

Life Sciences & Materials Sciences

Staying the Course

**Annual General Meeting
of Shareholders 2009**

**Feike Sijbesma
Chairman Managing Board**



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

Staying the Course



Agenda

- Operational performance 2008
- *Vision 2010* update
- Current global challenges
- Outlook 2009

Highlights 2008

DSM reports record year despite global economic downturn in Q4

- Full year operating profit up 10% to EUR 903 million; Q4 down 35% to EUR 123 million
- Continuing strong performance from Life Sciences businesses and DSM Dyneema in Q4
- Most Materials Sciences businesses severely impacted by downturn since beginning of Q4
- Focus on cash over profitability generates strong cash flow in Q4; cost saving program of EUR 100 million under way
- Solid long-term financial position; dividend maintained at EUR 1.20 per share
- No quantitative outlook provided for 2009 in view of the uncertain economic conditions

Annual Results 2008 - Key figures

(€ million)	2008	2007	Δ%
<u>before exceptional:</u>			
Net Sales	9,297	8,757	+ 6%
EBITDA	1,357	1,247	+ 9%
EBIT	903	823	+10%
Net Profit	608	558	+ 9%
EPS	3.64	3.07	+19%
<u>including exceptional items:</u>			
Net Profit	577	429	+34%
EPS	3.45	2.35	+47%

Nutrition

(€ million)	2008	2007	Δ%
Net sales	2,710	2,302	+18%
EBITDA	585	403	+45%
EBIT	447	276	+62%
EBITDA margin	21.6%	17.5%	

- DNP benefiting from differentiation and innovation strategy in vitamins and changing industry dynamics
- DFS results affected by marginal sales decline and lower US\$
- Ongoing favorable business conditions

Pharma

(€ million)	2008	2007	Δ%
Net sales	863	903	- 4%
EBITDA	150	168	-11%
EBIT	89	92	- 3%
EBITDA margin	17.4%	18.6%	

- DPP impacted by Roche contracts, in-sourcing and delays in commercial developments
- DAI stays at a healthy level; PEN prices on average lower, but still at a good level

Performance Materials

(€ million)	2008	2007	Δ%
Net sales	2,297	2,390	- 4%
EBITDA	266	371	-28%
EBIT	175	291	-40%
EBITDA margin	11.6%	15.5%	

- DEP as well as DR seriously hit by the economic crisis in Q4
- Combined effect of a sharp drop in demand, destocking, lower margins and inventory write-offs
- DSM Dyneema and parts of DR (Desotech) not affected by the crisis

Polymer Intermediates

(€ million)	2008	2007	Δ%
Net sales	1,201	1,232	- 3%
EBITDA	43	133	-68%
EBIT	19	105	-82%
EBITDA margin	3.6%	10.8%	

- Severe drop in demand in all regions in Q4 (including China)
- Sudden and deep drop in benzene prices had very adverse inventory valuation effect
- Caprolactam earlier in the cycle than ACN

Base Chemicals and Materials

(€ million)	2008	2007	Δ%
Net sales	1,733	1,529	+13%
EBITDA	342	209	+64%
EBIT	260	137	+90%
EBITDA margin	19.7%	13.7%	

- DAG benefited from increased prices and positive market conditions up until the last quarter
- DE (Automotive) and DMM (Building & Construction) were hit hard by the economic crisis

Cash flow & balance sheet highlights

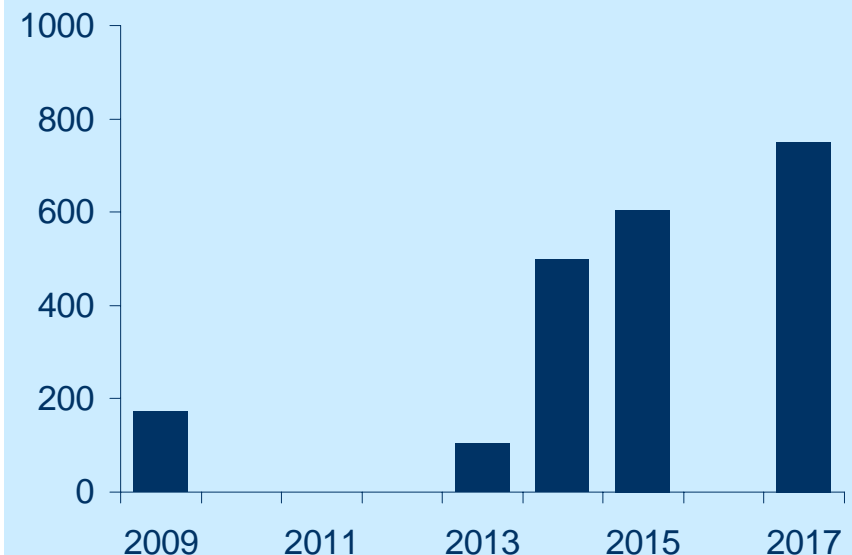
Cash Flow (€ million)	FY 2008	FY 2007
• Cash from operating activities	910	825
• Cash from investing activities	-794	-394
Free cash flow from operations	116	431
• Change in operating working capital	-180	-124
• Capital expenditure	-591	-434
• Acquisitions and disposals	- 93	-34

Balance Sheet (€ million)	Dec 31 2008	Dec 31 2007
• Net debt	1,781	1,338
• Gearing	28%	20%

Q4 actions to manage the crisis

- Positive cash flow in Q4
 - Reduced operating capital
 - (Capex) projects postponed
- Strong financial position
- Credit rating A3 / A- both with stable outlook confirmed
- Successfully issued new bond €500m in March 2009
- Pensions sufficiently funded (no additional cash contribution)
- Set up dedicated coordination office regarding “crisis”

Debt Maturity Profile (€ m)
Bonds and Private Loans (March 25, 2009)



Successful cash generation: €392m in Q4

Agenda

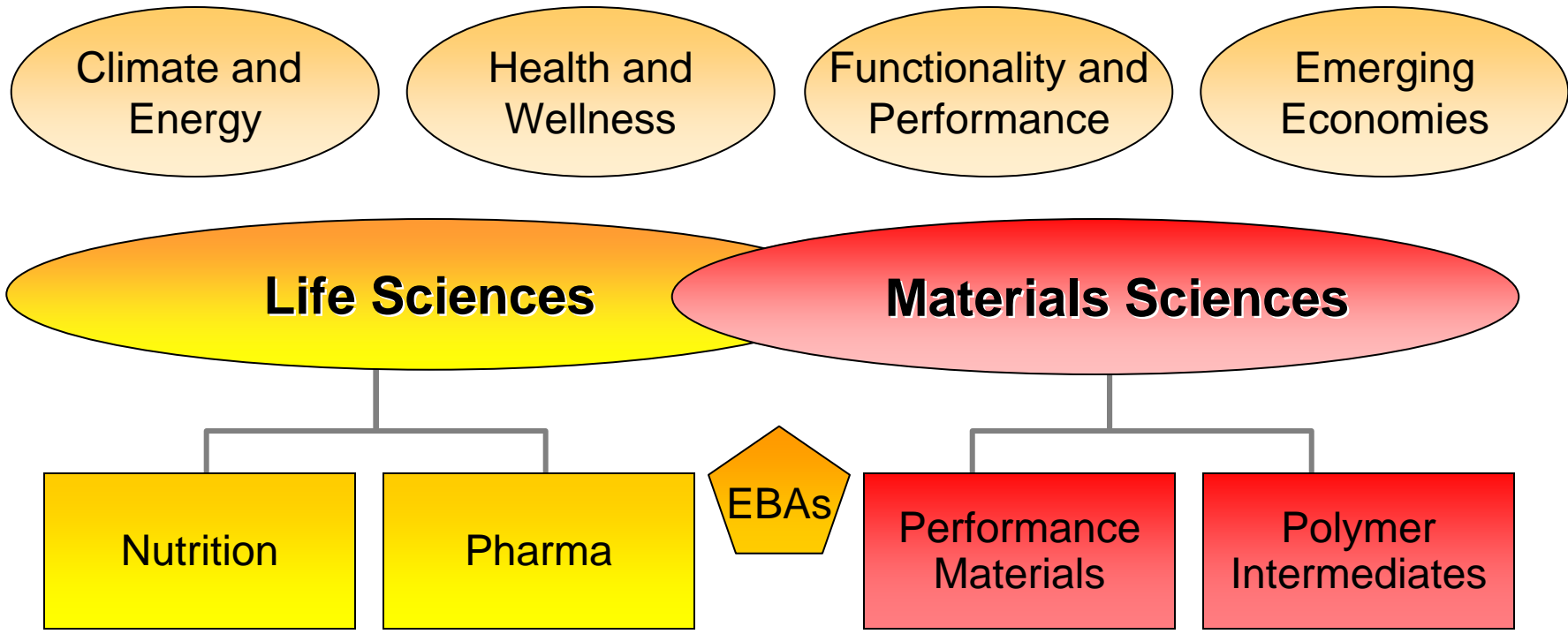
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Recognition DSM performance on long term (Financieel Dagblad)



AEX index back on level of 1995, DSM outperformed market

Focus on Life Sciences and Material Sciences



Exploiting strong market positions and technology platforms

Growth opportunities remain in current markets

Climate and Energy



Health and Wellness



Functionality and Performance



Emerging Economies

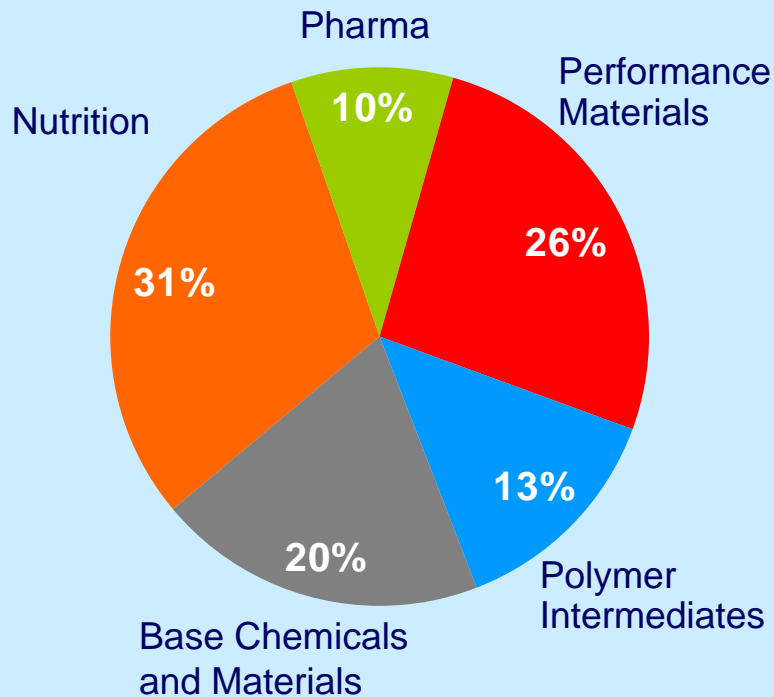


DSM is convinced the chosen strategy is the right one

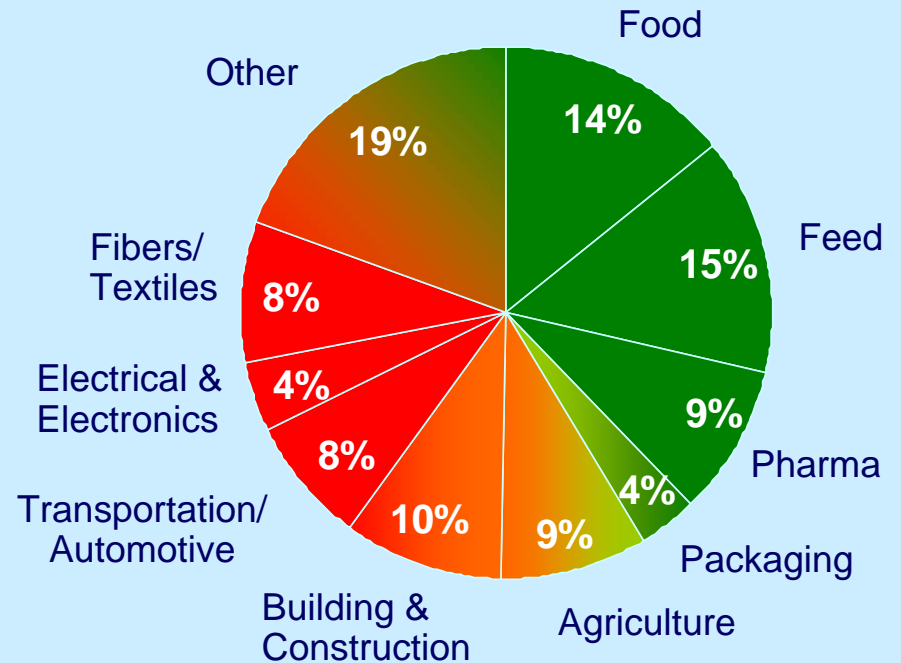
Unlimited. **DSM**

Balanced portfolio in economic downturn

2008 Sales per Cluster



2008 Sales per end-market



Nutrition, Pharma and DSM Dyneema relatively unaffected

Cost saving plans underway

- Workforce reduction of about 1000 positions
- Purchasing savings
- Other efficiency improvements

- Capital expenditure focused on future growth projects (e.g. Dyneema)

- Further measures will be implemented as required, but preserve capabilities for when market growth returns

Total savings up to €100m by 2010

Progress partnering & disposals 2008

- DSM has slowed down main disposal process (DSM Agro and DSM Melamine and the ammonia plants, DSM Elastomers, Urea Licensing)
- Progress DSM Anti-Infectives
 - MBO DSM Deretil side chain business
 - Closure of clavulanic business in Sweden
- Citric Acid; Closure of Wuxi site
- Proceed with disposal process for DSM Special Products

Targeted completion within time horizon of *Vision 2010*

Main acquisitions in 2008

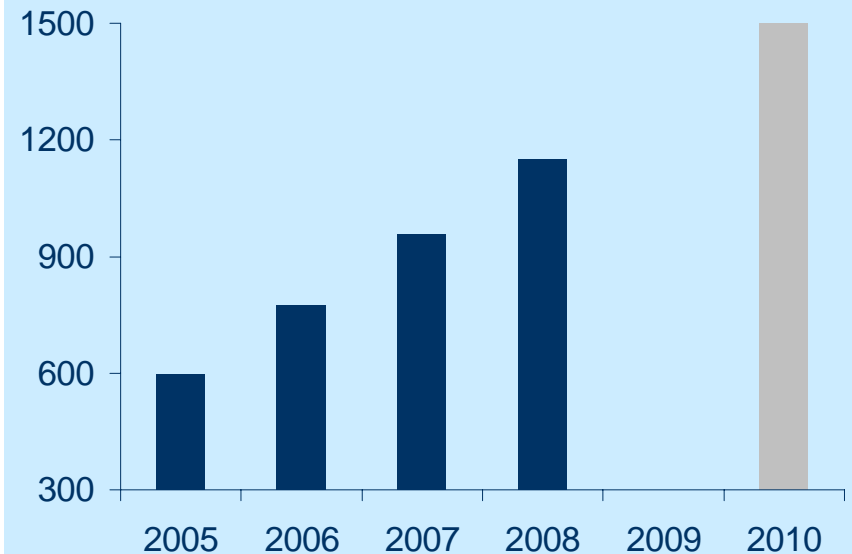
- Good progress in acquisitions:
 - Soluol (US) and Polymeric Processes by DSM Resins
 - Polymer Technology Group (US) by DSM Biomedical
 - Valley Research (US) and CMT (Italy) by DSM Food Specialties
- Investments added to our venturing portfolio:
 - Provexis (UK), IQ Therapeutics (NL), The Compliers Group Int (NL)
 - Tianjin Green Bio-Science (China), Accelerated Technologies II (US)
- Partnerships strengthening innovation:
 - Roquette (France)
 - Abengoa and research institutes

Acquisition path will be continued

New milestones achieved in China

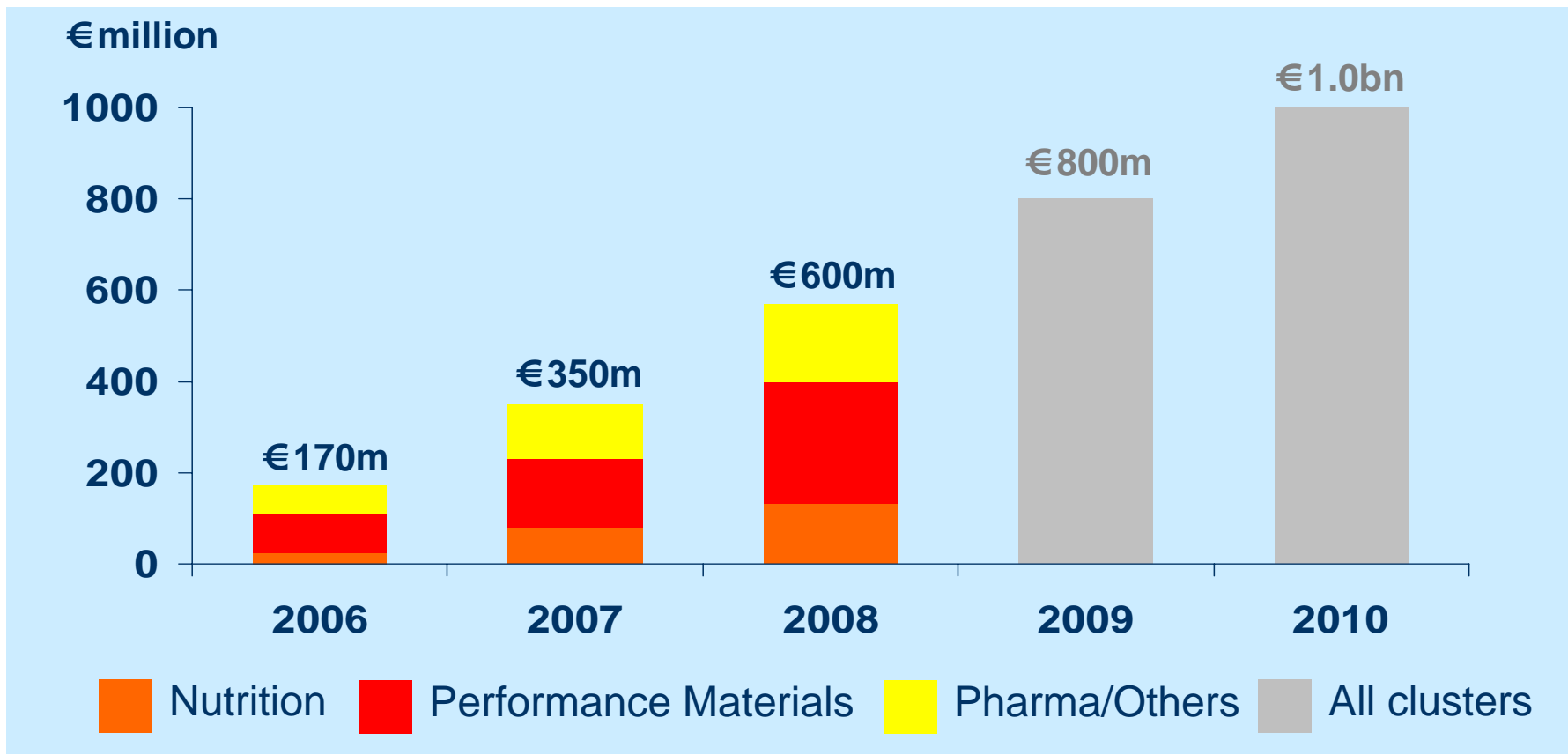
- 2008 sales to China US\$ 1.15bn
- Increase of ~20% y-o-y (Q4'08 substantially less)
- Future growth difficult to predict
- DSM China's top employer for third consecutive year
- New research campus marks start of new DSM era in China
- NCPC cooperation progressing

Sales growth in China (in US\$ m.)



Drop in demand in Q4; US\$ 1.5bn target in 2010

Innovation sales growth towards €1bn in 2010



Sales 2008 €600m, €1bn target in 2010

Commitment to culture change

- Key focus areas:
 - Stronger market and customer focus
 - Accountability as performance drive
 - Inspirational leadership
 - Keen eye on sustainability & more diverse organization
- Supporting initiatives:
 - Cash flow orientation
 - Identifying opportunities



Summary update *Vision 2010*

- Shift to Life Sciences and Materials Sciences continued
- Disposal program planned within time horizon of *Vision 2010*
- Successful acquisitions achieved
- Organic growth 8%; record profitability
- China sales US\$ 1.15bn in 2008, target US\$ 1.5bn in 2010
- Innovation sales € 0.6bn in 2008, target € 1bn in 2010
- Dividend proposal at € 1.20 per share
- Current share buy-back program cancelled
- Progress in sustainability

Good progress but some draw backs due to the economic downturn

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Alternative energy, coatings for solar panels

- Anti-reflective coating for solar panels
 - Higher yields by increased light transmission
 - 30% energy efficiency during production

Coatings for solar panels



Working with customers to develop sustainable solutions

Climate improvement at customers

- Environmentally friendly UV-curable coatings for glass fibers
- Stanyl® Diablo reducing weight, high heat resistant, replacing metal in automotive
- Initiatives to provide carbon-use info

DSM Desotech's environmentally friendly UV-curable coatings



DSM EP's high performance Stanyl® Diablo



Saving climate, energy, costs and increasing performance

Unlimited. **DSM**

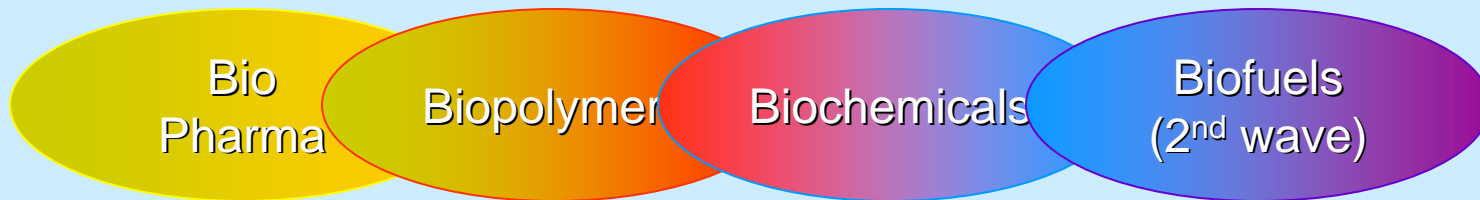
Renewable resources - reshaping the industry



In Current
Businesses



In Emerging
Businesses



Inspired to create (new) materials from nature's renewable sources

Balanced supply of food



- SIGHT AND LIFE: science program
- WFP program: support with a.o. expertise/nutrients
- Nutrition Improvement Program: business model to supply micronutrients to Governments/NGO's
- DSM Innovations: NutriRice® and Mix-Me™ sachets



Personal engagement of colleagues



DSM leads the combat against “Hidden Hunger”

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A photograph of a sailboat on the water. The sailboat is in the foreground, slightly out of focus, with its mast and rigging visible. The water is dark and choppy. The sky is overcast and grey. The text is overlaid on the bottom half of the image.

*No quantitative outlook provided for
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economic conditions*

Conclusions

- Record year
- Difficult fourth quarter, cash prioritized over short term profitability
- Half of portfolio relatively unaffected
- *Vision 2010* is the right strategy; DSM staying the course
- Strong balance sheet and financial flexibility
- Swiftly responded with cost savings program already in December
Further actions to be taken when necessary

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