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DSM Capital Markets Day 2013
Polymer Intermediates: Reduce volatility
Performance Materials: Upgrade portfolio
Polymer Intermediates: CSD 2010

Strategy for Polymer Intermediates

- Support DSM Engineering Plastics’ growth ambitions by strengthening backward integration
- Further strengthen leadership position in Asia
- Keep US and European plants in prime condition
- Limit capital intensity of the business and reduce exposure
- Commitment to sustainability

Aspirations (2015)

- Doubling production in China by 2014
- Further improve cost position
- EBITDA margin ~ 14% (on average over the cycle)

Source: DSM CMDs 2010
Strategic achievements securing cost leadership

- Initiated program to reduce costs
- Existing facilities kept in prime condition
  - Investment in sustainable lowest cost plant for ammonia sulfate, a by-product of caprolactam
- New 200 kt line to be started up end 2013
  - License deal with Shenyuan secures substantial part of plant load in coming years
- Life time extension projects

*: The positioning of competition (grey circles) versus DSM (blue) only shows a few examples. It does not give a complete overview.
Continued volatile market environment

2010-2011
- Exceptional returns due to shortages of caprolactam in China

2012-2013
- Caprolactam margins declined sharply due to the combination of
  - High benzene prices
  - Long markets due to capacity extensions in China

2014-2015
- Global demand will continue to show stable growth ~ GDP
- Additional capacities will come on stream in China
- Negative cash margin for high cost CPL producers expected to keep utilization rates around 80-85%

In the short term, we expect no change in business conditions
Strategy 2015: reduce volatility

- Reduce exposure to the merchant caprolactam markets
- Secure cost leadership position in caprolactam
Performance Materials: upgrade portfolio
Overview

- Strategic Progress
- Upgrade portfolio
- Targets
Performance Materials: CSD 2010

Growing via innovative sustainable solutions

**Strategy for Performance Materials**
- Expand leadership in selected segments
- Strong sales growth and presence in High Growth Economies
- Growth via sustainable and innovative solutions
- Strengthen leadership through selective acquisitions

**Aspirations (2015)**
- Sales growth at double GDP level
- EBITDA margin > 17%

Source: DSM CMDs 2010
Strategy: progress in DSM Engineering Plastics

- Expand leadership in selected markets
  - Leadership in high performance Engineering Plastics strengthened with further expansion of Stanyl® ForTii™ capacity

- Strong sales growth and presence in HGE
  - Sales in China up 25% since 2010

- Sustainable innovative solutions
  - More bio-based High Performance plastics (EcoPaXX®)

- Strengthen leadership through partnerships
  - Partnership with KuibyshevAzot in Russia
Strategy: progress in DSM Resins

- Expand leadership in selected markets
  - By restructuring and margin management activities significantly improved financial performance in Powder and Specialty Coating resins.
  - By introducing “Supercoating” for Fiber Optic Materials to ensure continued market leadership in segment

- Strong sales growth and presence in HGE
  - Established “Waterbased China platform” to develop sustainability awareness in industrial coating market in China

- Sustainable innovative solutions
  - Moved away from solvent borne coatings in portfolio: from 50% of portfolio in 2000 to less than 20% in 2015

- Strengthen leadership through partnerships
  - DSM acquired 51% of AGI to establish a position in UV resins, a fast growing sustainable coating solution
Strategy: progress in DSM Dyneema

- Expand leadership in selected markets
  - Launch of Dyneema® Max Technology to enable deep sea mooring and accelerate substitution of steel wire ropes

- Strong sales growth and presence in HGE
  - Acquisition of ICD Shandong HPPE fiber producer and subsequent launch of Trevo™ 2nd brand, resulting in quadrupling sales in China in 2 years

- Sustainable innovative solutions
  - Dyneema® Diamond Technology providing higher levels of cut protection, comfort and wearability in protective gloves, whilst reducing overall carbon footprint of solution
  - Dyneema® fibers used in several high profile projects with extreme requirements
Headwinds have impacted financial performance...

- Negative sales and margin effects:
  - Macro-economic conditions in building and construction and automotive Europe
  - Special tenders in vehicle protection business
  - CPL effect in DEP

- Positive sales and margin effects:
  - Profit Improvement Program
  - Strong growth in higher margin segments

2012 sales and market growth PM per PMC

- Composite Resins
- Functional materials
- High Performance Plastics
- Dyneema® Fiber Solutions
- PA6 compounds
- PA6 film & extrusion
- Specialty Coating Resins
- Powder Coating Resins
- Dyneema® Life Protection

<2X GDP Market growth per PMC >2X GDP

DSM
BRIGHT SCIENCE. BRIGHTER LIVING.
...and hide important financial achievements

- Performance Materials sales growth close to 4% between 2010-2013H1 driven by HGE and sustainable innovation
- Profit Improvement Program delivers, following an early contribution from DSM Resins as from 2012
- Profitability reverses negative trend

Set for profitable growth
Overview

- Strategic Progress
- Upgrade portfolio
- Targets
Drivers to improve performance

Improve performance by upgrading the portfolio, leveraging 3 drivers:

1. Megatrends
2. Differentiated strategies to capture profitable growth
3. Profit Improvement Program
Megatrends are a reality in our key end-markets

DSM global trend focus

- Global shifts
- Health and wellness
- Climate and energy

Automotive (19% of 2012 sales)
- Electrification of vehicles
- Fuel efficiency, lower emissions
- Lightweight solutions, friction reduction

E&E (14% of 2012 sales)
- Rapid growth in mobile devices, servers & infrastructure
- More comfort and luxury
- Miniaturization & low energy solutions
- Safer ingredients and recycling (sustainable materials)

Food Packaging (14% of 2012 sales)
- Increasing consumption of processed and packed food
- Strong, safe and smart packaging (reduction of food waste)
- Recycling and recyclable materials (sustainable materials)

Building and Construction (22% of 2012 sales)
- Energy efficient buildings & utilities (insulation, electrical systems, HVAC)
- Legislation to decrease environmental impact during construction

Safety & Protection (5% of 2012 sales)
- Lightweight protective textile for leisure and sports
- Safety and protection in industrial applications
Megatrends drive differentiated growth strategy

- **Accelerate**
  - Functional materials
  - Solar
- **Strengthen**
  - Biomedical
  - Specialty Coating resins
- **Restructure**
  - Powder Coating resins
  - Dyneema® Life Protection
  - Composite resins
  - PA6 compounds
  - PA6 film & extrusion

DSM’s capabilities to extract value

- BG DRF
- BG DEP
- BG Dyneema
- EBAs

- High Performance Plastics
- Solar
- Dyneema® Fiber Solutions

Market growth

- >2x GDP
- ~2x GDP
- <2x GDP
Accelerated growth

- Leverage existing infrastructure of main Performance Materials activities:
  - Fully capture the opportunities offered by global megatrends
- Focus on fast sales growth:
  - Development of new - mostly - bio-based materials
  - Development of new applications
- Look into selective acquisitions/ partnerships

Maximize capabilities to capture profitable growth
Innovative materials set for accelerated growth

High Performance Plastics
- Lightweight solutions, friction reduction, LED
- Opportunity for bio-based materials
- More consumption of processed foods
- End-markets like electronics & automotive grow more strongly in Asia/Latam

Functional Materials
- Rapid growth globally in connectivity infrastructure
- More comfort, safety and luxury leads to more individualized products
- Waste reduction via new production processes (such as additive manufacturing/3D printing)

Dyneema® Fiber Solutions
- Fiber solutions for various industrial applications (mooring, building & construction, transport) offering increased safety and protection
- High performance textile solutions for leisure, sport and travel applications
Strengthen value creation via sales & margin growth

- Realize strong sales growth:
  - Leverage presence in HGE, rising middle class
  - Innovate to capture opportunities in the substitution cycle (more sustainable materials)
  - Launch new applications
  - Make selected and focused investments
- Combine sales growth with margin optimization programs and cost management

Strengthen Performance
New materials drive substitution cycle

New materials with a better sustainability profile offer opportunities to grow market share in existing markets and applications

- In the Automotive end-market, Polyamide use shows growth rates above 10% CAGR. Growth of polyamides in cars is driven by further weight and friction reduction, engine downsizing and higher temperatures under-the-hood

- DSM Coating Resins’ shift in portfolio over the years: a clear shift from solvent-borne technology to sustainable solvent-free products/low emission resins
Sales growth driven by new applications
Margin optimization & cost management

“Summit” program in DSM Engineering Plastics
• Cost reduction
• Improve operational efficiency, pricing and margin management
• Accelerate the growth of innovative specialty products

“Zero” program in DSM Resins and Functional Materials
• Cut back costs and improve asset optimization
• Margin management program: improving client segmentation, key account management, innovation speed & quality

“Reset” program in DSM Dyneema
• Restructuring and cost reduction
• Improved focus on key market segments and new business opportunities: Accelerated delivery of innovation products

Materials Sciences: annual savings by 2015
~€110-120m*  
* includes DFI
Restructure Composite Resins

Cost reduction and programs to improve results
- Continued absence of underlying recovery in European B&C drives the need to further adjust the footprint
- Review the best way to restructure the business
Overview

- Strategic Progress
- Upgrade portfolio
- Targets
Upgrade portfolio via differentiated strategy

- **Accelerate**: Accelerate growth in highly innovative markets to fully benefit from megatrends
- **Strengthen**: Combine sustainable innovation sales growth with margin optimization programs
- **Restructure**: Composite Resins
Drivers to improve performance

Improve performance by upgrading the portfolio, leveraging 3 drivers:

1. Megatrends
2. Differentiated strategies to capture profitable growth
3. Profit Improvement Program

Targets PM 2015:
Sales growth at double GDP
EBITDA margin 13-15%
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