➤ Operational Performance Q4 2009
➤ Vision 2010 update
➤ Outlook 2010
Agenda

- Operational performance Q4 2009
- Vision 2010 update
- Outlook 2010
Dear Investor,

“In what was undoubtedly one of the most challenging years in DSM’s history, we stayed the course and remained fully committed to our customers, innovation and sustainability. After a difficult first half year, we delivered improved results in the second half of the year as our Materials Sciences businesses started to recover.

“Although our full-year operating profit from continuing operations halved compared to our record performance of 2008, the decline in DSM’s core activities was limited to 26%. A continued robust performance from the Nutrition business and the benefits of our early actions to improve our competitive position contributed to this performance. Our initiatives to reduce costs delivered over € 150 million in savings during the year, whilst our focus on cash resulted in an unprecedented operating cash flow of almost € 1.3 billion in 2009. Our strong financial position leaves us well placed to capitalize on any opportunity that might arise.

“As we have entered an uncertain 2010, DSM will continue its strategic transformation into a Life Sciences and Materials Sciences company. We completed the disposal of two businesses during the year and remain committed to exiting the remaining non-core operations. Whilst recognizing the uneven nature of the current economic recovery, we are cautiously optimistic.”

Feike Sijbesma
Chairman of the Managing Board
In the fourth quarter of 2009 DSM’s businesses continued to experience developments at two different speeds. Growth in most emerging markets (especially China) is back at the level before the economic downturn, whilst growth in Europe and North America is still modest and fragile, although market conditions are clearly better than at the beginning of 2009. All in all this resulted in a Q4 which was much in line with the previous quarter.

The Nutrition cluster continued to show steady growth, reflecting long-term developments, which is typical of the food and feed related markets. The Pharma cluster improved its performance temporarily in Q4, thanks to a strong increase in the sterile vaccine business related to the flu pandemic.

The Materials Sciences clusters continued to recover, although interrupted by the seasonal end-of-year effect. The impression is that the level of downstream re-stocking is limited.

The operating profit for the fourth quarter was at the level of Q3 2009. Nutrition continued to perform very well. Pharma showed an improved result, due to a temporary increase in the sterile vaccine business. The other clusters continued their recovery, although with the anticipated seasonal slowdown at the end of the year.

The full year operating profit (€370 million) more than halved compared to 2008, but this was strongly dominated by the activities in the non-core Base Chemicals and Materials cluster. Especially DSM Agro went from an excellent result in 2008 to a loss in 2009. DSM Elastomers and DSM Melamine also posted a loss for the year.

Net result in the fourth quarter decreased by €102 million compared to Q4 2008 to a loss of €60 million, which was due to the recognized impairments which were included in the exceptional items. Full year net profit amounted to €337 million which was €240 million lower than in 2008.

Full year Net earnings per share (total DSM, including exceptional items) amounted to €2.01 versus €3.45 in 2008.
• The full year 2009 was strongly affected by the impact of the economic downturn. However, the operating result of the core part of DSM (continuing activities, excluding Base Chemicals and Materials) was down only 26% (from €595 million to €438 million) and down only 16% excluding the IFRS pension effect. This not only underlines DSM’s resilience as a Life Sciences and Materials Sciences company, but also shows the company’s ability to act fast if circumstances so require.

• The core activities in Life Sciences and Materials Sciences showed resilience in this very difficult year. The performance of the Nutrition cluster was very strong with an operating profit increase of 17%, driven by its differentiation and innovation strategy, and sustained focus on its value over volume strategy. Pharma had a difficult year, primarily due to the changing dynamics in the pharmaceutical industry affecting the contract pipeline.

• Performance Materials and Polymer Intermediates were both hit hard in the early stages of the economic downturn, with DSM Engineering Plastics, DSM Resins and DSM Fibre Intermediates posting losses in Q1. All three business groups started to recover mid 2009, not only because of improving trading conditions, but also because of swift actions taken to reduce costs. DSM Dyneema experienced the economic downturn later in the year, in combination with lower orders relating to life protection. However, it contributed a clearly positive operating profit.
• Full year sales were strongly affected by the economic downturn, overall showing a negative organic development of 16%. Sales volumes were lower in all clusters, although in Nutrition this was mainly due to some de-stocking in the value chain in the first half of the year. In the Materials Sciences clusters and in Base Chemicals and Materials, volumes clearly improved in the course of the year, but the operating level is on average still 10 to 20% below the pre-downturn level. DSM Fibre Intermediates, with its strong position in China, is the positive exception with an operating level close to pre-downturn.

• Prices too, were lower than in 2008 in most clusters, Nutrition being the exception. In most business groups, price developments reflected the underlying trend in raw materials. This was not the case at DSM Agro and (to a lesser extent) in DSM Anti-Infectives; in these business groups, margins were under strong pressure.

• The impact of currency exchange rates on full year sales was limited.

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<th>Net sales growth FY 2009 versus FY 2008</th>
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<td>(€ million)</td>
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<tr>
<td>Nutrition</td>
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<td>Total</td>
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Fourth quarter sales showed recovery versus 2008 although at a slower pace compared to the previous quarters in 2009 due to seasonal end-of-the-year effects.
Nutrition continued the strong performance trend in the fourth quarter. Sales volumes increased compared to 2008. Prices remained robust at a somewhat lower level compared to the end of 2008/early 2009. Operating profit remained strong, although at a lower level than in Q4 2008 when some non-recurring items were included. The main drivers were sales performance and the ongoing cost management and efficiency in production in DSM Nutritional Products and DSM Food Specialties.

Full year organic sales growth was 1%, reflecting the resilience of this business. After a period of de-stocking in H1 2009, volume growth returned later in the year with continued focus on value. The increase in operating profit at DSM Nutritional Products compared to 2008 was to a large extent based on favorable margins for most products, a relatively strong dollar and ongoing cost management and efficiency improvements. DSM Food Specialties’ operating profit was above the 2008 level with strong performance in enzymes, such as Brewers Clarex®, and ARA (an infant nutrition ingredient).
Fourth quarter sales were considerably higher than in the previous quarter, mainly due to temporary additional demand related to the H1N1 flu and improved market conditions for penicillin derivatives. Organic sales development compared to Q4 2008 was -6%. As a consequence of this, together with the exchange rate impact, operating profit was lower than in Q4 2008 but clearly higher than in Q3 2009.

Full year organic sales development was -11%. DSM Pharmaceutical Products’ activity level remained subdued as a result of low demand from pharmaceutical companies, delay in approvals and the loss of some large contracts. DSM Anti-Infectives faced weak market conditions. As a result, the lower demand at DSM Pharmaceutical Products and lower prices for penicillin derivatives led to a much lower operating profit compared to 2008.
• Fourth quarter sales remained lower than in the same period of 2008 for the total cluster. However, DSM Engineering Plastics’ sales exceeded those of 2008 as market sentiment improved. DSM Resins’ sales were slightly lower because of lower prices. Sales at DSM Dyneema decreased substantially compared to the same period of 2008 due to weaker orders related to life protection and lower demand from industrial applications. The cluster’s operating profit for the quarter improved year-on-year by €60 million as a result of better trading conditions, active margin management, the full effect of cost control actions and the absence of inventory write-offs.

• The effect of lower cluster sales on operating profit was well controlled through active margin management and cost control measures. Nevertheless, operating profit was well short of 2008.

• Full year organic sales development for the cluster was -23%, reflecting depressed economic conditions during most of 2009 whereas the negative impact for 2008 was limited to Q4 2008. During the year, market conditions for DSM Engineering Plastics and DSM Resins improved from a very low starting point. On the other hand, in 2009 DSM Dyneema felt the effects of unfavorable market conditions that were not as prevalent during Q4 2008.
Fourth quarter organic sales growth was 32% compared to the same quarter of 2008. The improvement was driven by higher volumes whereas average price levels were lower. Operating profit of the cluster in Q4 2009 was €77 million higher than in 2008, which was strongly affected by inventory write-offs.

Full year organic sales development was -32% reflecting difficult economic conditions during most of the year 2009 whereas the negative impact for 2008 was mainly limited to Q4 2008. Sales volume in 2009 recovered quarter on quarter and the total is in line with 2008 volume. However, prices were volatile at a lower level, which reflects raw-material developments. The lower margins were partly offset by cost saving programs but still resulted in a lower operating profit.
Organic sales development in the fourth quarter was -8% compared to Q4 2008. In general, sales volumes improved, but prices remained below the level of 2008. DSM Melamine and DSM Elastomers posted a profit in Q4 while DSM Agro was still showing losses.

Full year organic sales development in this cluster was -29% as volumes and prices decreased with the exception of DSM Agro, which showed a firm increase in sales volumes but a substantial decline in prices. Lower raw-material costs and cost-reduction programs could only partly compensate for this impact, resulting in a drop in the operating result. DSM Agro, DSM Melamine and DSM Elastomers had to report losses for the year 2009.
• Gains from the disposal of activities mainly include the pre-tax book profit of €269 million on the disposal of DSM Energy and the pre-tax book profit of €42 million on the disposal of Stamicarbon.

• The releases of pension related provisions relates to plan changes and curtailments of certain defined benefit plans in the United States and Switzerland.

• A €19 million gain was recognized due to compensation received for the closure of the Citric Acid Manufacturing plant in Wuxi (China).

• The additions to provisions relate to restructuring charges in connection with actions to strengthen DSM’s competitive position and reduce the cost base for an amount of €48 million.

• At year-end DSM had to recognize a substantial impairment. The goodwill impairment test for Catalytica (part of DSM Pharmaceutical Products) showed that the value in use had significantly decreased compared to earlier years due to the depressed current market conditions and lower future growth rates for the business. As a result of the reduction in the recoverable amount a non-cash goodwill impairment charge of €154 million was recognized.

• Furthermore the fair value of Lipid Technology Provider (LTP) was determined because the business was transferred from the cash generating unit DSM Food Specialties to the cash generating unit DSM Nutritional Products in the course of the year. This resulted in a non-cash goodwill impairment charge of €12 million.

• In view of the decision to cancel certain IT projects a one-off charge of €23 million was recognized in the second quarter of 2009.

• Other costs [€11 million] related to cost saving actions and other organizational changes related to the economic downturn.

• Total exceptional items after tax amounted to a loss €149 million in the fourth quarter and to a profit of €93 million in the full year 2009.
As a result of DSM’s continued strong focus on cash, Cash flow from operating activities increased to €1,276 million for the full year 2009 compared to €910 million in 2008. Q4 2009 operating cash flow amounted to €326 million.

Total cash used for capital expenditure was €457 million in 2009, which was €134 million lower than in the previous year (2008 €591 million).

Net debt once again showed a decrease during Q4 of €239 million and ended the year at a level of €830 million (€1,781 million at year-end 2008) mainly as a result of a further reduction in operating working capital during Q4.
• OWC finished the year 2009 at approx €1.5 billion. This is approx €1 billion less than Q3 2008 when the downturn started.
• The program to reduce costs, which was started in Q4 2008, was very successful, delivering already more than €150 million in cost savings in 2009, which is the lower limit of the amount that was announced to be achieved in 2010. The upper limit (€200 million) is clearly in reach for 2010.

• The main contributors to cost savings are wages (~40%), ICT, offices and facilities (~15%), business travel (~10%), site costs (~10%) and the remainder in other categories. Following the restructuring programs the workforce decreased overall by 1,314 compared to the end of Q3 2008, the beginning of the economic downturn, and stood at 22,738.

• DSM expects 2/3 of the achieved savings to be sustainable. A part of the savings are not sustainable, such as temporarily closed manufacturing lines which will start up again, travel restrictions, etc.
• Gearing at the end of Q4 was 14%, coming down from 28% at the end of last year.

• Most of DSM's external funding needs are financed through long-term debt. The spread of the maturity dates of the long-term debt provides adequate flexibility. Most long-term debt will mature as from 2014.

• DSM has a Commercial Paper program amounting to EUR 1,500 million and two committed credit facilities of EUR 500 million (until October 2012) and EUR 400 million (until April 2013). Present, no commercial paper is outstanding and the credit facilities are fully undrawn.

• Credit rating agencies have not changed their long-term credit ratings for DSM since the start of the downturn: Standard & Poor's rates DSM as A– with a stable outlook and Moody's rating is A3 with a stable outlook.

• DSM's pension funds remain sufficiently funded to be able to meet their pension commitments both now and in the future.

• The non-cash IFRS costs related to pensions in 2010 are expected to be €6 million lower on an annual basis compared to 2009.
- DSM’s dividend policy is to provide a stable and preferably rising dividend. The dividend per ordinary share has been increased by almost 40% since 2004.

- For 2009 an unchanged dividend of €1.20 per ordinary share will be proposed to the Annual General Meeting of Shareholders. An interim dividend of €0.40 per ordinary share having been paid in August 2009, the final dividend would then amount to €0.80 per ordinary share, to be paid in cash.

- Based on DSM’s share price at year-end 2009 (€34.46) the proposed dividend represents a dividend yield of ~3.5%.
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• DSM’s focus on Life Sciences (Nutrition and Pharma) and Materials Sciences (Performance Materials and Polymer Intermediates) is fueled by the four major societal trends: Climate Change and Energy; Health and Wellness; Functionality and Performance; and Emerging Economies. Life Sciences and Materials Sciences offer attractive growth potential in themselves and in combination. DSM’s EBA (Emerging Business Area) program, started with Vision 2010, creates growth platforms based on the strengths and synergies of DSM’s positions in Life Sciences and Materials Sciences. By focusing on Life Sciences and Materials Sciences, DSM can address the unmet needs reflected in the four main societal trends mentioned. Innovation solutions play a key role in this respect.

• The activities in DSM’s Nutrition cluster have positioned DSM as a leading, innovative producer of food and feed ingredients and provide an excellent platform towards the growing demand for innovative ingredients with a health-enhancing effect. DSM’s Pharma cluster is firmly positioned as a producer of pharmaceutical ingredients and services, based on a set of very strong technology positions. Similarly, DSM’s Performance Materials cluster has a unique portfolio of mainly in-house-developed successful materials with outstanding properties.

• On top of this, DSM is convinced that biotechnology, traditionally associated with life sciences, will increasingly play a role in developing new biomaterials and materials which will increasingly be applied in life sciences applications. The cross-fertilization potential between Life Sciences and Materials Sciences is high (X-factor program).

• Despite the significant deterioration of market conditions in some of our businesses since the end of 2008, DSM is convinced it has chosen the right strategy with the accelerated transformation towards a Life Sciences and Materials Sciences company capable of sustainable growth. DSM will therefore continue its strategy. With the actions announced and our continued full commitment to our innovation programs we are convinced DSM will be in an even stronger position in the future.
• The effects of climate change and the adverse consequences of the world’s dependency on fossil fuels are becoming increasingly apparent, calling for fundamentally new approaches.

• Fossil fuels will become scarce (and therefore also more expensive) in the future and alternative, renewable energy sources such as biomass, wind and solar energy are needed to respond to the ever-increasing need for energy, which, among other things, is driven by high growth and demand in emerging economies. Also, energy-saving solutions are urgently needed to achieve the desired reduction in emissions.

• DSM’s strategy, focusing on solutions for renewable energy, fuel efficiency and improving the eco-footprint throughout the value chain, is a response to these societal trends. We are for example offering and/or developing solutions for second-generation biofuels, coatings that make solar cells more efficient and materials that make cars lighter and therefore more energy-efficient. We are also developing new enzymatic processes that consume much less energy than conventional chemical processes. It is our strong conviction that these trends will persist and regain even more interest and profile when the current economic downturn comes to an end.

• Improving our own production processes and reducing material losses are crucial to our own sustainability performance. In recent years, DSM was able to reduce its global greenhouse-gas emissions significantly from 10.7 million tons per year in 2005 to 6.7 million tons per year in 2009, a reduction of 4 million tons or almost 40% in 4 years.

• In addition to greenhouse-gases, which are directly related to global warming, DSM was able to make strong progress in the reduction of its eco-footprint in other emissions to air and water, landfilling of waste and water consumption. For more details, see DSM’s 2009 Triple P report.
• Populations in the developed world are aging rapidly because of lower birth rates and increased life expectancy.

• The trend towards increased individuality in modern society, together with demographic changes such as an increase in the number of one-person households, an aging population and educated consumers, reinforce the demand for more convenient, yet high quality (processed) foods.

• Worldwide, healthcare spending is increasing rapidly, particularly in more developed countries. This is caused by a number of trends, including the following:
  - Aging populations in North America, Europe and Japan. Healthcare costs trend up dramatically once people reach their mid-sixties.
  - Increased obesity, which is a risk factor for many diseases such as Type 2 diabetes.
  - Patient expectations for a continued active lifestyle at older age increases demand for surgical treatments.

• End-consumers are becoming more and more sensitive about the quality and safety of food and health products as a result of the ingredients scandals over the last few years. At the same time, consumers are increasingly interested in the connection between the foods they consume and their health status. While taste remains a key qualifier, there is a strong interest in reducing the levels of ingredients like salt, sugar and fat as well as including more better-for-you ingredients.

• DSM’s expertise in nutritional science and pharma allows us to develop health-promoting applications for the global food and beverage and dietary supplement markets. We are also taking a leading role in the drive for quality and safety in the food chain ‘from farm to fork’. At the same time, rising healthcare costs are encouraging the development of new and more cost-effective treatments, and we are creating innovative new approaches using biopharmaceutical and biomedical solutions.

• The health and wellness trend also represents a host of opportunities to DSM in the materials sciences cluster. Examples are waterborne paints providing a healthier working environment for professional painters, or the newly launched range of bromine and chlorine-free range of engineering plastics that enable producers of electrical and electronic equipment to continue to meet high(er) reliability, performance and quality requirements.
• The Emerging Business Area programs White Biotechnology and Biomedical are excellent examples of how DSM captures its cross-cluster opportunities as these – to varying degrees – combine DSM’s competences in Life Sciences and Materials Sciences.

• In its White Biotechnology EBA DSM strives to create practical solutions for the biorefineries of the future, using feedstocks that are not in competition with food and feed supplies. In close collaboration with ethanol producer Abengoa and several research institutes, DSM is intensively working on what is called the second generation of biofuels.

• Furthermore, DSM White Biotechnology made further progress in its cooperation with Roquette to commercialize bio-based succinic acid. A demonstration plant was completed at the end of 2009. Its capacity will be building up to several hundred tons of bio-succinic acid per annum. There are already quite a few parties testing the bio-succinic acid. The lower eco-footprint and its competitive cost are attractive to them and offer new opportunities from feed to materials.

• DSM is also focusing on increased use of renewable raw materials. The recently introduced EcoPaXX™ is a case in point. It has a neutral carbon footprint and is capable of bringing carbon neutral green solutions to very demanding applications such as automotive engine parts.

• DSM is well on its way to achieving its ambitious target of reaching EUR 100 million in sales by 2012 in the biomedical materials market. DSM Biomedical is partnering with numerous customers. Since 1 January of this year, DSM has entered into 8 new license and supply agreements, bringing the total number to 35. It is actively building a leading position in this fast-growing market by linking technological developments to patient needs, creating and enabling new and more effective therapies.

• In the coatings segment, DSM launched a new application for ComfortCoat™, an advanced lubricious hydrophilic coating designed to enhance maneuverability of metal guidewires in minimally invasive procedures which are carried out to treat strokes for example. Furthermore, a new ComfortCoat™ hemocompatible antimicrobial coating was launched to help thwart intravascular catheter-related bloodstream infections.

• In 2009, Bionate® II PCU was launched. This is a versatile medical polymer with built-in surface technology designed for chronic implants.
• Although the current economic climate does not favor a swift execution of business disposals, DSM managed to accomplish some important portfolio changes.

• DSM's polyamide activities will be reinforced by a swap deal with Mitsubishi Chemical Company (MCC). DSM will acquire MCC's Novamid® polyamide business in exchange for DSM's Xantar® polycarbonate business.

• DSM has acquired full control of the polyamide 6 polymerization facility of Nylon Polymer Company, LLC (NPC) in Augusta (Georgia, USA). Previously Shaw Industries and DSM Chemicals North America were joint venture partners in NPC. As a result of the transaction, the facility was fully integrated into DSM Engineering Plastics' activities as of 1 January 2010.

• DSM has also undertaken a variety of somewhat smaller-scale initiatives to stimulate growth and innovation. Biopract GmbH was acquired, serving as an entry point for DSM into the biogas market which is experiencing an annual growth rate of 15-20%. Another example relates to the DSM Biomedical business, which obtained an exclusive worldwide license for a unique drug & biologics delivery system developed by MediVas LLC. Integration of this system with DSM's Trancerta® Drug Delivery platform will generate a broad range of opportunities for next generation drug delivery.

• DSM Venturing made an equity investment in BioProcess Control AB (Sweden), a market leader in providing advanced control technologies and services that enable the efficient design and optimal operation of biogas processes. Furthermore, DSM made an equity investment in Segetis, Inc., based in Golden Valley (US). Segetis has developed renewable chemistry which enables the use of non-food agricultural and forestry feedstock for production of sustainable materials.

• DSM has made progress with the planned disposals. In Q3 2009, the sale of DSM Energy (including DSM's stake in Noordgastransport B.V.) to TAQA Abu Dhabi National Energy Company PJSC was finalized. In Q4 2009 the sale of the urea-licensing subsidiary Stamicarbon B.V. to Maire Tecnimont was completed.

• The DSM Anti-Infectives site in Strängnäs (Sweden), where mainly clavulanic acid was produced, and the citric acid manufacturing plant in Wuxi (China) were closed in 2009.

• The disposal process for DSM Elastomers, DSM Agro and DSM Melamine is underway. As reported earlier, DSM has slowed down the process in view of the current financial and economic environment but still aims to complete the disposals by the end of 2010.
The global trends that DSM has identified and which form the basis of the Vision 2010 strategy are also very visible in China and other emerging economies. Economic growth in China started to recover as early as the second quarter of 2009 after a brief period of lower growth at the end of 2008 and the beginning of the year. Economic growth in India in 2009 was also impressive. The current economic downturn has made even more visible how important the emerging markets are for future economic growth.

DSM continues to experience growth in emerging economies. As a percentage of total revenues, sales in the emerging economies (Central and Eastern Europe, Latin America, China and Emerging Asia Pacific) increased from 28% in 2008 to 32% in 2009. Although there are clearly differences between the various emerging economies, DSM’s increased focus on these countries has been paying off, even during the recession.

In China, DSM has had a significant presence for a number of years. China is transforming from the world’s manufacturing base into one of the world’s leading economies with the highest growth rates. Chinese industrial production has been growing by on average some 10% per year over the last 30 years, but as a result of the global economic downturn this growth slowed down in the last few months of 2008 as well as the first few months of 2009. Higher growth resumed from the second quarter of the year.

In Q4 2009 sales in China amounted to USD 375 million, annualized USD 1.5 billion which is the target for the year 2010, representing an increase of 19% relative to the comparable period in 2008. In spite of a strong drop of 35% in the first quarter of the year, DSM’s sales in China in full year 2009 increased 3% to USD 1,188 million, a new record for the company. DSM expects to come close to the USD 1.5 billion target for 2010.
• DSM’s innovation strategy is founded on global opportunity areas which were identified via analysis of global megatrends as part the corporate strategy program Vision 2010 – Building on Strengths. This has resulted in a focused portfolio in which DSM’s key technological skills are optimally leveraged to meet (emerging) market needs.

• Despite the recession in 2009 DSM showed continued strong growth in innovation. In 2009 innovation sales were about €810 million, 35% more than in 2008 and higher than DSM’s previous estimate of €770 million. This represents a good basis to reach the target of €1 billion additional sales in 2010 compared to 2005.

• The number of innovation launches in 2009 (62) has remained at the high level achieved in 2008 (59). Since the start of DSM’s innovation boost in 2006, many innovation launches took place. These can be categorized into new products, new applications and other types of innovations such as innovative marketing concepts. These also include a range of cross-fertilization innovations which were developed using both the Life Sciences and Materials Sciences competences of DSM.

• The Product Development and Management Association (PDMA), the leading advocate and comprehensive resource for the profession of product development and innovation, selected DSM as the winner of the 2009 Outstanding Corporate Innovator (OCI) Award, thus honoring the company’s strategic commitment to open innovation and its exceptional skill in continuously creating and capturing value through new product and service development.
As stated before, innovation is a key element of DSM’s Vision 2010 strategy. Innovation is not just about great ideas, state-of-the-art technology and high-tech laboratories. It also involves spotting market trends and opportunities and using technological capabilities to improve the quality of people’s lives in a way that is commercially attractive.

The above-mentioned product groups are a selection of the main contributors in reaching the €1 billion target. The innovation boost has yielded a broad range of successful innovations, with above-average margins.

DSM supplies a variety of innovative solutions to reduce CO₂ emissions, either by significantly improving fuel or energy consumption or by developing alternative energy sources. In the wind energy sector windmill blades are increasing in size and require stronger materials such as DSM’s advanced composite materials. In the automotive and aviation sectors, for example, lighter materials can significantly improve fuel consumption. Polymers such as Stanyl™, composite resins and Dyneema® are good examples of such materials. DECOVERY™ is DSM Resins’ range of innovative high performance, eco-friendly waterborne resins. Current market dynamics in the coatings industry demand coatings that are environmentally friendly, whilst retaining good performance at attractive system costs.

In health & wellness-related markets DSM has successfully commercialized products like Ronozyme®, which is used to enhance the nutritional value of animal feed, and Maxarome® Select, a savory food ingredient that enhances natural taste.

To meet consumer demands resulting from an increased quest for Functionality & Performance, DSM has built strong market positions with Stanyl™ high performance polyamide 46, which is used in both automotive and electronic applications. Other examples are Akulon Ultraflow®, a high-productivity, high-performance PA6 family for molding processes, and many new applications using Dyneema®, the world’s strongest fiber.

This diversified portfolio of innovations yields a stable income profile, which will be complemented by a range of new launches that the company is currently developing.
Royal DSM N.V. announced its sponsorship of the Dutch bobsled team, TeamNL, which is representing the Netherlands at the 2010 Olympic Winter Games in Vancouver. As part of this program, DSM has been an important partner in the TopBob project, which resulted in the new two-man bob with excellent racing properties.

Royal DSM N.V. and the Royal Dutch Skating Association (KNSB) are introducing an innovative skinsuit for the Dutch Olympic short-track team. In collaboration with the KNSB, DSM has developed a lighter and, most importantly, more comfortable suit that offers maximum protection. The new product’s secret weapon is the use of Dyneema®, the world’s strongest fiber™. By cleverly combining Dyneema® with other fibers, DSM’s team has created a new skinsuit comprising just a single layer. The suit is lighter than existing skinsuits and its snugger fit makes it exceptionally comfortable.

Both sponsorships are part of DSM’s program ‘Innovation is our Sport™’, which focuses on the development of innovative products in the area of nutrition and materials for and together with top athletes.
As announced in 2009, the Supervisory Board has redesigned the remuneration policy for the Managing Board. This redesign – which will be submitted to the Annual General Meeting (AGM) of Shareholders in 2010 for approval – better reflects the interest of all stakeholders. This is fully in line with DSM’s core value, focusing on value creation for People, Planet and Profit in parallel and simultaneously. It also takes into account the company’s long-term strategic goals and creates more external transparency on the overall remuneration package. The main elements of the revised remuneration policy are summarized below. The full proposal can be found in the 2009 annual report of DSM and will be submitted to the AGM.

- The proposal creates a 50% - 50% balance between fixed base salary and variable income. The variable income will consist of both short-term and long-term performance-related incentives with a proposed 50% - 50% distribution. Both the short-term and the long-term incentives will be based for 50% on financial targets and 50% on other value-creating targets mostly related to sustainability, such as the introduction of ‘green’ products, energy consumption reduction, the reduction of emissions of greenhouse gases and the engagement of the company’s workforce.

- In this proposal the long-term-incentive will only consist of performance shares. Options will no longer be granted to the Managing Board.

- The policy is to offer the Managing Board a total direct compensation approaching the median of the labor market. Within the revised remuneration policy an external benchmark will be applied only every three years to avoid (yearly) upward pressure on remuneration levels.

- In addition, DSM will implement the recent recommendations made in the updated Dutch corporate governance code.

- DSM will evaluate the revised remuneration policy over time and further improve it if and when necessary.

- The Supervisory Board and the Managing Board have agreed not to increase the base salaries for the Managing Board in 2010, just as they did for 2009. This reflects DSM’s cautious remuneration policy in view of the current economic circumstances.
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• The general economic outlook remains uncertain. Although most economies are showing a partial recovery from the downturn, this recovery remains uneven. There are still risks that could affect the recovery. Financial systems are not stable yet and higher solvency ratios required for banks have an impact on their lending willingness. Government incentives are drying up and their large deficits and debts will necessitate contractive actions sooner or later. The high unemployment rate will be a burden on consumer confidence. The continued cash focus in the private sector can be a limiting factor for a fast recovery in private investments. However, continued growth is expected in emerging economies, with Asia (especially China) and Latin America having the largest impact on DSM.

• The actions taken by DSM in 2009 leave the business well prepared to capitalize on gradually improving market conditions in 2010. In view of expected developments DSM is cautiously optimistic. However, as the economic outlook still remains uncertain, no quantitative outlook will be provided for 2010.
- The food and feed markets, which are resilient, are expected to grow with GDP in 2010.

- Food consumption patterns are normalizing as meat consumption is returning to pre-recession levels. In dietary supplements, the de-stocking has come to an end. Demand is back to normal levels and the consumer’s preference for branded products has increased. This changed behavior is having a positive effect on DSM’s sales.

- The food enzymes businesses are showing a positive trend, particularly in the bakery and dairy segments. Innovative enzymes such as Brewers Clarex® are showing strong performance.

- Arachidonic acid (ARA) sales continue to grow very well and are firming up in China. ARA is mainly marketed as an ingredient in infant formula and as such is benefiting from past food scandals in Asia.

- The Nutrition cluster is expected to achieve sustained good performance with an ongoing increase in demand and relatively stable price levels in both the food and feed markets.
The highly competitive environment for DSM Anti-Infectives (DAI) remains. Prices for our products came down in 2009 from the high levels of mid 2008 and are expected to remain at these low levels.

The dynamics of the pharma industry are changing. Fewer new patent-protected drugs are being developed and launched by large pharma houses, while at the same time the competition from emerging countries in chemical custom manufacturing is increasing, particularly in the supply of small molecules. This development creates a highly challenging environment for DSM's activities in chemical custom manufacturing.

For Pharma, results are expected to be lower due to continued low prices at DSM Anti-Infectives, ongoing challenges at DSM Pharmaceutical Products and the loss of temporary demand related to the flu-related sterile vaccine business.
Currently DSM is expecting further recovery in the automotive, electronics and textile markets although with uncertainty about the development for H2 2010. Building and construction and marine markets are expected to show limited recovery in the first half of 2010. In general, materials needed to produce capital intensive end-products (trucks, boats, buildings) are expected to face continuing challenging conditions.

Asia is expected to show continued growth for DSM Performance Materials, whereas recovery in Europe and the US is still fragile.

Growth in Performance Materials is driven by the market need for sustainable solutions, such as green materials, weight reduction (polymers replacing metal for increased fuel efficiency and reduced emissions), halogen free plastics, paints that are environmentally friendly, safer and solvent free. Our Performance Materials cluster is expected to grow its market share in high-end innovative applications.

Business conditions are currently similar to H2 2009 and therefore results in Performance Materials are expected to be substantially better than in 2009.

DSM Dyneema is expected to return to double digit sales growth after a difficult 2009.
• We expect unchanged market conditions from H2 2009 for caprolactam. Demand from Asia is expected to remain strong and Europe is expected to recover gradually. Healthy and increasing captive downstream demand from engineering plastics provides a solid outlet for DSM Fibre Intermediates.

• As a result of the implementation of Advanced Manufacturing actions during the downturn, DSM has been able to further increase its output in China, at low investment costs. In addition to higher output, which has a positive impact on fixed costs per unit, variable costs per unit could also be reduced in China, further strengthening DSM’s competitiveness and leadership position in China.

• Utilization rates are currently 85%, and in response to the improving export market demand the business group announced the restart of the caprolactam line in the US that had been idled in Q4 2008.

• Business conditions are currently similar to H2 2009 and therefore results in Polymer Intermediates are expected to be substantially better than last year.
• DSM is convinced it has chosen the right strategy and will continue to execute this strategy in 2010.

• DSM remains focused on cash generation and continues the execution of the announced cost savings programs. This will secure financial flexibility and a strong balance sheet so that DSM will be able to afford to invest further in customer intimacy, innovation and sustainability.

• In addition to the cost saving programs and intensified cash management, we continue to ensure that we are grasping current and potential future business opportunities. Therefore DSM continues to focus on its customers and although we have reduced our workforce, the people facing customers (in marketing and sales and innovation) have hardly been affected.

• DSM continues its focus on innovation, including a longer-term perspective in order to optimally benefit from the economic upturn. DSM will proceed with its various innovation programs and projects and will execute relatively small acquisitions of a bolt-on nature, directly adding to the company's ambitions and objectives.

• DSM’s capability to benefit from an upturn has not been materially affected by the cost savings program. In the event of a further market recovery, DSM will be able to react fast by increasing production output to fulfill the additional demand. DSM also has the financial strength to finance the potentially required cash to grow the business again.

• In 2010 DSM will also define the strategy for the next period to come.
DISCLAIMER

This document 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.

Examples of forward-looking statements include statements made or implied about the company's strategy, estimates of sales growth, financial results, cost savings and future developments in its existing business as well as the impact of future acquisitions, and the company's financial position. These statements can be management estimates based on information provided by specialized agencies or advisors.

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 the company's actual performance and position to differ materially from these statements.

These factors include, but are not limited to, macro-economic, market and business trends and conditions, (low-cost) competition, legal claims, the ability to protect intellectual property, changes in legislation, changes in exchange and interest rates, changes in tax rates, pension costs, raw material and energy prices, employee costs, the implementation of the company's strategy, the company's ability to identify and complete acquisitions and to successfully integrate acquired companies, the company's ability to realize planned disposals, savings, restructuring or benefits, the company's ability to identify, develop and successfully commercialize new products, markets or technologies, economic and/or political changes and other developments in countries and markets in which DSM operates.

As a result, DSM's actual future performance, position and/or financial results may differ materially from the plans, goals and expectations set forth in such forward-looking statements.

DSM has no obligation to update the statements contained in this document, 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, a copy of which can be found on the company's corporate website, [www.dsm.com](http://www.dsm.com).
**Information about ordinary DSM shares**

DSM ordinary shares (ISIN code NL0000009827, fondscode 00982) are listed on the stock exchanges of Amsterdam. Options on DSM shares are traded on the European Option Exchange in Amsterdam. In the USA a sponsored unlisted American Depositary Receipts program is being run via Citibank NA (Cusip 780249108); four ADRs represent one ordinary DSM share.

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<tbody>
<tr>
<td>net profit before exceptional items</td>
<td>1.44</td>
<td>3.64</td>
<td>3.07</td>
<td>2.85</td>
<td>2.82</td>
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<tr>
<td>net profit</td>
<td>2.01</td>
<td>3.45</td>
<td>2.35</td>
<td>2.83</td>
<td>2.68</td>
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<tr>
<td>cash flow</td>
<td>6.05</td>
<td>6.20</td>
<td>5.56</td>
<td>5.21</td>
<td>5.65</td>
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<tr>
<td>shareholders' equity</td>
<td>28.92</td>
<td>27.12</td>
<td>30.42</td>
<td>30.03</td>
<td>27.59</td>
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</tbody>
</table>

**Dividend:**
- interim dividend: 1.20
- final dividend: 0.80

**Pay-out including dividend on cumulative preference shares as % of net profit before exceptional items:**
- dividend yield (based on average price of an ordinary DSM share): 84% 36% 35% 38% 33%

**Share prices on Euronext Amsterdam:**
- highest price: 34.84 41.27 39.87 39.70 35.22
- lowest price: 16.93 15.76 31.63 28.58 23.07
- at 31 December: 34.46 18.33 32.33 37.43 34.50

**Number of ordinary shares outstanding: (x 1,000)**
- at 31 December: 163,037 162,227 166,897 184,850 190,923
- average: 162,364 164,196 178,541 189,550 190,783

**Daily trading volumes on Euronext Amsterdam:**
- average: 1,270 1,783 1,590 1,301 1,063
- lowest: 75 152 94 267 238
- highest: 4,376 5,894 11,347 5,268 6,563

**Footnote:**
1 Subject to approval by the Annual General Meeting of Shareholders
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