
- DSM was the early champion of the clinical benefits of DHA/ARA
 - DSM initiated and supported much of the early research in this area, and continues to be active in both pre-clinical and clinical research focused on DHA and/or ARA benefits
 - DSM developed and maintains a significant global patent portfolio which covers the production and composition of both *life'sDHA* and *life'sARA*
 - DSM's IP, combined with over 20 years of excellent quality and service, has positioned DSM as the market-leader for DHA/ARA for use in infant formula
- DHA/ARA supplemented infant formulas are now highly penetrated in many key markets, but incremental growth opportunities remain
 - Growth will be driven by population trends, socioeconomic development, further premiumization of the segment, and greater penetration into developing INF markets



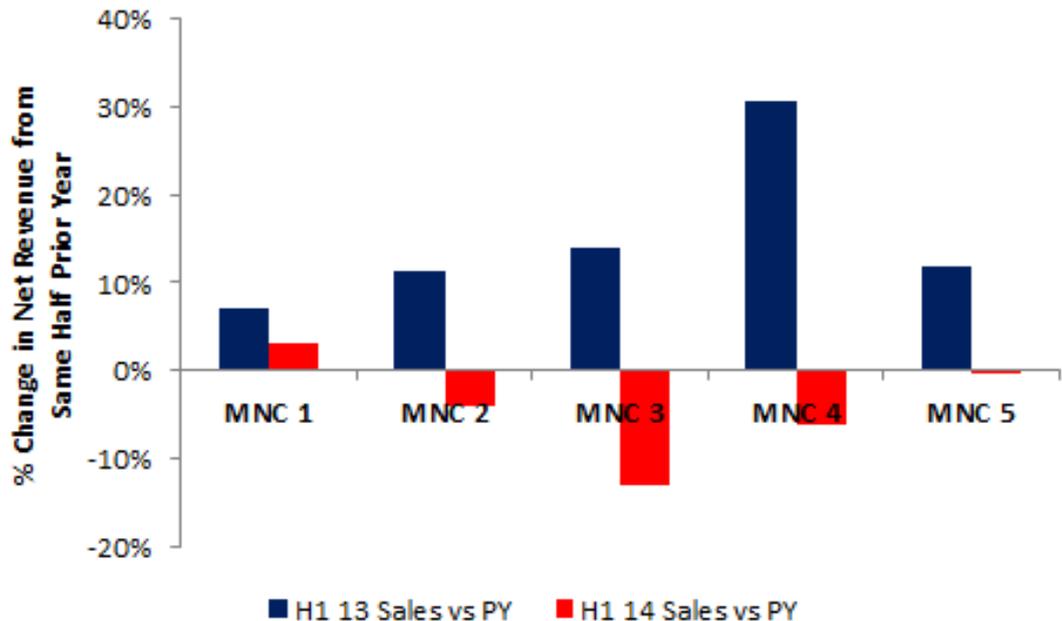
Robust Microbial DHA & ARA Patent Portfolio

- DSM's has an extensive microbial ARA and DHA patent portfolio.
 - This includes patents directed to, among other things, ARA and DHA oil composition as well as processes for making those oils
 - The existing portfolio will provide a competitive advantage to DSM's INF business through 2023-2030
 - DSM continues research and development in the field of microbial oils, and files new patents accordingly

Recent Events Impacting DSM INF Business

- Highly publicized infant formula recalls in 2013 due to the botulism scare have adversely impacted some customers supplying to the Chinese and APAC INF markets
- Implementation of new China regulations/audits may have caused short-term disruption to multinationals; some small INF companies have not yet had import licenses renewed
- Growth expectations for the Chinese INF market have been reduced to a lower level than in the past few years. This has led to industry-wide destocking.

Key DHA/ARA customer global sales growth from public filings. Sales for customers infant segment, pediatric nutrition segment or nutrition segment as available.



Why Customers Choose and Stay with DSM for Infant Nutrition Ingredients

- Global leadership
- Safety & Quality
- Traceability
- Portfolio Breadth
- Global Service & Support
 - Technical, Quality & Product Formulation
 - Marketing and PR
 - Public Affairs & Regulatory Expertise
 - Innovation and New Product Development
- Security of Supply
- Sustainability

Customers know that DSM is a partner and solution provider, not just a supplier



Global Leadership with life'sDHA & life'sARA



- High quality, consistent, vegetarian sources of DHA & ARA
- Safety - made in the U.S. in FDA inspected cGMP facilities
 - >110 million babies raised on life'sDHA and/or life'sARA with no adverse events
- Sustainable source of DHA and ARA
- Over 20 years of proven supply and service history as the market leader

Full Portfolio for Infant Nutrition

Nutritional Lipids



Custom Nutrient Premixes

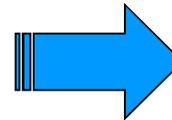


Vitamins

Wide range of Fat-soluble and Water-soluble Vitamins in various forms



Carotenoids



Uniquely positioned in three main steps of the value chain: the production of **pure active ingredients**, their incorporation into **sophisticated forms**, and the provision of **tailored premixes**

Innovative & Science-based Solutions

Growth & Development

Vitamins and minerals support energy metabolism, while nucleotides support the growth and repair of body tissue.

- Vitamins
- Minerals
- DHA & ARA
- Nucleotides
- Choline
- Taurine

Brain Development

Vitamins, minerals, trace elements and long-chain polyunsaturated fatty acids (LC-PUFAs) are essential for neurological development.

- Vitamins
- Minerals
- DHA & ARA
- Lutein
- Choline
- Taurine

Immunity

To combat infection, we supply a range of micronutrients that support the body's immune response.

- Vitamins
- Minerals
- DHA & ARA
- Nucleotides
- Oat beta-glucan

Healthy Bones

Calcium and vitamins B6, C, D and K help to build and maintain adequate bone mass during early childhood.

- Vitamins
- Minerals

Eye Health

Carotenoids, which are present in breast milk, help to protect the retina from oxidative damage. Lutein, DHA and ARA are essential for maintaining eye health.

- Vitamins
- Minerals
- DHA & ARA
- Lutein

Wrap-Up

- The INF industry will continue to be led by a small number of multinational manufacturers
 - Companies with which DSM has substantial and long-standing relationships
- Life'sDHA and/or Life'sARA are currently used by over 100 INF companies
 - DSM is the primary global supplier for most major multinationals
 - Many customers are in multi-year license and supply agreements
 - Products from these companies can be found in over 85 countries
- Despite some near-term challenges in the market, especially the destocking in Asia, the fundamentals of the infant nutrition market remain sound
 - Urbanization, a growing middle class, birth rates and the continued success of premium products support market optimism

DSM is well-positioned to continue as a leading supplier
and partner to the INF industry



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