

DSM in motion: *driving focused growth*

Nico Gerardu  
Member of the Managing Board

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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)



# Overview

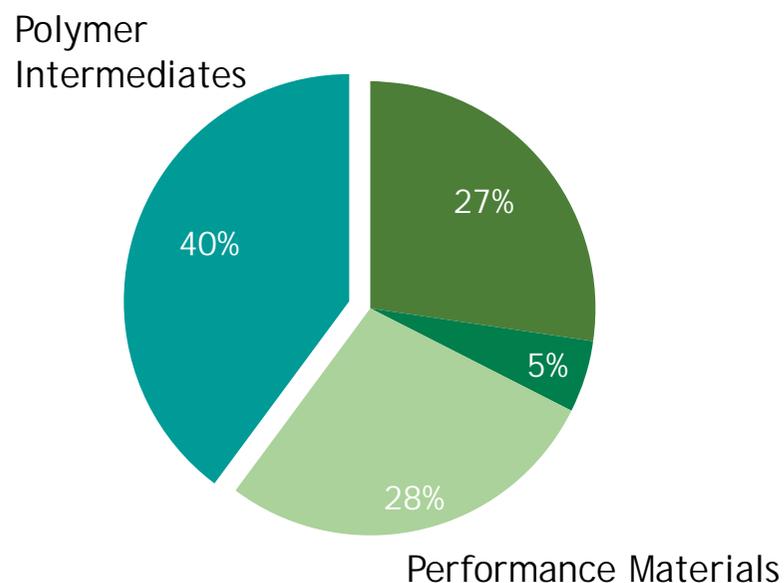
- Introduction
- Progress in Performance Materials
- Progress in Polymer Intermediates
- Conclusions

# Materials Sciences within DSM

## Key figures 2011 (H1 2012)

- Net sales: € 4.6bn (H1 2012: € 2.2bn)
- EBITDA: € 673m (H1 2012: € 255m)
- Capital employed: € 2.4bn
- R&D expenditure 2011: € 146m
- Workforce: 6,945 (June 2012)

Total sales in 2011: € 4.6bn



# Strategy of the Materials Sciences clusters

## Performance Materials

*Growing via innovative sustainable solutions*

- Expand leadership in selected segments
- Accelerate growth in High Growth Economies
- Sustainability driving innovation
- Sales growth at double GDP growth level
- EBITDA margin > 17% by 2015

## Polymer Intermediates

*Strengthen backward integration for DSM Engineering Plastics*

- Doubling production in China by 2014
- Implementing new sustainable technology
- Further improve competitive position
- Reduce merchant exposure
- EBITDA margin ~ 14% on average over the cycle

# Overview

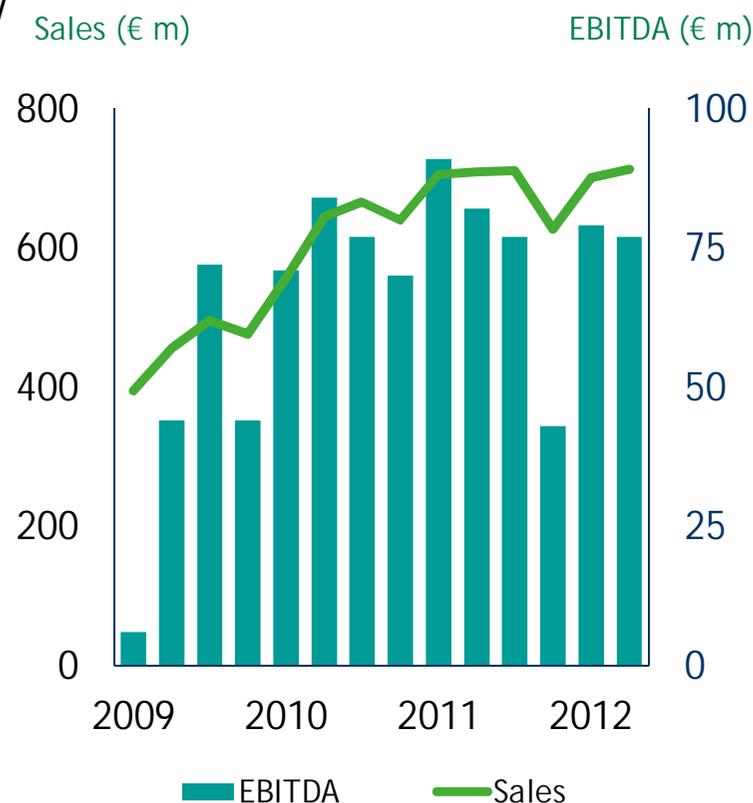
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# Strong market positions in Performance Materials

## Achievements

- Sales & market share growth in attractive key markets
- Shift towards higher-added-value mix via innovative, sustainable (green, Eco+) solutions
- Accelerated growth in High Growth Economies, a/o via M&A (AGI - Taiwan, ICD China, KuibyshevAzot- Russia)
- Active margin and cost management

## Continued sales growth



# Sales & market share growth in key markets



> 20% Sales growth YTD-Q2 (vs 2011) of DSM Engineering Plastics in the US.  
Very successful in growing market share in the American automotive industry



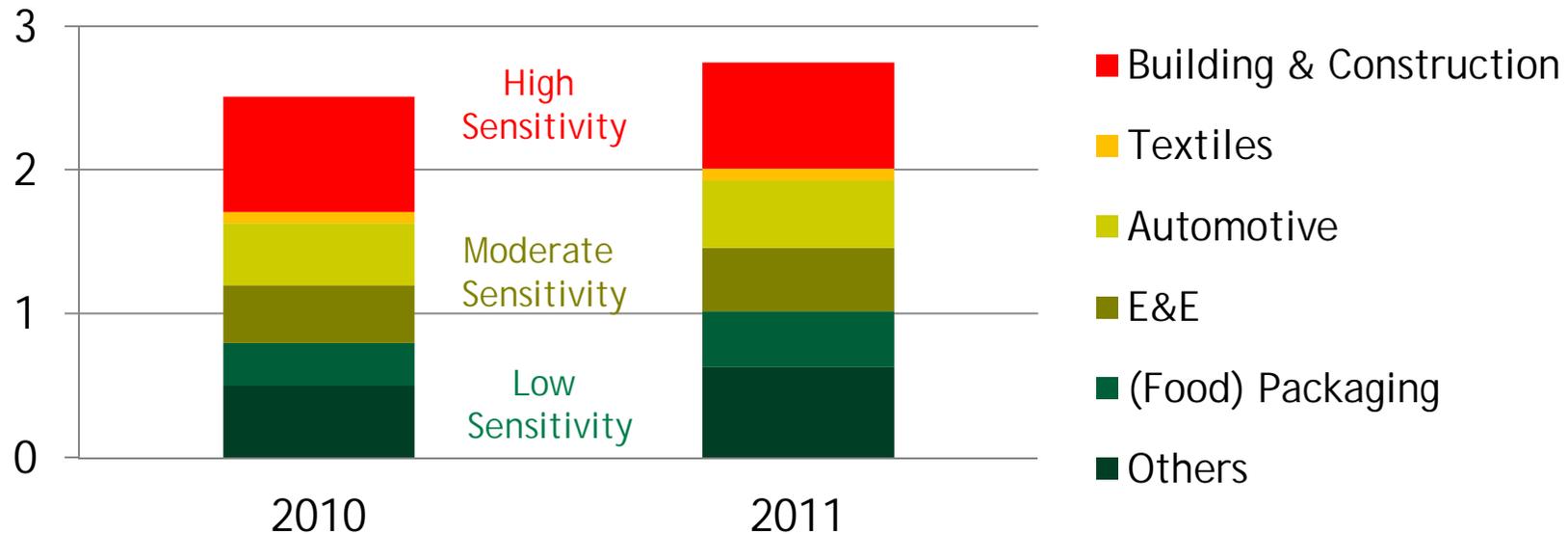
> 40% Sales growth YTD-Q2 (vs 2011) at DSM Dyneema in aquaculture nets for sustainable fish farming, a lowest ECO-footprint solution



DSM Resins' shift to more sustainable and faster growing (>5%/year) systems, such as UV curing, powder and waterborne, is outpacing global substitution of solvent-borne systems

# Growing in end-markets with lower GDP-sensitivity

Sales € bn



- Majority of the portfolio is geared towards attractive end-markets with low to moderate GDP sensitivity
- Most GDP sensitive end-market, building & construction, has been down and recovery has not started yet
- Downward risk is limited, as building & construction is already down; Portfolio is set to outperform once global macro-economic conditions improve

## Sustainable innovative solutions improving the mix



Chain tensioner in car engines, made from Stanyl<sup>®</sup>, gives higher durability, lowers weight & friction and saves fuel and CO<sub>2</sub> emissions



DSM Dyneema's Diamond Technology<sup>®</sup> - a major step forward in comfort and wearability of cut-resistant gloves, reducing Eco-footprint through extended durability and re-use



DSM Resins' DeSolite<sup>®</sup> Supercoatings for optical fibers: great signal reliability and robust field performance

- Sustainable solutions have higher growth rates and margins versus more traditional, mature and less eco-friendly alternatives

Sustainable innovations to add 1-2% to EBITDA margin by 2015

# Program to mitigate impact of macro-headwinds

- DSM Engineering Plastics: cut fixed costs & improve operational efficiency
- Alignment of DSM Dyneema organization with development of vehicle protection business
- Intensifying the previously announced restructuring initiatives at DSM Resins, which are already having a positive impact in 2012 (savings: €25-30m by 2013, headcount ~300)

Savings (by 2014)

DSM Engineering Plastics  
> €30 m  
Headcount: ~ 250

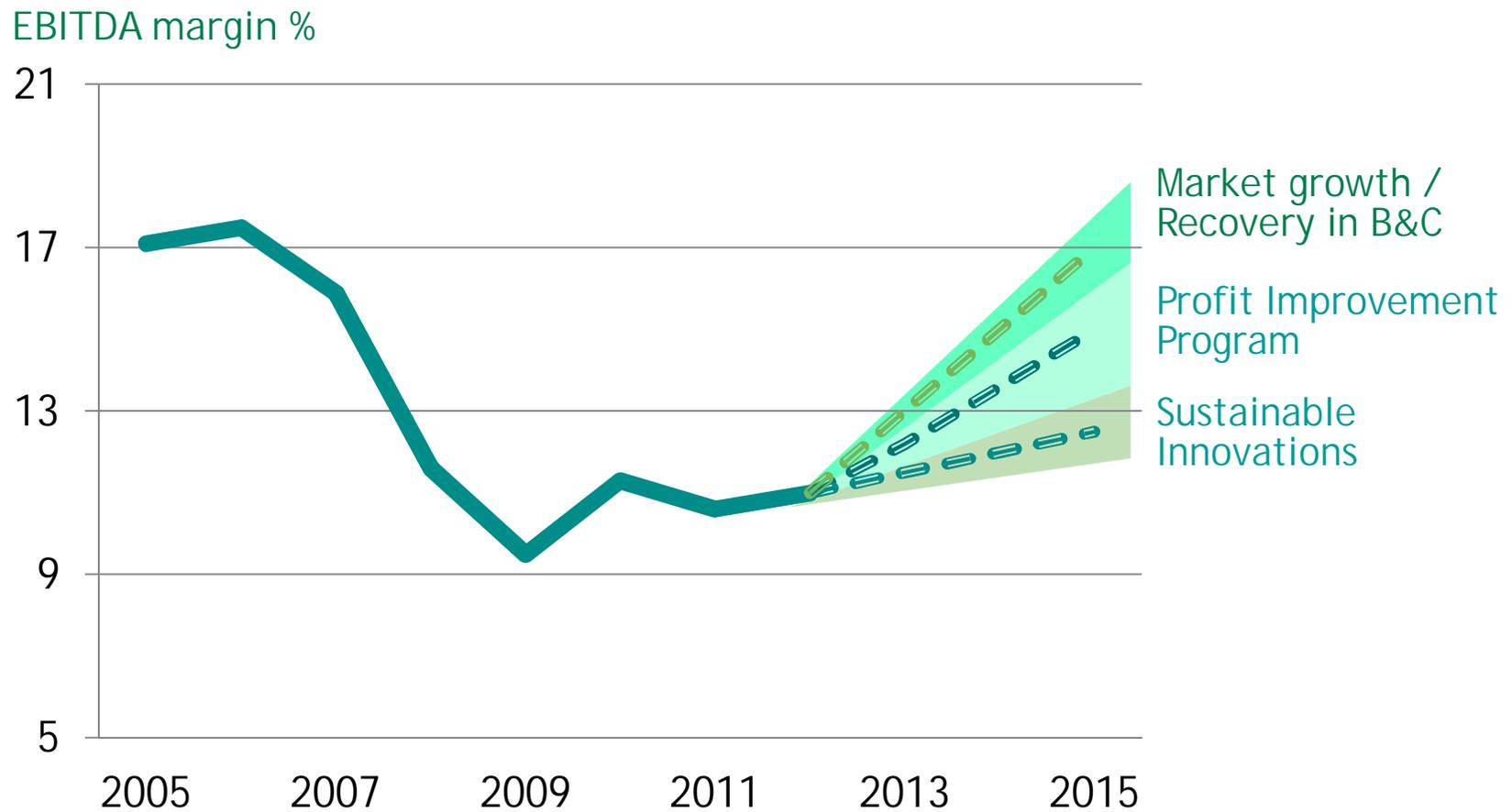
DSM Dyneema  
> €15 m  
Headcount: ~ 150

DSM Resins: PM  
Further initiatives focused  
on Composite Resins

Cost savings to add ~ 3% to EBITDA margin by 2015



# Performance Materials on track for 2015



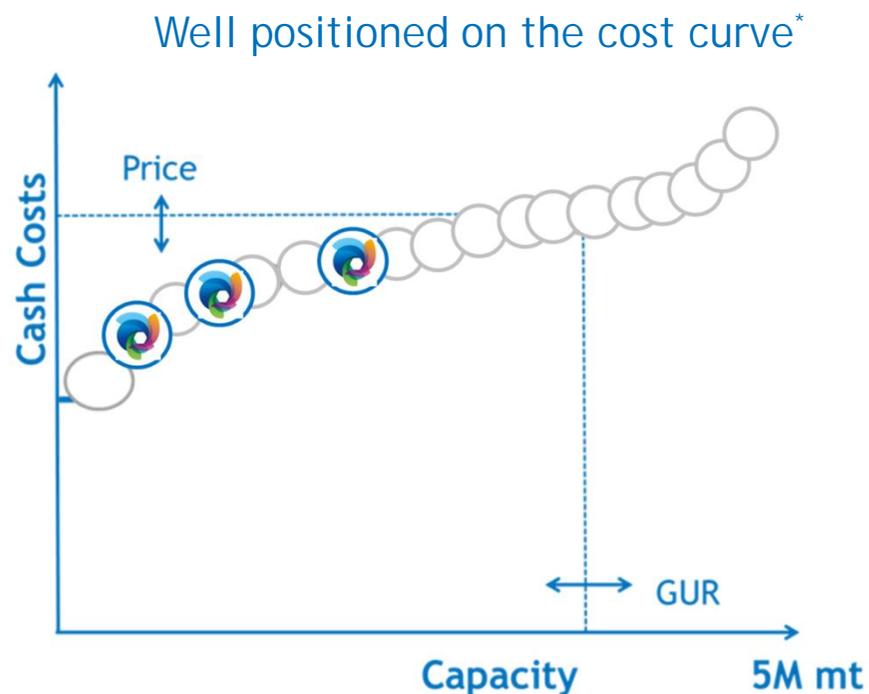
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- **Polymer Intermediates**
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# Global cost leader in caprolactam

## Achievements

- Global cost leadership via best-in-class technology and presence on three continents
- Further lowering of cost per ton (improved yields and reduced energy consumption)
- Doubling of Chinese production (2014) on track
- Due to favorable cost position, DSM is well placed to show good average EBITDA margin over the cycle

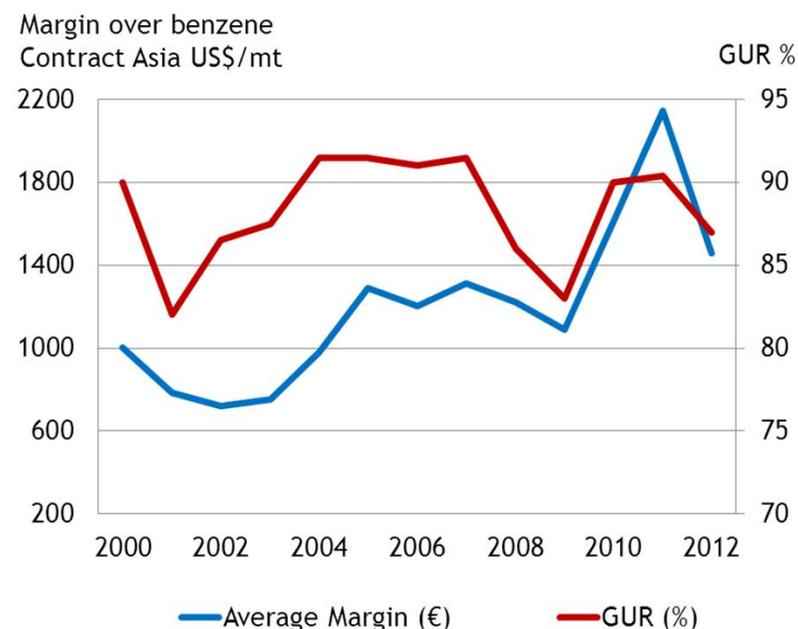


\* This positioning of the competition (grey circles) versus DSM (blue) is not intended as a complete overview

# Current situation in caprolactam

- Exceptional returns in 2010-2011 due to shortages of caprolactam
- Prices, margins declined during Q2 2012
  - Weak end-user demand
  - High benzene prices caused a drop in margins
  - Some smaller new entrants
- GUR in Q2 (just) below 90%
- No improvements in business conditions expected for remainder of 2012
- Scheduled turnarounds (China, US) in 2012 H2

## Historical margins, GUR



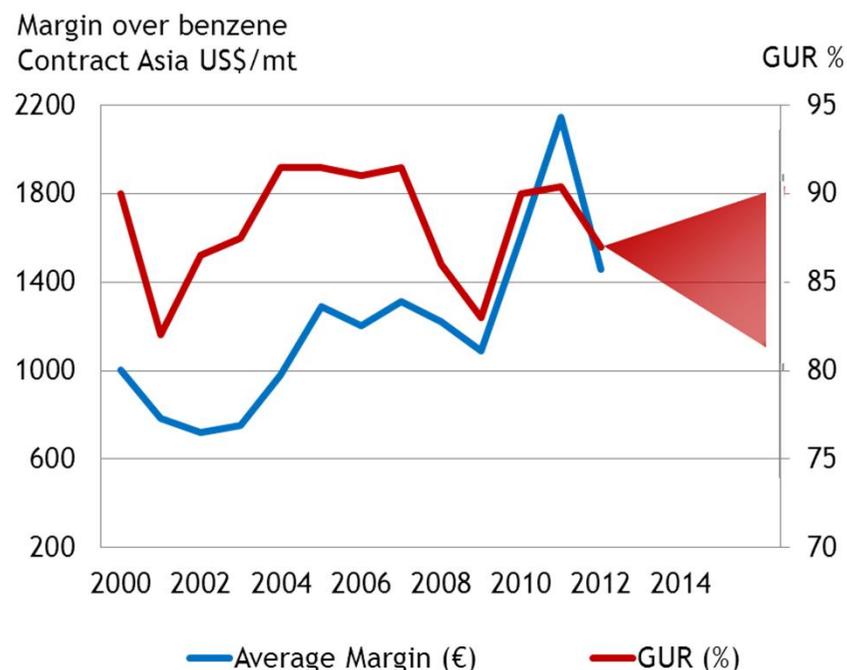
# Cost leadership provides sound foundation

## What to expect until 2014

- Global demand growth > 3%/year
- Until 2014, some 500-700kt additional capacity (incl. DSM Sinopec's 2<sup>nd</sup> line)
- GUR ~85% - 90%

## After 2014

- Several projects have been announced; unclear if all will be executed
- GUR sensitive to global growth/recovery and number of projects realized: ~82%-90%
- Due to favorable cost position, DSM is well placed to show good average EBITDA margin over the cycle



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# Aspirations 2015 reconfirmed

## Aspirations Performance Materials

- Growth at double GDP growth level
- EBITDA margin >17%

### How to achieve

- Above-average growth of sustainable innovations with higher margins
- Profit Improvement Program including active margin management
- Market demand growth (including recovery B&C)

## Aspirations Polymer Intermediates

- EBITDA margin ~ 14% on average over the cycle

### How to achieve

- Yield improvement (productivity, costs)
- China expansion by 2014
- Reduce asset intensity & reduce exposure to merchant CPL markets
- Profit Improvement Program

# Wrap up

- Performance Materials:
  - Good progress on strategy
  - Market positions strengthened
  - Growing in end-markets with lower sensitivity
  - Sustainable innovative solutions improving the mix
  - Acquisitions accelerating growth in High Growth Economies
  - Profit improvement programs to mitigate impact of macro-headwinds
  - Portfolio is set to outperform once global macro-economic conditions improve
  - Strategic 2015 aspirations reconfirmed
- Polymer Intermediates:
  - New sustainable technology being implemented
  - Cost leadership further improved, providing strong foundation against lower GURs
  - On track with doubling production in China by 2014
  - Opportunities to reduce asset intensity and reduce exposure to the merchant CPL markets will be pursued
  - Strategic 2015 aspirations reconfirmed

Contact:



DSM Investor Relations

P.O. Box 6500, 6401 JH Heerlen, The Netherlands

 (+31) 45 578 2864

e-mail: [investor.relations@dsm.com](mailto:investor.relations@dsm.com)

internet: [www.dsm.com](http://www.dsm.com)

visiting address: Het Overloon 1, Heerlen, The Netherlands