

DSM in motion: *driving focused growth*

# Partnership for Polymer Intermediates & Composite Resins

Investor Presentation

16 March 2015

# 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](http://www.dsm.com)

# Highlights of the transaction

- Royal DSM and CVC Capital Partners (CVC) have announced an agreement for a partnership for DSM's activities in Polymer Intermediates (Caprolactam and Acrylonitrile) and Composite Resins through the formation of a new company, provisionally called NewCo
- NewCo will be 65% owned by CVC and 35% by DSM, with 1,950 employees
- Pro-forma third-party sales of NewCo in 2014 amounted to €2.1 billion with a 2014 EBITDA of €106 million
- The enterprise value of the transaction is €600 million plus an earn-out of up to €175 million
- Financing of NewCo will primarily be through an equity contribution from both shareholders, third party financing and a €100 million bridge loan provided by DSM
- Estimated net cash proceeds at closing to DSM of €300-350 million
- DSM will recognize an initial book loss of approximately €130 million after tax and non-controlling interests, as an exceptional item in Q1 2015
- Closing, subject to customary conditions and approvals, is expected in Q3 2015

## Further details of the deal

- DSM will contribute its global caprolactam business (Europe, North America, its 60% stake in DNCC (China) and the caprolactam licensing business), DSM's acrylonitrile business and DSM's Composite Resins business including its 75% stake in JDR (China)
- DSM's 65% stake in the service organization Sitech Services held via its caprolactam and acrylonitrile businesses will also be transferred
- NewCo will continue to supply at least 80% of DSM Engineering Plastics' caprolactam needs in Europe and North America for the coming 15 years via a drawing rights contract, effectively maintaining DSM Engineering Plastics' backward integration. In China DSM Engineering Plastics will continue to be supplied by NewCo as today. This secures an ongoing strategic and competitive position for the polyamide 6 business in which DSM is a global leader
- NewCo will operate as an independent company with three business units: caprolactam, acrylonitrile and composite resins. Pro-forma third party sales of NewCo amounted to €2.1 billion in 2014 with an EBITDA of €106 million (excluding non controlling interest), including EBITDA from Sitech Services of €19 million and caprolactam licensing income

# Strategic rationale for DSM

- Delivers on the strategic actions DSM announced for these businesses and is a decisive step in further optimizing DSM's portfolio and reducing our cyclicalities
- We have found a good partner in CVC after a careful process in which we evaluated all options. We believe the partnership with CVC is the best way forward for these businesses
- This partnership secures a long-term competitive supply position of caprolactam for DSM Engineering Plastics
- As a 35% shareholder in NewCo, DSM will be able to benefit from any improvements in the businesses that will become part of NewCo
- DSM can now fully focus on improving the operational performance of its Nutrition and Performance Materials businesses, complemented by accelerated actions to improve efficiencies and reduce costs
- This transaction is geared towards value creation for these businesses and is consistent with our commitment to continue to generate value for our stakeholders and deliver on our strategy

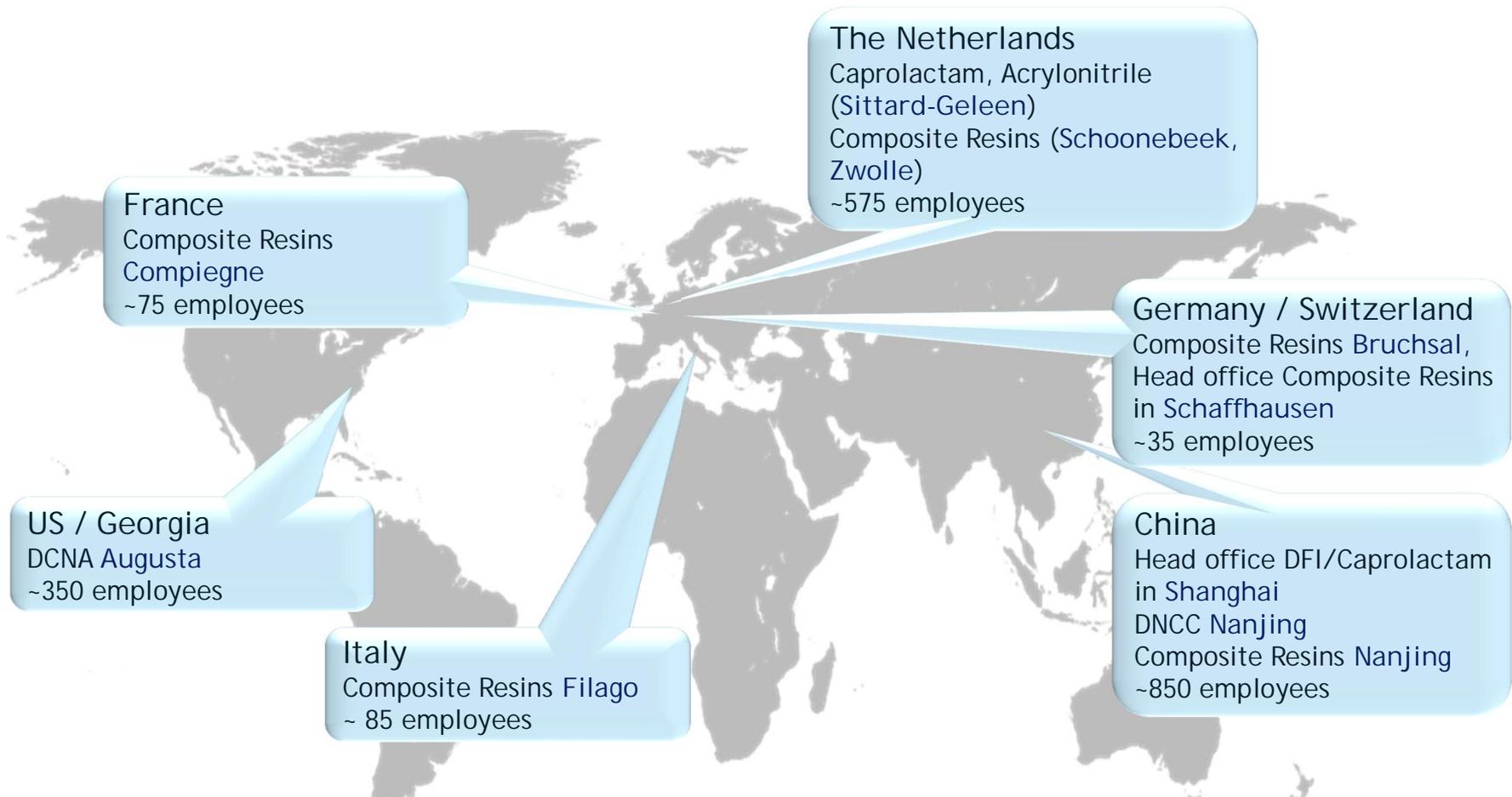
DSM delivers on the strategic actions it announced for these businesses





- NewCo's businesses at a glance
- Impact on DSM's financials
- CVC at a glance
- DSM's strategy

# Sites & employees in scope of NewCo



~ 1,950 employees worldwide will be transferred from DSM to NewCo

# Caprolactam business at a glance

- Total third party sales of ~€1.3bn (2014)
- Key locations:
  - ✓ DNCC: 400kt in Nanjing (China ); 40% owned by Sinopec
  - ✓ 270kt in Sittard - Geleen (The Netherlands)
  - ✓ DCNA: 250kt in Augusta (US), incl. 45kt drawing rights Shaw
  - ✓ Headoffice in Shanghai (China)
- DSM's caprolactam business holds a 19% share in Sitech Netherlands
- Including licensing of technology
- Main product is caprolactam (920kt), by-product is ammonium sulfate (1.7Mt)
- Main applications are: textiles, floor coverings (carpets), engineering plastics, industrial yarns and film

Augusta, Georgia (US)



Sittard-Geleen (NL)



Nanjing (China)



# Acrylonitrile business at a glance

- Sales of ~€450m (2014)
- Manufacturing location: a 280kt plant with two lines, and head office, based in Sittard - Geleen (The Netherlands)
- DSM Acrylonitrile holds a 46% share in Sitech Netherlands
- Main products are acrylonitrile, ammonium sulfate, hydrogen cyanide, sodium cyanide and acetonitrile
- Main applications are:
  - ✓ Acrylic fibers mainly for textiles
  - ✓ ABS/SAN for automotive, domestic
  - ✓ Acrylamide for water treatment and enhanced oil recovery
  - ✓ Synthetic rubber copolymers
  - ✓ Carbon fiber precursors for aircraft, windturbines, automotive



# Composite Resins business at a glance

- Sales of ~ €250m (2014)
- Includes Composite Resins Europe and Composite Resins Asia, Jinling DSM Resins, a 75% partnership with Sinopec in Nanjing
- 4 production locations:
  - ✓ Schoonebeek, The Netherlands
  - ✓ Compiègne, France
  - ✓ Filago, Italy
  - ✓ Nanjing, China
- Head office in Schaffhausen (Switzerland)
- Main products are unsaturated polyester resins, vinyl ester, gelcoats and sizing & binders
- Main applications are:
  - ✓ Building & infrastructure
  - ✓ Transportation, marine
  - ✓ Tanks, pipes





- NewCo's businesses at a glance
- [Impact on DSM's financials](#)
- CVC at a glance
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# Impact on DSM's financials

- Estimated net cash proceeds at closing to DSM of €300-350 million, which DSM will use for net debt reduction
- This cash amount results from the Enterprise Value of €600m (excluding the earn-out of up to €175 million) minus:
  - ✓ A bridge loan of €100 m which DSM will provide to Newco
  - ✓ DSM's equity reinvestment for the 35% stake in Newco
  - ✓ The usual cash adjustments related to working capital and debt-like items
- An initial book loss of approximately €130 million, after tax and non-controlling interests, will be recognized as an exceptional item in Q1 2015. This reflects the estimated valuation of the assets on a *fair value less cost to sell basis*, taking into account the specific terms of the transaction including the drawing rights
- DSM's caprolactam, acrylonitrile and composite resins businesses will be classified as assets held for sale in Q1 2015
- From the closing date onwards, DSM will present the investment in NewCo as an associate, accounted in accordance with the equity method

# Pro-forma impact on 2014 P&L\*

- DSM Sales will decline by ~€2.1bn (2014 third-party sales of businesses in scope)
- EBITDA to be deconsolidated due to this partnership will be €125m at 100% base; including €19m EBITDA equivalents for non-controlling interests (DNCC, JDR and Sitech)
- Indicative restated figures after deconsolidation of NewCo, Euroresins and Synres are presented in the table below\*

2014 (€ m)	Sales		EBITDA	
	Reported	Restated*	Reported	Restated*
Nutrition	4,335	4,335	850	850
Performance Materials	2,792	2,460	343	323
Polymer Intermediates	1,727	0	83	0
Innovation Center	154	154	-18	-18
Corporate Activities	173	102	-90	-117**
Continuing Operations	9,181	7,051	1,168	1,038
Discontinued: NewCo	-	2,055***	-	125
Discontinued: Euroresins / Synres	-	125	-	5

\* Indicative numbers, final re-stated figures will be made available in due course

\*\* Impact on Corporate Activities due to deconsolidation of Sitech

\*\*\* Including ~€50m of "internal supplies" that have become third-party sales after divestment of Euroresins

# CVC at a glance



**CVC**  
Capital Partners

# Leading Global Private Equity Firm

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**33**  
Years

Proven record of  
Private Equity  
investment success

**>300**  
Investments

Since 1981

**169**  
Investment  
Professionals

**\$80bn**  
Funds  
Committed

A loyal & diversified  
investor base

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## Leading Global Franchise

- Global presence with 22 offices on 3 continents
- One of the market leaders in Europe and Asia Pacific buyouts

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## Experienced and Cohesive Team

- 320 total professionals from over 30 nations
- 54 partners with an average tenure of 11 years with CVC

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## Conservative Investment Strategy

- Leverage our global network to access proprietary deal flow
- Focus on transactions where CVC can bring added value, ranging from an enterprise value of between €500m to €5bn

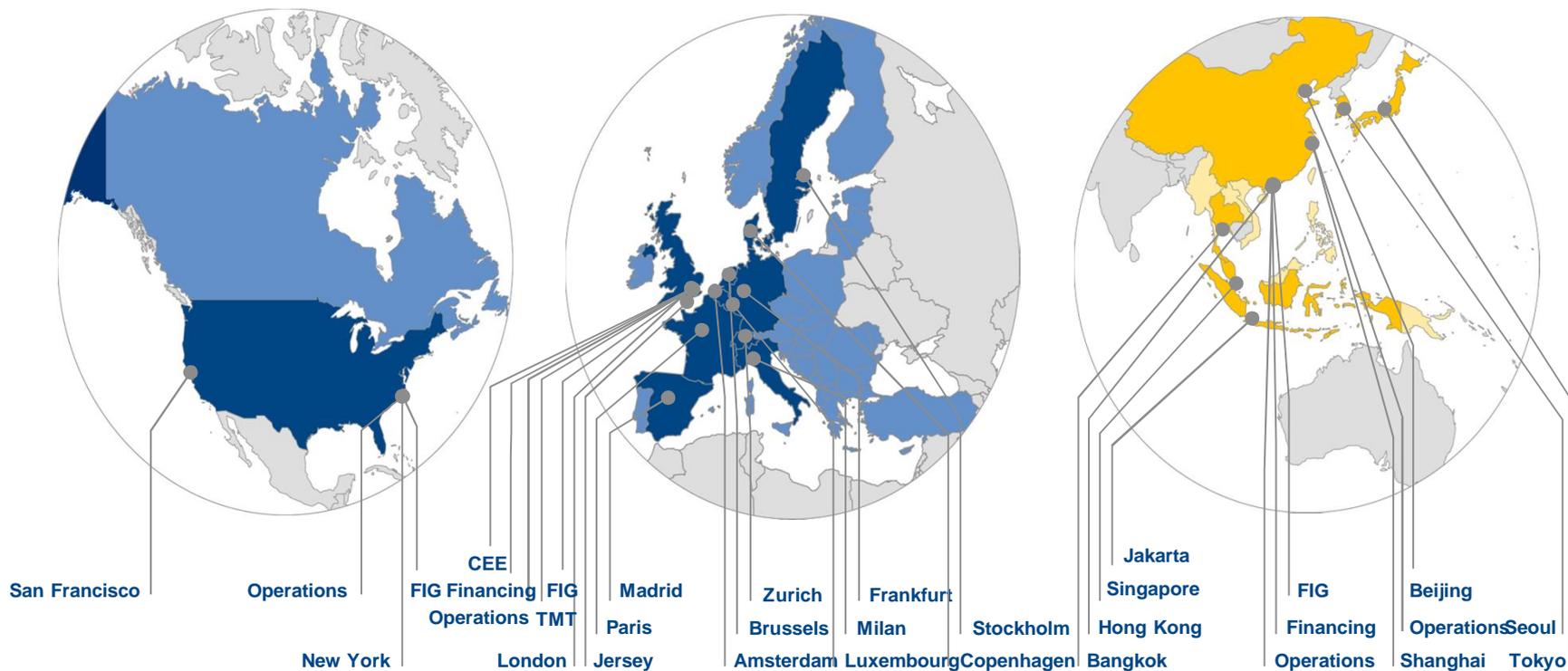
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## Positive Returns

- Generated positive returns across sector, geography and cycles

# Small Locally-Rooted Teams

## 22 Offices Globally



# CVC Private Equity Europe – Overview

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## Coverage

- Established in 1981
- 7 Funds: \$50bn raised
- 14 offices in Europe and US

## People

- 10 geographic teams, 4 specialist teams
- 33 partners with an average tenure of 12 years
- 79 investment professionals
- 20 nationalities

## Portfolio

- Capital Invested: €24bn
- >130 investments
- Current Portfolio Company Revenues: €80bn
- Current Portfolio Company Employees: ~240,000

*CVC manages capital on behalf of over 300 investors with c.80% coming from public & private pension funds & fund of funds*

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## Trademark Investments



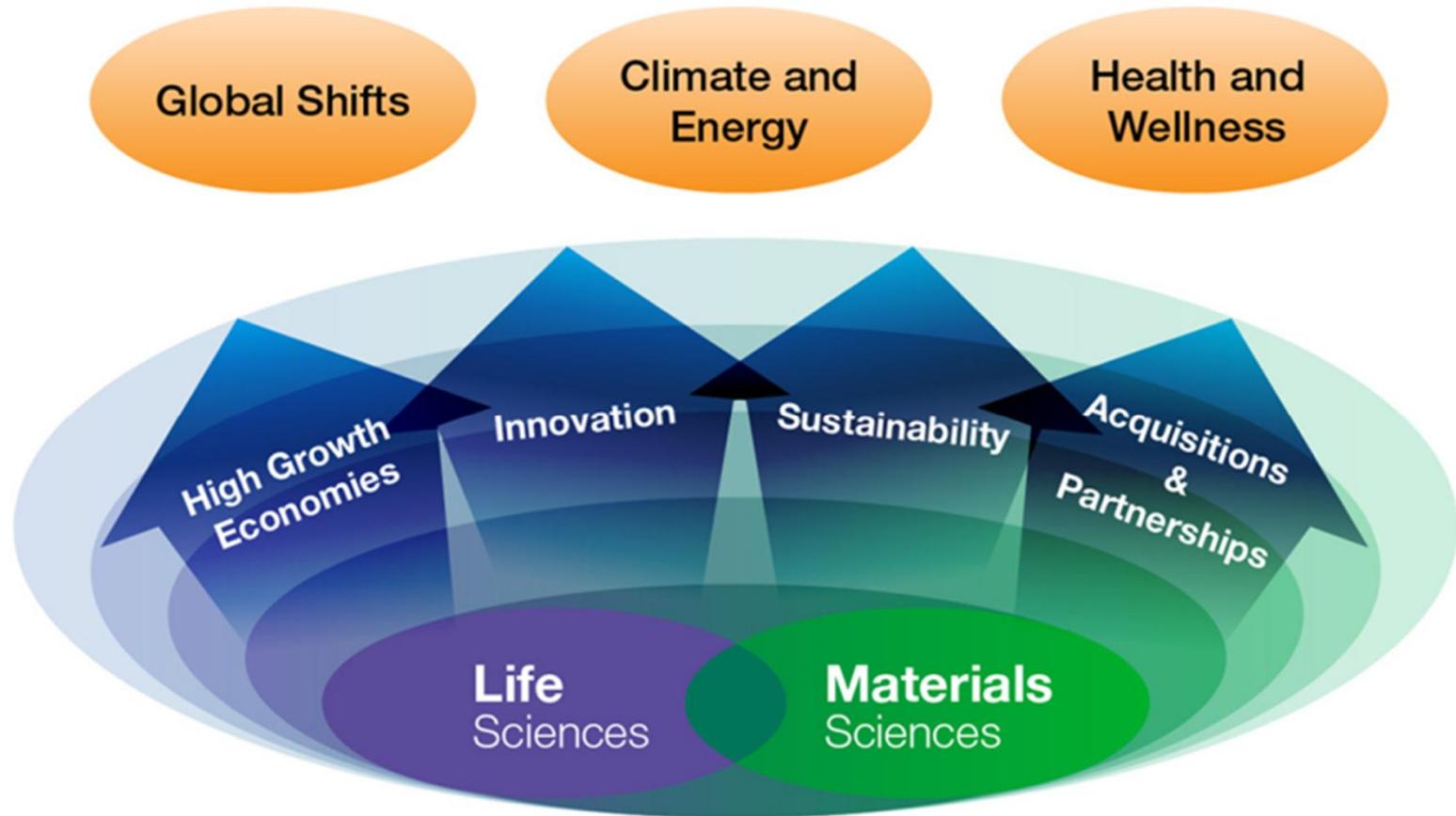


6.5m



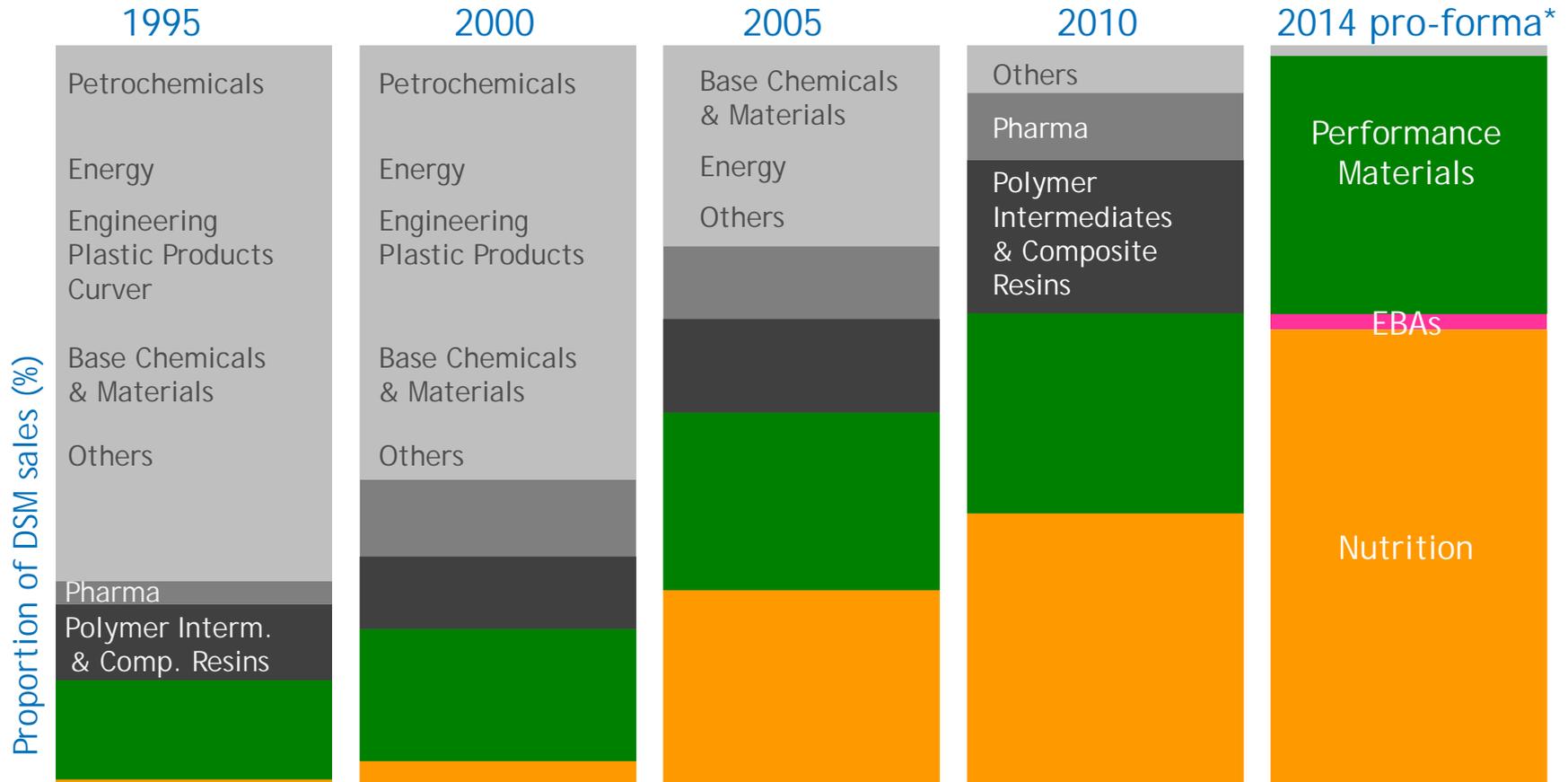
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# DSM in motion: *driving focused growth*



Creating sustainable value along all growth drivers for our stakeholders

# Another significant step in DSM's transformation



Continuous shift to higher quality portfolio with reduced cyclicity

\* 2014 numbers are indicative numbers: sales adjusted for deconsolidation of Polymer Intermediates, Composite Resins, Sitech, Synres and Euroresins; Final restated figures will be made available in due course



# Impressive progress made on strategy

- DSM significantly transformed
  - ✓ Increased global reach; stronger presence High Growth Economies
  - ✓ Capital allocation strongly focused on Nutrition through targeted acquisitions
  - ✓ Value creation through sustainable innovation and new business platforms (EBAs)
  - ✓ Pharma JVs established
  - ✓ Partnership in Polymer Intermediates and Composite Resins announced
- DSM is now well positioned with attractive portfolio:
  - ✓ High quality, Nutrition and Performance Materials businesses with a good growth and return profile
  - ✓ Attractive emerging business areas established (Innovation Center) providing significant future value

# Priority is driving operational performance

- **Focused strategy** to improve financial performance:
  - ✓ Drive improved performance of Nutrition, Performance Materials and Innovation activities,
  - ✓ Complete accelerated actions to improve efficiencies and reduce costs
  - ✓ Unlock hidden pockets of value in Pharma and Innovation assets
  - ✓ Focus on cash generation
  - ✓ Strict capital allocation
  - ✓ No large M&A contemplated for now;  
current focus is on integration of Nutrition acquisitions of recent years
  - ✓ Committed to policy of stable, preferably rising, dividend

DSM actively generating shareholder value





**BRIGHT SCIENCE. BRIGHTER LIVING.™**