

DSM Capital Markets Day 2018

Growth & Value - Purpose led, Performance driven.

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ROYAL DSM CAPITAL MARKETS DAY | LONDON (UK) - 20 JUNE 2018



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
- 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

Agenda

1

Strategy 2018: right strategy - successfully delivered

2

Purpose-led company created - ideally positioned for growth

3

Strategy Update | Growth & Value - Purpose led, Performance driven.

Successful transformation future-proofing DSM

Coal mining



(Petro)chemicals



Health, Nutrition, Materials



2018

1902



Strategy 2018 to demonstrate value of growth platforms created in 2010-15

Transformation | 2010-15

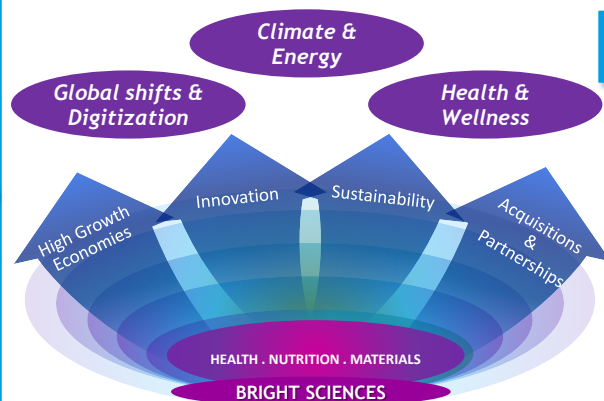
Out

- Melamine
- Agro
- Elastomers
- DSP (JV)
- Patheon (JV)
- ChemicalInvest (JV)

In

- Martek
- ONC
- Fortitech
- Aland
- Tortuga
- Kensey Nash

Demonstrating value | 2015-18: *driving profitable growth*



IMPROVING
FINANCIAL RESULTS

Growth

Cost &
Productivity

Capital
Efficiency

2018 TARGETS

annual Adj. EBITDA growth:
high single-digit percentage

...

annual ROCE growth:
high double-digit bps

Result-driven organization
& culture

Outlook Full Year 2018 re-confirmed

“DSM confirms its full year outlook 2018 as communicated with the Q1 pre-release on 12 April 2018, and expects an Adjusted EBITDA growth towards 25% and a related higher ROCE growth, based on:

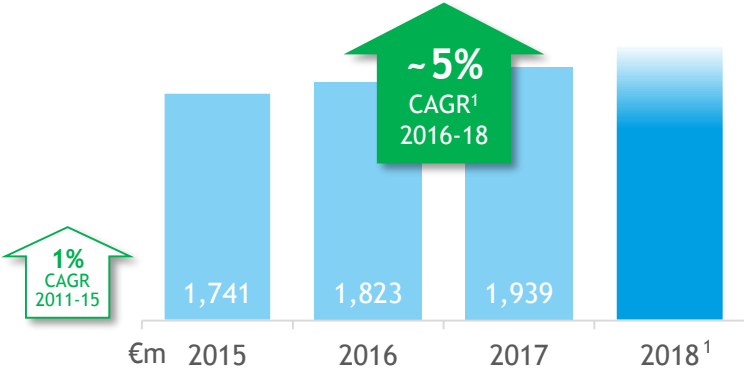
- low double-digit Adjusted EBITDA growth in the underlying business at constant currencies,*
- negative foreign exchange effect on Adjusted EBITDA of about €80 million, and*
- additional Adjusted EBITDA benefit estimated at €250 - 300 million from an exceptional vitamin pricing environment, that is expected to be temporary and heavily weighted towards the first half of the year”*

Nutrition's unique approach resulted in strong growth

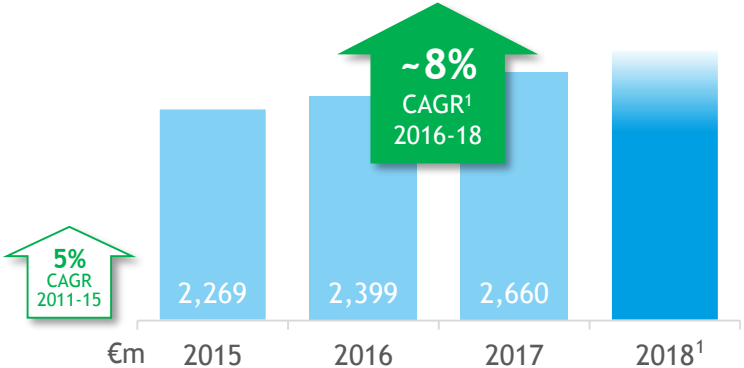
Above-market organic growth (>2-3%)



Human Nutrition | Sales and growth



Animal Nutrition | Sales and growth



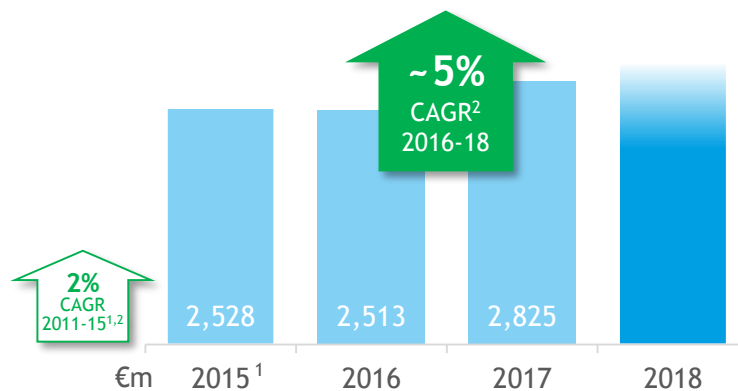
1. Approximation using 2018E, based on underlying business corrected for best estimate of the temporary vitamin effect

Materials successfully focused on higher growth, specialties segments

Above-market organic growth (>2-3%)



Materials | Sales and volume growth



1. Continuing operations

2. CAGRs based on volume growth, CAGR 2016-18 is approximation using 2018E

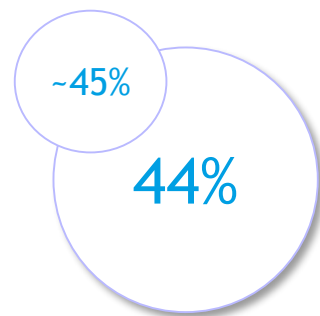
Business performance supported by well-balanced growth drivers

Well-balanced growth drivers sustained

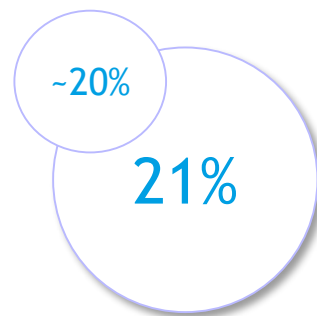


Ambitions¹:

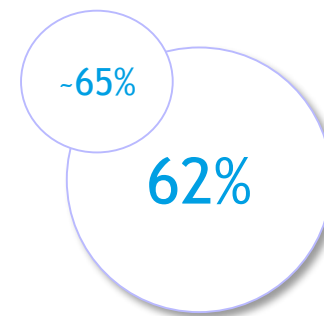
Achievements (2017):



Sales from
High Growth Economies



Sales from
Innovation²



Sustainable
Brighter Living Solutions³

1. Strategy 2018 ambitions; as well as 2021

2. Sales from new products and new applications introduced within the last 5 years

3. Brighter Living Solutions have a better environmental footprint or societal impact compared with mainstream solutions

Building a strong and focused innovation pipeline

Key innovation projects



Large key programs with significant potential ready for commercialization (2019/20)

Increased focus on customer-driven innovation projects



>20% sales from innovation (at higher margins)

Full pipeline of (large) innovation projects for 2020-2025

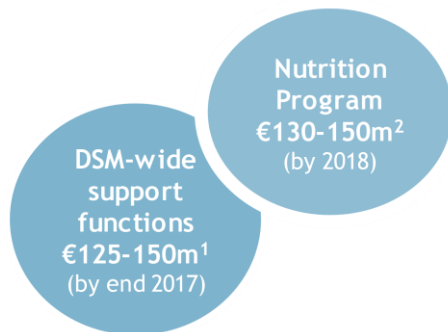
Emerging Business Areas



Well on track to deliver €30 million EBITDA in 2018 in Biomedical - Solar - Bio-based

Clear initiatives further improved financial performance

Cost reduction and efficiency programs



~€275m

Expected run-rate cumulative savings end of 2018^{1,2}

Consistent improvement in capital efficiency



18%

Average working capital³ (in line with <20% aspiration)

6.4% (~€550m p.a.)

Average capex as % of sales⁴ (within 6.5% guidance)

5%

Adjusted net operating free cash flow (CAGR 2015-17)⁵

1. Vs. 2014 baseline

2. Vs. 2015 baseline

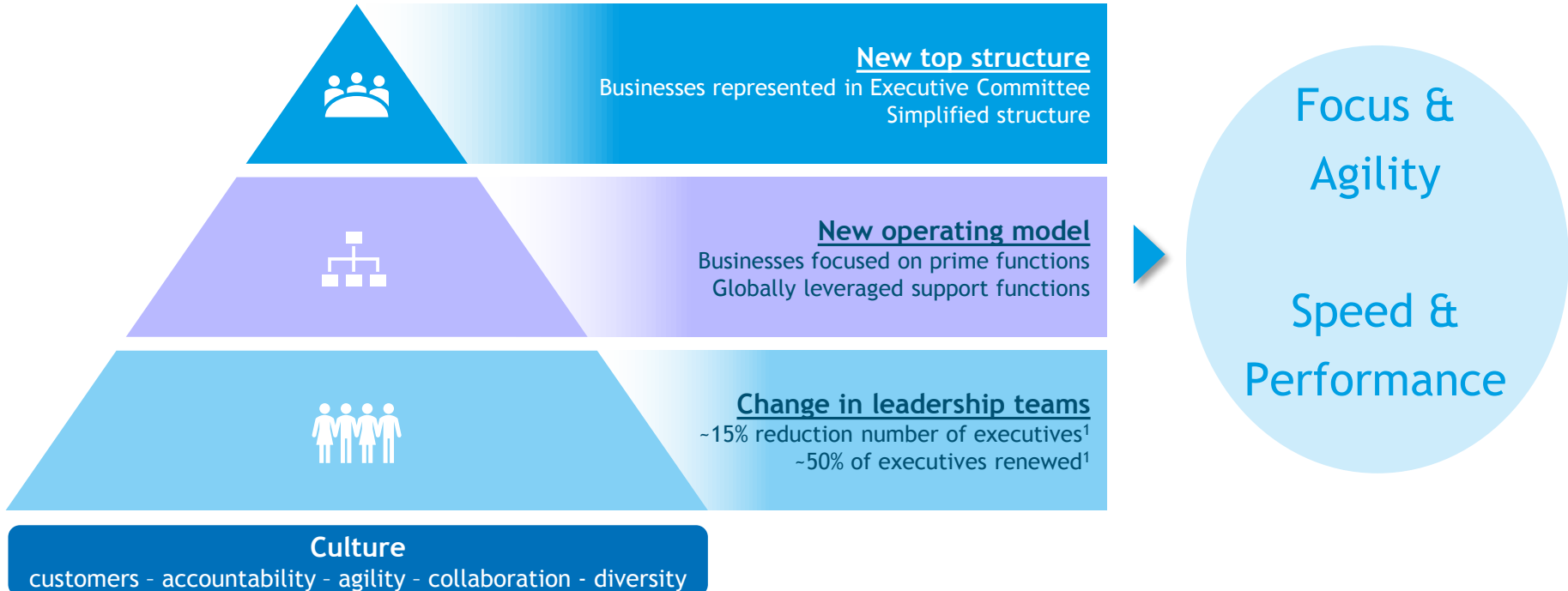
3. At FY2017

4. Average capex as percentage of sales for period 2016-2018E

5. Adjusted net operating free cash flow is cash flow before share purchases for options/ exercise of options, interest, dividend, M&A and financing activities

Organizational adjustments enabled a stronger results-oriented culture

Organization well positioned for (in)organic growth



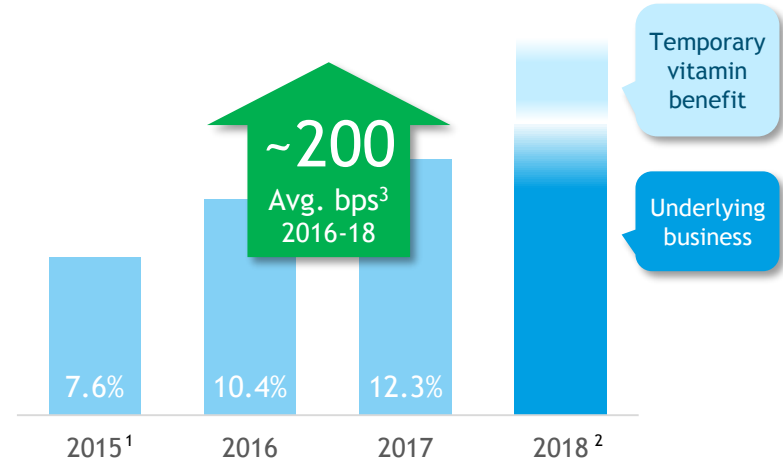
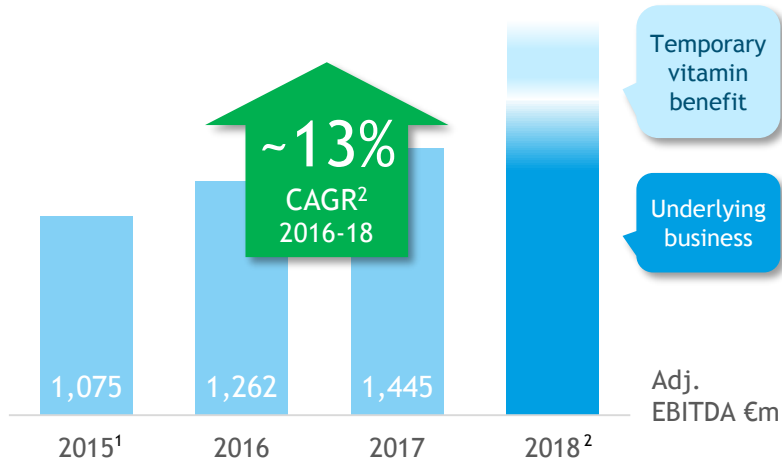
1. Over last 4 years

DSM significantly outperformed its headline financial targets ...

High single-digit percentage annual Adjusted EBITDA growth



High double-digit basis point annual ROCE growth

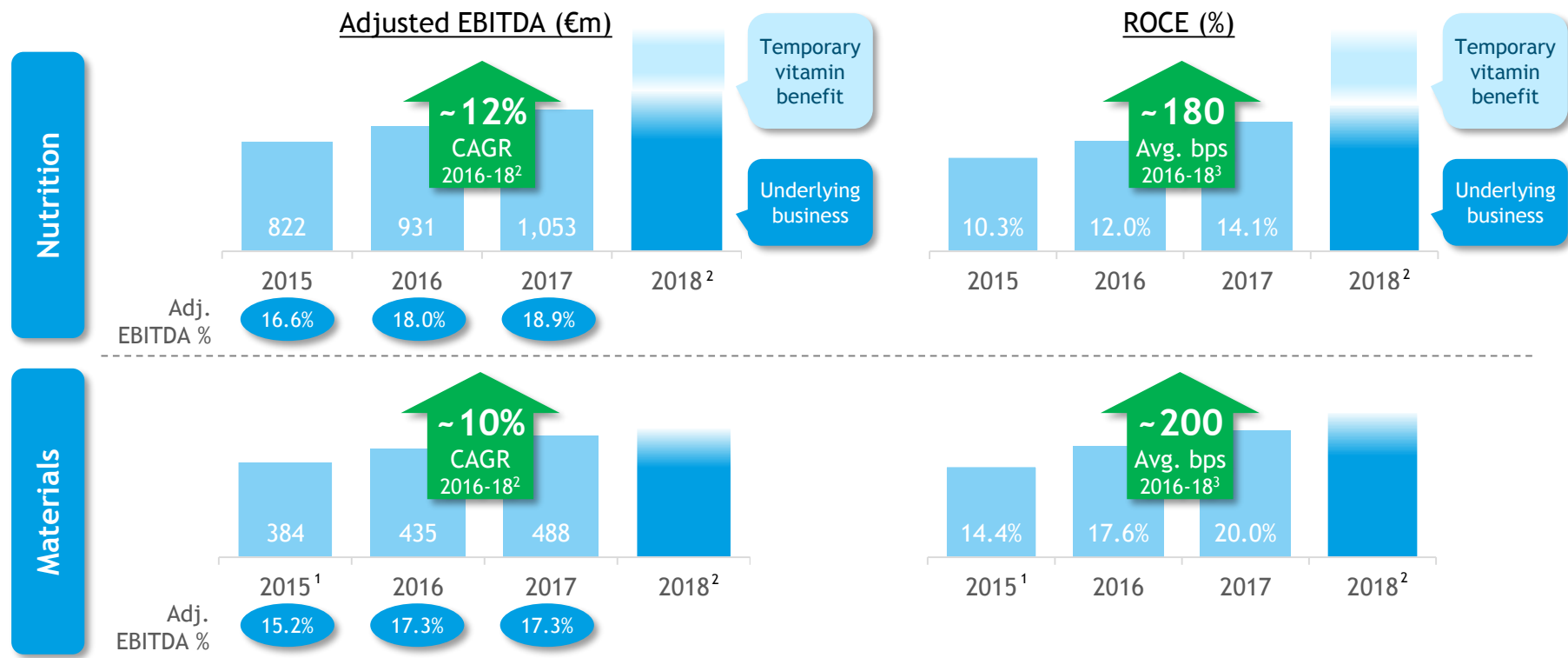


1. Continuing operations

2. Approximation using 2018E. For Nutrition, based on underlying business corrected for best estimate of the temporary vitamin effect

3. Approximation avg. annual growth using 2018E. For Nutrition, based on underlying business corrected for best estimate of the temporary vitamin effect

... with *all* businesses outperforming



1. Continuing operations

2. Approximation using 2018E. For Nutrition, based on underlying business corrected for best estimate of the temporary vitamin effect

3. Approximation avg. annual growth using 2018E. For Nutrition, based on underlying business corrected for best estimate of the temporary vitamin effect

Highly successful partnerships paying off

Value from partnerships enhanced and already substantially monetized



Joint Venture

Patheon Exit

SINOCHEM | **DSM** 50%
DSM Sinochem Pharmaceuticals

ChemicalInvest | **aliancys** 35%
AnQore

Value extracted

▪ Total proceeds: ~€2bn¹

▪ Total proceeds thus far: ~€535m³

Business Performance (continuing operations)

▪ Improved performance; EBITDA: from €57m (2015) to €82m (LTM²)

▪ AnQore & Aliancys remain; EBITDA: from €60m (2015) to €88m (LTM²)
▪ Further value creation from combination Aliancys & AOC

1. Cash in 2017: €1.5bn, earlier €0.5bn

2. Last twelve months as of end of March

3. Incl. Fibrant exit announced on May 2, 2018 (€0.2bn), which is expected to be completed in 3Q 2018, subject to customary regulatory approvals

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Purpose-led company created - ideally positioned for growth

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Strategy Update | Growth & Value - Purpose led, Performance driven.

DSM creates value on all three dimensions: *People, Planet & Profit* for all stakeholders: *Customers, Employees, Shareholders & Society at large*¹

People



Engaging people

75% of employees feel good about working at DSM, a jump of 4% vs. 2016



27/73 Ratio female/male stable vs. 2016	17% Female executives +2% up vs. 2016	71% Inclusion index up from 70% in 2016	0.36 Frequency Index of Recordable Injuries, decline vs. 0.33 in 2016 ²
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Planet



Preserving our earth

62% Brighter Living Solutions sales (ECO+/ People+) working toward 65% (2020)



21% Purchased electricity from renewable resources, up from 8% in 2016	26% Greenhouse-gas efficiency improvement cumulative 23% up in 2016 compared to 2008	3% Energy efficiency improvement cumulative vs. 2015	A-rating CDP Climate and Water. Ranks #1 Sustainability and Gold Class DJSI
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Profit



Delivering profitable growth

+15% Adjusted EBITDA growth vs. 2016 to €1,445m

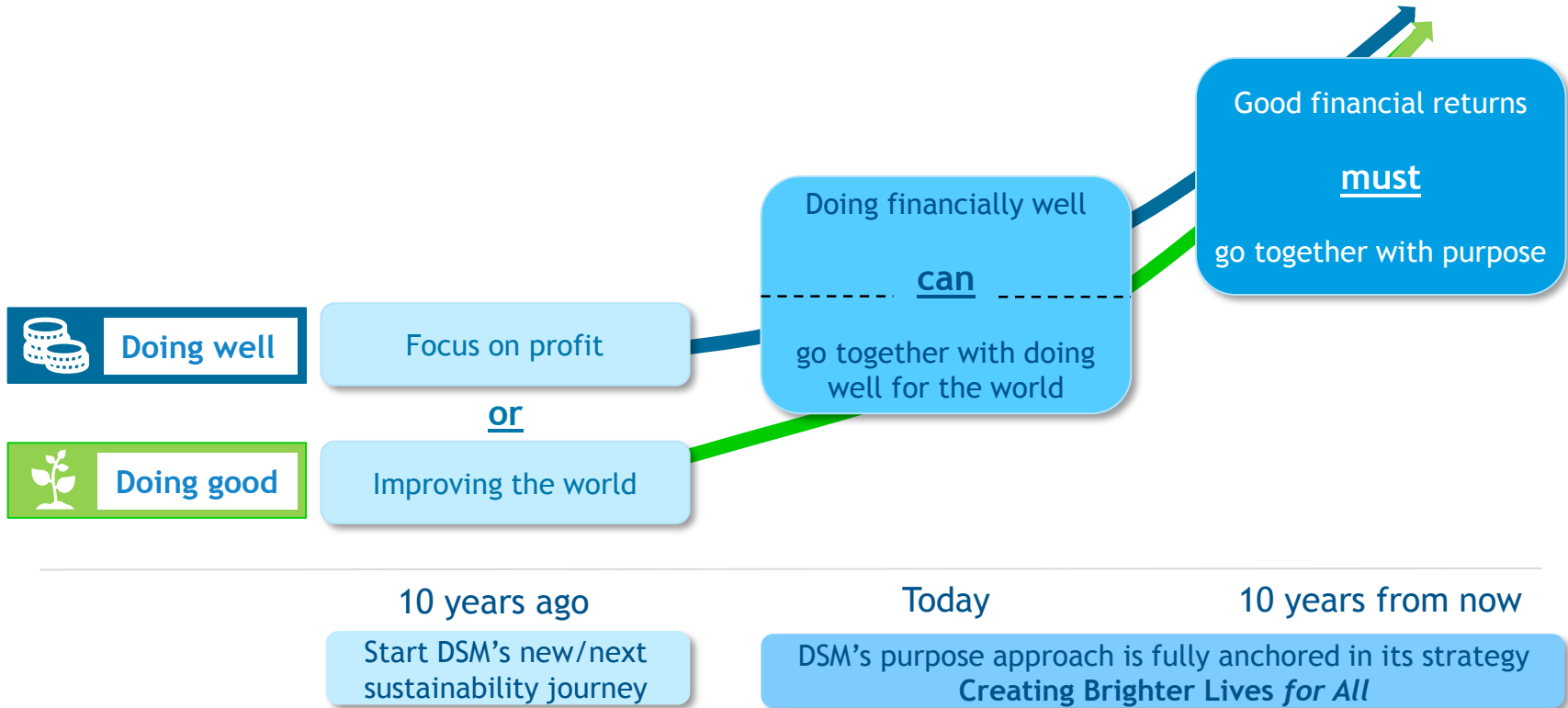
+190 ROCE growth (in bps) vs. 2016 to 12.3%

+9% Organic sales growth up from 2016	21% Innovation sales, meeting our 20% ambition	44% Sales to high-growth economies, providing a well-balanced geographical spread vs 45% ambition	1.85 Dividend per share, up from €1.75 for 2016
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1. All descriptions and figures can be found in Integrated Annual Report over 2017

2. Per 100 DSM employees and contractors

Purpose-led company created: doing well by doing good



Purpose drives performance: future-proofing by cost, growth & engagement



Purpose drives growth opportunities

DSM's key competences ...

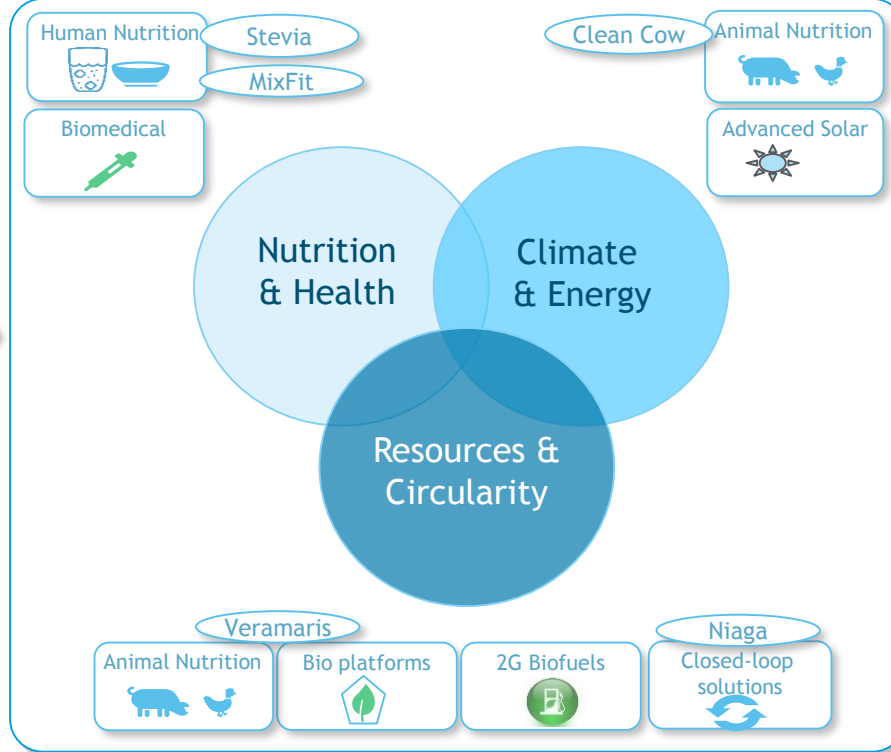
DSM
BRIGHT SCIENCE. BRIGHTER LIVING.
Future-proof



... addressing megatrends/SDGs ...

Global Megatrends
SDGs

... provide growth opportunities in the focus-domains ...



... creating a growth company ...



... reaching
~2.5bn people
worldwide

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Strategy 2018: right strategy - successfully delivered

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Strategy Update | Growth & Value - Purpose led, Performance driven.

A Growth & Value strategy: Purpose led, Performance driven.

Scope

Organic

Inorganic

Enablers



▪ Purpose sets scope for DSM's further portfolio evolution:

- Focus on growth in Nutrition, Health and Sustainable Living

▪ Organic growth enhanced by:

- Customer centricity
- Solutions-oriented approach
- Innovation focus

▪ Inorganic growth further 'evolving' portfolio:

- Predominantly in Nutrition

▪ Enabling programs for accelerated growth:

- Performance-driven organization, leadership & culture
- Digitization
- Sustainability leadership

Scope | Purpose sets scope for growth and portfolio evolution

Scope

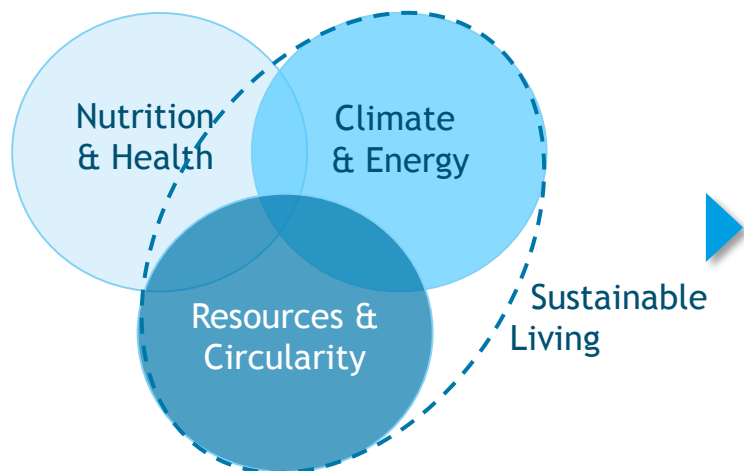
Organic

Inorganic

Enablers

Clear direction set for growth and further portfolio development in **Nutrition, Health and Sustainable Living ...**

... offering significant business opportunities in attractive market segments providing Growth & Value in all parts of the DSM portfolio:



- Human Nutrition
- Animal Nutrition
- Personal Care & Aroma
- Biomedical
- Green products & applications
- New mobility & connectivity applications

... with growth in Nutrition, Health and Sustainable Living ...

- Human Nutrition
- Animal Nutrition
- Personal Care & Aroma
- Biomedical
- Green products & applications
- New mobility & connectivity applications

Human Nutrition

- Further build Food & Beverages ingredients portfolio (incl. solution capabilities and applications)
- Strengthen specialty nutrition business (i.e. nutritional ingredients, B2C, personalized nutrition)
- Expand personal care and aroma ingredients offering

Animal Nutrition

- Strengthen position in premixes and species
- Further build specialty business model with solutions capability and data management

Materials

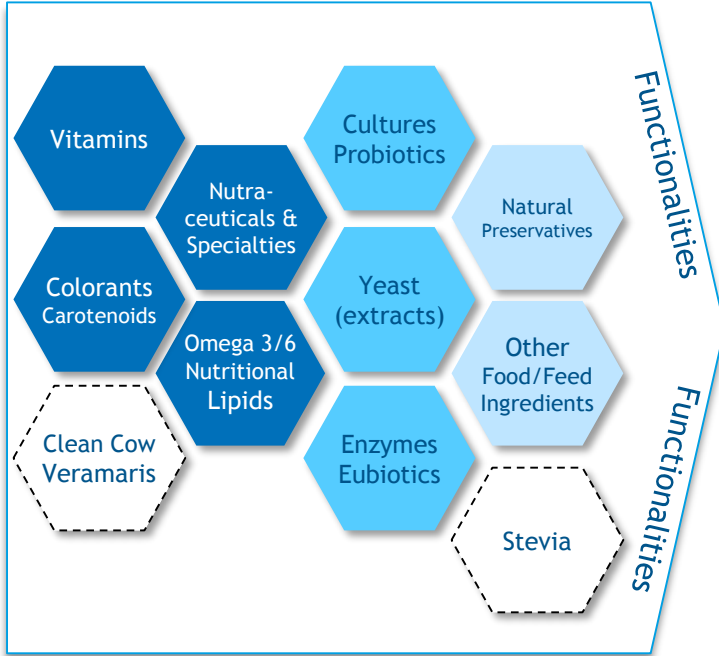
Capture opportunities in Materials in:

- Biomedical/ health
- Green products & applications
- New mobility & connectivity a.o. via new applications and bio-based products

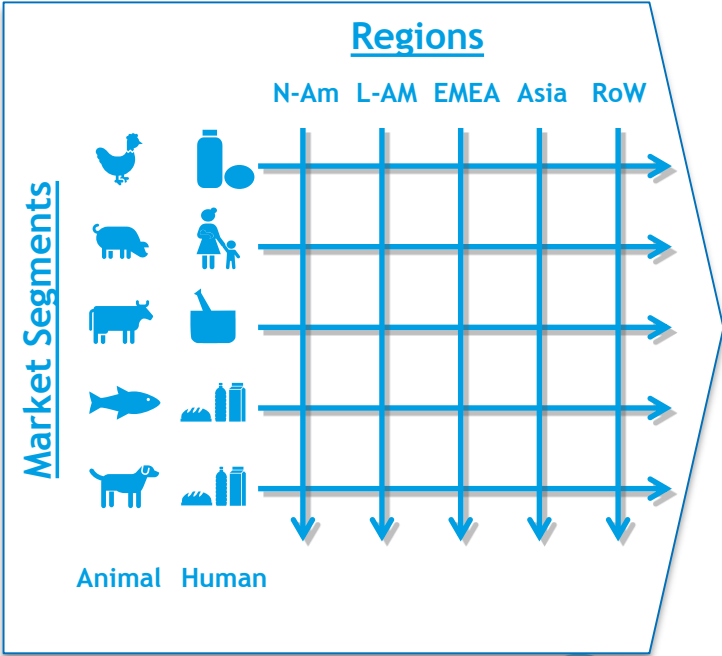
Organic growth | Customer-led innovation in Nutrition led by strong product portfolio and science

Scope
 Organic Inorganic
 Enablers

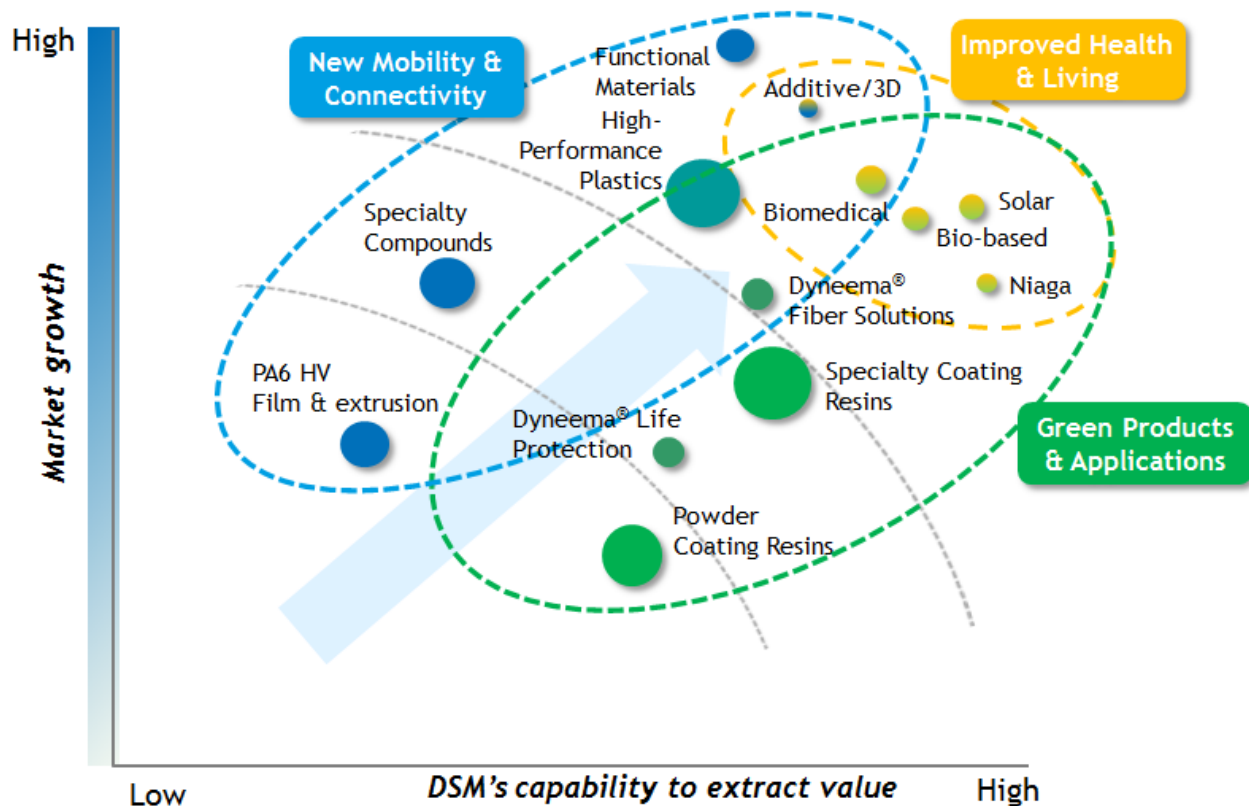
Global Products



Local Solutions



Organic growth | Segment-specific application development driven by customer needs in Materials



Next phase: global customer centricity & agility program enabling strong above-market growth

Mindset

- Top-line focus
- Customer first



People

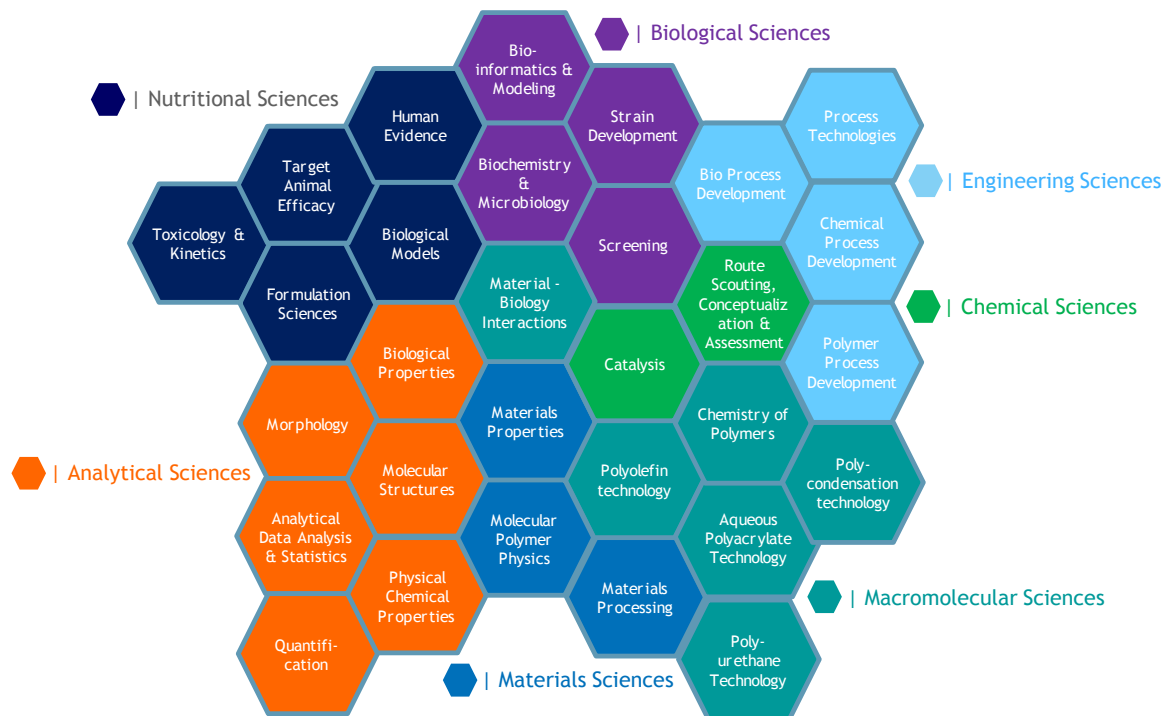
- Businesses focus on prime functions
- New stronger leadership/ people/ teams
- Stronger global presence
- Lead & Grow tools
- KPIs and Incentives

Marketing & Sales approach

- M&S organized by (winning) market segments
- Focus on customer needs (data-based)
- Customer-aligned innovations
- Balanced global/ local presence (better geo spread)
- Improved supply chain and distributor management

Organic growth | Leveraging unique technology capabilities for developing innovative sustainable solutions

Scope
 Organic Inorganic
 Enablers



- Fundamental understanding of science behind Nutrition
- Capability to develop new ingredients and proving benefits
- Biotech center providing sustainable alternatives for chemical synthesis, plant/ animal-derived ingredients
- Fundamental understanding of material synthesis/ characterization and capability to convert in Sustainable Living applications
- R&D investments remain at 5% of sales

Organic growth | Supported by large innovation projects

Scope

Organic

Inorganic

Enablers

Recent market introductions

- Eubiotics/Gut Health (feed/food)
- i-Health (B2C nutrients)
- New biomedical products (tissue repair/ophthalmology)
- Solar (coatings/backsheets)
- New Functional Materials (5G)
- Apparel (Dyneema textile applications)
- ForTii (High-Performance Polymer)

New market introductions 2019-20



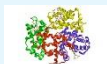
- Clean Cow



- Veramaris (Green Ocean)



- Stevia (fermentative)



- Enzymes/Yeast (1.5 - 2G ethanol)



- Niaga (recyclable carpets & more)



- Additive Manufacturing (3D)

Market introductions 2021-25

- Plant-based proteins (CanolaPRO)
- Bio-agri (fungicides/pesticides)
- Actamax (biomed adhesion barrier)

Expected Sales/Adj. EBITDA in 2021 and 2025 of large projects: ~€350m/€100m rising to ~€1bn/€0.4bn
Total innovation sales (at higher margins) remain at 20% of sales

- Value creating M&A will further evolve and develop DSM's portfolio
- Acquisitions will be predominately in Nutrition, given the:
 - growth potential and resilience
 - current and attainable strong global leadership position
 - value creation potential
- Whilst further evolving our portfolio, DSM will remain focused on organic growth, and preserve our competence- and scale-leverage

Growth enablers | Organization, leadership & culture enabling continued performance

Organization

- Keep **cost discipline** and further optimize support functions
- Develop further **customer-centric organization**, aligned with market/ customer segments

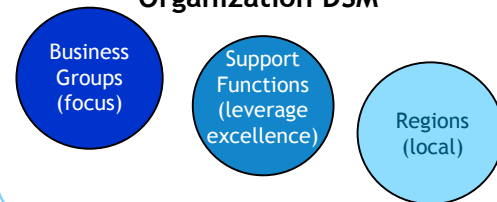
Leadership & People

- Accelerate **leadership development** (people/ teams) and effectiveness in growing our businesses
- Set global mindset by further **internationalization** (i.e. executives outside EU - location/ nationality)

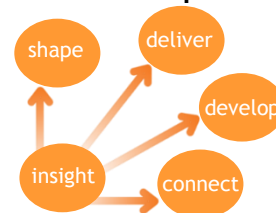
Culture

- Doing Something Meaningful, every day:
 - **Customer Passion inspires innovation**
customer first & external orientation
 - **Accountability & Agility spark success**
performance, speed & delivery
 - **Inclusiveness brightens our future**
diverse people/perspectives, collaboration & connectivity

Organization DSM



DSM Leadership Model



ONE DSM

Customers & Innovation

Accountability & Agility

Inclusiveness & Collaboration

Growth enablers | Digitization drives growth and improves efficiency

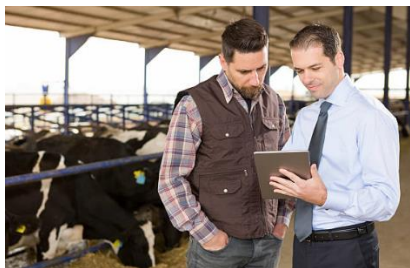
Scope

Organic

Inorganic

Enablers

Customer intimacy



■ Improve top-line results

- Customer data analytics
- Omnichannel apps providing 24/7 customer experiences
- Strong cloud technology stack
- Digital collaboration tools

Operational performance



■ Reduce costs by automation & data analytics

- Increase productivity in support functions and manufacturing by automation/ robotization
- Data analytics for optimization of operational processes
- Improve safety, quality and plant reliability

New business models



■ Digital entrepreneurship & AI

- Partnerships for digital value propositions
- Digital business transformation
- Pilots on personalized nutrition and animalized feed
- Become trusted reference in nutritional knowledge

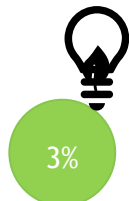
Advanced Digital Technology Platform • Agile Organization & Ways of Working

Growth enablers | Continued sustainability leadership step-up

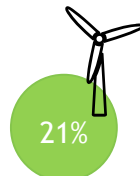
2017
Realization¹



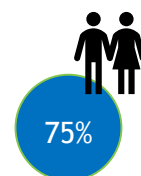
- GHG efficiency improvement (vs. 2015)



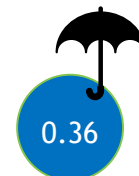
- Energy efficiency improvement (vs. 2015)



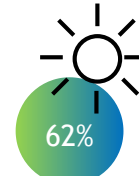
- Purchased renewable electricity



- Employee engagement favorable score



- Safety Frequency Recordable Index



- Brighter Living Solutions

2021 / 2030
Ambitions

- 30% absolute reduction by 2030 (vs. 2016)²

- >1% average annually till 2030

- 75% by 2030

- >75% by 2021

- <0.25 by 2021

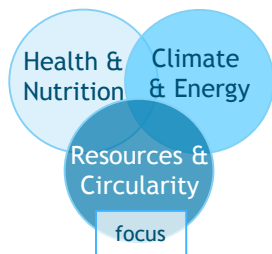
- >65%³ by 2021

Business growth enabler

Develop and introduce new innovative sustainable solutions with focus on Nutrition & Health - Climate & Energy - Resources & Circularity domains (e.g., Clean Cow, Veramaris, Niaga, etc.)

1. See DSM's Integrated Annual Report 2017 for definitions and additional information; in addition: Circular Businesses DSM in 2017: -15% of total sales
2. Change from efficiency to absolute reduction (scope 1&2); scope 3 set in H2 '18 (part of Science Based Targets); GHG EI of 8% in '15/'17 is 26% vs. 2008 (target: -40% by 2025)
3. KPI will be updated as part of the Responsible Care Plan update in 2020

Strategy Update: Growth & Value - Purpose led, Performance driven.



- Purpose sets scope for DSM's further portfolio evolution:
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- Enabling programs for accelerated growth:
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 - Sustainability leadership

2021 Targets¹

High single-digit percentage annual Adj. EBITDA increase

~10% average annual Adj. Net Operating Free Cash Flow² increase

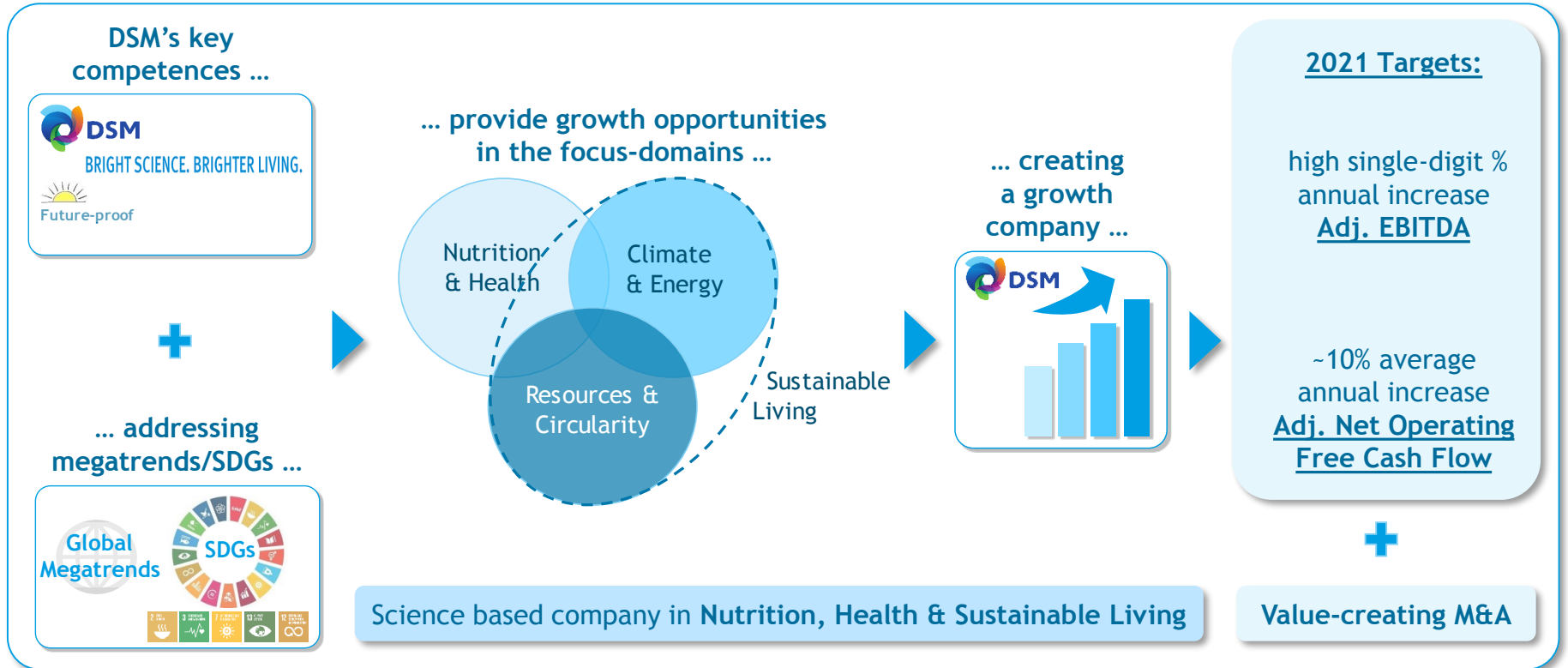
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Value-creating M&A

1. Based on 'underlying business' 2018 Base Line corrected for the temporary vitamin effect

2. Adjusted net operating free cash flow is cash flow before share purchases for options/ exercise of options, interest, dividend, M&A and financing activities

DSM Strategy: Growth & Value - Purpose led, Performance driven





BRIGHT SCIENCE. BRIGHTER LIVING.™