Life Sciences & Materials Sciences

Staying the Course

Feike Sijbesma
Chairman Managing Board

Annual General Meeting of Shareholders 2010
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
Agenda

- Operational performance 2009
- Vision 2010 update
- Outlook 2010
- Sustainability
- Governance
DSM ends 2009 with solid Q4 and very strong cash generation

- Q4 operating profit continuing operations €141m (in line with Q3)
- Life Sciences performance reflects robust Nutrition business
- Materials Sciences recovery remains on track
- Full year operating profit continuing operations €370m
- Full year cash flow operating activities very strong ~ €1,276m
- Solid financial position – dividend maintained at €1.20 in cash
- No quantitative outlook provided for 2010.
## Annual results 2009: key figures

<table>
<thead>
<tr>
<th>(in € million, EPS in €)</th>
<th>2009</th>
<th>2008</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations before exceptional items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>7,732</td>
<td>9,079</td>
<td>-15%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>836</td>
<td>1,209</td>
<td>-31%</td>
</tr>
<tr>
<td>EBIT</td>
<td>370</td>
<td>769</td>
<td>-52%</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>1.15</td>
<td>3.04</td>
<td>-62%</td>
</tr>
<tr>
<td>Total DSM before exceptional items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>443</td>
<td>903</td>
<td>-51%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>244</td>
<td>608</td>
<td>-60%</td>
</tr>
<tr>
<td>Total DSM including exceptional items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>337</td>
<td>577</td>
<td>-42%</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>2.01</td>
<td>3.45</td>
<td>-42%</td>
</tr>
</tbody>
</table>
### Operating Profit – DSM core business

<table>
<thead>
<tr>
<th>EBIT (€ million)</th>
<th>2009</th>
<th>2008</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition</td>
<td>521</td>
<td>447</td>
<td>+17%</td>
</tr>
<tr>
<td>Pharma</td>
<td>32</td>
<td>89</td>
<td>-64%</td>
</tr>
<tr>
<td>Performance Materials</td>
<td>68</td>
<td>175</td>
<td>-61%</td>
</tr>
<tr>
<td>Polymer Intermediates</td>
<td>6</td>
<td>19</td>
<td>-68%</td>
</tr>
<tr>
<td>Others</td>
<td>-189</td>
<td>-135</td>
<td></td>
</tr>
<tr>
<td>DSM core business</td>
<td>438</td>
<td>595</td>
<td>-26%</td>
</tr>
</tbody>
</table>

- Results core part only 26% down due to relative resilience and swift cost reductions
- Overall performance down 52%, strongly dominated by the non-core Base Chemicals and Materials cluster
### Nutrition

<table>
<thead>
<tr>
<th>(€ million)</th>
<th>2009</th>
<th>2008</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2,824</td>
<td>2,710</td>
<td>4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>655</td>
<td>585</td>
<td>12%</td>
</tr>
<tr>
<td>EBIT</td>
<td>521</td>
<td>447</td>
<td>17%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>23.2%</td>
<td>21.6%</td>
<td></td>
</tr>
</tbody>
</table>

- Successful differentiation and innovation strategy
- Sustained focus on value-over-volume strategy
- Resilience throughout the downturn, operating profit above 2008
## Pharma

<table>
<thead>
<tr>
<th>(€ million)</th>
<th>2009</th>
<th>2008</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>721</td>
<td>863</td>
<td>-16%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>91</td>
<td>150</td>
<td>-39%</td>
</tr>
<tr>
<td>EBIT</td>
<td>32</td>
<td>89</td>
<td>-64%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>12.6%</td>
<td>17.4%</td>
<td></td>
</tr>
</tbody>
</table>

- Lower demand and lower prices led to much lower operating profit compared to 2008
## Performance Materials

<table>
<thead>
<tr>
<th>(€ million)</th>
<th>2009</th>
<th>2008</th>
<th>△%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,823</td>
<td>2,297</td>
<td>-21%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>174</td>
<td>266</td>
<td>-35%</td>
</tr>
<tr>
<td>EBIT</td>
<td>68</td>
<td>175</td>
<td>-61%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>9.5%</td>
<td>11.6%</td>
<td></td>
</tr>
</tbody>
</table>

- Sales decline reflects depressed economic conditions
- Active margin management and cost-control measures
- Nevertheless, operating profit well short of 2008
Polymer Intermediates

<table>
<thead>
<tr>
<th>(€ million)</th>
<th>2009</th>
<th>2008</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>849</td>
<td>1,201</td>
<td>-29%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>36</td>
<td>43</td>
<td>-16%</td>
</tr>
<tr>
<td>EBIT</td>
<td>6</td>
<td>19</td>
<td>-68%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>4.2%</td>
<td>3.6%</td>
<td></td>
</tr>
</tbody>
</table>

- Volume recovery during the year, but lower sales due to lower prices
- Lower margins could not be offset by cost saving programs
- Operating profit was lower than in 2008
### Base Chemicals and Materials

<table>
<thead>
<tr>
<th>(€ million)</th>
<th>2009</th>
<th>2008</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,134</td>
<td>1,572</td>
<td>-28%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>2</td>
<td>245</td>
<td>-99%</td>
</tr>
<tr>
<td>EBIT</td>
<td>-68</td>
<td>174</td>
<td></td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>0.2%</td>
<td>15.6%</td>
<td></td>
</tr>
</tbody>
</table>

- Lower costs could only partly compensate for lower sales
- Agro, Melamine and Elastomers reported losses for the year 2009
## Exceptional items 2009

<table>
<thead>
<tr>
<th>(€ million)</th>
<th>Before tax</th>
<th>After tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total exceptional gain, of which</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Gains from the disposal of activities (mainly DSM Energy, Stamicarbon)</td>
<td>302</td>
<td>289</td>
</tr>
<tr>
<td>• Release of pension related provisions (US, Switzerland)</td>
<td>19</td>
<td>13</td>
</tr>
<tr>
<td>• Gains related to closure of citric acid plant in China</td>
<td>19</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total exceptional expense, of which</strong></td>
<td>(248)</td>
<td>(227)</td>
</tr>
<tr>
<td>• Additions to provisions related to restructuring charges</td>
<td>(48)</td>
<td>(35)</td>
</tr>
<tr>
<td>• Impairment for goodwill of Catalytica and LTP</td>
<td>(166)</td>
<td>(166)</td>
</tr>
<tr>
<td>• Cancellation of IT projects</td>
<td>(23)</td>
<td>(19)</td>
</tr>
<tr>
<td>• Other costs related to cost savings actions and organizational changes</td>
<td>(11)</td>
<td>(7)</td>
</tr>
<tr>
<td>related to the economic downturn</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit from exceptional items</strong></td>
<td>92</td>
<td>93</td>
</tr>
</tbody>
</table>
## Cash flow & balance sheet highlights

<table>
<thead>
<tr>
<th>Cash Flow (€ million)</th>
<th>FY 2009</th>
<th>FY 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from operating activities</td>
<td>1,276</td>
<td>910</td>
</tr>
<tr>
<td>Cash from investing activities</td>
<td>-273</td>
<td>-794</td>
</tr>
<tr>
<td>Free cash flow from operations</td>
<td>1,003</td>
<td>116</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance Sheet (€ million)</th>
<th>YE 2009</th>
<th>YE 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>830</td>
<td>1,781</td>
</tr>
<tr>
<td>Gearing</td>
<td>14%</td>
<td>28%</td>
</tr>
</tbody>
</table>

### Cash flow from operating activities

**Strong cash performance and continued net debt reduction**
Operating working capital development

Successful reduction operating working capital achieved
Development cost savings program

- Cost savings program 2009
  - Total achieved savings > €150m
  - Headcount reduced by 1,314 (Q3 2008 to ultimo 2009)

- Cost development 2010
  - Upper limit of €200m in reach
  - 2/3 expected to be sustainable

Successful implementation cost savings program
Strong financial position maintained

- Gearing 14% at year-end 2009
- (LT) debt maturing mostly from 2014
- No Commercial Paper outstanding
- Renewal of committed credit facilities in 2012-2013; currently fully undrawn
- Long-term credit ratings unchanged
- Pension funds sufficiently funded

Conservative financing mix in current uncertain markets
2009 dividend stable; to be paid in cash

- Dividend increase ~40% since 2004
- 2009 unchanged dividend of €1.20 per ordinary share (proposal AGM)
- Dividend fully payable in cash
- Dividend yield 3.5% (year-end 2009)

Dividend policy unchanged: “Stable and preferably rising”
Agenda

- Operational performance 2009
- Vision 2010 update
- Outlook 2010
- Sustainability
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Our purpose is to create brighter lives for people today and generations to come.

We connect our unique competences in Life Sciences and Materials Sciences to create solutions that nourish, protect and improve performance.
Focus on Life Sciences and Materials Sciences

- Climate and Energy
- Health and Wellness
- Functionality and Performance
- Emerging Economies

Life Sciences
- Nutrition
- Pharma

Materials Sciences
- Performance Materials
- Polymer Intermediates

Exploiting strong market positions and technology platforms
Climate & Energy

- Fossil fuels becoming scarce
- Need for new and sustainable energy sources
- Need to improve eco-footprint
- Global warming (CO₂ emission)

Renewable resources
Lightweight Materials
Process Enzymes
Health and Wellness

- Aging population
- Surging healthcare cost
- Healthy food and active lifestyles
- Food for all

Maxilact®
Dyneema Purity®
resVida™
Hidden Hunger

Food Enzymes
Biomedical Materials
Nutritional Ingredients

Ongoing development cross-over businesses

**White Biotech**
- Progress 2\textsuperscript{nd} gen. biofuel technology
- Bio-succinic acid demo plant started
- Pipeline of bio-based materials

**DSM Biomedical**
- New licenses/products/supply contracts
- Successful integration PTG
- Target: € 100m sales in 2012

DSM is in excellent position to capture large market potential
Progress with the portfolio shift

**Divestments:**
- Divestment of urea licensing business and Energy business
- Closure of Citric Acid (China) & Clavulanic Acid (Sweden)
- Announced sale of Agro-Melamine to Orascom
- Other divestments ongoing

**Acquisitions:**
- Swap DSM polycarbonate for Mitsubishi Chem. polyamide business
- Acquisition (full control) PA6 polymerization facility NPC (US)
- Smaller acquisitions / venturing investments:
  - Bioprac - MediVas - Segetis - BioProcess Control

Target disposals by the end of 2010
Strategic focus on emerging economies

Sales in China in 2009 increased to almost US$ 1.2 bn, a new record

Sales by Destination 2009

- North America: 18%
- Western Europe: 44%
- Rest of World: 6% (incl. Japan, Korea)
- 5% C/E Europe
- 7% Latin America
- 11% China
- 9% Emerging Asia Pacific

Sales in China (in US$ m.)

- 2005: 600
- 2006: 700
- 2007: 800
- 2008: 900
- 2009: 1000
- 2010: 1100

(incl. Japan, Korea)
Strong innovation sales growth despite recession

2009 good basis to reach € 1.0bn target
• Composites resins for Dutch Bobsled team

• New Dyneema-based skinsuit
  Olympic short-track speed skaters
DSM's change agenda

External orientation & Innovation drive
Accountability for Performance
Inspirational Leadership

Change Themes based on joint Values/Beliefs

Sustainability  Diversity

Setting a culture for realizing our mission/strategy
Agenda

• Operational performance 2009

• Vision 2010 update

  • Outlook 2010

• Sustainability

• Governance
Economic outlook still remains uncertain

- Credit conditions remain difficult
- Government stimulus drying up and deficits has to decrease
- Consumer/industry spending has to take over
- Continued growth expected in Emerging Economies

DSM is cautiously optimistic
Outlook 2010 per cluster

- **Nutrition**: sustained good performance expected in 2010
- **Pharma**: lower results expected in 2010
- **Performance Materials & Polymer Intermediates**: substantially better results expected in 2010 than 2009
- **Base Chemicals & Materials**: positive results expected in 2010

No quantitative outlook provided for 2010
DSM priorities are continued

- Execution of the strategy
  - commitment to *customers, innovation* and *sustainability*
  - exiting the remaining *non-core* operations
  - capitalizing on any opportunity that might arise

- Continuation of current priorities
  - Focus on *cash, OWC, cost savings* and market opportunities

- *Prepared* for a further recovery
  - Fulfill additional demand
  - Financial flexibility to finance growth
Agenda

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Creating stakeholder value through Triple P

Simultaneously creating value along three dimensions

Social: People
- Sustainability embedded in DSM
- More diverse workforce
- Balanced food supply & health

Economic: Profit
- CFROI > 8.5%
- ECO+ innovations
- Renewable based
- New Business Models

Environmental: Planet
- Need alternative energy
- Improve eco-footprint
- Leader White Biotechnology

Simultaneously creating value along three dimensions
Sustainability Highlights 2009

- Responsible partner in society
  - UN World Food Program
  - Nutrition innovations (Mixme/NutriRice)

- Reduced value chain eco footprint
  - 78% of all innovations were ECO+
  - 5 of 9 environmental targets realized

- New MB remuneration policy proposal & SB CSR Committee

DSM’s sustainability: integral part of our strategy
DSM recognized for sustainability & innovation

Examples of 2009 awards and recognitions

- Dow Jones Sustainability Indexes
  4 times number 1 position in last 6 years

- World Business Council for Sustainable Development

- FTSE4Good

- CARBON DISCLOSURE PROJECT
  Dutch Leader in Carbon Disclosure Leadership Index

- pdma OCI
  "outstanding corporate innovator"

- GAIN
  Nutrition innovation award

- AVK environmental innovation award
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DSM supports Corporate Governance Code

“Frijns” Code:

- DSM complies
- Corporate social responsibility
- Diversity Supervisory Board
- Remuneration Policy
Corporate Governance framework

- Business Groups (BG's)
  - Clusters

- Support provided by
  - Corporate Staff
  - Shared Services
  - Functional Excellence

- Regional support centers
  (China, India, South America)

Based on transparent organizational structure
Robust Risk Management

- Risk Management system and process (based on COSO-ERM)
- Risk analyses at corporate and business-group level
- Risk controls embedded in Corporate Requirements
- Risk Management system is discussed in Audit Committee (3x / year)
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