



Life Sciences and Materials Sciences

# Presentation to Investors

Q1 2015 Results, 29 April 2015

HEALTH • NUTRITION • MATERIALS



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

# Highlights Q1 2015

- Sales of €1,886 million, up 11%, including 2% organic sales growth
- EBITDA up 4% to €248 million
- Nutrition delivered good organic growth of 4%, driven by volumes in animal nutrition
- Performance Materials continued to improve EBITDA through higher volumes and margins
- Cash from continuing operating activities improved to €84 million (Q1 2014: €11 million)
- Non-cash impairment of €130 million (after tax) related to the partnership for Polymer Intermediates and Composite Resins announced in March, leading to a net loss after exceptional items
- Outlook 2015 updated for positive foreign exchange developments

Sales, EBITDA, operating working capital and cash flow refer to continuing operations

# Quote from Feike Sijbesma

*“DSM delivered higher results in Q1 2015 compared to prior year, driven by higher volumes in both Nutrition and Performance Materials. Nutrition delivered mixed results with good volume growth in animal nutrition, partly offset by low prices in vitamin E and weak performance in human nutrition. Performance Materials had another strong quarter with higher volumes and margins. The mix of foreign currencies had an overall positive impact on both clusters.*

*In Q1 we announced a partnership with CVC Capital Partners for Polymer Intermediates and Composite Resins, a significant step in further optimizing our portfolio and reducing our cyclicity. This strategic action will enable us to focus fully on improving the operational performance of our core businesses while capitalizing on the longer term potential for value creation of our various partnerships.*

*We are progressing well with setting up a number of efficiency improvement and cost reduction programs especially in Nutrition and in all support functions across the company.*

*DSM aims to deliver an EBITDA in 2015 ahead of 2014, the increase mainly driven by positive foreign exchange effects.”*



*Feike Sijbesma  
CEO / Chairman of the  
Managing Board*

# Results Q1-2015 Key figures

(€ million)	Q1-2015	Q1-2014	Δ%
Continuing operations before exceptional items:			
Net Sales	1,886	1,692	11%
EBITDA	248	239	4%
EPS (€)	0.39	0.52	-26%
Core EPS (€)*	0.51	0.61	-17%
Total DSM before exceptional items (incl. discontinued):			
Net Sales	2,392	2,298	4%
EBITDA	286	270	6%
Total DSM after exceptional items:			
Net profit	-70	81	
EPS (€)	-0.42	0.45	

- 'Core earnings per share' is the earnings per share from continuing operations before exceptional items and before acquisition related (intangible) asset amortization

# Net sales growth Q1-2015 versus Q1-2014

(€ million)	Q1-2015	Q1-2014	Diff.	Volume	Price/ Mix	FX	Other
Nutrition	1,199	1,047	15%	3%	1%	11%	0%
Performance Materials	632	589	7%	3%	-4%	8%	0%
Innovation Center	36	34	6%	-12%	0%	18%	0%
Corporate Activities	19	22					
<b>Continuing operations*</b>	<b>1,886</b>	<b>1,692</b>	<b>11%</b>	<b>3%</b>	<b>-1%</b>	<b>9%</b>	<b>0%</b>

\* Continuing operations (excluding discontinued activities)

# EBITDA - development

EBITDA (€ million)	Q1-2015	Q1-2014	Δ%
Nutrition	195	203	-4%
Performance Materials	86	71	21%
Innovation Center	-5	-6	
Corporate Activities	-28	-29	
<b>Continuing Operations*</b>	<b>248</b>	<b>239</b>	<b>4%</b>

\* Continuing operations (excluding discontinued activities)

# Nutrition

(€ million)	Q1-2015	Q1-2014	Δ%
Net sales	1,199	1,047	15%
Volume			3%
Price/Mix			1%
FX			11%
Other			0%
<b>EBITDA</b>	<b>195</b>	<b>203</b>	<b>-4%</b>
<i>EBITDA margin</i>	<i>16.3%</i>	<i>19.4%</i>	
EBIT	129	143	-10%
Capital employed	5,509	5,034*	

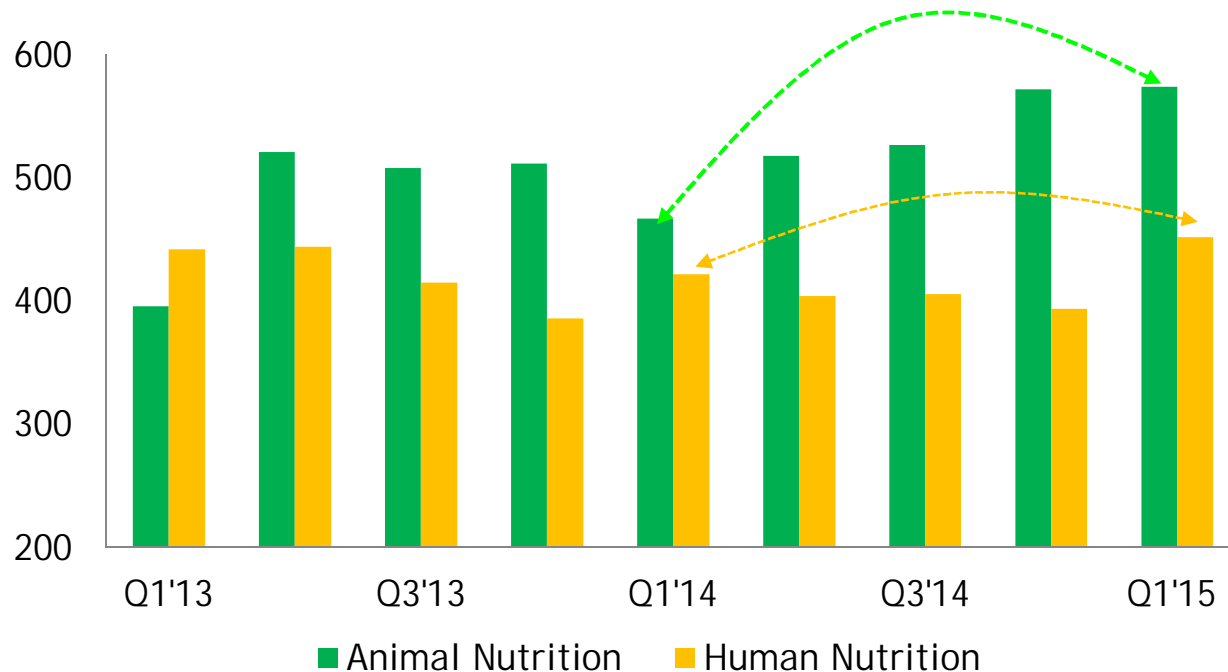
\* Year-end 2014

- **Sales** in the first quarter increased by 15% compared to Q1 2014. Organic sales growth was 4% compared to Q1 2014 as a result of 3% higher volumes and 1% higher prices. Good volume growth in animal nutrition was partly offset by lower vitamin E prices and by weakness in human nutrition. Currencies had an 11% positive impact on sales
- **EBITDA** for Q1 was €195 million, down 4% from Q1 2014. Higher volumes in animal nutrition were offset by lower vitamin E prices, lower volumes in human nutrition, intensified marketing and sales activities as well as actions to reduce inventory levels. These factors and the relative higher share of animal nutrition impacted the EBITDA margin. Positive effects of foreign exchange rates, especially the US dollar, were partly offset by the negative impact of the Swiss franc
- **DSM Food Specialties** delivered a solid performance in Q1, with good organic growth in enzymes and cultures. Issues around manufacturing performance in savory ingredients and cultures reported in Q4 2014 have been resolved



# Nutrition: quarterly sales evolution

Reported sales in € million



- The reported organic growth rates in Q1 2015 reflect the business evolution during 2014:
  - ✓ Q1'14 was *weakest* quarter for animal nutrition (ANH) since the start of 2013
  - ✓ Q1'14 was *strongest* quarter for human nutrition (HNN) in 2014
- Growth momentum in Human and Animal diverging since 2013, impacting mix

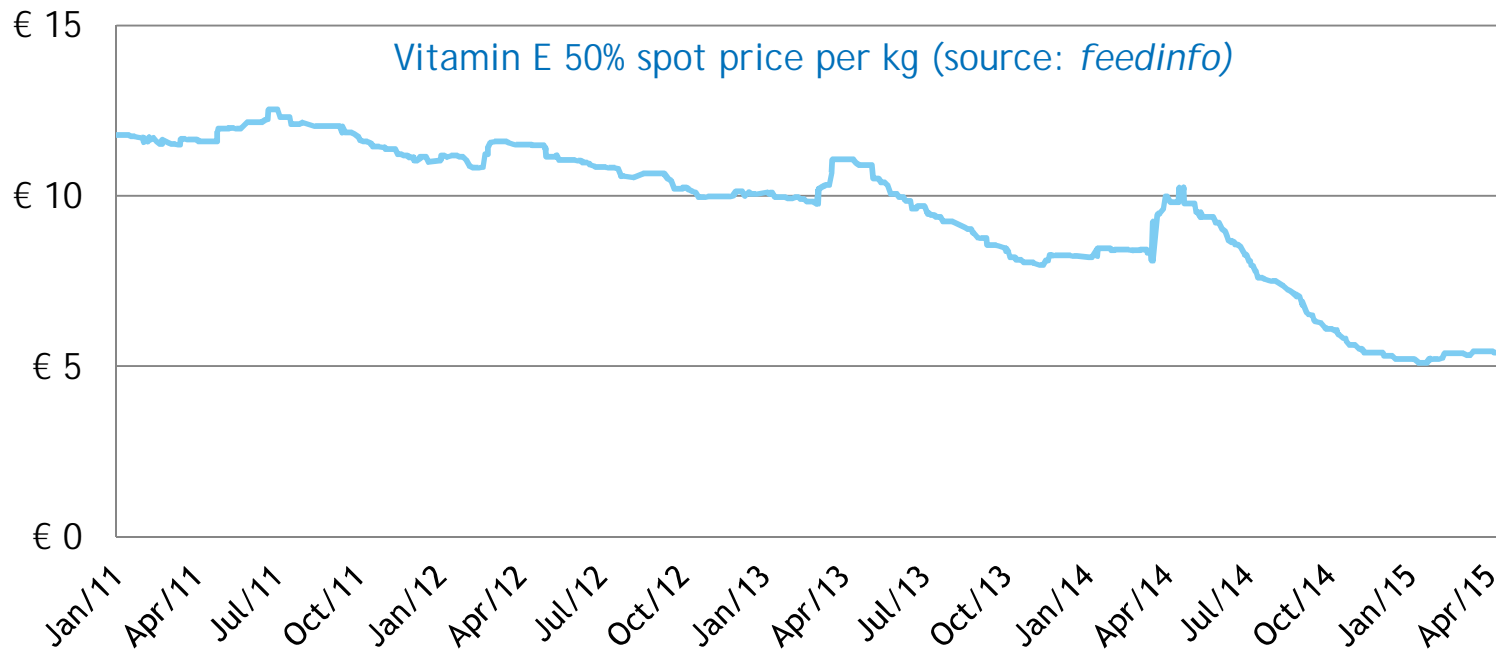
# Animal Nutrition & Health\*

(€ million)	Q1-2015	Q1-2014	Δ%
Net sales	574	467	23%
<i>Organic growth</i>			14%
Volume			14%
Price/Mix			0%
FX			9%

- **Animal Nutrition and Health** net sales were €574 million in Q1, a 23% increase versus the €467 million in Q1 2014. Organic sales growth in Q1 was 14%, entirely driven by higher volumes. This development reflects the continued positive growth momentum throughout 2014 versus a slow start in Q1 2014. Premixes showed strong growth and Tortuga continued to develop well and delivered a strong quarter
- Vitamin E prices were significantly lower compared to Q1 2014. This negative price effect of more than €20 million was compensated by higher prices for other ingredients. However, as a substantial part of these other ingredients are in-sourced for DSM's premix activities and as such these increased prices only have a limited EBITDA effect

\* Animal Nutrition & Health activities of DSM Nutritional Products

# Significant impact from lower Vitamin E prices



- Spot prices seem to have bottomed out in Q1 2015
- Thanks to the full integration of our vitamin production, DSM continues to be a low cost supplier vs our Chinese competitors
- Attractiveness of Vitamin E market for Chinese players has clearly eroded
- Assuming current low spot prices in vitamin E persist, the negative price impact on DSM's 2015 EBITDA will be around €80 million compared to 2014

# Human Nutrition & Health\*

(€ million)	Q1-2015	Q1-2014	Δ%
Net sales	452	422	7%
<i>Organic growth</i>			-6%
Volume			-6%
Price/Mix			0%
FX			13%

- **Human Nutrition & Health** net sales increased by 7% to €452 million versus €422 million in Q1 2014. Volumes declined 6% and prices were flat while currencies had a positive effect of 13%. However, compared to Q4 2014, Q1 showed a positive organic sales growth of 7%, breaking the trend of successive sales declines over the last three quarters of 2014
- The weakness in volumes was broadly across expected product categories, in particular low sales in fish oil based Omega 3 dietary supplements in the US. DSM is addressing organic growth in human nutrition with intensified marketing and sales activities and organizational changes
- Food & Beverage markets in developed economies as well as retail sales of vitamin-based dietary supplements in the US showed early signs of improvement. Volume growth in infant nutrition has normalized since Q4 2014, albeit at lower than historic growth rates. I-Health enjoyed strong sales growth

\* Human Nutrition & Health activities of DSM Nutritional Products

# Performance Materials

(€ million)	Q1-2015	Q1-2014	Δ%
Net sales	632	589	7%
Volume			3%
Price/Mix			-4%
FX			8%
Other			0%
<b>EBITDA</b>	<b>86</b>	<b>71</b>	<b>21%</b>
<i>EBITDA margin</i>	<i>13.6%</i>	<i>12.1%</i>	
EBIT	53	43	23%
Capital employed	1,930	1,744*	

\* Year-end 2014

- **Organic sales** development in Q1 amounted to -1% compared to Q1 2014 as a result of 3% volume growth and 4% lower prices reflecting lower raw materials costs. Sales benefited from positive currency effects of 8%
- **DSM Engineering Plastics** showed good volume growth. Sales were further supported by a substantial FX effect, which more than compensated for lower prices in the polyamide 6 value chain
- Business conditions in **DSM Dyneema** remained favorable, although organic sales in the quarter were flat due to timing of orders
- In **DSM Resins and Functional Materials** volumes were flat. Higher volumes in coating resins were offset by lower volumes in functional materials. Positive FX effects were partly offset by slightly negative price effect, driven by lower raw materials costs and some mix effects

# Performance Materials cont.

- EBITDA in Performance Materials for the quarter increased 21% compared to Q1 2014. Higher margins were achieved in all businesses, resulting from positive foreign exchange effects and lower raw material costs. The EBITDA-margin increased significantly to 13.6%, now in line with the 2015 target range of 13-15%
- 
- EBITDA of [DSM Engineering Plastics](#) was substantially up compared to previous year as a result of good volume growth in combination with increased margins. [DSM Dyneema](#) delivered solid EBITDA growth. EBITDA of [DSM Resins & Functional Materials](#) was slightly up; growth in coating resins was offset by lower results in functional materials



# Innovation Center

(€ million)	Q1-2015	Q1-2014	Δ%
Net sales	36	34	6%
EBITDA	-5	-6	
EBIT	-12	-14	
Capital employed	572	523*	

\* Year-end 2014

- **Net sales** in Q1 2015 were 6% higher compared to Q1 2014. DSM Biomedical benefited from a stronger US dollar. Volumes in DSM Biomedical were lower compared to Q1 2014, mainly due to destocking at a major customer. Furthermore, Q1 2014 still included the St. Jude royalty revenues, which ended in April 2014
- **EBITDA** in Q1 2015 improved versus Q1 2014 supported by positive currency developments, despite the lower royalty income

# Corporate Activities

(€ million)	Q1-2015	Q1-2014
Net sales	19	22
EBITDA	-28	-29
EBIT	-39	-39

- EBITDA in Q1 2015 was in line with the same period in previous year



# Pharma activities and other associates

- Total Q1 2015 sales of joint control entities amounted to €128 million on a 100% basis (Q1 2014: €105 million) of which €117 million from [DSM Sinochem Pharmaceuticals](#) (Q1 2014: €98 million)
- [DPx holdings](#) (49% DSM) realized total sales (100%) of €433 million, from November 2014 up to and including January 2015 with a corresponding EBITDA margin of 17%. The net result of DPx was negatively impacted by €24 million exceptional items (before tax) related to restructuring, integration and realizing synergies of the company



# Discontinued Operations

Per Q1 2015, Polymer Intermediates and Composite Resins are reported as Discontinued Operations

(€ million)	Q1-2015	Q1-2014
Net sales	506	606
EBITDA	38	31
EBIT	20	-11

- Net sales amounted to €506 million, positively impacted by currency effects of 7% and EBITDA amounted to €38 million. The activities currently in discontinued operations showed an increase in EBITDA. [Polymer Intermediates](#) (higher volumes and margins) and [DSM Composite Resins](#) (higher volumes) both contributed to the increase. The Q1 2014 discontinued operations also included DSM Pharmaceutical Products (€102 million sales, -€2 million EBITDA) which is now part of the DPx joint venture

# Partnership announced with CVC in March 2015

- Partnership (NewCo) for Caprolactam, Acrylonitrile & Composite Resins business : 65% CVC, 35% DSM
- Pro-forma 2014 numbers for NewCo:
  - ✓ Third party sales of ~€2.1 billion
  - ✓ EBITDA of €106 million (excluding non controlling interest)
  - ✓ ~ 1,950 Employees
- The enterprise value of the transaction is €600m plus an earn-out of up to €175m
- NewCo to continue to supply caprolactam to DSM, securing DSM's position as a global leader in polyamide 6
- Closing of the transaction, subject to customary conditions and approvals, is expected in Q3 2015



DSM delivers on the strategic actions it announced for these businesses

# Cash flow & Balance Sheet

Cash Flow (€ million)	Q1 2015	Q1 2014
Cash from operating activities, <i>continuing operations</i>	84	11
Cash from operating activities, total DSM	22	-37
Cash from investing activities, total DSM*	-210	-75
Free cash flow from operations, total DSM	-188	-112

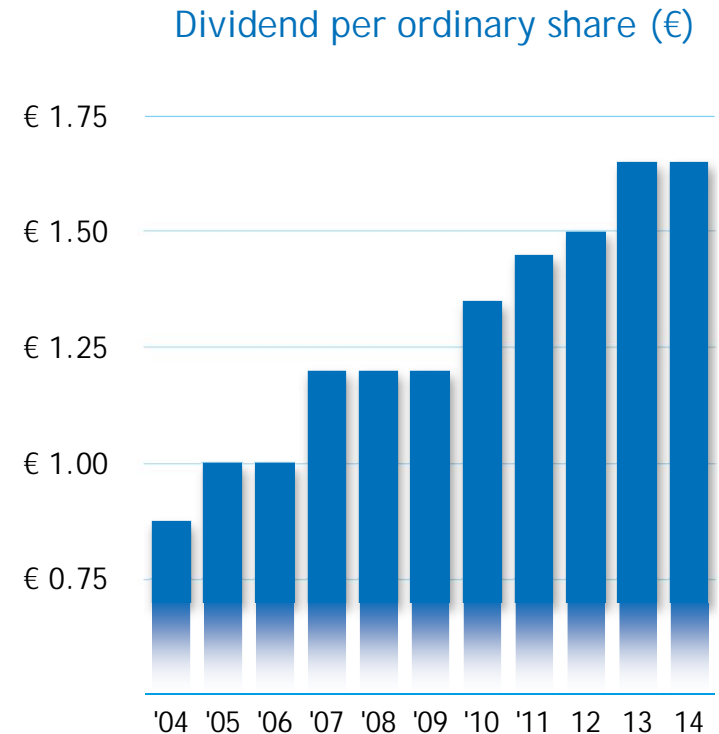
Balance sheet (€ million)	Q1 2015	YE 2014
Operating Working Capital , continuing operations	2,102	1,903
Operating Working Capital/Sales, <i>continuing operations</i>	27.9%	26.3%
Net debt, total DSM	2,932	2,420

\* Excl. changes in fixed-term deposits, incl. acquisitions

- **Cash** provided by operating activities from continuing operations in Q1 2015 was €84 million (Q1 2014: €11 million)
- **Operating working capital**, continuing operations expressed as a percentage of annualized sales amounted to 27.9% compared to 26.3% at year-end 2014. The operating working capital increased by €199 million from €1,903 million at year-end of 2014 to €2,102 million at the end of Q1 2015. This was entirely due to the foreign exchange translation effect. Cash operating working capital from continuing operations remained flat, contrary to usual seasonality
- **Net debt** increased by €512 million compared to year-end 2014 and stood at €2,932 million by the end of Q1 2015. The increase was mainly driven by the mark-to-market change in fair value of financial derivatives held

# Dividend proposal to AGM: stable at € 1.65

- Dividend policy “stable and preferably rising”
- Proposal to AGM on 30 April 2015: Maintain the dividend of €1.65 per ordinary share
  - € 0.55 interim dividend (paid in August 2014)
  - € 1.10 final dividend (payable in May 2015)
- Payable in cash or ordinary shares at the option of the shareholder
- Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax
- The ex-dividend date: 5 May 2015





# Business conditions and outlook

# Positive currency development

- Indicative rules of thumb on most important sensitivities are, before hedging for €/USD and CHF/€:
  - ✓ 1 ct USD ~€9-10m on EBITDA
  - ✓ 1 rappen CHF ~€7-8m on EBITDA
- Other material sensitivities include Japanese Yen, GB Pound and High Growth Economy currencies incl. the Brazilian Real and the Chinese Yuan
- There are also important secondary effects due to underlying currency movements in sales and purchasing contracts and the impact of the changes in the portfolio
- Since February' 15:
  - ✓ Currencies remain volatile
  - ✓ USD strengthened versus € and CHF
- Based on current exchange rates and the 2015 hedge effects, an **overall annual positive impact on 2015 EBITDA** is estimated at **approximately €45 million**, should current rates persist throughout the remainder of the year

## FX-Hedges in place for 2015:

- USD 209m at EUR/USD 1.31
- USD 475m at USD/CHF 0.93
- JPY 1.1bn at EUR/JPY 138
- JPY 4.0bn at CHF/JPY 114
- GBP 50m at GBP/CHF 1.50

# Business Conditions

## Animal Nutrition

- Good demand in animal feed markets
- Vitamin E prices have bottomed out

## Human Nutrition

- F&B markets in developed economies show some improvements, whereas LATAM and APAC impacted by economic slowdown.
- US retail sales of vitamin-based dietary supplements slowly improve, but fish-oil based omega-3 dietary supplements still weak
- Infant Nutrition markets have normalized albeit at lower than historic growth rates

## Performance Materials

- Ongoing uncertain macro-economic outlook in Europe
- Continued volatility in Polyamide-6 value chain



# 2015 Outlook

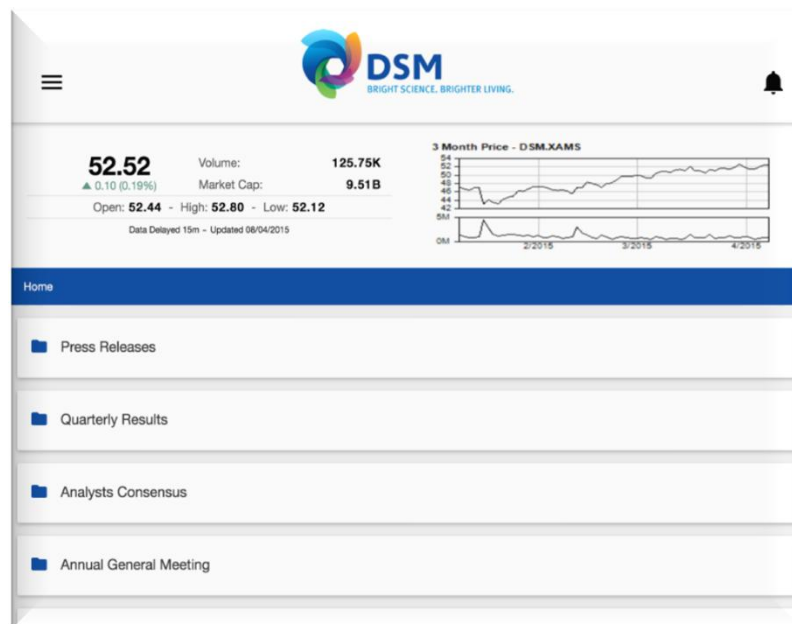
- Macro-economic uncertainty and low consumer confidence continue to impact market dynamics. DSM assumes low growth in Europe, continued economic resilience and growth in the US and a slowdown of growth in some of the high growth economies
- Assuming current low spot prices in vitamin E persist, the negative price impact on DSM's 2015 EBITDA will be around €80 million compared to 2014
- The volatility in currencies, including the strengthening of the Swiss franc and the US Dollar against the Euro, will have a mixed effect on DSM's 2015 results compared to 2014. Based on current exchange rates and the 2015 hedge effects, an overall annual positive impact on 2015 EBITDA is estimated at approximately €45 million, should current rates persist throughout the remainder of the year
- *Taking the above into account, DSM aims to deliver an EBITDA in 2015 ahead of 2014, the increase mainly driven by positive foreign exchange effects*

# Annex: DSM's IR App @your service

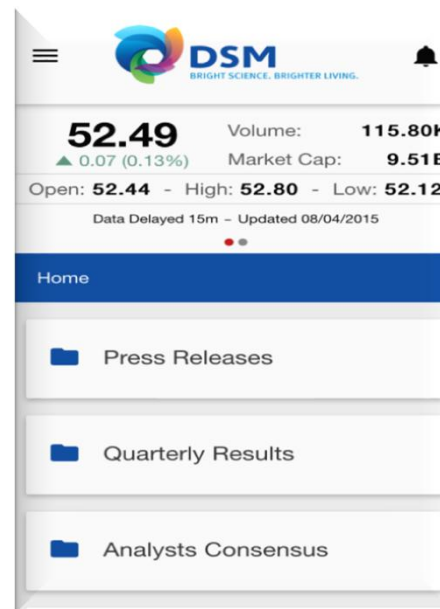
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