Life Sciences and Material Sciences

Stephan Tanda
Member Managing Board Royal DSM
Kempen & Co Conference, Brussels, 26 March 2009
This presentation 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. 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 actual performance and position to differ materially from these statements. DSM has no obligation to update the statements contained in this presentation, 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, which can be found on the company's corporate website, www.dsm.com
Agenda

• Operational performance 2008
• Vision 2010 update
• (White) biotech
• Biomedical Materials
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

<table>
<thead>
<tr>
<th></th>
<th>Q4'08</th>
<th>Q4'07</th>
<th>Δ%</th>
<th>(€ million)</th>
<th>2008</th>
<th>2007</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>2,091</td>
<td>2,226</td>
<td>-6%</td>
<td>9,297</td>
<td>8,757</td>
<td></td>
<td>+6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>241</td>
<td>300</td>
<td>-20%</td>
<td>1,357</td>
<td>1,247</td>
<td></td>
<td>+9%</td>
</tr>
<tr>
<td>EBIT</td>
<td>123</td>
<td>190</td>
<td>-35%</td>
<td>903</td>
<td>823</td>
<td></td>
<td>+10%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>73</td>
<td>130</td>
<td>-44%</td>
<td>608</td>
<td>558</td>
<td></td>
<td>+9%</td>
</tr>
<tr>
<td>EPS</td>
<td>0.43</td>
<td>0.75</td>
<td>-43%</td>
<td>3.64</td>
<td>3.07</td>
<td></td>
<td>+19%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>before exceptional:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Sales</td>
<td>2,091</td>
<td>2,226</td>
<td>-6%</td>
<td>9,297</td>
<td>8,757</td>
<td></td>
<td>+6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>241</td>
<td>300</td>
<td>-20%</td>
<td>1,357</td>
<td>1,247</td>
<td></td>
<td>+9%</td>
</tr>
<tr>
<td>EBIT</td>
<td>123</td>
<td>190</td>
<td>-35%</td>
<td>903</td>
<td>823</td>
<td></td>
<td>+10%</td>
</tr>
<tr>
<td>Net Profit</td>
<td>73</td>
<td>130</td>
<td>-44%</td>
<td>608</td>
<td>558</td>
<td></td>
<td>+9%</td>
</tr>
<tr>
<td>EPS</td>
<td>0.43</td>
<td>0.75</td>
<td>-43%</td>
<td>3.64</td>
<td>3.07</td>
<td></td>
<td>+19%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>including exceptional items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>42</td>
<td>112</td>
<td>-62%</td>
<td>577</td>
<td>429</td>
<td></td>
<td>+34%</td>
</tr>
<tr>
<td>EPS</td>
<td>0.24</td>
<td>0.64</td>
<td>-63%</td>
<td>3.45</td>
<td>2.35</td>
<td></td>
<td>+47%</td>
</tr>
</tbody>
</table>
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

Successful cash generation: €392m in Q4
Agenda

- Operational performance 2008
- Vision 2010 update
- (White) biotech
- Biomedical Materials
Focus on Life Sciences and Material Sciences

Exploiting strong market positions and technology platforms

Investor Relations
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

Investor Relations
Balanced portfolio in economic downturn

2008 Sales per Cluster

- Nutrition: 31%
- Pharma: 26%
- Base Chemicals and Materials: 20%
- Performance Materials: 13%
- Polymer Intermediates: 10%

2008 Sales per end-market

- Food: 14%
- Other: 19%
- Fibers/Textiles: 8%
- Electrical & Electronics: 4%
- Transportation/Automotive: 8%
- Building & Construction: 10%
- Agriculture: 9%
- Packaging: 4%
- Pharma: 9%
- Feed: 15%
- Other: 4%

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
Commitment to innovation

- Core Businesses: Life Sciences, Materials Sciences
- Additional innovation expenditure
- Managing the pipeline
- Intrinsically Innovative Company

- Accelerated Growth Areas: NBD Acquisitions > €75m p/a
- Top 50 projects

- Emerging Business Areas: Venturing €60m → €200m
- Best practices

- Business opportunities → Investments → Management

- To ~ €1bn by 2010 from €600m in 2008
Innovation sales growth towards €1bn in 2010

Sales 2008 €600m, €1bn target in 2010

Investor Relations
Summary update *Vision 2010*

- Shift to Life Sciences and Materials Sciences continued
- Successful acquisitions achieved
- Disposal program planned within time horizon of *Vision 2010*
- 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**
Agenda

- Operational performance 2008
- Vision 2010 update
- (White) biotech
- Biomedical Materials
DSM: 100 years of successful transformations

Evolution

- 1902: Coal
- 1930: Fertilizers
- 1950: Petrochemicals
- 1970: Performance Materials
- 1990: Life Science Products
- 2000: Bioterials / Biologics
- 2010: Technological competences
  - Mechanical engineering
  - Chemical engineering
  - Polymer technology
  - Material science
  - Fine chemicals
  - Modern Biotechnology

Classical Biotechnology
White Biotechnology: the next biotech S-curve

Industrial Applications today

Bio-feedstock
• Replacement oil/gas with biomass

Bio-processes
• Replacement chemical synthesis: fermentation/biocat

Bio-products
• Products with new characteristics (biopolymers, enz, health ingredients)

Market penetration

Red biotech

Green biotech

White Biotech

Today

Time

Unlimited.
“We will harness the sun and the winds and the soil to fuel our cars and run our factories.”

Barack Obama inauguration speech
January 2009

Combination of Technology development - Climate Change/Energy/Sustainability
The benefits of sustainability are demonstrated through four key areas: People, Planet, and Profit.

**People**
- New jobs
- Broad technological capabilities

**Planet**
- Less emissions (water, air)
- Less energy
- Less resource depletion

**Profit**
- Lower costs
- Lower risk
- New products
Renewable resources, reshaping the industry

Food

Feed

Pharma

Biotechnology at DSM
2008: approx €1.5 bn Sales

In Current Businesses

BioPharma

Biopolymer

Biochemicals

Biofuels (2nd wave)

In Emerging Businesses

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

Investor Relations
White Biotechnology

Starting Material
- Starch
- Biomass
- Other (renewable) materials

Process

Products
- BioFuels
- BioBased Chemicals
- BioPolymers
- BioMaterials Solutions

White Biotech    Chemical Synthesis    Material Sciences

Investor Relations
DSM has unique technology capabilities

<table>
<thead>
<tr>
<th>Technology</th>
<th>Crop Processing</th>
<th>Biomass Conversion (Pretreatment/Enzyme)</th>
<th>Sustainable Chemicals Production</th>
<th>Derivatives Production &amp;Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSM</td>
<td></td>
<td></td>
<td>Ethanol</td>
<td></td>
</tr>
<tr>
<td>Agro manufacturers</td>
<td></td>
<td></td>
<td>Other</td>
<td>More sophisticated</td>
</tr>
<tr>
<td>Chem manufacturers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology providers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BioEthanol Producers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Progress innovation DSM White Biotechnology

- Partnership with Roquette on succinic acid: pilot plant in 2009
- DoE grant for cellulosic ethanol enzymes: est. US$ 7m to DSM
- Sustainable production of bioethanol: collaboration with ethanol producer Abengoa and research institutes on Wave 2 technology
- Applying biotech toolkit for the development of bio-performance materials
Focus on Wave 2: biorefinery of the future

DSM has unique capabilities throughout the value chain
Bio-Performance Materials journey at DSM

DSM Biotech Toolkit

BioMaterial products

Compounding Formulation

DSM Market Strength

Phased approach to full integration

Investor Relations

BioBased Chemicals

Fermentation

Carbon Source

Other renewables

Fermentation/Chemical conversion

BioPolymers

Polymerization

Bio-Performance Materials journey at DSM

Fermentation/Chemical conversion

Phased approach to full integration

Investor Relations

Unlimited. DSM
While the innovation potential around traditional chemical building blocks appears to be largely exploited…

Source: McKinsey
... new bio-based building blocks could create the next wave of innovation in polymers and beyond

Polymer innovation based on fossil building blocks

- Lactic acid
- Succinic acid
- 3HP
- PDO
- ...
Succinic acid production at DSM

- DSM produces succinic acid chemically in Linz – Austria
- Global production succinic acid (derivatives): ~ 25,000 T/Y
- Succinic acid used in:
  - Food (acidulant, flavor)
  - Coatings (car finish)
  - Pharmaceuticals (building block)
  - Coolant (engines)
Why bio-succinic acid?

Producing succinic acid via biological routes has several advantages:

1. Lower environmental impact
   1. No use of fossil fuels (crude oil)
   2. Bio-renewable feedstocks
   3. Absorbs instead of emits CO₂
   4. Cost proposition allows for high volume green chemicals and materials

2. New biobased & biodegradable applications feasible
   1. Production of ‘green’ plastics like PBS (for a.o. agricultural films)
   2. Biobased fibers for clothing
   3. Bio-based resins (e.g. polymer of bio-succinic acid and isosorbide [biobased product made by Roquette])
White Biotechnology and BioPharma

- Driving advances in traditional pharmaceutical production
- Enabling the development of biopharmaceuticals
- Exploiting potential of Genomics
Bio-Pharma growth opportunity for DSM

- Progress PER.C6®
  - 40 licenses signed to date
  - 1 product in phase I and 1 in II, several in preclinical development
  - First commercial introduction anticipated for 2012-2013
  - PER.C6® + XD™ technology achieved record yield 27 g/L

- Progress Mammalian CMO
  - Capacity expansion is planned for Groningen
Agenda

- Operational performance 2008
- *Vision 2010* update
- (White) biotech
- Biomedical Materials
Exciting developments in Biomedical Materials

**BIOSTABILITY**
- US$ 1.2bn market
- 10-15% growth
- High margins

**BIOMCOMPATIBILITY**
- US$ 0.9bn market
- 15-20% growth
- Very high margins

**BIO-INTERACTIVE**
- US$ 30-60m market
- 40-60% growth
- High margins

Coatings and Implants → Polymer enabled drug delivery → Regenerative Medicine

DSM Leadership position in Biomedical Materials
Axiomed lumbar disc with DSM PTG polymer for replacement of body parts

- Treating degenerative disc disease
- Aims to restore natural function of the spine
- In clinical trial phase
Novel polymer drug delivery platform Trancerta™

- Treatment of vascular and ophthalmic diseases
- For customized drug delivery systems
- Contract manufacturing services through DPP
- In pre-clinical development phase

<table>
<thead>
<tr>
<th>Nutrition</th>
<th>Pharma</th>
<th>Performance Materials</th>
<th>Chemical Synthesis</th>
<th>White Biotech</th>
<th>Material Sciences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
</tbody>
</table>

Investor Relations
DSM Investor Relations
P.O. Box 6500, 6401 JH Heerlen, The Netherlands

📞 (+31) 45 578 2864
📠 (+31) 45 578 2595

e-mail: investor.relations@dsm.com
internet: www.dsm.com

visiting address: Het Overloon 1, Heerlen, The Netherlands