



# Acquisition of Ocean Nutrition Canada

Adding world's largest fish oil derived Omega-3 supplier

Investor Relations  
May 18, 2012

# Overview

- **Transaction highlights**
- Ocean Nutrition Canada at a glance
- Acquisition rationale

# Transaction highlights Ocean Nutrition Canada

## Acquisition

- Total enterprise value CAD 540m (~ € 420m), in an all cash transaction
- Expected 2012 net sales approx. CAD 190m with EBITDA CAD 55-60m
- Value creating acquisition; EPS accretive as from 2013

## Strategic fit

- Consistent with Nutrition cluster strategy: "*continued value growth*"
- Strengthens and complements DSM's global Nutritional Lipids growth platform, based on healthy, polyunsaturated fatty acids (PUFAs)
- Extends DSM's portfolio of Omega-3 towards different markets

## Growth

- Strengthening DSM in North American dietary supplement market
- Leveraging DSM global infrastructure in dietary supplement markets outside North America and in the food and beverage markets worldwide
- Expanding the range of applications and products by leveraging forms, encapsulation and emulsification technologies

# Nutritional lipids, a fast growing market

## Healthy Nutritional Lipids

- Different sources; microbial Omega-3 (DHA) and Omega-6 (ARA) and fish-oil derived Omega-3 (EPA / DHA)
- These have different value propositions and pricing

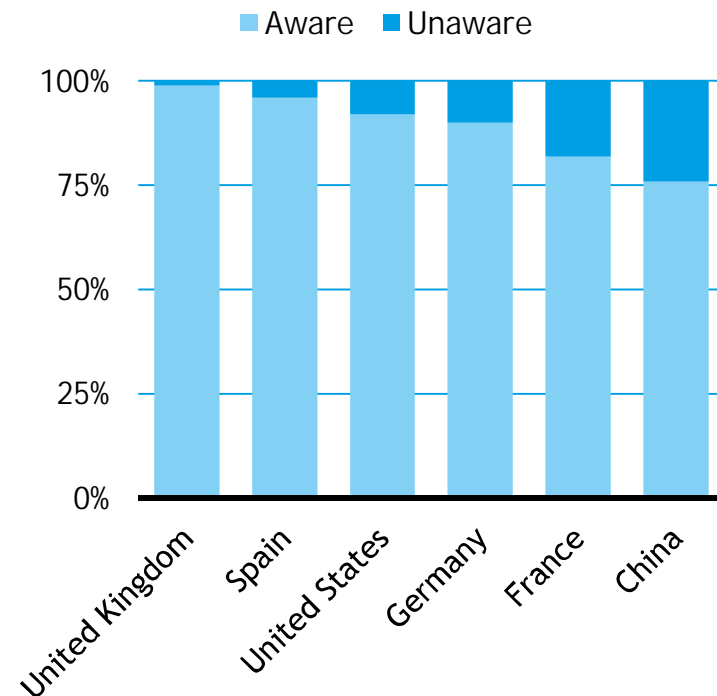
## Growing body of scientific evidence

- Health benefits supported by scientific evidence
- Average intake is below recommendation
- High consumer awareness, almost universal

## Fast growing Market

- Sizeable market with double digit growth
- At an early stage yet well established
- Attractive margins

## Awareness of Omega-3 is almost universal



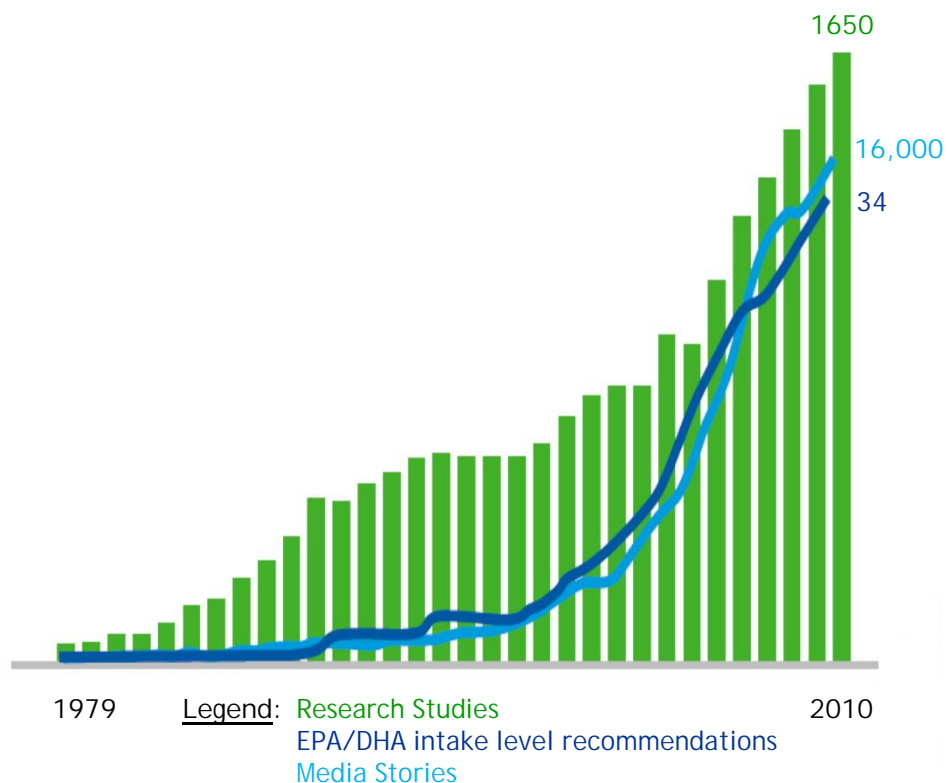
Source: Leatherhead GOED report, Xinhua News Agency



# A growing body of scientific evidence

Omega-3 cumulative # studies: 20,000+

Abundant science for many health benefits



Source: DSM analysis

## Brain/nerve

- Infant brain development
- Mental/cognitive development
- Memory performance
- Alzheimer/Parkinson Disorders (ADHD, Bipolar)
- Depression /Mood
- Brain damage recovery

## Cardiovascular

- Coronary hearth disease
- Atherosclerosis
- Blood pressure
- Heart rhythm disturbances
- Secondary events risk

## Eye

- Eye development
- Macular degeneration
- Dry eye syndrome

## Other

- Cancer
- Obesity
- Menopausal relief

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# Ocean Nutrition Canada, leader in fish-oil Omega-3

## Revenues

- Average annual growth in local currencies nearly 20% over the past 5 years
- Expected 2012 net sales approximately CAD 190m with EBITDA CAD 55-60m

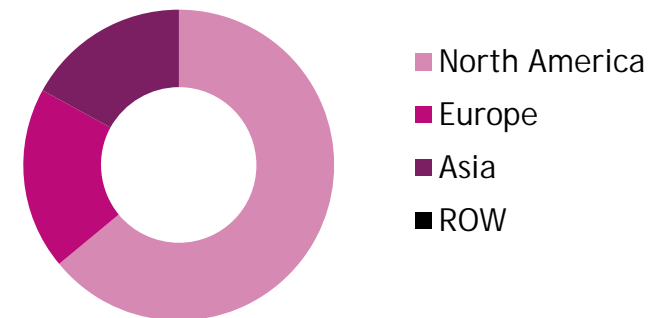
## Company

- HQ in Halifax, Nova Scotia (Canada)
- Founded in 1997
- ~415 employees
- Production sites in Canada, USA and Peru

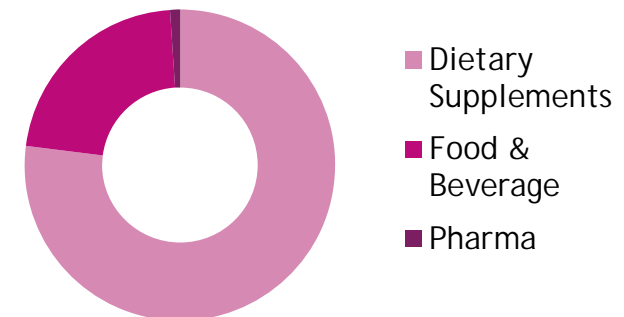
## Core capabilities

- Good technology for production of concentrated Omega-3, for premium dietary supplement segments
- Access to sustainable sources of fish oil

## Strong presence in North America



## Majority of sales in Dietary Supplements



# High quality and strong brand recognition

The brand: MEG-3® - trust the source®



- MEG-3® 30% oils
- MEG-3® Concentrate oils (40-75%)

Dietary Supplements



Excellent, well certified quality



- GOED (Global Organization of Omega-3 EPA and DHA Omega-3)
- CFIA (Canadian Food Inspection Agency)
- HC (Health Canada, Natural Health Products Directorate)
- EU (European Union)

- MEG-3® Powder
- MEG-3® Emulsions

Food & Beverage





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# Nutrition: Continued value growth

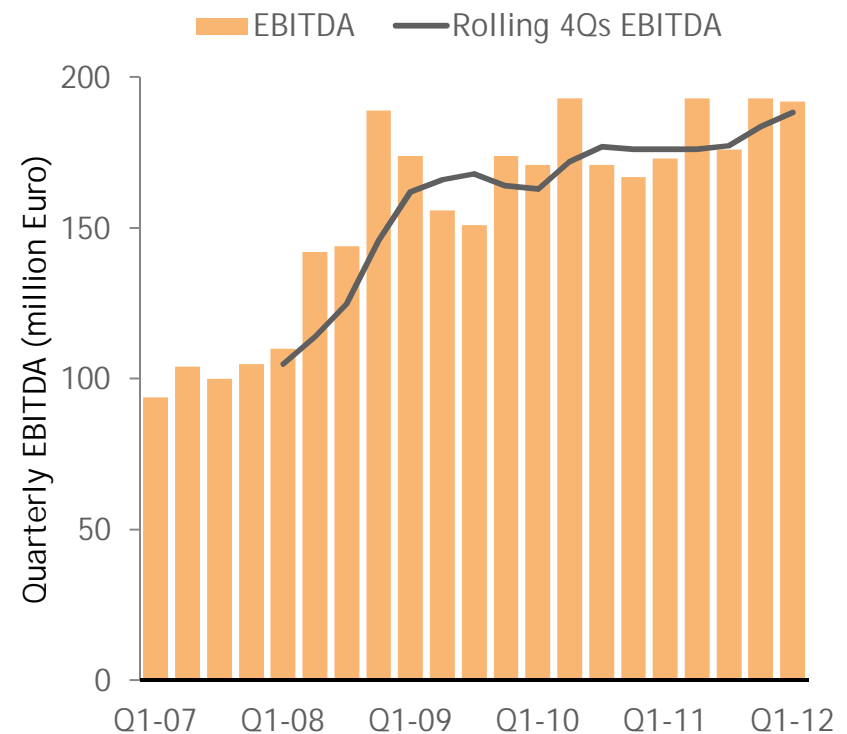
## Aspiration by 2015

- Growth GDP + 2%
- EBITDA margin >20 - 23%

## Strategic progress

- Expanded offering through M&A:
  - Martek (microbial DHA/ARA)
  - Microbia / Vitatene (natural carotenoids),
  - Premix plants (RO, KO),
  - Food enzymes business and technology (Verenium)
- Expanded to 51 premix facilities
- Successful process developments; improving cost position
- Assets optimization/restructuring

## Continuous profit increase



# Next step in Nutrition's value growth strategy

## Key elements of Nutrition strategy

- Continued strengthening of the core of the business
- Establishment of new growth platforms in adjacent areas
- Increased leveraging of the cluster's unique full value chain position
- Use innovation headroom for further differentiation

## Acquisition of Ocean Nutrition Canada

- Strengthens and complements DSM's global Nutritional Lipids growth platform
- Strengthens DSM's position in the North American dietary supplement market by adding fish oil derived Omega-3 to its portfolio
- Allows DSM to further leverage its global infrastructure to expand Ocean Nutrition Canada's sales in dietary supplement markets outside North America and in the food and beverage markets worldwide
- Strengthens DSM Nutritional Products' innovation pipeline

# Creating Nutritional Lipids growth platform

- Acquisition strengthens and complements DSM's global Nutritional Lipids growth platform
  - DSM is active in microbial Omega-3 (DHA) and Omega-6 (ARA)
  - Ocean Nutrition Canada is active in fish-oil derived Omega-3 (EPA / DHA)
  - These are highly complementary product as they address different customer needs and reach different market segments
- Good strategic fit; accelerated revenue growth through material revenue synergies with expanded distribution, marketing and product development. Customary operational efficiencies will also be realized in the integration process.
- The combination creates a strong global Nutritional Lipids growth platform for DSM in double digit growing market



# Opportunities for accelerated growth

## Dietary Supplements

- Strengthening DSM in North American dietary supplement market
- Leveraging DSM global infrastructure to expand in dietary supplement markets outside North America

## Food & Beverages

- Leveraging DSM global footprint, customer relationships and position as the quality leader to accelerate sales growth globally
- Expanding the product offering with different range of Omega-3, targeting different applications and market segments

## Wider offering

- Leveraging DSM forms know-how and innovation partnerships with global customers to increase product launches
- Expanding the range of application and products by leveraging forms, encapsulation and emulsification technologies

# Value creating, EPS accretive as from 2013

## Financial impact

- Expected 2012 net sales approximately CAD 190m with EBITDA CAD 55-60m
- EPS accretive as from 2013
- Predominantly sales synergies, some cost synergies

## Expectations by 2015

- Ongoing double digit sales growth
  - With continued high margins
- 
- Subject to customary conditions, the transaction is expected to close H2 2012



# Conclusion

- Fully supports DSM's growth strategy "DSM in motion: *driving focused growth*"
- Good strategic fit with Nutrition cluster strategy
- Acquisition strengthens and complements DSM's global Nutritional Lipids growth platform in a double digit growing market
- Material growth synergies in building on Ocean Nutrition Canada's strong position in dietary supplements and its active involvement in the rapidly developing food and beverage markets
- Value creating acquisition; EPS accretive as from 2013
- DSM on the way to achieve its 2013 targets

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