

Annual Results 2004

*Peter Elverding,
Chairman of the Managing Board*



Analysts Meeting

23 February 2005, 10:30

The City Presentation Centre, 4 Chiswell Street, London

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Highlights 2004



➤ **Mixed business climate in 2004**

- Sound growth figures North America & Asia
- Economic recovery Europe lagging behind
- Further weakening US dollar versus the euro
- Steeply rising prices for many raw materials
- Harsh conditions in global pharma markets

➤ **2004, a year DSM grew stronger**

- Autonomous volume growth + 8%
- Strong contribution DSM Nutritional Products
- Top- & bottomline growth Performance Materials & Industrial Chemicals
- Improvements DSM Pharma blurred by slump in anti-infectives
- NeoResins completes portfolio transformation Vision 2005
- Good Corporate Governance and SHE performance

Q4 2004, key figures



(€ million)	Q4'04	Q4'03	Δ%
Net sales	1,999	1,910	+ 5%
EBITDA	248	233	+ 6%
EBIT Life Science Products	22	39	- 44%
EBIT DSM Nutritional Products	44	30	+ 47%
EBIT Performance Materials	29	16	+ 81%
EBIT Industrial Chemicals	25	15	+ 67%
Operating profit	113	92	+ 23%
Net profit from ordinary activities	82	68	+ 21%

Annual results 2004, key figures



(€ million, ex. exceptional items)	2004	2003	Δ%
Net sales	7,752	6,050	+ 28%
EBITDA	1,013	723	+ 40%
Operating profit	489	294	+ 66%
Net profit ordinary activities	359	233	+ 54%
Net result from exceptional items	- 97	- 94	
Net profit	262	139	+ 88%
Net earnings per ordinary share	2.51	1.24	+ 102%

Life Science Products



(€ million)	2004	2003	Δ%
Net sales	1,985	2,022	- 2%
EBITDA	243	320	- 24%
EBIT	83	164	- 49%

- *Pharma related activities*
 - *Pharmaceutical Products is improving*
 - *Restructurings at Anti Infectives (a/o shift to China)*
- *Food related activities: A good year*



Food: 42%



Pharma: 41%



Feed: 2%



Others: 15%

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DSM Nutritional Products



(€ million)	2004	2003
Net sales	1,910	n.m.
EBITDA	331	n.m.
EBIT	203	n.m.

- *Strong performance in first full year after takeover*
- *Good progress VITAL project*
- *Market conditions reasonably stable*
- *Strong growth innovative products*



Feed: 50%



Food: 24%



Pharma: 17%



Cosmetics: 9%

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Performance Materials

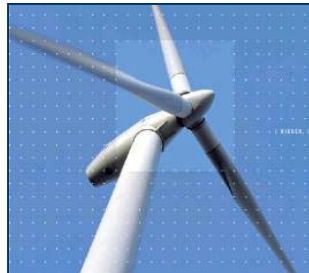


(€ million)	2004	2003	Δ%
Net sales	2,013	1,777	+ 13%
EBITDA	238	178	+ 34%
EBIT	147	90	+ 63%

- *DSM Elastomers, from loss to profit*
- *DSM Dyneema, a year of strong growth*
- *DSM Engineering Plastics & DSM Coating Resins: higher profits*
- *DSM Composite Resins, cost reduction and innovation*



Automotive: 24%



B & C: 21%



E & E: 15%



Others: 40%

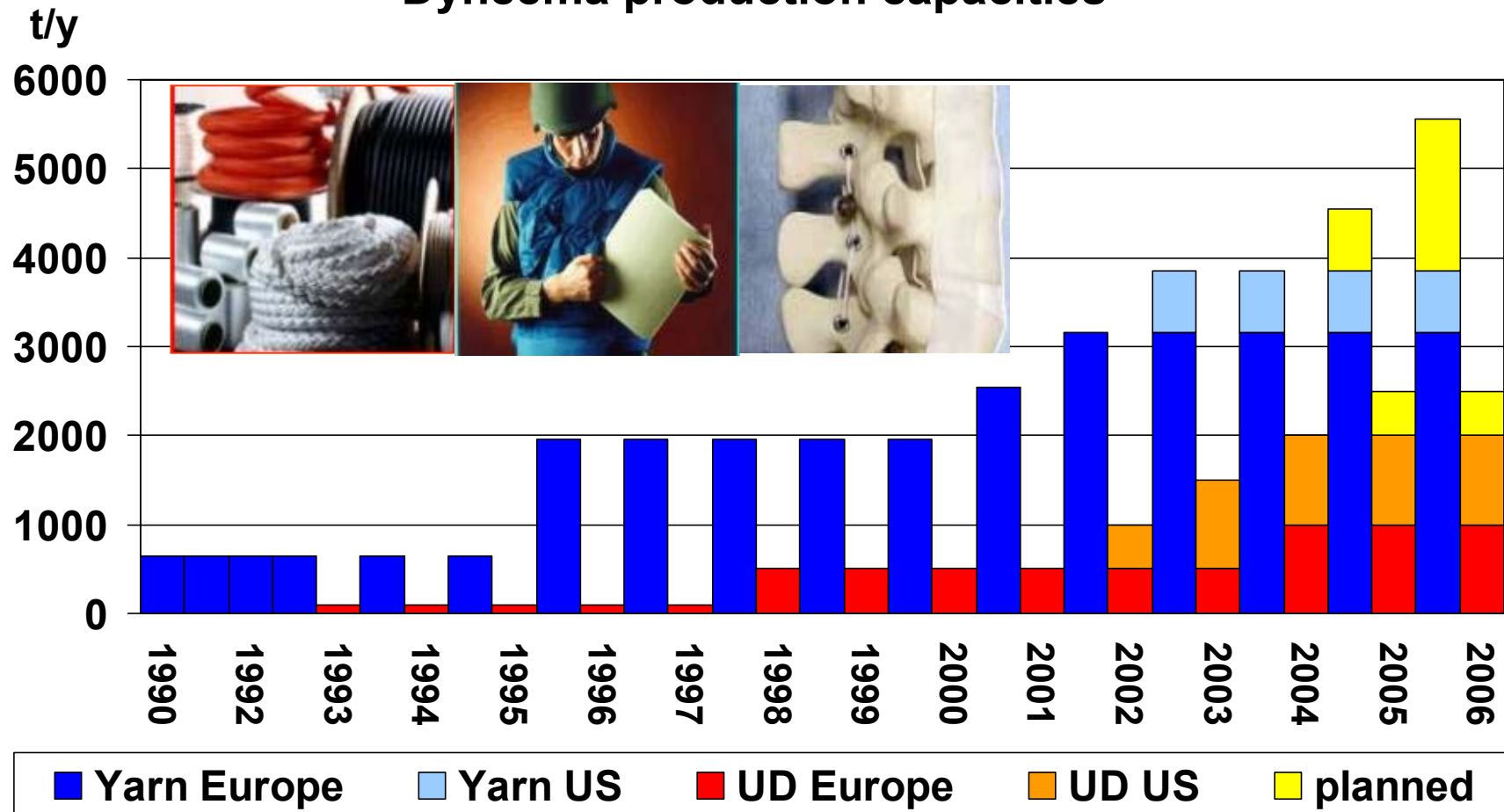
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Fast growth of Dyneema



Dyneema production capacities



Industrial Chemicals in 2004



(€ million)	2004	2003	Δ%
Net sales	1,747	1,543	+ 13%
EBITDA	194	141	+ 38%
EBIT	108	60	+ 180%

- *DSM Fibre Intermediates, from loss to profit*
- *DSM Melamine, results under pressure but promising market growth*
- *DSM Agro, a very fruitful year*
- *DSM Energy, good results*



B & C: 31%



Textiles: 30%



Agro: 26%



Others: 13%

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Strong Cash flow



(€ million)	Ult. 2004	Ult. 2003	Δ%
• Cash from operating activities	911	591	+ 54%
• Cash used for investments*	-334	-433	- 23%
➤ Free cash flow from operations	577	158	+ 265%
• Dividend	194	187	
• Buy back cumprefs C	117		
➤ Cash returned to shareholders	311	187	+ 66%
➤ Net debt	337	671	- 50%

* Excluding acquisitions and divestments

Impact IFRS on income statement



P&L 2004 (€ million)	NL GAAP	Δ	IFRS
Net sales	7,752	+ 134	7,886
Goodwill / Badwill		- 7	
Pension charges		+ 90	
Share based payments		- 8	
Other		+ 3	
Operating Profit ordinary activities	489	+ 78	567
Net Profit Profit ordinary activities	359	+ 71	430
Net Profit exceptional items	- 97	- 33	- 130
Net profit	262	+ 38	300

Impact IFRS 2004, split per cluster



Operating profit (€ million)	Pension charge	Option costs	Goodwill / Badwill	Σ
LSP	+ 25			+ 25
DNP	+ 23		- 29	- 6
PM	+ 21			+ 21
IC	+ 13			+ 13
Other	+ 8 (+ 25 – 17)	- 8		0
Not allocated + sundry			+ 22	+ 22 + 3
DSM total	+ 90	- 8	- 7	+ 78

Outlook



- Positives:
 - supply/demand balance in most end-markets seems robust

- Possible negatives:
 - Weakening economic growth compared to last year
 - Further weakening of the dollar
 - Volatility raw material prices
 - Disruptive geopolitical events

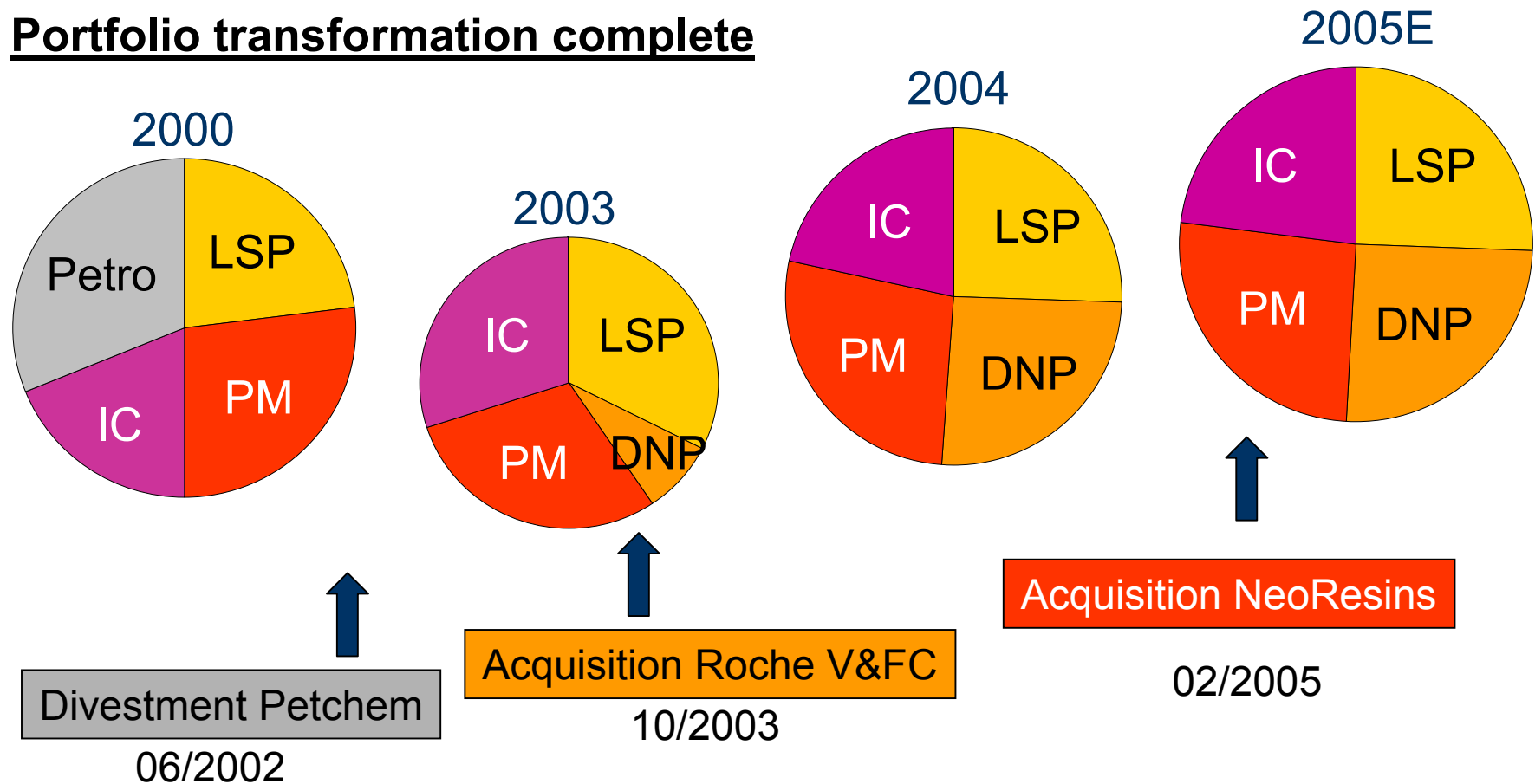
- Outlook for DSM in 2005 favorable,
based on business environment in line with 2004

- Outlook Q1'05: substantially higher operating profit than Q1'04
(based on € 131 million of IFRS)

Portfolio changes *Vision 2005*



Portfolio transformation complete



Accelerated expansion of DSM's specialty portfolio completed

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Actions to improve profitability



- Pharma related activities
 - Previously announced restructurings DPP finalized
 - Restructurings DSM Anti-Infectives
 - Restructurings Linz site (DFC & DPP)

- Nutrition related activities
 - *VITAL* project DSM Nutritional Products
 - Evaluation divestment options DSM Bakery Ingredients

- Performance Materials & Industrial Chemicals
 - Restructuring DSM Elastomers completed
 - Copernicus project Geleen site

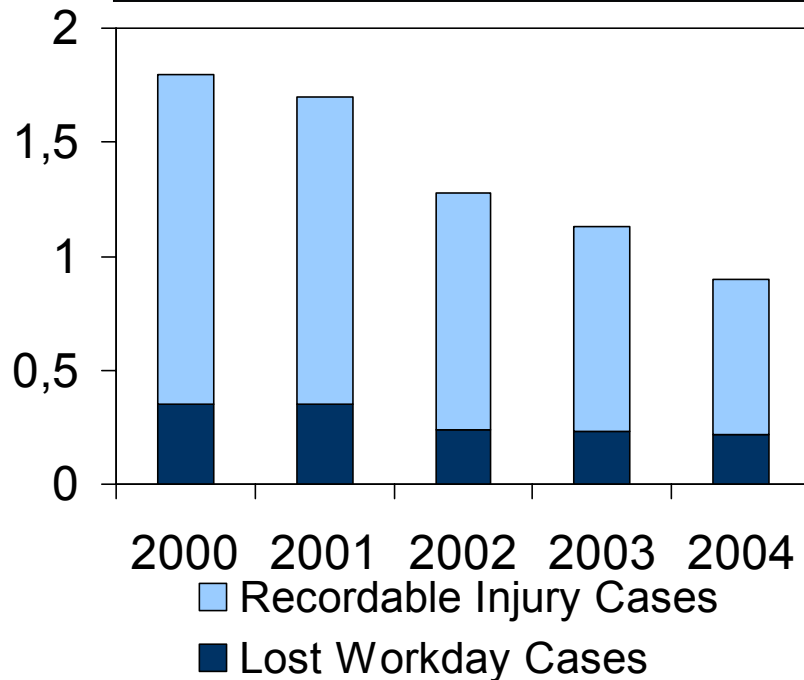
- Company wide programs
 - Enhance Operational Excellence
 - Magneto project to improve purchasing

DSM's Triple P policy

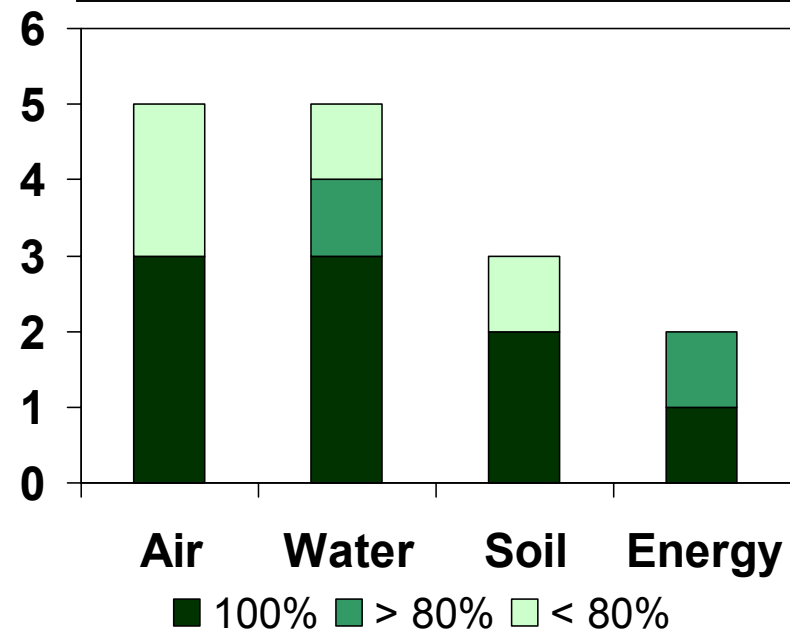


- Triple P: People, Planet, Profit ➡ Sustainable value creation
 - Concrete targets on a/o safety, health, environment & profitability

Frequency indices



Realization 2006 targets



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Conclusions



- Solid improvement in 2004
- Positive perspective for 2005
- Actions to further improve profitability underway
- Portfolio transformation successfully completed

