

**Life Sciences & Materials Sciences**

# Staying the Course

**Annual Results 2008**



# Safe Harbor Statement

This presentation may contain forward-looking statements with respect to DSM's future (financial) performance and position. Such statements are based on current expectations, estimates and projections of DSM and information currently available to the company. DSM cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. DSM has no obligation to update the statements contained in this presentation, unless required by law.

The English language version of this document is leading.

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)





# Agenda

- Operational performance 2008
- *Vision 2010* update
- Current global challenges
- Outlook 2009

# Annual Results 2008: key figures

Q4'08	Q4'07	Δ%	(€ million)	2008	2007	Δ%
			<u>before exceptional:</u>			
2,091	2,226	- 6%	Net Sales	9,297	8,757	+ 6%
241	300	-20%	EBITDA	1,357	1,247	+ 9%
123	190	-35%	EBIT	903	823	+10%
73	130	-44%	Net Profit	608	558	+ 9%
0.43	0.75	-43%	EPS	3.64	3.07	+19%
			<u>including exceptional items:</u>			
42	112	-62%	Net Profit	577	429	+34%
0.24	0.64	-63%	EPS	3.45	2.35	+47%

# Nutrition

Q4'08	Q4'07	Δ%	(€ million)	2008	2007	Δ%
703	600	+ 17%	Net sales	2,710	2,302	+18%
189	105	+ 80%	EBITDA	585	403	+45%
155	72	+115%	EBIT	447	276	+62%
26.9%	17.5%		EBITDA margin	21.6%	17.5%	

- DNP benefiting from differentiation and innovation strategy in vitamins and changing industry dynamics
- DFS results affected by marginal sales decline and lower US\$
- Ongoing favorable business conditions

# Pharma

Q4'08	Q4'07	Δ%	(€ million)	2008	2007	Δ%
216	234	- 8%	Net sales	863	903	- 4%
45	33	+36%	EBITDA	150	168	-11%
30	19	+58%	EBIT	89	92	- 3%
20.8%	14.1%		EBITDA margin	17.4%	18.6%	

- DPP impacted by Roche contracts, insourcing and delays in commercial developments
- DAI stays at a healthy level. PEN prices on average lower, but still at a good level

# Performance Materials

Q4'08	Q4'07	Δ%	(€ million)	2008	2007	Δ%
492	598	- 18%	Net sales	2,297	2,390	- 4%
-9	91		EBITDA	266	371	-28%
-37	70		EBIT	175	291	-40%
-1.8%	15.2%		EBITDA margin	11.6%	15.5%	

- DEP as well as DR seriously hit by the economic crisis in Q4
- Combined effect of a sharp drop in demand, destocking, lower margins and inventory write-offs
- DSM Dyneema and parts of DR (Desotech) not affected by the crisis

# Polymer Intermediates

Q4'08	Q4'07	Δ%	(€ million)	2008	2007	Δ%
198	323	- 39%	Net sales	1,201	1,232	- 3%
-62	42		EBITDA	43	133	-68%
-66	32		EBIT	19	105	-82%
-31.3%	13.0%		EBITDA margin	3.6%	10.8%	

- Severe drop in demand in all regions in Q4 (including China)
- Sudden and deep drop in benzene prices had very adverse inventory valuation effect
- Caprolactam earlier in the cycle than ACN

# Base Chemicals and Materials

Q4'08	Q4'07	Δ%	(€ million)	2008	2007	Δ%
353	389	- 9%	Net sales	1,733	1,529	+13%
66	40	+ 65%	EBITDA	342	209	+64%
44	22	+100%	EBIT	260	137	+90%
18.7%	10.3%		EBITDA margin	19.7%	13.7%	

- DAG benefited from increased prices and positive market conditions up until the last quarter
- DE (Automotive) and DMM (Building & Construction) were hit hard by the economic crisis

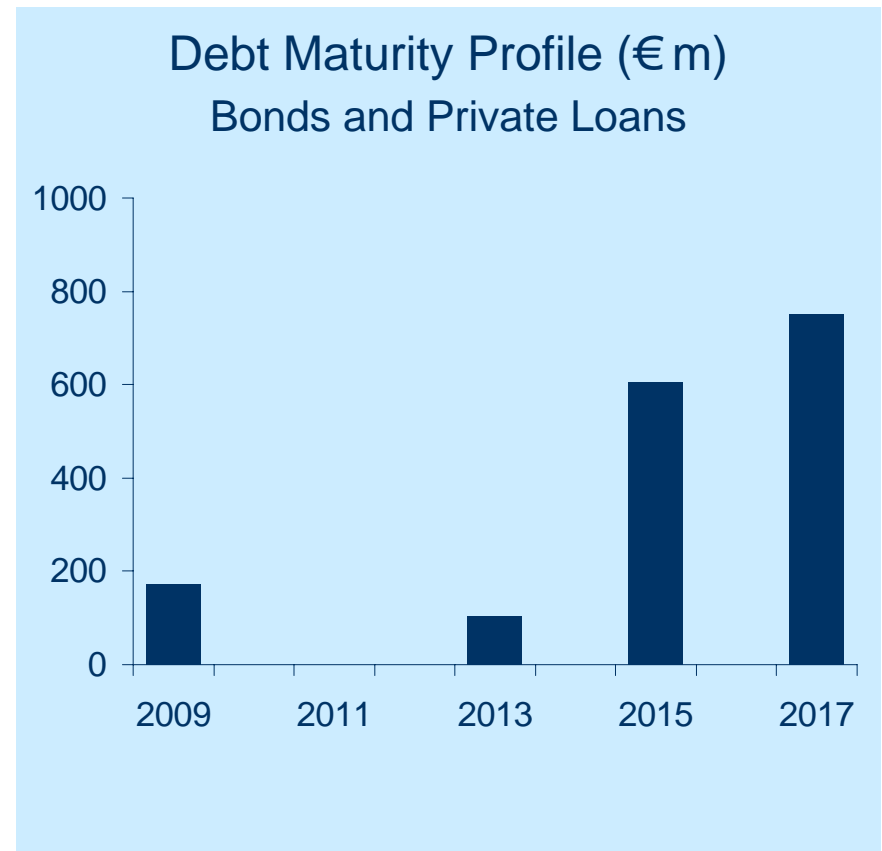
# Cash flow & balance sheet highlights

Cash Flow (€ million)	FY 2008	FY 2007
• Cash from operating activities	910	825
• Cash from investing activities	-794	-394
Free cash flow from operations	116	431
• Change in operating working capital	-180	-124
• Capital expenditure	-591	-434
• Acquisitions and disposals	- 93	-34

Balance Sheet (€ million)	Dec 31 2008	Dec 31 2007
• Net debt	1,781	1,338
• Gearing	28%	20%

# Q4 actions to manage the crisis

- Positive cash flow in Q4
  - Reduced operating capital
  - (Capex) projects postponed
- Continued strong financial position
- Pensions sufficiently funded (no additional cash contribution)
- Set up dedicated coordination office

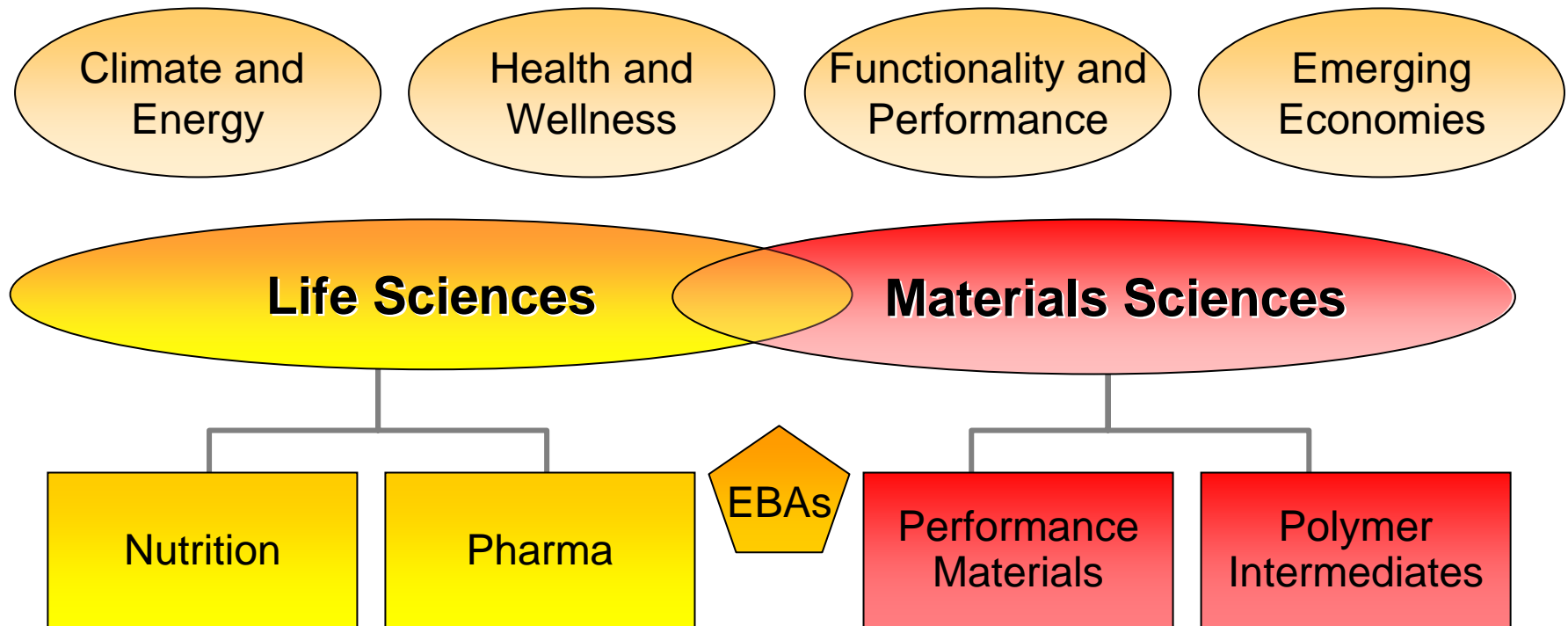


**Successful cash generation: €392m in Q4**

# Agenda

- Operational performance 2008
- *Vision 2010* update
- Current global challenges
- Outlook 2009

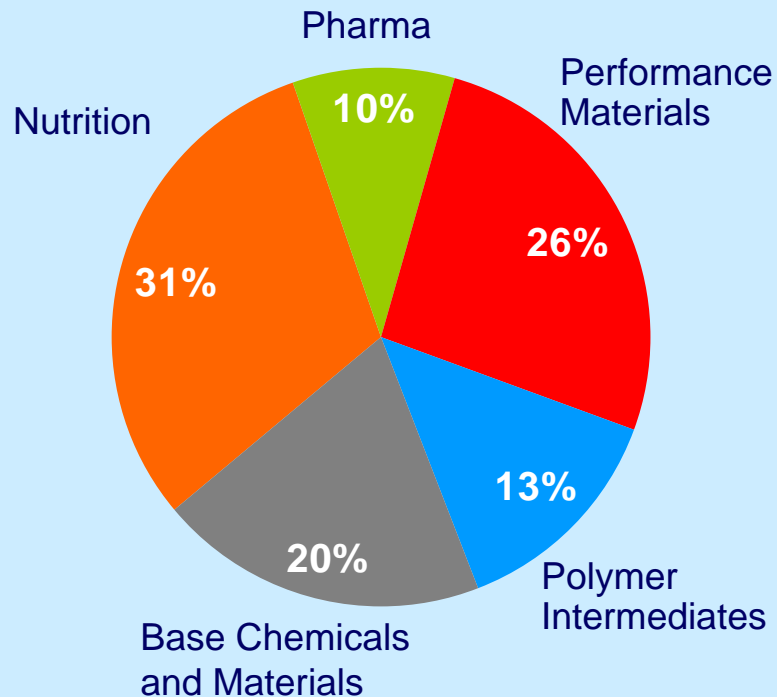
# Focus on Life Sciences and Material Sciences



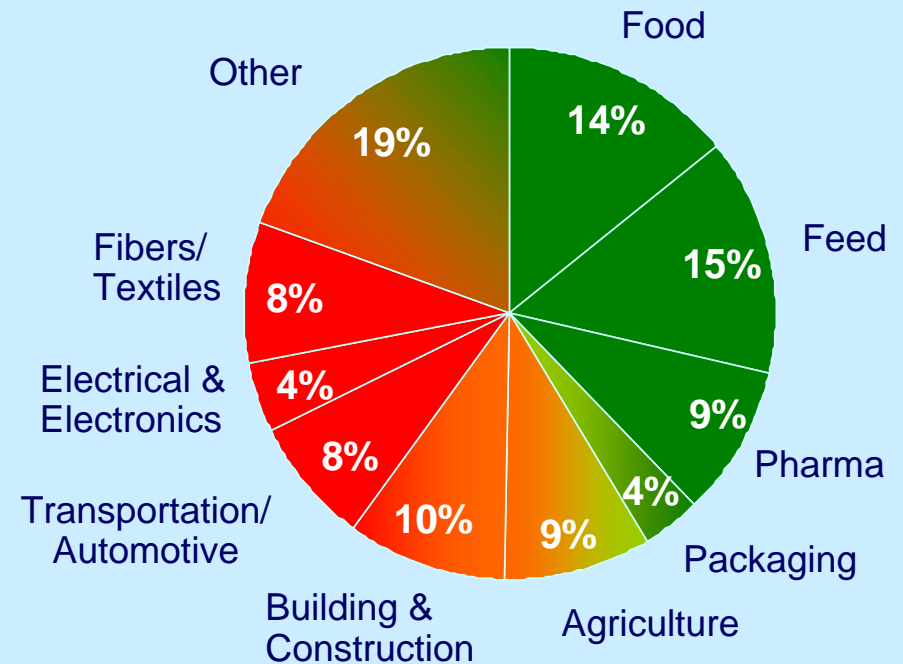
**Exploiting strong market positions and technology platforms**

# Balanced portfolio in economic downturn

2008 Sales per Cluster



2008 Sales per end market



**Nutrition, Pharma and DSM Dyneema relatively unaffected**

# Cost saving plans underway

- Workforce reduction of about 1000 positions
- Purchasing savings
- Other efficiency improvements
  
- Capital expenditure focused on future growth projects (e.g. Dyneema)
  
- Further measures will be implemented as required, but preserve capabilities for when market growth returns

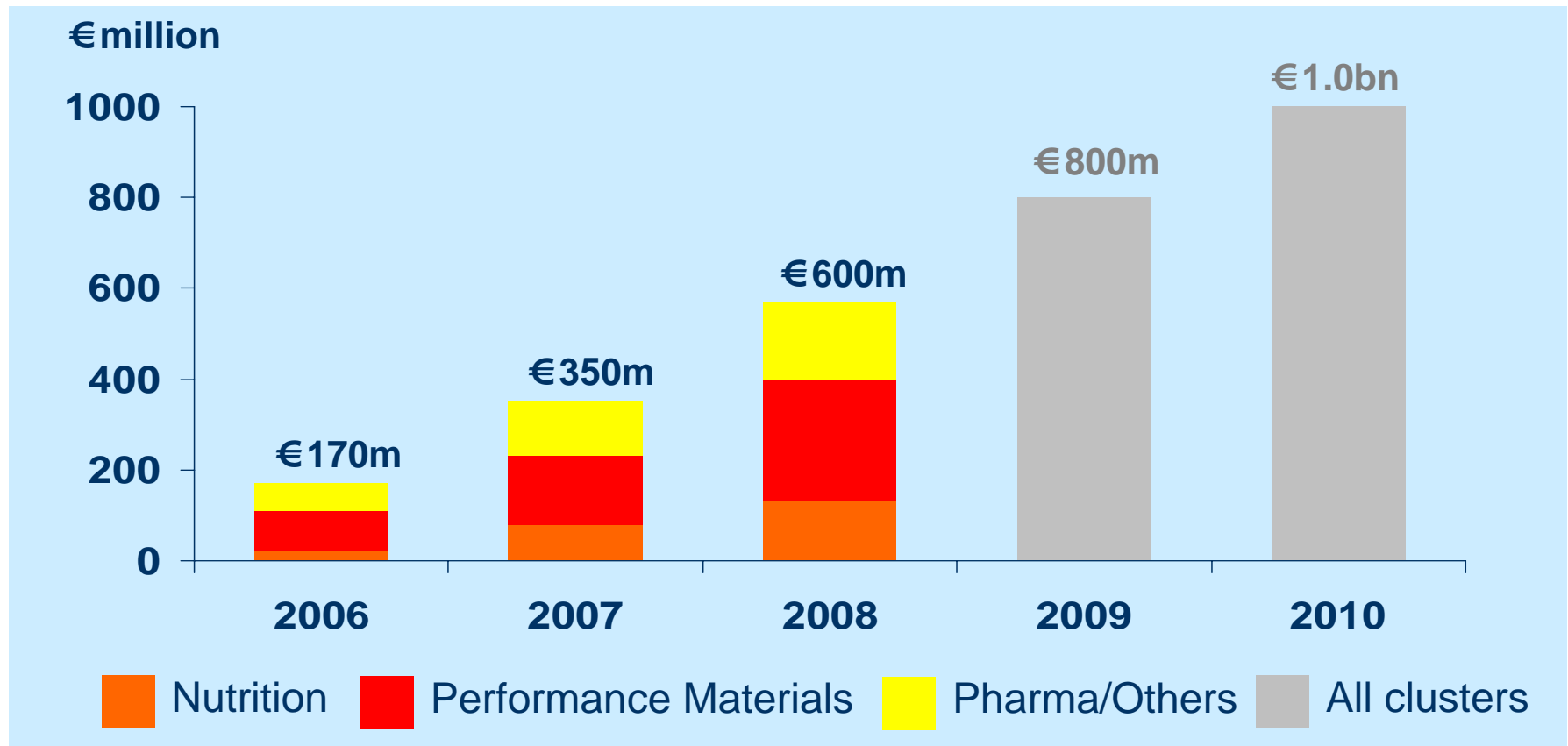
**Total savings up to €100m by 2010**

# Progress partnering & disposals 2008

- DSM has slowed down main disposal process (DSM Agro and DSM Melamine and the ammonia plants, DSM Elastomers, Urea Licensing)
- Progress DSM Anti-Infectives
  - MBO DSM Deretil side chain business
  - Closure of clavulanic business in Sweden
- Citric Acid; Closure of Wuxi site
- Proceed with disposal process for DSM Special Products

**Targeted completion within time horizon of *Vision 2010***

# Innovation sales growth towards €1bn in 2010



**Sales 2008 €600m, €1bn target in 2010**

# Summary update *Vision 2010*

- Shift to Life Sciences and Materials Sciences continued
- Successful acquisitions achieved
- Disposal program planned within time horizon of *Vision 2010*
- Organic growth 8%; record profitability
- China sales US\$ 1.15bn in 2008, target US\$ 1.5bn in 2010
- Innovation sales € 0.6bn in 2008, target € 1bn in 2010
- Dividend proposal at € 1.20 per share
- Current share buy-back program cancelled
- Progress in sustainability

**Good progress but some draw backs due to the economic downturn**

# Agenda

- Operational performance 2008
- *Vision 2010* update
- Current global challenges
- Outlook 2009

# Alternative energy, coatings for solar cells

- **®claryl** anti-reflective coating for solar cells:
  - Higher yields by increased light transmission
  - 30% energy efficiency during production

**®claryl** for solar panels



**Working with customers to develop sustainable solutions**

# Climate improvement at customers

- Environmentally friendly UV-curable coatings for glass fibers
- Stanyl® Diablo reducing weight, high heat resistant, replacing metal in automotive
- Initiatives to provide carbon-use info

## DSM Desotech's environmentally friendly UV-curable coatings

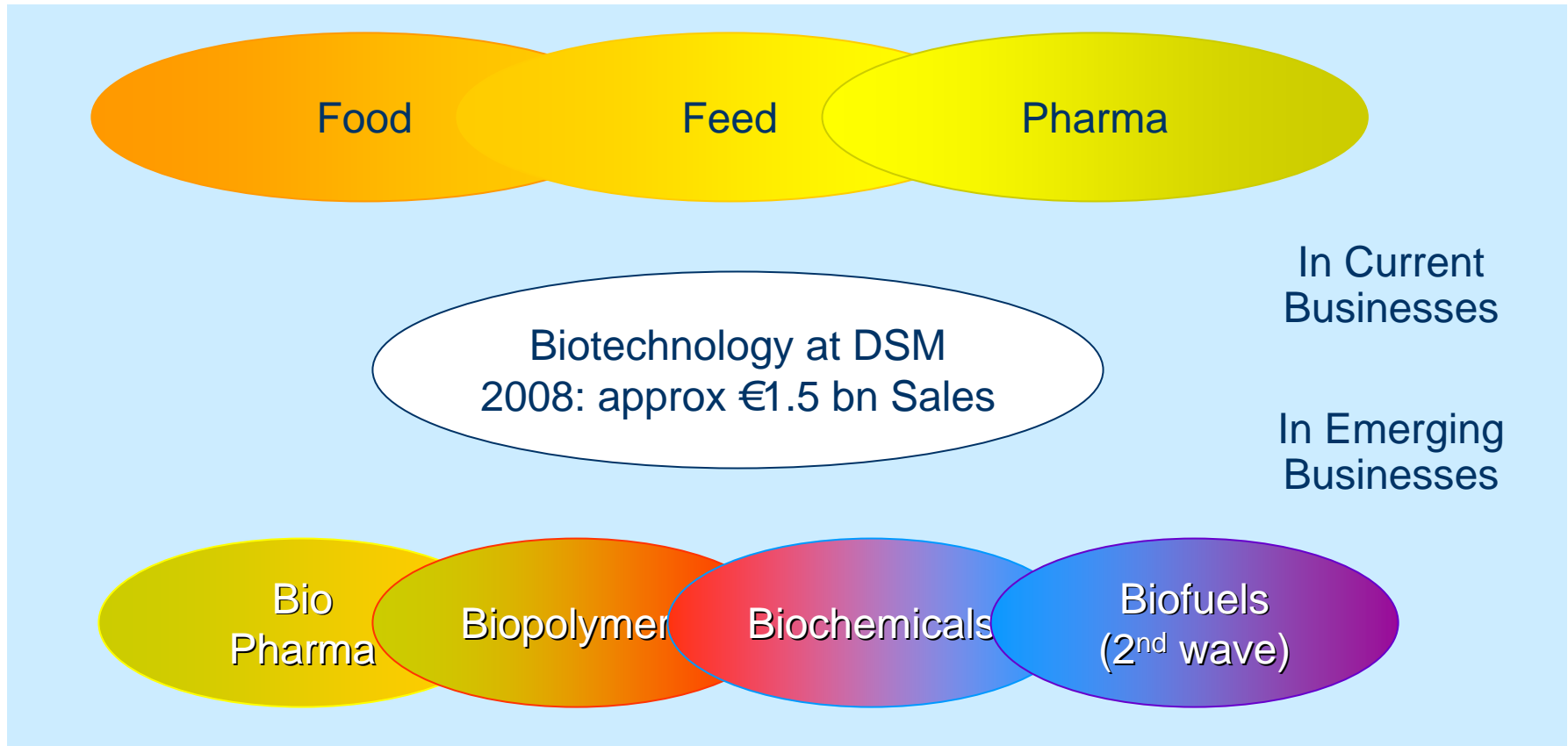


## DSM EP's high performance Stanyl® Diablo



**Saving climate, energy, costs and increasing performance**

# Renewable resources, reshaping the industry



Inspired to create (new) materials from nature's renewable sources

# Balanced supply of food



- SIGHT AND LIFE: science program
  - WFP program: support with expertise, high-nutrient products and cash
  - Nutrition Improvement Program: Business model to supply micronutrient solutions to Governments and NGOs
- DSM innovations:
- NutriRice®
  - Mix-Me™ sachets



Personal engagement of colleagues



**DSM leads the combat against “Hidden Hunger”**

# Agenda

- Operational performance 2008
- *Vision 2010* update
- Current global challenges
- Outlook 2009

# Earnings guidance

- No quantitative outlook provided for 2009 in view of the uncertain economic conditions

*See full text in press release*

# Conclusions

- Record year
- Difficult fourth quarter, cash prioritized over short term profitability
- Half of portfolio relatively unaffected
- *Vision 2010* is the right strategy; DSM staying the course
- Strong balance sheet and financial flexibility
- Swiftly responded with cost savings program already in December  
Further actions to be taken when necessary

**Committed to generate cash to secure future profitable growth**

# Questions & Answers Session

**Life Sciences & Materials Sciences**

## Staying the Course

**Annual Results 2008**

