

Annual Results 2019

Annual General Meeting - 8 May 2020

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NUTRITION • HEALTH • SUSTAINABLE LIVING



DSM

BRIGHT SCIENCE. BRIGHTER LIVING.



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Our Strategy: Growth & Value – Purpose-led, Performance driven

Purpose drives growth opportunities

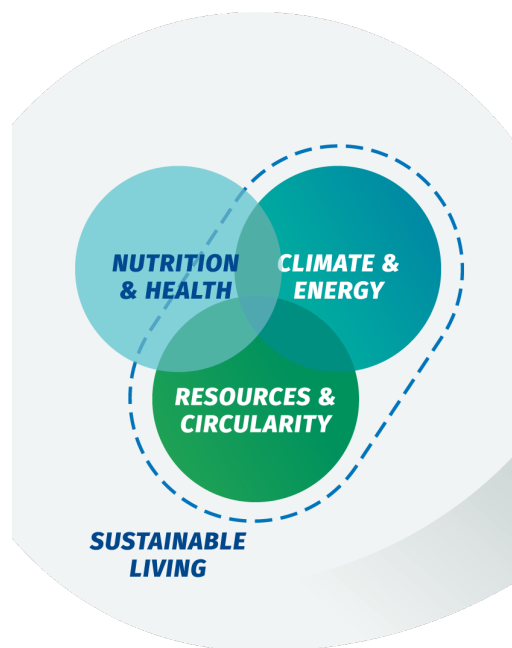
Our competences
and purpose...

Our key competences +
addressing megatrends
and the UN SDGs:



provide growth
opportunities in
the focus domains...

A science-based company
active in Nutrition, Health
and Sustainable Living:



creating a
growth company...

Company
growth



with targets that
underpin our purpose.

Our 2019-2021 targets:

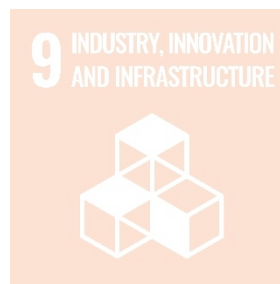
High single-digit %
annual increase in
Adjusted EBITDA
+
~10% average annual
increase in Adjusted net
operating free cash flow
+
Value-creating
M&A

Strategy well aligned with sustainable development goals

Nutrition & Health



Climate & Energy



Resources & Circularity



Please see DSM's Integrated Annual Report 2019 for definitions and additional information

Committed to our responsibilities to society



THE CLIMATE GROUP



2019 – Highlights



2019 Highlights: another good year

Achieving our key mile stones in the first year of Strategy 2021

- The year 2019 was again a record year for DSM. The hard work and engagement of our employees delivered good results, in a not so easy economic, as well as (geo)political and societal, context

Net Sales: €9,010m
up 2% from 2018¹

Adj.EBITDA: €1,684m
up 10%² versus 2018¹

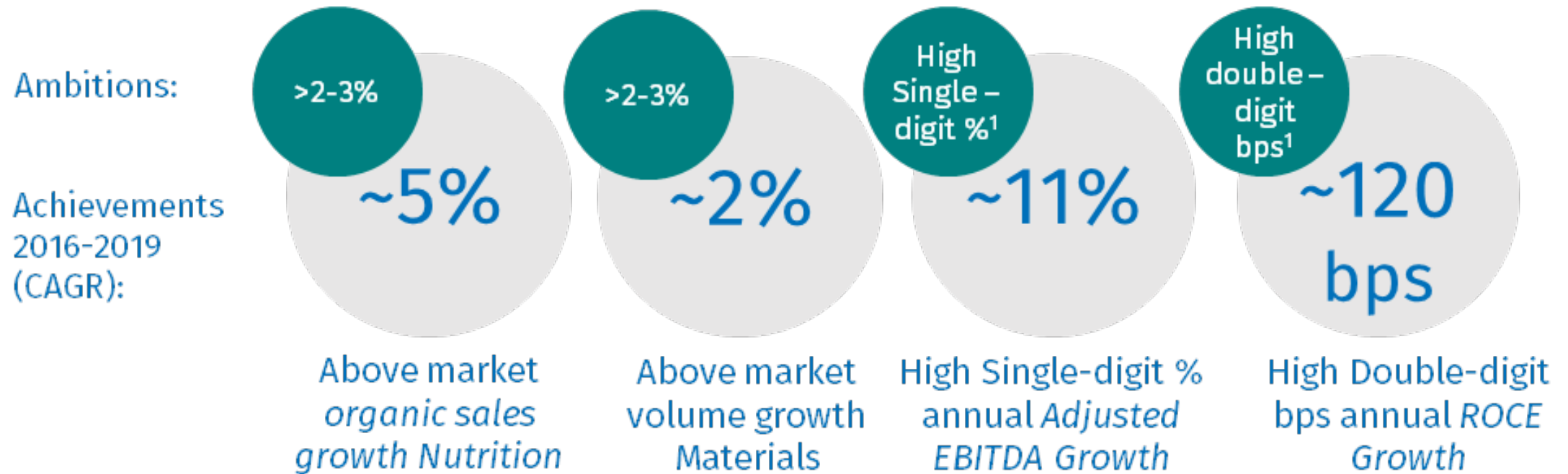
Adjusted Net profit
€830m, up 8% versus
2018¹

Adjusted net operating
free cash flow: €801m²
up 47% versus 2018¹

¹Excluding the impact of the “temporary vitamin effect” in 2018, for further details see IAR 2018 and 2019








² Including the impact of IFRS 16; when adjusted for IFRS 16, Adj. EBITDA is up 7% versus 2018

Outperformed key *financial* targets over last 4 years (2016-2019)



1. 2016-2019 numbers. Excluding IFRS 16 impact in 2019

With decisive progress in our sustainability leadership

Realization 2019	 ~17%	 2.3%	 50%	 74%	 0.28	 20%	 63%
	GHG structural improvement (vs. 2016)	Energy efficiency improvement year-on-year	Purchased renewable electricity	Employee engagement favorable score	Safety Frequency Recordable Index	Female executives	Brighter Living Solutions
Ambitions	30% by 2030 (vs. 2016)	>1% average annually till 2030	75% by 2030	>75% by 2021	<0.25 by 2021	25% by 2021	>65% by 2021

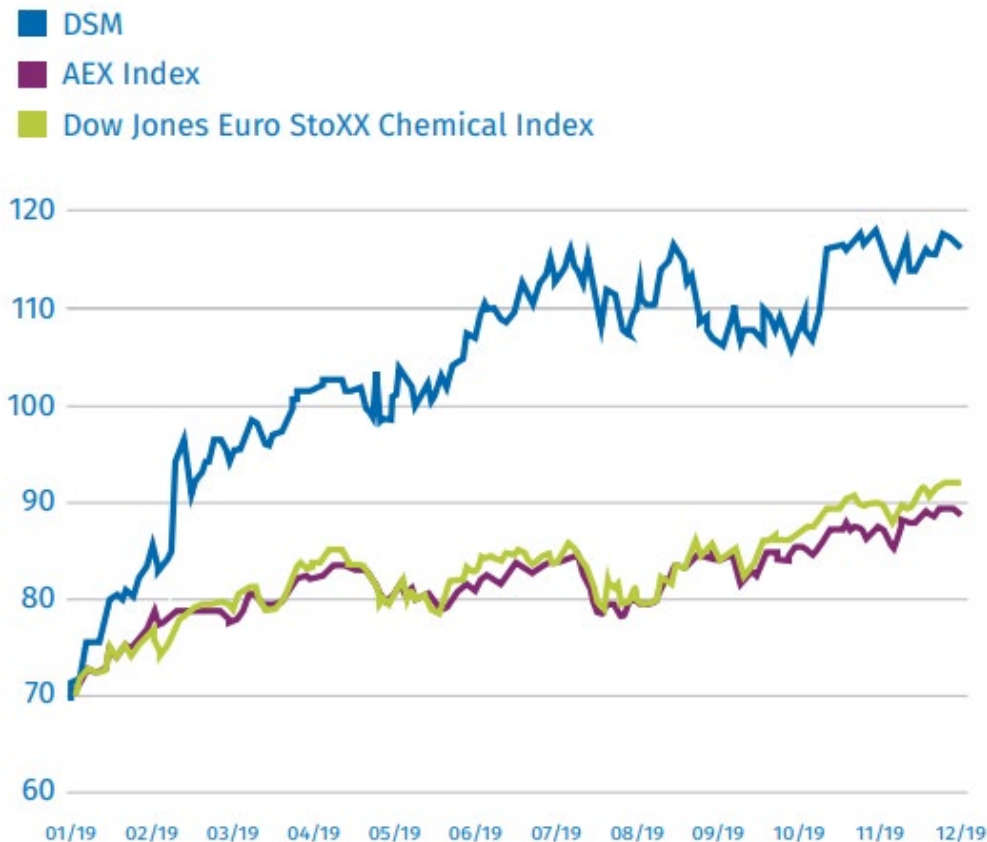
A purpose-led strategy comes with recognition

- Best UN Sustainable Development Goals Award at the Sustainable Business Awards Singapore
- Forbes Global 2000: the World's Best Employers
- Listed in inaugural Financial Times Diversity Leaders, a ranking on companies in 10 European countries on a diverse and inclusive workplace
- Ranked in Fast Company's '2019 The Most Innovative Companies in China 50'
- Named for the 9th consecutive year in the Great Place to Work list in Brazil
- Ranked #1 globally by Sustainalytics, AAA rating in MSCI, Prime score in ISS-Oekom, and a leading position in Vigeo and platinum status in Ecovadis rating
- Climate change strategy received an A- rating from CDP

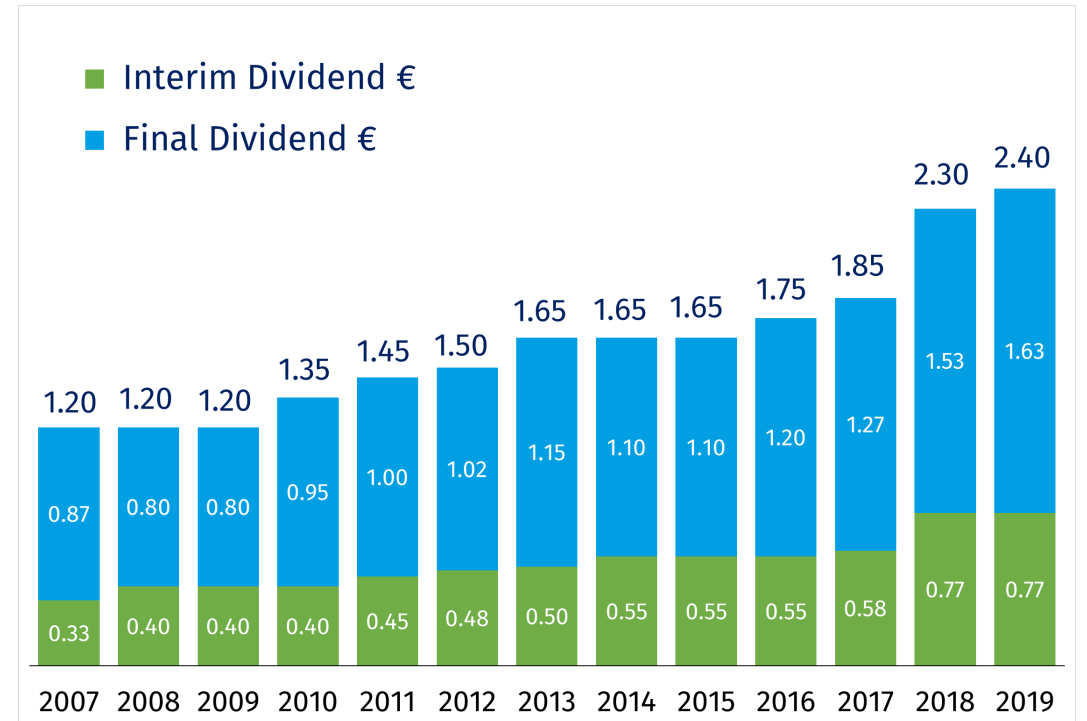


At DSM, Sustainability drives shareholder value creation

Share price (rebased to DSM shareprice)



Total dividend further increased





Good progress
in our businesses &
innovation programs

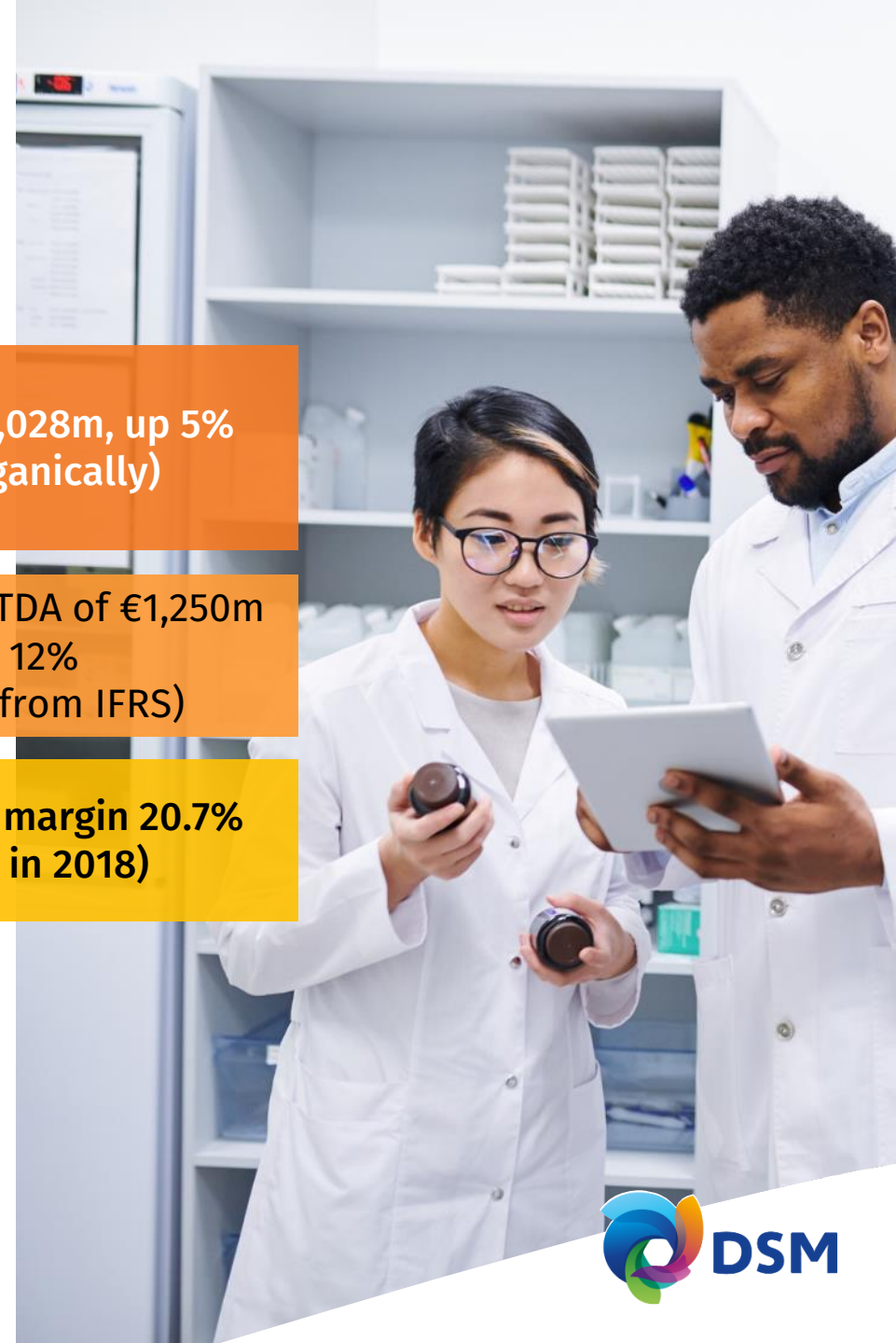
2019 Business highlights Nutrition

- Overall, Nutrition delivered a good top-line growth of 5% in 2019, with an organic growth of 2% driven by higher volumes and an overall stable price/mix effect
 - solid top line growth Animal Nutrition
 - strong results in Personal Care and Food Specialties
 - whilst Human Nutrition showed some softness
- 12% Adjusted EBITDA growth in the year (including 3% from IFRS 16)
- Adjusted EBITDA margin remained strong at 20.7% (including 50 bps from IFRS 16) versus 19.5% in prior year
- Acquisition Andre Pectin in China (hydrocolloids), Nenter in China (Vitamin E) and CSK in the Netherlands (cultures)

**Sales of €6,028m, up 5%
(2% organically)**

**Adjusted EBITDA of €1,250m
up 12%
(incl 3% from IFRS)**

**Adj. EBITDA margin 20.7%
(19.5% in 2018)**



Business highlights Animal Nutrition

- Sales were strong for all species and in all regions, except for sales to the swine business in China and South-East Asia which were impacted by the ASF
- Continued good growth – 4% organically despite ASF - demonstrates the resilience of the global, integrated and diversified business model
- Good progress with sustainable innovation projects
 - Completion of the global launch of Balancius®
 - Opening of Veramaris commercial-scale Omega-3 for fish-feed production facility in Blair (Nebraska, USA)
 - Filed for EU authorization for methane-reducing Project Clean Cow feed additive

**Sales of €2,892m, up 5%
(4% organically)
Both prices and volumes up 2%**

**Acquisition of Nenter in
Vitamin E**

**Good progress in innovation
projects**

Business highlights Human Nutrition

- Human Nutrition & Health delivered 3% sales growth and -1% organic growth, against a tough comparison of 7% organic growth in 2018, in increasingly challenging end-markets in the second half of 2019
- After a strong start to the year, softer macroeconomic conditions increasingly weighed on the Food & Beverage segment, especially in North America. Medical Nutrition and Dietary Supplements (driven by i-Health), performed well. Early Life Nutrition showed a strong performance in the first 3 quarters, with a softer 4th quarter
- Lower prices for vitamin C and negative mix effects resulted in 3% lower prices

Sales of €2,046m, up 3%
(1% down organically)
Volumes were up 2% and prices
declined by 3%

Good growth in Medical
Nutrition and Dietary
Supplements

Acquisition of AVA, in
personalized Nutrition

Business highlights “Other” Nutrition

Food Specialties:

- Sales were 17% higher versus 2018, resulting from 4% organic growth, 12% from the consolidation of Andre Pectin
- All major business lines performed well, with especially good sales growth in cultures and food enzymes in dairy and baking
- Acquisition of CSK (NL) primarily active in cheese cultures. This highly synergetic business allows DSM to better serve the fast-growing & attractive dairy culture markets
- Good progress on large innovation:
 - Avansya, DSM’s joint venture with Cargill for sweetener, started commercial production of its fermentative stevia at its plant in Blair, Nebraska (USA) in November

Personal Care & Aroma Ingredients:

- All product lines, including sun-, skin- and hair care delivered good above-market growth, with aroma ingredients also performing well in 2019

Food Specialties’ Sales of
€572m, up 17%
(4% up organically)

Personal Care Sales of
€425m, up 11%
(9% up organically)

Start up production Avansya
Acquisition of Andre Pectin
and Royal CSK

2019 Business highlights Materials

- Materials continued its ongoing transformation into a high-growth, higher-margin specialty business, focused on Improved Health & Living, Green Products & Applications and New Mobility & Connectivity
- Materials reported minus 8% organic growth, with volumes recording minus 5% and prices minus 3%. The lower prices fully reflect lower input costs
- DSM's specialty portfolio demonstrated its relative earnings resilience. Due to the strong performance of the higher margin businesses (especially Dyneema), good margin management, cost control and some benefit from currencies, Materials reported almost flat earnings in 2019
- Adjusted EBITDA margin was 18.5% (including 0.2% impact from IFRS 16) compared to 17.6% achieved in the previous year
- In 2019, DSM acquired the specialty materials business of the Indian company SRF Ltd.

Sales: €2.746 million
down 6%
(8% down organically)

Adjusted EBITDA of €509m,
1% down vs 2018
(incl 1% from IFRS)

Adj. EBITDA margin 18.5%
(17.6% in 2018)

2019 Business highlights Materials

- **Engineering Plastics** reported minus 10% organic growth and saw persistent softness in China and in the global automotive segment. Electrical & Electronics saw some signs of improvement in the second half. Business conditions in other end-segments were solid
- **Resins & Functional Materials** reported minus 6% organic growth. Business conditions in Coating Resins stabilized versus 2018: while the European end-markets remained weak, the business experienced a small uptick in the Chinese Building & Construction sector. Functional Materials saw its sales of specialty coatings for glass fiber optic cables decline in the second half of the year. The 4G network investments started to fade out in anticipation of the upcoming infrastructure investments for the 5G networks, which led to temporarily lower sales
- **Dyneema** reported minus 4% organic growth. The focus on strong growth in the high margin personal protection business resulted in lower volumes in other segments. The shift had a strong positive effect on the margins. New production capacity was started up by the end of the year, which will allow the business to continue its growth

Sales Engineering Plastics:
€1,406 million

Sales Resins & Functional
Materials: €1,002 million

Sales Dyneema:
€338 million

2020 Q1 Highlights



Covid-19 Health & Safety is top priority

- DSM's long-standing priority has been the health, safety and well-being of its employees and partners, and this remains especially true during the COVID-19 pandemic
 - ✓ very early actions including working from home, restrictions on travel, stringent hygiene & safety protocols along supply chain
 - ✓ distribution of free immune-optimizing nutrients
 - ✓ extended its online tools and resources
 - ✓ Employee Assistance Programs across the globe.



Highlights

Q1 2020

- DSM reports a solid quarter
- Early actions on COVID-19 ensured continuity of operations and supply to customers
- Group sales and Adjusted EBITDA stable
 - ✓ Nutrition: sales +4%, organic sales +2%, Adjusted EBITDA +3%
 - ✓ Materials: sales -8%, volumes -6%, Adjusted EBITDA -7%
- Adjusted net profit up 8% to €216m. Net profit: €168m
- Strong Adjusted Net Operating Free Cash Flow of €151m, up 152%
- Outlook 2020: DSM expects Nutrition to deliver at least a mid-single digit increase in Adjusted EBITDA, but given current limited visibility in Materials the overall earnings outlook is suspended at this time

Glycom acquisition completed

Welcome to the family

- World's only fully-integrated Human Milk Oligosaccharides (HMO) supplier
- HMOs are essential for the development of immunity, cognitive and digestive functions and therefore key in Early Life Nutrition
- Newest technology platform in Early Life Nutrition keeps us ahead of the pack (as we did with ARA/DHA in the past)
- Interesting for medical nutrition, dietary supplements, food and beverages, and pet food moving forward



Taking our Responsibility towards society

- DSM is applying its scientific know-how and resources, including financial contributions, to help ease the impact of COVID-19 in society at large
 - ✓ **Donating immunity-optimizing vitamins and probiotics**, plus reserves of personal protective equipment, to healthcare workers and local communities
 - ✓ Re-engineered a production line to produce an initial 130,000 liters of **disinfectant** to be donated to healthcare institutions
 - ✓ Sharing 3D printing files and expertise to deliver faster solutions to their urgent needs.
 - ✓ Coordinating international consortiums for the sourcing and production of up to 1 million **FFP2 face masks** per week for health care workers
 - ✓ Yesterday we also announced that production is underway for 2.8 million **nose swabs** for corona test kits to prevent a shortage of supply in the Netherlands. This will be enough to provide the total need of these test swabs in the Netherlands for the next 3 months



Thank you,
stay safe,
stay healthy,
stay well!

Together we stand **Strong**

Disclaimer to the AGM presentation

- This presentation may contain forward-looking statements with respect to DSM's future 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.
- DSM's full year 2019 results are reported against a set of prior year figures that included a significant additional benefit from an exceptional supply disruption in some key vitamins that DSM clearly communicated all through 2018 as the 'Temporary Vitamin Effect'. In order to provide as much transparency as possible, DSM has shown this separately, calculating growth against 2018 total results including this special event, as well as the comparison excluding this event. Of course, from the perspective of monitoring the progress of DSM business, the comparison to prior year's 'underlying business' is the only meaningful one. For this reason, in this AGM presentation, we compare the 2019 results versus the 'underlying business' as estimated and reported in 2018.
- One more comment on comparisons: Please note that DSM adopted the new IFRS 16 standard on Lease Accounting as per its effective date of 1 January 2019, while our 2018 figures are not restated.
- More details on DSM's 2019 performance and a more comprehensive discussion of the risk factors affecting DSM's business can be found in the company's 2019 Annual Report, which can be found on the company's corporate website, www.dsm.com

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