

# Investing in future profitable growth

In order to secure sustainable profitable growth in the future, investments are essential. They form an integral part of the *Vision 2010 – Building on Strengths* strategy. DSM is not only expanding production capacity in several areas, but is also committed to continued investments in innovation. In order to achieve external growth, the company has stepped up its search for acquisitions. Venturing remains an important activity to explore new technologies and business areas.

In 2007 capital expenditure on intangible assets and property, plant and equipment (excluding acquisitions) amounted to €475 million compared to €457 million in 2006. This was more than the level of amortization and depreciation before exceptional items. For 2008, DSM expects capital expenditure to rise versus 2007. As indicated in *Vision 2010*, DSM expects the average annual level of capital expenditure to be approximately €0.5 billion.

DSM acquired three companies in 2007, while six investments were made by DSM Venturing. Several decisions were taken for capacity expansions in various parts of the company. In 2008, too, DSM expects to announce several capacity expansions, all in line with the *Vision 2010* strategy.

An amount of €200 million has been earmarked for venturing activities over the period 2005-2012. Additional expenses for innovation will gradually rise to €70 million per year. In 2007 these amounted to more than €50 million compared to 2005. DSM expects to spend more than €75 million per year on small new business acquisitions until 2010.

All these investments, in combination with capital expenditure, will enable DSM to achieve its target of realizing €1 billion in innovation-related sales in 2010 and an organic sales growth of more than 5% per year for the period until 2010. This growth should be complemented by acquisitions.

In the following list all main announcements, especially major investments and acquisitions made in 2007 are summarized:

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| 30 January  | DSM announces the decision to build a DSM China Campus in the Zhangjian Hi-Tech Park in the Pudong New Area of Shanghai (China). The campus will comprise all Shanghai offices of DSM China and several business groups as well as the R&D labs of DSM in China.  |
| 19 February | DSM announces an equity investment in Harland Medical Systems, Inc. Harland markets technologies and solutions in medical coating applications. This is the third investment by DSM in a biomedical company in one year.  |
| 15 March    | DSM acquires Pamako Engineering AG in Zurich (Switzerland). The acquisition includes Pamako's technology for the production of UHMWPE (Ultra High Molecular Weight Polyethylene) based products. DSM will further develop and improve this technology and incorporate it in its existing business for Dyneema®. |
| 27 March    | DSM announces an investment in a new plant for producing engineering plastics compounds in India. The plant will triple DSM's capacity for the production of Akulon® PA6, Arnite® PBT and PET, and Stanyl® PA46 in India.   |
| 15 June     | DSM concludes that the greatest value for DSM Anti-Infectives will be generated through a partnering strategy possibly with – partial – disposals combined with innovation initiatives and further restructuring to improve profitability.  |
| 28 June     | DSM announces a comprehensive profit improvement program for DSM Nutritional Products that, through a mix of cost savings and increased profits from higher revenues, is expected to deliver an annual minimum of €100 million in improved profitability by 2010.   |
| 5 July      | DSM acquires privately owned Pentapharm Holding Ltd. The company, with sales of some €40 million per annum, employs about 200 people. Pentapharm holds a globally leading position in the development and production of active ingredients and system solutions for the cosmetics industry.                     |

27 August	DSM Venturing makes an investment in Food Quality Sensor International, Inc. This is the first equity investment in the field of Specialty Packaging, one of the Emerging Business Areas selected in <i>Vision 2010</i> .	26 October	The DSM NeoResins+ expansion in Meppen (Germany) has been completed successfully. The new manufacturing unit will manufacture specialty polyurethane dispersions for high-end decorative professional and DIY trim paints, metal and plastic coatings and parquet lacquers.
3 September	Construction of the DSM China Campus commences. It will be DSM's biggest and most important research facility outside Europe and the United States.	5 November	DSM Venturing participates in a financing round in Ganeden Biotech, Inc., a US probiotics company which markets dietary supplements focused on digestive health.
5 September	DSM Venturing invests in Jurilab Oy, a Finnish company specialized in the discovery of gene-disease associations and their application to healthcare.	6 November	In Jiangyin (China) DSM will expand engineering plastics compounding capacity by 50%. This expansion is an enhancement of DSM's existing capacity, which was doubled in 2006 with the opening of this new site.
11 September	DSM announces a restructuring of the manufacturing activities of DSM Nutritional Products in China and the development of the Xinghuo site in Shanghai as a strategic manufacturing base. As a consequence, the Gonglu site, also in Shanghai, will be closed.	26 November	DSM NeoResins+ successfully completes the new water-based alkyd manufacturing unit at its existing site in Hoek van Holland (Netherlands).
18 September	The Dutch government announces that it will provide funding of €45 million to the BioMedical Materials program, initiated by DSM and the University of Maastricht. The program is a public-private partnership focusing on research and development of biomedical materials. The program has a provisional budget of €90 million and will run for five years.	5 December	DSM announces a €25 million investment in a new factory for the production of waterborne acrylic resins in China.
21 September	DSM NeoResins+ announces an investment of €30 million in a new factory for waterborne emulsion resins in Waalwijk (Netherlands).	6 December	DSM Anti-Infectives signs a partnership with Mumbai (India) based Arch Pharmed Labs Ltd.
24 September	DSM Venturing announces an investment in the Danish company Upfront Chromatography A/S, the world's leading developer of customized industrial protein chromatography processes.	20 December	DSM Venturing makes an investment in Novomer, Inc. This US company is engaged in the development of a technology platform to use carbon dioxide and other renewable materials to produce performance polymers, plastics and other chemicals.
27 September	DSM announces the acceleration of <i>Vision 2010 – Building on Strengths</i> with a focus on Life Sciences and Materials Sciences. As a consequence DSM initiates a disposal program for non-core businesses and a stepped-up search for acquisitions to achieve external growth.		
5 October	DSM announces a €25 million investment in capacity expansion and modernization of the caprolactam plant in Geleen (Netherlands).		
8 October	DSM will invest to expand Dyneema UD production by 25% in Greenville, North Carolina (United States). The new line is expected to come on stream in 2008.		