

Investing in future profitable growth

In 2008, DSM invested in several projects in order to secure sustainable profitable growth in the future. Investments form an integral and important part of the *Vision 2010* strategy. In light of the current more difficult market conditions, the company is re-evaluating planned projects and postponing some investments without jeopardizing its strategic thrust.

Within the current more difficult environment, DSM is also identifying new growth opportunities, such as small-scale technology-based acquisitions that will complement the company's knowledge and capabilities in Life Sciences, Materials Sciences or both.

DSM remains fully committed to continued investments in innovation and will also continue to invest in growth businesses. Venturing remains an important activity to explore new technologies and business areas.

In 2008 capital expenditure on intangible assets and property, plant and equipment (excluding acquisitions) amounted to € 587 million compared to € 475 million in 2007. This was above the level of amortization and depreciation. For 2009, DSM expects capital expenditure to decline versus 2008 as a result of the focus on cash.

DSM acquired seven companies in 2008, while five investments were made by DSM Venturing. An amount of € 200 million has been earmarked for venturing activities over the period 2005-2012. DSM expects to spend around € 75 million per year on small new business acquisitions until 2010.

Announcements made by DSM in 2008, especially those relating to major investments and acquisitions, are summarized in the following list:

9 January

DSM announces that it will invest nearly € 15 million in the construction of a new plant for the production of wet polyesters and other specialty resins in Meppen (Germany). The new production line will be built at the existing site of DSM NeoResins+ in Meppen. The plant will be completed in the first half of 2009 and will allow for further expansions in the future.

16 January

DSM acquires the US-based company Soluol, a developer and producer of high-performance polyurethane resins which are used in a wide range of applications, with annual sales of USD 20 million. The acquisition of Soluol enhances DSM's specialty-resins presence in North America and adds new technology as well as a state-of-the-art production facility in East Providence, Rhode Island (United States).

18 January

DSM and the French starch and starch-derivatives company Roquette announce that they have joined forces to implement and commercialize the fermentative production of biorenewable succinic acid, which – amongst other applications – opens the possibility to produce bio-based performance materials. By the end of 2009 a demonstration plant in Lestrem (France) will be operational.

14 February

DSM Food Specialties acquires CMT Srl, an Italian company dedicated to the production of the Copan Milk Test, a microbiological test for the detection of antibiotic residues in milk.

27 February

DSM receives a grant from the US Department of Energy for an innovative biotechnological approach to bioproducts and biofuels. The grant will co-fund an extensive enzyme development program which will focus on finding applications in cellulose-based biorefineries for the production of bio-based products, including biofuels. The research will be carried out by a technical consortium in which DSM will be the lead partner.

3 March

DSM announces an agreement in principle with Arsenal Capital Partners (United States) on the sale of DSM Special Products B.V. In February 2009, DSM announced that the transaction would not be completed.

5 March

DSM Venturing announces its participation in a USD 20 million financing round in Tianjin Green Bio-Science Co. Ltd. (China). The proceeds will be used to build China's largest manufacturing plant for polyhydroxyalkanoates in the Tianjin Economic Development Area. This is the first venturing investment by DSM in China.

6 March

DSM Venturing makes an equity investment in the Dutch company IQ Therapeutics B.V. The company develops antibody-based products for biodefense and for the prevention and treatment of infectious diseases.

18 March

The acquisition of the assets of US-based Polymeric Processes, Inc., accelerates the efforts of DSM Desotech's Uvention™ group, which develops innovative custom UV-curable materials for select markets in the United States and Europe.



DSM Dyneema in Greenville, North Carolina (United States)

17 April

DSM announces plans for a substantial capital expenditure program, expected to involve up to USD 450 million, to increase production capacity in its Dyneema® business. This will enable DSM to capitalize on expected continuous growth in demand in the United States for the world's strongest fiber™.



DSM Engineering Plastics in Sittard-Geleen (Netherlands)

25 April

DSM opens the market development plant for Stanyl® ForTii™, the new polymer for use in electronics and other applications. The plant is located in Sittard-Geleen (Netherlands). With the opening of the market development plant, customers' access to Stanyl® ForTii™ will be extended.

28 April

DSM announces an agreement to acquire The Polymer Technology Group, Inc. (PTG) of Berkeley, California (United States). Through this acquisition DSM obtains a leading position in the field of biomedical polymers, one of DSM's future key growth areas. PTG expects more than 20% annual sales growth in the next 3-5 years, based on existing business and the pipeline of new products.



DSM Desotech in Xinghou (China)

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12 June

DSM opens the newly expanded China ink manufacturing facility, DSM Desotech Specialty Chemicals (Shanghai) Ltd. The operation has been relocated from Gonglu to Xinghou (China), into a new facility that has doubled in size and is positioned for growth.

12 June

DSM NeoResins+ finalizes the construction of a new factory for the production of waterborne acrylic resins in Shunde (China). The investment amounted to almost € 20 million.

13 June

DSM announces an extensive engineering study that could lead to a large expansion to the DSM Composite Resins manufacturing facilities in Compiègne (France). If the plant expansion gets the go-ahead from the engineering study, capacity will be expanded by up to 20,000 tons per year, particularly for specialty products.

16 June

DSM Biologics and Crucell N.V. announce another breakthrough in the production of IgG antibodies using PER.C6® technology. By employing the PER.C6® human cell line and proprietary XD™ technology, a record yield of over 27 grams per liter has been achieved.

11 July

DSM announces the acquisition of the business and substantially all of the assets of Valley Research, Inc. of South Bend, Indiana (United States). Through this acquisition, DSM has further reinforced its leading global position in food enzymes.

20 August

DSM Engineering Plastics acquires the polymerization assets of Diolen Industrial Fibers B.V., including the facilities for polyester polymer production in Emmen (Netherlands). The facilities will be integrated with DSM's polyester compounding facility.

27 August

DSM Venturing acquires an equity stake of 29.3% in Provexis plc, a UK listed company that develops and licenses ingredients for the functional food, medical food and dietary supplement markets. The investment makes DSM the largest shareholder of Provexis.

27 August

DSM announces the closure of its citric acid manufacturing plant in Wuxi (China) by Q1 2009. The closure follows a request from the local government to relocate the plant from its current location as this location is needed for future urban developments. DSM has decided not to rebuild the capacity elsewhere but concentrate its production at the site in Tienen (Belgium).



DSM Engineering Plastics in Jiangyin (China)

3 September

DSM inaugurates its new polymer plant in Jiangyin (China). The plant produces high-viscosity grades of Akulon® polyamide 6 (PA6) aimed at the fast growing high-end food packaging market in Asia. Construction of the plant, which was announced in September 2006, involved several tens of millions of USD.

17 September

DSM Biomedical and Caliber Therapeutics, Inc. of Boston, Massachusetts (United States) will partner on the development of a novel drug delivery balloon catheter that can be used to treat vascular diseases such as atherosclerosis. This cooperation is another step for DSM to leverage its competences in Materials Sciences into Life Sciences applications.

17 September

DSM announces a major capacity expansion for its innovative picture glass @claryl. Within a year after its launch, market demand for this innovative product has risen so quickly that DSM has decided to build an additional oven at its manufacturing facility in Sittard-Geleen (Netherlands), increasing production capacity by 50%.



DSM Engineering Plastics in Sittard-Geleen (Netherlands)

17 September

DSM opens the second polymerization plant for Stanyl® polyamide 46 at the Chemelot site in Sittard-Geleen (Netherlands). The new plant doubles DSM's worldwide production capacity for this high-performance plastic, supporting expected continuous strong growth in the coming years based on Stanyl®'s leading position in electronics and its growing usage in automotive applications due to higher demand for metal replacement. DSM has invested several tens of millions of euros in the new plant.

26 September

DSM Venturing makes an equity investment in The Compliers Group International B.V. The Netherlands-based company focuses on the development of smart pharmaceutical packaging solutions that contain microchips which enable the monitoring of a patient's therapy compliance.

26 September

DSM NeoResins+ announces a capacity expansion worth € 10 million for waterborne polyurethane resins in Parets (Spain), building on continuous growth for these products due to new legislation in Europe.

2 October

DSM Anti-Infectives announces the closure of the production site in Strängnäs (Sweden). The site mainly produces clavulanic acid and will cease operations towards the end of 2009.

13 October

DSM Venturing makes an investment in Accelerated Technologies II L.P. in Hackensack, New Jersey (United States), the new business incubator in the field of medical devices, further strengthening DSM's position in the biomedical materials market.

19 November

DSM Anti-Infectives announces that it has reached an agreement with the management of DSM Deretil on a management buy-out. The sale allows DSM Anti-Infectives to fully focus on its core future activity as a leading player in generic active pharmaceutical ingredients.



DSM Nutritional Products in Hengyang (China)

28 November

DSM Nutritional Products opens its third premix plant in China. The facility allows DSM to serve a larger geographical area in China, enabling the company to capitalize on opportunities that arise from the rapidly growing animal nutrition and health industry in one of the key countries for DSM.

2 December

DSM announces the sale of its Solutech business to Lydall, Inc., the US-based specialty engineering products manufacturer. DSM Solutech is the manufacturer of Solupor® specialty microporous membranes for air and liquid filtration.