DSM in motion: driving focused growth

Q1 results 2013
Safe harbor statement

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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
Overview

- Operational performance Q1 2013
- Progress on strategy
- Business and outlook
Highlights Q1 2013

DSM reports good start to the year in challenging environment

- DSM records higher Q1 EBITDA of € 311 million (Q1 2012: € 306 million)
- Healthy profitability in Life Sciences with Nutrition proving resilience
- Materials Sciences delivered a solid performance
- Integration of acquisitions and realization of synergies on track
- Good progress with implementation of Profit Improvement Program
- Outlook 2013 unchanged, moving towards EBITDA of € 1.4 billion
“In a challenging economic environment, I’m pleased to report a good start to the year with a robust performance. Nutrition, which accounts for about 70% of group EBITDA, has proved the resilience and quality of its broad offering across the value chain, delivering another quarterly improvement in profitability, together with healthy margins.”

“Where the last two years were characterized by acquisitions, in 2013 we will fully focus on the operational performance and the integration of acquisitions, with special attention to capturing synergies whilst also ensuring the successful execution of our group-wide profit improvement initiatives. We expect strong EBITDA growth in 2013, moving towards € 1.4 billion.”
## Results Q1 2013 - Key figures

<table>
<thead>
<tr>
<th></th>
<th>Q1-2013</th>
<th>Q1-2012</th>
<th>Δ%</th>
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</thead>
<tbody>
<tr>
<td><strong>Continuing operations before exceptional items:</strong></td>
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</tr>
<tr>
<td>Net sales</td>
<td>2,376</td>
<td>2,290</td>
<td>+4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>311</td>
<td>306</td>
<td>+2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>183</td>
<td>200</td>
<td>-8%</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>0.70</td>
<td>0.87</td>
<td>-20%</td>
</tr>
<tr>
<td>Core EPS*</td>
<td>0.76</td>
<td>0.91</td>
<td>-16%</td>
</tr>
<tr>
<td><strong>Total DSM before exceptional items:</strong></td>
<td></td>
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<tr>
<td><strong>Total DSM including exceptional items:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>119</td>
<td>145</td>
<td>-18%</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>0.69</td>
<td>0.87</td>
<td>-21%</td>
</tr>
</tbody>
</table>

* Core earnings per share’ is earnings per share before exceptional items and before acquisition related (intangible) asset amortization
## EBITDA - DSM continuing business

<table>
<thead>
<tr>
<th>EBITDA (€ million)</th>
<th>Q1-2013</th>
<th>Q1-2012</th>
<th>Q1-2011</th>
<th>Q1-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition</td>
<td>215</td>
<td>192</td>
<td>173</td>
<td>166</td>
</tr>
<tr>
<td>Pharma</td>
<td>8</td>
<td>5</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Performance Materials</td>
<td>80</td>
<td>79</td>
<td>91</td>
<td>71</td>
</tr>
<tr>
<td>Polymer Intermediates</td>
<td>29</td>
<td>69</td>
<td>99</td>
<td>50</td>
</tr>
<tr>
<td>Innovation Center</td>
<td>-4</td>
<td>-15</td>
<td>-13</td>
<td>-13</td>
</tr>
<tr>
<td>Corporate activities</td>
<td>-17</td>
<td>-24</td>
<td>-25</td>
<td>-4</td>
</tr>
<tr>
<td><strong>DSM core business</strong></td>
<td><strong>311</strong></td>
<td><strong>306</strong></td>
<td><strong>325</strong></td>
<td><strong>284</strong></td>
</tr>
</tbody>
</table>
## Net sales growth Q1-2013 versus Q1-2012

<table>
<thead>
<tr>
<th></th>
<th>Q1-2013</th>
<th>Q1-2012</th>
<th>Diff.</th>
<th>Volume</th>
<th>Price/Mix</th>
<th>FX</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nutrition</td>
<td>988</td>
<td>900</td>
<td>10%</td>
<td>3%</td>
<td>-3%</td>
<td>-1%</td>
<td>11%</td>
</tr>
<tr>
<td>Pharma</td>
<td>178</td>
<td>175</td>
<td>2%</td>
<td>1%</td>
<td>2%</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>Performance Materials</td>
<td>673</td>
<td>701</td>
<td>-4%</td>
<td>-2%</td>
<td>-1%</td>
<td>-1%</td>
<td>0%</td>
</tr>
<tr>
<td>Polymer Intermediates</td>
<td>437</td>
<td>430</td>
<td>2%</td>
<td>9%</td>
<td>-7%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Innovation Center</td>
<td>38</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Activities</td>
<td>62</td>
<td>68</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Continuing Operations</strong></td>
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<td><strong>5%</strong></td>
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<table>
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<tr>
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<td>EBITDA</td>
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<td>192</td>
<td>12%</td>
</tr>
<tr>
<td>EBIT</td>
<td>164</td>
<td>149</td>
<td>10%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>21.8%</td>
<td>21.3%</td>
<td></td>
</tr>
</tbody>
</table>

- **Sales** in Q1 rose 10% compared to Q1 2012, driven primarily by acquisitions. Organic sales growth in Human Nutrition & Health and DSM Food Specialties was offset by lower sales in Animal Nutrition & Health. Overall 3% volume growth was offset by a 3% decline due to price/product mix effects.

- **EBITDA** for Q1 was € 215 million, up 12% compared to Q1 2012, driven by strong operational performance including acquisitions, with an overall EBITDA margin of 21.8%, well within the target range.
Despite some softness in established Food & Beverage markets, Q1 delivered good organic growth in Human Nutrition & Health, driven by increased volumes with slightly lower prices, mainly due to mix effects. Ocean Nutrition Canada (ONC) and Fortitech delivered healthy double digit growth in line with expectations. ONC has been successfully integrated in DSM Nutritional Products and is therefore no longer reported separately. In Q1 Fortitech realized sales of € 52 million and EBITDA of € 9 million.

Animal Nutrition & Health experienced a decline in volume and an unfavorable price/mix impact, driven by the after-effects of the historically high grain prices in 2012 and the resulting lower demand that rolled through the production and downstream value chains for animal protein. Price increases for some vitamins were announced in Q1 2013.

DSM Food Specialties showed higher sales through organic growth and the contribution of the Cultures & Enzymes business acquired from Cargill.

The integration of Ocean Nutrition Canada, Fortitech and Cargill’s Cultures & Enzymes business is proceeding well and the acquired businesses are meeting expectations. The integration of Tortuga started after the closing on 5 April 2013.
Pharma

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<td>5</td>
<td>60%</td>
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<tr>
<td>EBIT</td>
<td>-6</td>
<td>-8</td>
<td></td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>4.5%</td>
<td>2.9%</td>
<td></td>
</tr>
</tbody>
</table>

- Organic sales growth was 3% compared to Q1 2012, mainly driven by higher prices at DSM Sinochem Pharmaceuticals (DSP). Volumes at DSP were stable. Sales of DSM Pharmaceutical Products were at the same level as in Q1 2012.

- EBITDA for the quarter was €8 million versus €5 million in Q1 2012. The increase was mainly caused by lower fixed costs at DSM Pharmaceutical Products.
Performance Materials

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<td>79</td>
<td>1%</td>
</tr>
<tr>
<td>EBIT</td>
<td>47</td>
<td>48</td>
<td>-2%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>11.9%</td>
<td>11.3%</td>
<td></td>
</tr>
</tbody>
</table>

- Organic sales development was -3%. Volumes declined at DSM Resins & Functional Materials especially in Europe in building and construction, but were up at DSM Engineering Plastics and DSM Dyneema. Price increases at DSM Resins & Functional Materials could not fully offset the negative impact of caprolactam in DSM Engineering Plastics.

- Q1 EBITDA was stable compared to the same period last year as continuous cost savings offset the -anticipated-lower margins in the polyamide-6 value chain caused by caprolactam. Q1 results included a one-time book profit of a high single digit amount on the sale of certain DSM Resins & Functional Materials related distribution activities. Compared to Q4 2012 EBITDA improved significantly, benefiting from a 3% increase in sales, stable margins in the polyamide-6 value chain and lower costs.
Polymer Intermediates

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<td>20</td>
<td>62</td>
<td>-68%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>6.6%</td>
<td>16.0%</td>
<td></td>
</tr>
</tbody>
</table>

- **Organic sales** growth was 2%, driven by higher volumes, which were partly offset by lower prices. Volumes in Q1 2012 were impacted by the turnaround of the caprolactam plant in Europe. In Q1 2013 there was no turnaround.

- **EBITDA** declined significantly versus Q1 2012 mainly due to lower caprolactam prices and substantially higher benzene prices. Q1 included a high single digit income as the initial effect from a long-term license agreement with Shenyuan in China for a caprolactam plant. Compared to Q4 2012 EBITDA improved due to higher production volumes, as Q4 results were impacted by a turnaround in the US.
Innovation Center

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<thead>
<tr>
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<tr>
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<td>16</td>
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<td>-15</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>-13</td>
<td>-17</td>
<td></td>
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</tbody>
</table>

- DSM Biomedical showed a strong increase in sales versus Q1 2012, mainly due to the contribution of Kensey Nash (€ 19 million). All other activities at the Innovation Center were at the same level as in Q1 2012. The POET-DSM Advanced Biofuels JV is making good progress with the construction of the cellulosic bio-ethanol refinery, which is on track for timely completion.

- EBITDA increased by € 11 million compared to Q1 2012 of which € 7 million was due to the contribution of Kensey Nash.
Cash flow

<table>
<thead>
<tr>
<th>Cash Flow (€ million)</th>
<th>Q1 ’13</th>
<th>Q1 ’12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from operating activities</td>
<td>-78</td>
<td>97</td>
</tr>
<tr>
<td>Cash from investing activities*</td>
<td>-103</td>
<td>-161</td>
</tr>
<tr>
<td>Free cash flow from operations</td>
<td>-181</td>
<td>-64</td>
</tr>
</tbody>
</table>

* Excl. changes in fixed-term deposits

<table>
<thead>
<tr>
<th>Balance sheet (€ million)</th>
<th>March 31 2013</th>
<th>YE 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>1,932</td>
<td>1,668</td>
</tr>
<tr>
<td>Gearing</td>
<td>24%</td>
<td>22%</td>
</tr>
</tbody>
</table>

- Operating working capital increased from € 1,936 million per end of 2012 to € 2,226 million per end Q1 2013. This increase is mainly caused by the higher trade receivables, which is partly related to the seasonal pattern with especially higher sales in March.
Dividend to increase for the 3rd consecutive year

- Dividend policy “stable and preferably rising”
- Proposal to AGM (May 2013) to increase the dividend by € 0.05 to € 1.50 per ordinary share
  - € 0.48 interim dividend
  - € 1.02 final dividend
- Payable in cash or ordinary shares
Overview

- Operational performance Q1 2013
- Progress on strategy
- Business & Outlook
DSM in motion: driving focused growth
Progress on business drivers

High Growth Economies

- License agreement with Shenyuan in China to supply DSM’s proprietary HPO+TM technology for the production of caprolactam
- Acquisition of Bayer’s Chinese feed mill and farm premix business
- Strategic partnership with Rostekhnologii (Russia) for biotechnology and functional materials
- Cooperation with Ministry of Health Care of Tatarstan (Russia) for modernization of public health sector through fortified nutrition

Acquisitions & Partnerships

- Sale of participation in DEXPlastomers V.o.F. to Borealis completed
- Acquisition of Tortuga (Brazil) completed on 5 April 2013, a leading company in nutritional supplements with a focus on pasture raised beef and dairy cattle
Progress on business drivers

Sustainability & Innovation

- Sustainable Biofuels Awards 2013 received:
  - ‘Global Deal of the Year’ for POET-DSM Advanced Biofuels
  - ‘Partnership of the Year’ for Reverdia (JV for bio-based succinic acid with Roquette)

- Expansion of portfolio of solar energy enabling technologies in the Emerging Business Area Advanced Surfaces by acquiring a proprietary light trapping technology that can significantly increase the efficiency of solar panels

- At the 2013 World Economic Forum in Davos, DSM and the United Nations’ World Food Programme (WFP) signed an agreement to extend their existing partnership for three years (to 2015) to combat hidden hunger and malnutrition in the developing world. DSM and WFP will seek to double the number of people who benefit from their work together, from the current annual reach of 15 million to 25-30 million per year by 2015
DSM entered into a license agreement with Shenyuan in China to use DSM’s proprietary HPO+™ technology for the production of caprolactam in a new plant consisting of two 200kt lines operational by 2015/2016.

This long-term license agreement with Shenyuan underlines DSM’s position as the global technology leader in caprolactam.

Shenyuan is involved in PA-6 fiber production in China and wants to be backward integrated by investing in own caprolactam production. The 400kt caprolactam capacity will cover only part of Shenyuan’s needs for its PA-6 by 2015/2016.

A long-term supply agreement, with an initial term of 3 years, has been concluded under which DSM secures a substantial part of the output of it’s new caprolactam plant currently under construction in China.

These agreements are not part of our program to look for opportunities to reduce the exposure to the merchant caprolactam markets.
Major acquisitions done in 2012

Acquisition of Kensey Nash
• Making DSM biomedical a leading medical device materials supplier in regenerative medicine

EV ~€ 420m; expected
2012 sales ~€ 150m, EBITDA ~€ 45m

Acquisition of Ocean Nutrition Canada
• Strengthens and complements DSM’s global Nutritional Lipids growth platform, based on healthy, polyunsaturated fatty acids (PUFAs)

EV ~€ 495m; expected
2013 sales ~US$270m, EBITDA ~US$ 70m

Acquisition of Fortitech
• Creating a global leadership position in developing and manufacturing of food ingredient blends for food and beverage, infant nutrition and dietary supplements industries

EV ~ € 420m; expected
2012 sales ~€ 150m, EBITDA ~€ 45m

Announced acquisition of Tortuga
• Building up a leading position in LATAM by acquiring the Brazilian market leader in nutritional supplements with focus on pasture raised beef and dairy cattle

EV ~ € 465m- € 490m; expected
2012 sales ~€ 385m, EBITDA ~€ 60m
Building unique value chain position in Nutrition

Portfolio broadened, value chain extended and global presence increased
Since 2010 strong progress in Acquisitions & Partnerships

### ACQUISITIONS

**Nutrition**
- Martek (microbial DHA/ARA)
- Vitatene (natural carotenoids),
- Premix plants (Romania, Italy, China)
- Food enzymes business and technology (Verenium)
- Ocean Nutrition Canada (fish derived Omega-3)
- Tortuga (animal dietary supplements)
- Cargill Bio-products (enzymes, cultures)
- Fortitech (food ingredient blends)

**Innovation center**
- Kensey Nash (biomedical materials)
- C5 Yeast Company (cellulosic bio-ethanol)

**Performance Materials**
- ICD China; High performance fibers
- AGI Taiwan; UV resins

### PARTNERSHIPS

**Nutrition**
- Premix plant Russia

**Pharma**
- DSM Sinochem Pharmaceuticals

**Innovation center**
- POET; cellulosic bioethanol
- Roquette: bio-succinic acid
- DuPont: Actamax, biomedical materials
- BP: biodiesel

**Performance Materials**
- KuibyshevAzot (Rus); PA6
- Kemrock India; composite resins
- Rostec (Rus): biotech, functional materials

* Since September 2010

~ € 2.4bn

~ € 0.3bn

~ € 0.1bn
**Profit Improvement Program**

**Benefits (€ million)**

- Expected structural annual benefits:
  - DSM Resins: € 30m by 2013
  - PIP: € 150m by 2014
  - PIP Extension: € 50-100m by 2015
- PIP one-off cash costs taken in 2012 (~ € 120m), PIP Extension one-off cash costs ~€ 70-80m will be taken in 2013
Overview

- Operational performance Q1 2013
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- Business & outlook
## Business Conditions

### Nutrition - Feed
- Recently announced price increases and some firming in demand will result in better business conditions in Q2 with further improvements expected in the remainder of the year.
- Grain prices are softening, although still on a relatively high level for animal protein producers.

### Nutrition - Food
- Market conditions for Human Nutrition & Health and Food Specialties remain favorable.
- Nutritional lipids, premixes and macro-blends showing strong growth.

### Pharma
- Challenging market conditions.
- Usual uneven delivery patterns between quarters.

### Performance Materials
- Ongoing weakness in Europe.
- Healthy growth in specialty segments.
- Continued weakness in PA6 value chain.
- Benefitting from execution of profit improvement programs.

### Polymer Intermediates
- Business conditions are not anticipated to improve from H2’12.
- Force majeure related shutdown of the caprolactam plants in the Netherlands.
- Market conditions for acrylonitrile relatively stable.
2013 Outlook unchanged

- **Nutrition** is expected to show clearly higher results than in 2012 due to organic growth moving towards the target of 2% above GDP and the acquisitions.

- Business conditions in **Pharma** are likely to remain challenging though DSM is confident of being able to deliver substantially better results notwithstanding the usual uneven delivery patterns between quarters.

- **Performance Materials** is expected to show improved results in 2013, despite the expected negative effects of caprolactam especially compared to the first half of 2012.

- **Polymer Intermediates** is expected to show lower results than in 2012.

- For the **Innovation Center** the activity level will be in line with 2012, with EBITDA clearly improving following the full year contribution of Kensey Nash.

- Overall, based on current economic assumptions, DSM expects a step-up in EBITDA during 2013 due to stronger organic growth, supported by DSM’s Profit Improvement Program and as the benefits of acquisitions and a more resilient portfolio start to have impact. In 2013 the focus will be on the operational performance and integration of the acquisitions DSM completed in 2012 with special attention to capturing synergies. Overall, based on current economic assumptions, the above will enable DSM to move towards its 2013 EBITDA target of € 1.4 billion.
Wrap up

- DSM reports good start to the year in a challenging environment, with EBITDA higher than in previous and prior year quarters:
  - Nutrition - which accounts for about 70% of group EBITDA - demonstrates once again its resilience, with high and stable margins
  - Q1 negatively impact by caprolactam (€ 65m)

- No change to full year outlook

- 2013 focus is fully on the operational performance; no major acquisitions to be expected in 2013

- Significant Profit Improvement Program is progressing well, supporting profitability in current volatile environment, as well as provides financial flexibility for longer term

- Integration of acquisitions is 100% on track with good growth from ONC and Fortitech. Synergies on track
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