

Life Sciences & Materials Sciences

Staying the Course^{II}

Feike Sijbesma
Chairman Managing Board

Annual General Meeting
of Shareholders 2010



Safe Harbor Statement

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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 2009
- Vision 2010 update
- Outlook 2010
- Sustainability
- Governance

Highlights 2009

DSM ends 2009 with solid Q4 and very strong cash generation

- Q4 operating profit continuing operations € 141m (in line with Q3)
- Life Sciences performance reflects robust Nutrition business
- Materials Sciences recovery remains on track
- Full year operating profit continuing operations € 370m
- Full year cash flow operating activities very strong ~ € 1,276m
- Solid financial position – dividend maintained at € 1.20 in cash
- No quantitative outlook provided for 2010.

Annual results 2009: key figures

(in € million, EPS in €)	2009	2008	Δ%
<u>Continuing operations before exceptional items:</u>			
Net Sales	7,732	9,079	-15%
EBITDA	836	1,209	-31%
EBIT	370	769	-52%
EPS (€)	1.15	3.04	-62%
<u>Total DSM before exceptional items:</u>			
EBIT	443	903	-51%
Net Profit	244	608	-60%
<u>Total DSM including exceptional items:</u>			
Net Profit	337	577	-42%
EPS (€)	2.01	3.45	-42%

Operating Profit – DSM core business

EBIT (€ million)	2009	2008	Δ%
Nutrition	521	447	+17%
Pharma	32	89	-64%
Performance Materials	68	175	-61%
Polymer Intermediates	6	19	-68%
Others	-189	-135	
DSM core business	438	595	-26%

- Results core part only 26% down due to relative resilience and swift cost reductions
- Overall performance down 52%, strongly dominated by the non-core Base Chemicals and Materials cluster

Nutrition

(€ million)	2009	2008	Δ%
Net sales	2,824	2,710	4%
EBITDA	655	585	12%
EBIT	521	447	17%
EBITDA margin	23.2%	21.6%	

- Successful differentiation and innovation strategy
- Sustained focus on value-over-volume strategy
- Resilience throughout the downturn, operating profit above 2008

Pharma

(€ million)	2009	2008	Δ%
Net sales	721	863	-16%
EBITDA	91	150	-39%
EBIT	32	89	-64%
EBITDA margin	12.6%	17.4%	

- Lower demand and lower prices led to much lower operating profit compared to 2008

Performance Materials

(€ million)	2009	2008	Δ%
Net sales	1,823	2,297	-21%
EBITDA	174	266	-35%
EBIT	68	175	-61%
EBITDA margin	9.5%	11.6%	

- Sales decline reflects depressed economic conditions
- Active margin management and cost-control measures
- Nevertheless, operating profit well short of 2008

Polymer Intermediates

(€ million)	2009	2008	Δ%
Net sales	849	1,201	-29%
EBITDA	36	43	-16%
EBIT	6	19	-68%
EBITDA margin	4.2%	3.6%	

- Volume recovery during the year, but lower sales due to lower prices
- Lower margins could not be offset by cost saving programs
- Operating profit was lower than in 2008

Base Chemicals and Materials

(€ million)	2009	2008	Δ%
Net sales	1,134	1,572	-28%
EBITDA	2	245	-99%
EBIT	-68	174	
EBITDA margin	0.2%	15.6%	

- Lower costs could only partly compensate for lower sales
- Agro, Melamine and Elastomers reported losses for the year 2009

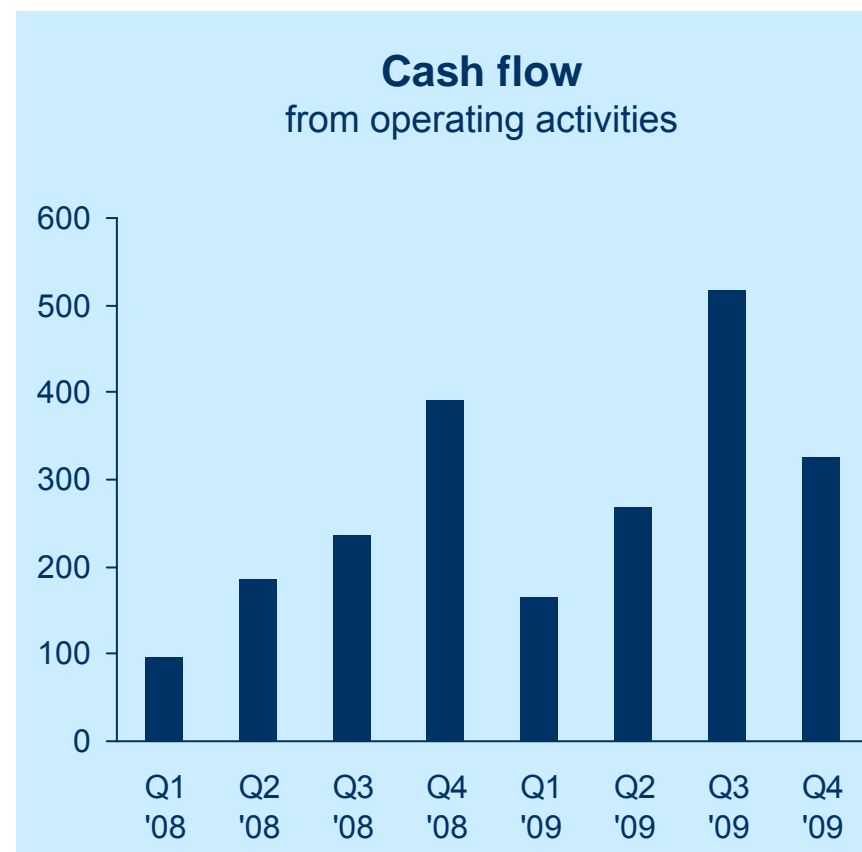
Exceptional items 2009

(€ million)	Before tax	After tax
Total exceptional gain, of which	340	320
• Gains from the disposal of activities (mainly DSM Energy, Stamicarbon)	302	289
• Release of pension related provisions (US, Switzerland)	19	13
• Gains related to closure of citric acid plant in China	19	18
Total exceptional expense, of which	(248)	(227)
• Additions to provisions related to restructuring charges	(48)	(35)
• Impairment for goodwill of Catalytica and LTP	(166)	(166)
• Cancellation of IT projects	(23)	(19)
• Other costs related to cost savings actions and organizational changes related to the economic downturn	(11)	(7)
Operating profit from exceptional items	92	93

Cash flow & balance sheet highlights

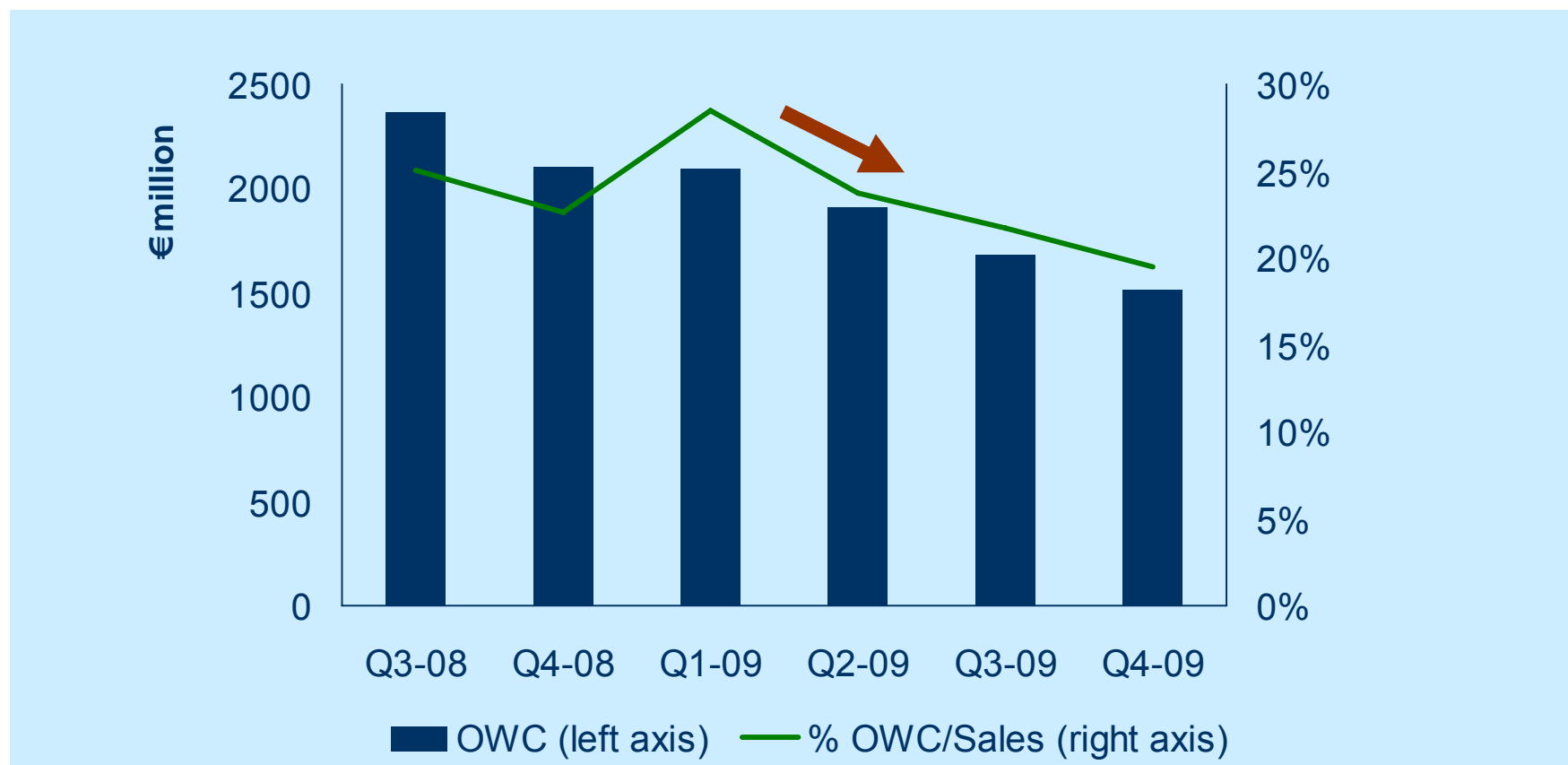
Cash Flow (€million)	FY 2009	FY 2008
Cash from operating activities	1,276	910
Cash from investing activities	-273	-794
Free cash flow from operations	1,003	116

Balance Sheet (€million)	YE 2009	YE 2008
Net debt	830	1,781
Gearing	14%	28%



Strong cash performance and continued net debt reduction

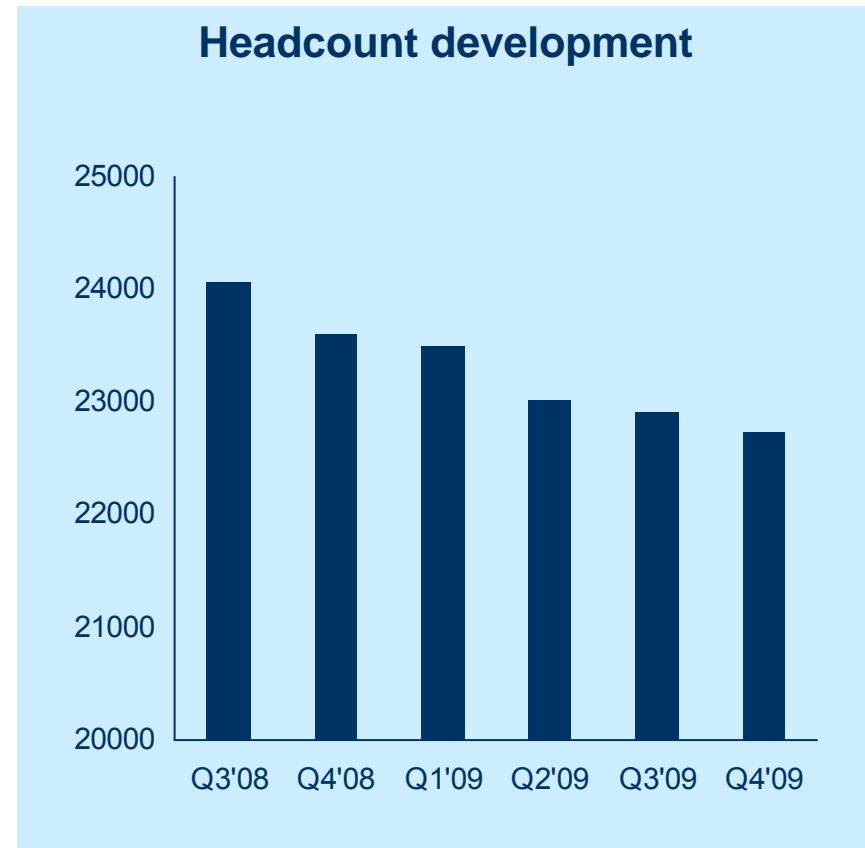
Operating working capital development



Successful reduction operating working capital achieved

Development cost savings program

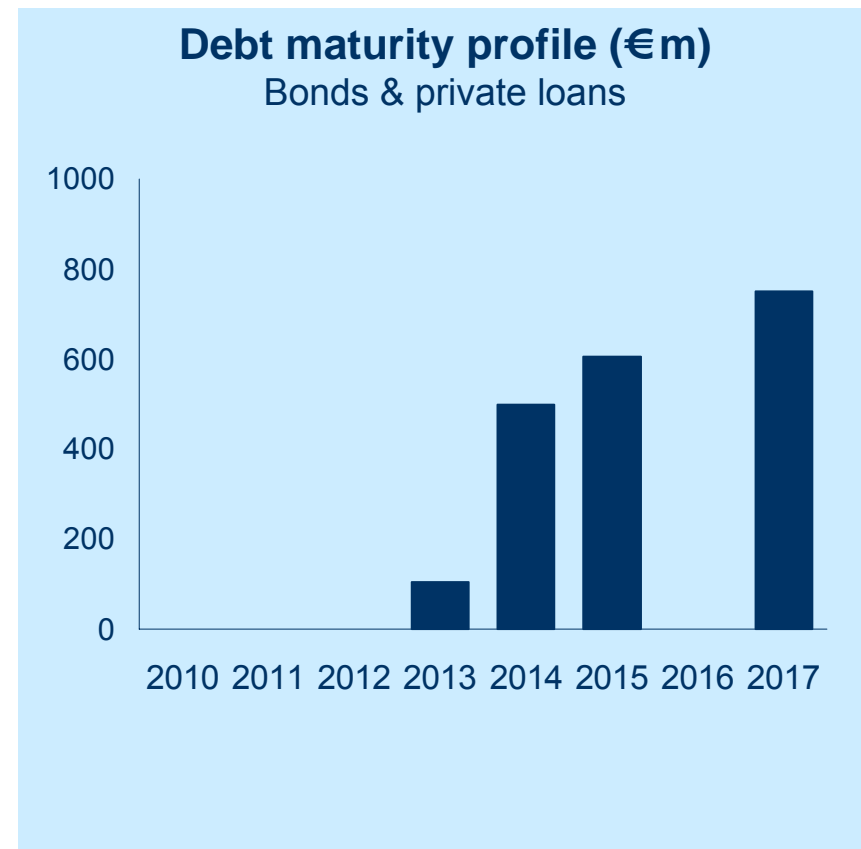
- Cost savings program 2009
 - Total achieved savings > € 150m
 - Headcount reduced by 1,314 (Q3 2008 to ultimo 2009)
- Cost development 2010
 - Upper limit of € 200m in reach
 - 2/3 expected to be sustainable



Successful implementation cost savings program

Strong financial position maintained

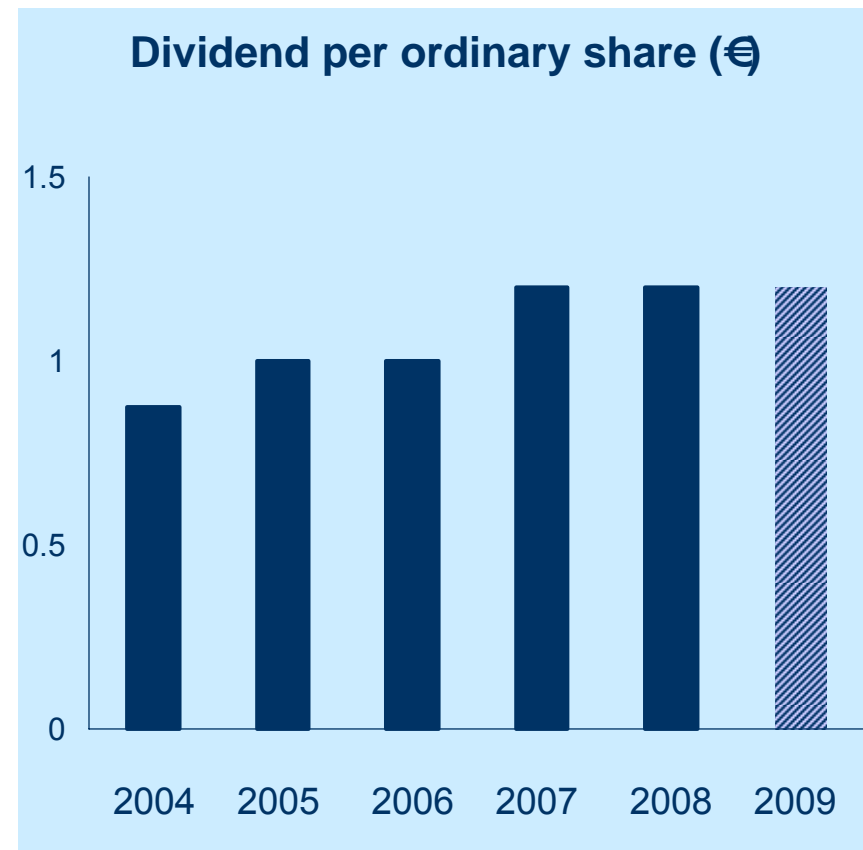
- Gearing 14% at year-end 2009
- (LT) debt maturing mostly from 2014
- No Commercial Paper outstanding
- Renewal of committed credit facilities in 2012-2013; currently fully undrawn
- Long-term credit ratings unchanged
- Pension funds sufficiently funded



Conservative financing mix in current uncertain markets

2009 dividend stable; to be paid in cash

- Dividend increase ~40% since 2004
- 2009 unchanged dividend of €1.20 per ordinary share (proposal AGM)
- Dividend fully payable in cash
- Dividend yield 3.5% (year-end 2009)



Dividend policy unchanged: “Stable and preferably rising”

Agenda

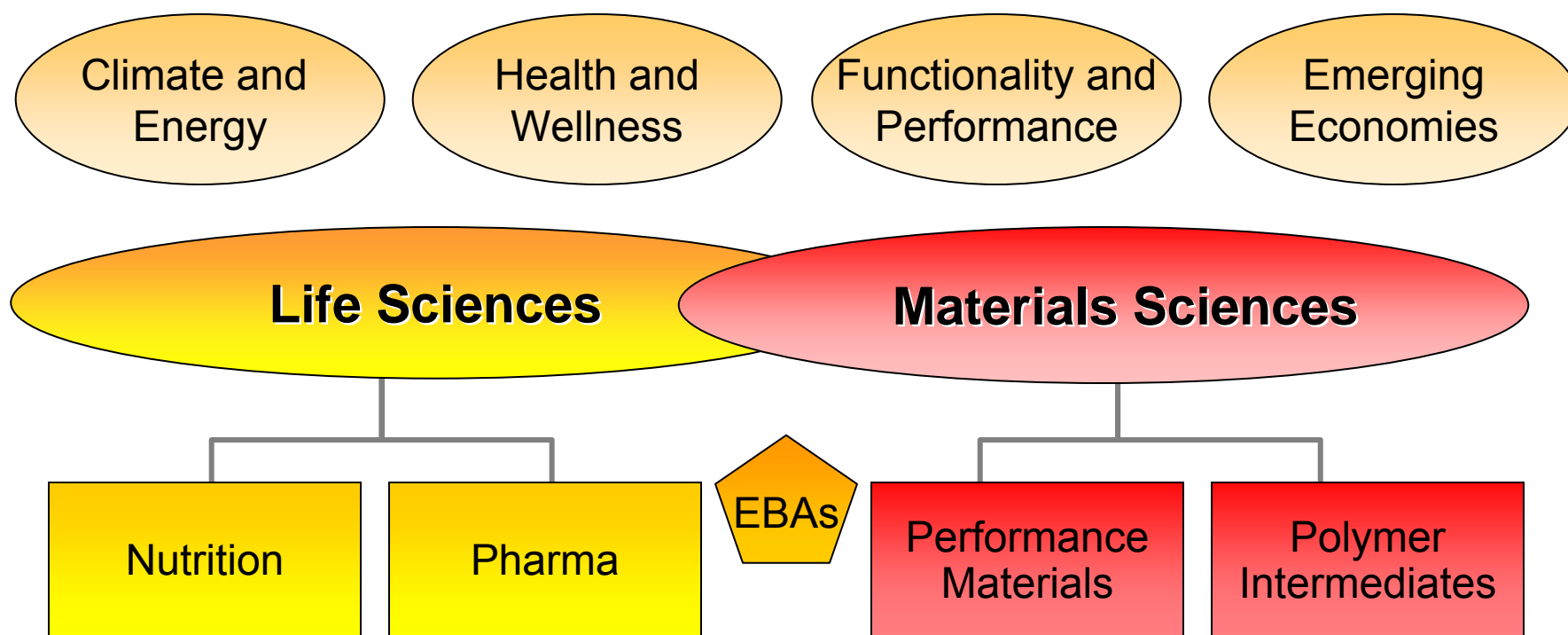
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DSM's Mission

***Our purpose is to create brighter lives
for people today and generations to come***

***We connect our unique competences
in Life Sciences and Materials Sciences
to create solutions that nourish, protect
and improve performance***

Focus on Life Sciences and Materials Sciences



Exploiting strong market positions and technology platforms

Climate & Energy

- Fossil fuels becoming scarce
- Need for new and sustainable energy sources
- Need to improve eco-footprint
- Global warming (CO₂ emission)



**Renewable
resources**



**Lightweight
Materials**



**Process
Enzymes**

Health and Wellness

- Aging population
- Surging healthcare cost
- Healthy food and active lifestyles
- Food for all

Maxilact®

making the
difference

**Food
Enzymes**

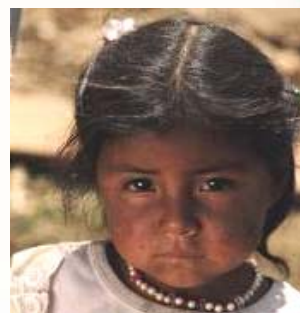
Dyneema Purity®



**Biomedical
Materials**



**Nutritional
Ingredients**



**Hidden
Hunger**

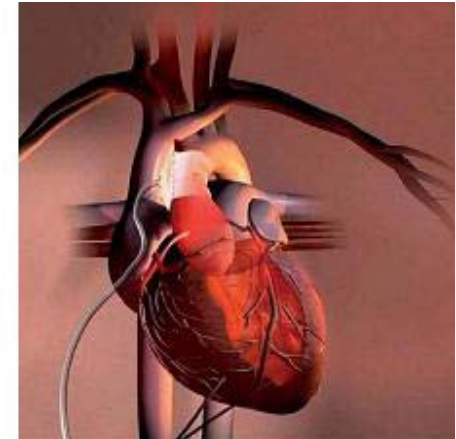
Ongoing development cross-over businesses

White Biotech



- Progress 2nd gen. biofuel technology
- Bio-succinic acid demo plant started
- Pipeline of bio-based materials

DSM Biomedical



- New licenses/products/supply contracts
- Successful integration PTG
- Target: €100m sales in 2012

DSM is in excellent position to capture large market potential

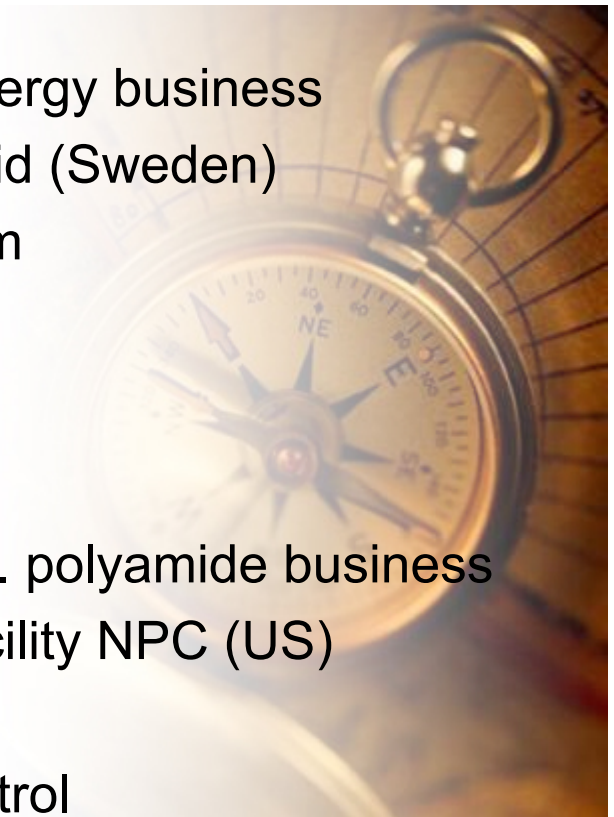
Progress with the portfolio shift

Divestments:

- Divestment of urea licensing business and Energy business
- Closure of Citric Acid (China) & Clavulanic Acid (Sweden)
- Announced sale of Agro-Melamine to Orascom
- Other divestments ongoing

Acquisitions:

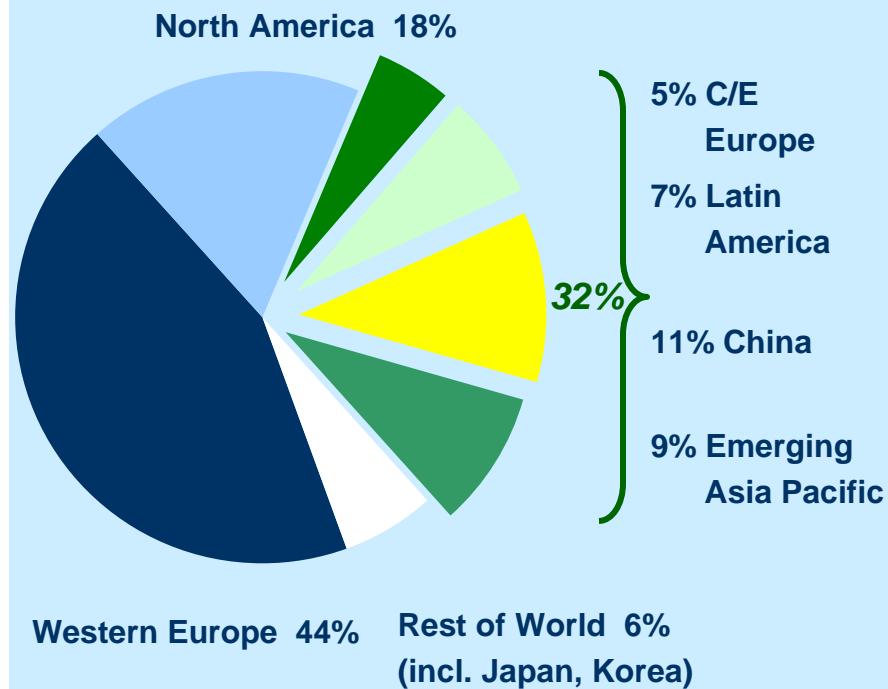
- Swap DSM polycarbonate for Mitsubishi Chem. polyamide business
- Acquisition (full control) PA6 polymerization facility NPC (US)
- Smaller acquisitions / venturing investments:
Biopract - MediVas - Segetis - BioProcess Control



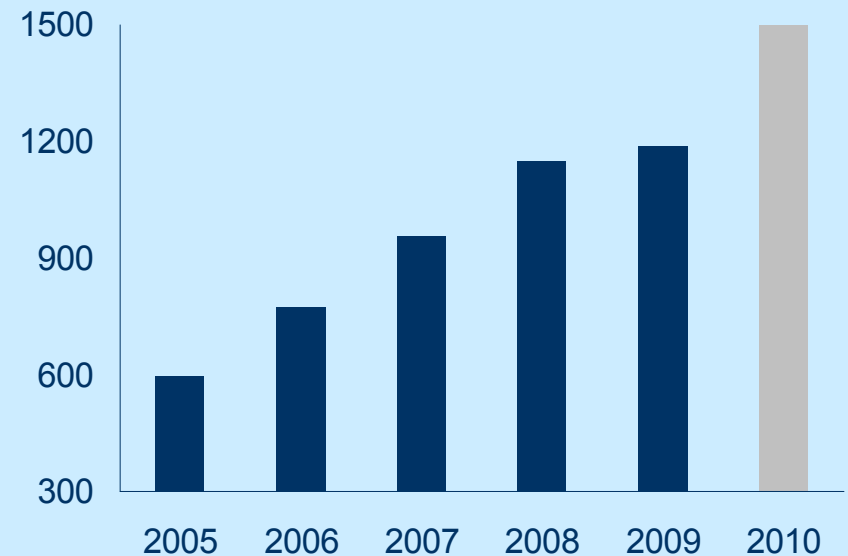
Target disposals by the end of 2010

Strategic focus on emerging economies

Sales by Destination 2009

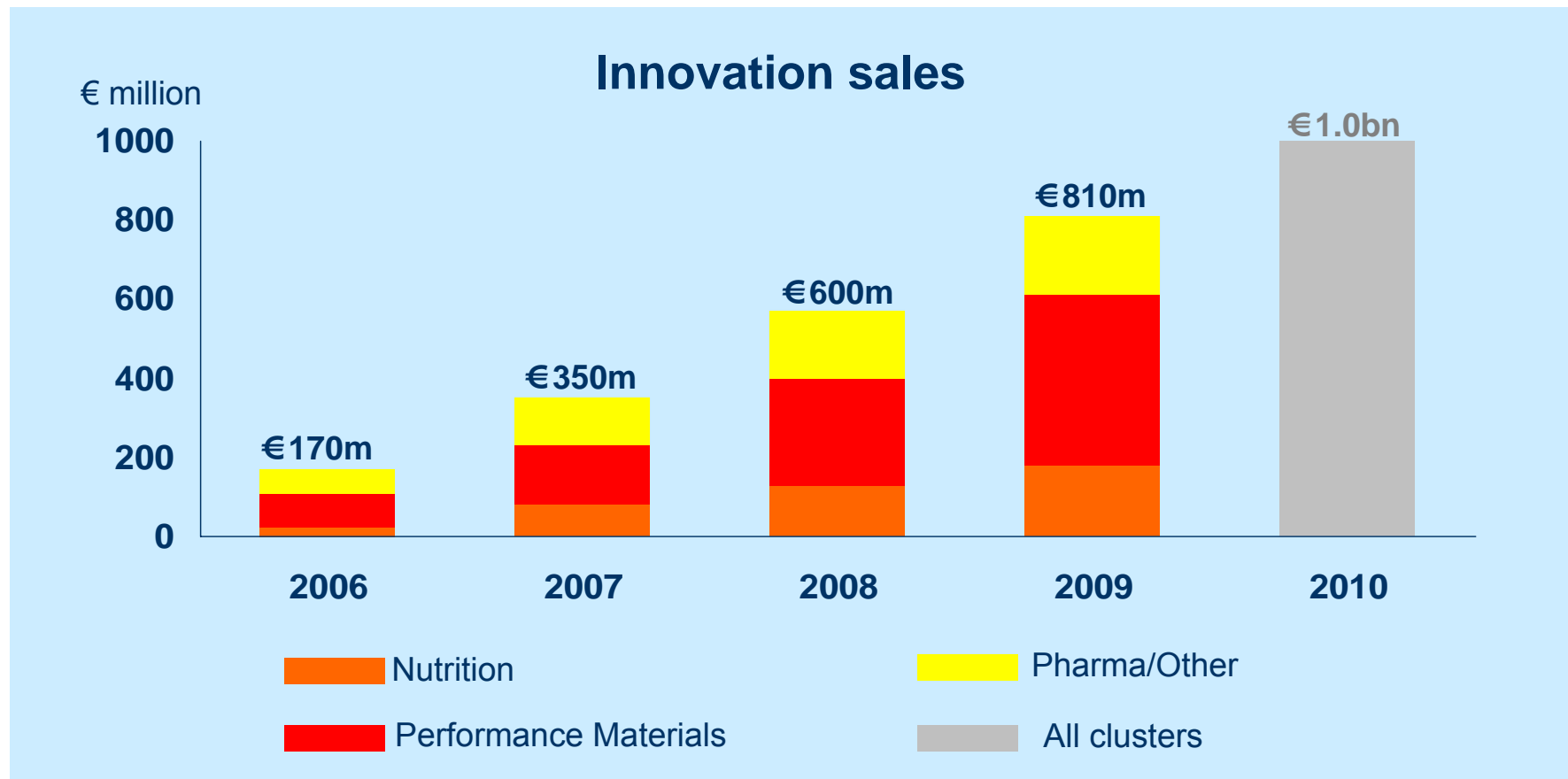


Sales in China (in US\$ m.)



Sales in China in 2009 increased to almost US\$ 1.2 bn, a new record

Strong innovation sales growth despite recession



2009 good basis to reach €1.0bn target

Innovation is our Sport™ – Vancouver 2010

- Composites resins for Dutch Bobsled team



- New Dyneema-based skinsuit
Olympic short-track speed skaters



DSM's change agenda

**External orientation
& Innovation drive**

**Accountability for
Performance**

**Inspirational
Leadership**

Change Themes based on joint Values/Beliefs



Sustainability



Diversity

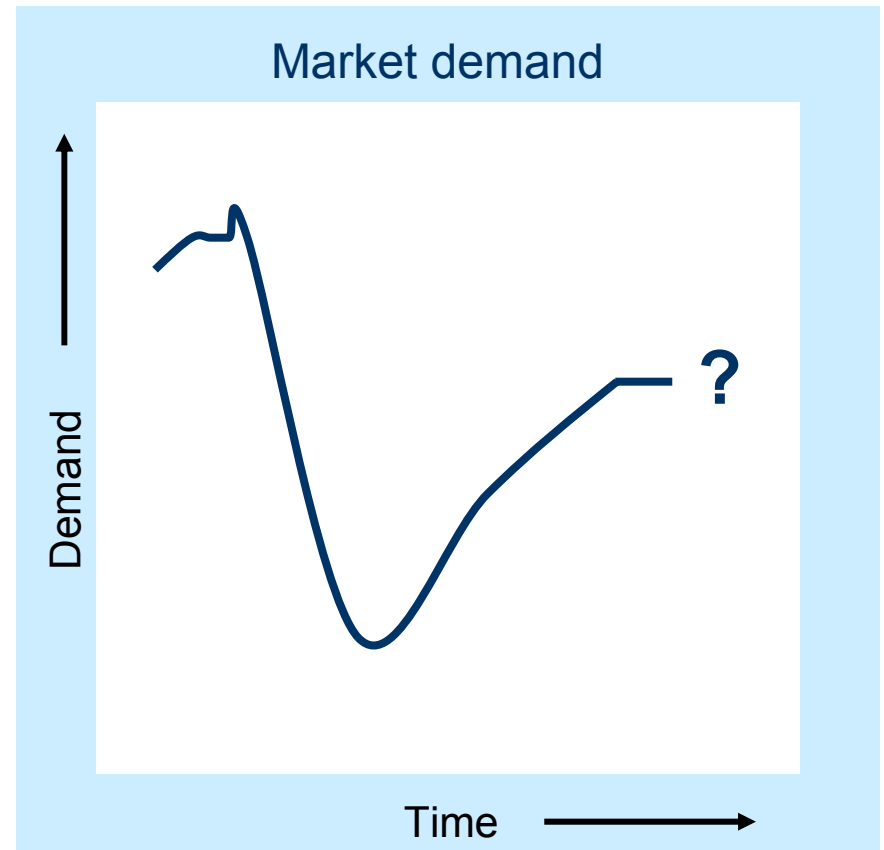
Setting a culture for realizing our mission/strategy

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Economic outlook still remains uncertain

- Credit conditions remain difficult
- Government stimulus drying up and deficits has to decrease
- Consumer/industry spending has to take over
- Continued growth expected in Emerging Economies



DSM is cautiously optimistic

Outlook 2010 per cluster

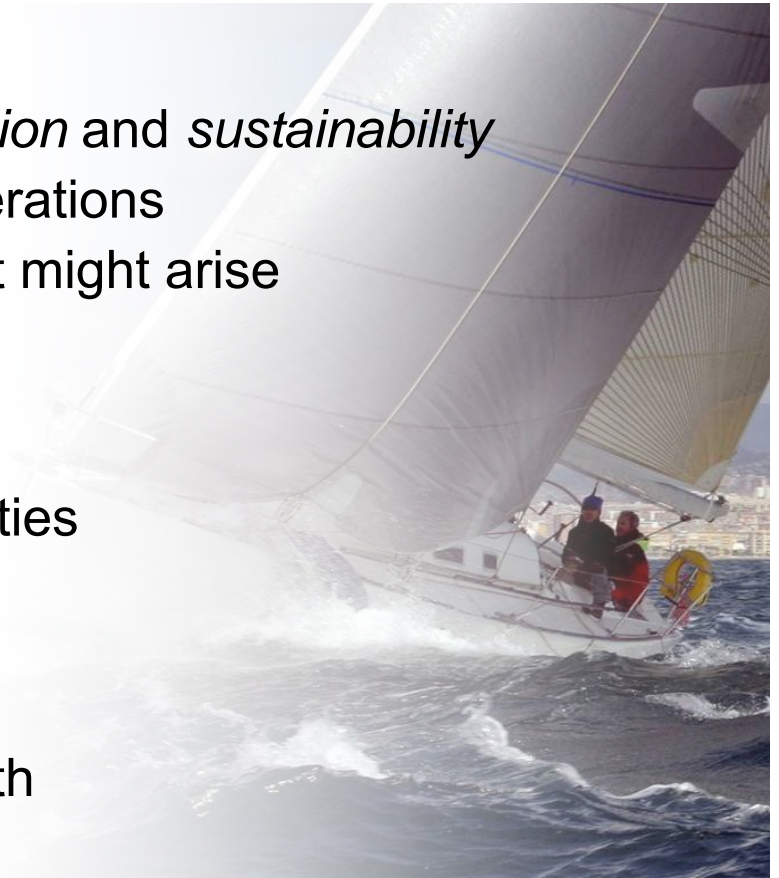
- **Nutrition:** sustained good performance expected in 2010
- **Pharma:** lower results expected in 2010
- **Performance Materials & Polymer Intermediates:** substantially better results expected in 2010 than 2009
- **Base Chemicals & Materials:** positive results expected in 2010



No quantitative outlook provided for 2010

DSM priorities are continued

- Execution of the strategy
 - commitment to *customers, innovation* and *sustainability*
 - exiting the remaining *non-core* operations
 - capitalizing on any opportunity that might arise
- Continuation of current priorities
 - Focus on *cash, OWC*, cost savings and market opportunities
- *Prepared* for a further recovery
 - Fulfill additional demand
 - Financial flexibility to finance growth



DSM is 'Staying the Course' in 2010

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Creating stakeholder value through Triple P



Simultaneously creating value along three dimensions

Sustainability Highlights 2009

- Responsible partner in society
 - UN World Food Program
 - Nutrition innovations (Mixme/NutriRice)
- Reduced value chain eco footprint
 - 78% of all innovations were ECO+
 - 5 of 9 environmental targets realized
- New MB remuneration policy proposal & SB CSR Committee



DSM's sustainability: integral part of our strategy

DSM recognized for sustainability & innovation



4 times number 1 position in last 6 years



FTSE4Good



World Business
Council for Sustainable
Development

CARBON DISCLOSURE PROJECT

Dutch Leader in Carbon
Disclosure Leadership Index



"outstanding corporate innovator"



Nutrition
innovation award



AVK enviromental
innovation award

Examples of 2009 awards and recognitions

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DSM supports Corporate Governance Code

“Frijns” Code:

- DSM complies
- Corporate social responsibility
- Diversity Supervisory Board
- Remuneration Policy



Corporate Governance framework



- Business Groups (BG's)
 - Clusters
- Support provided by
 - Corporate Staff
 - Shared Services
 - Functional Excellence
- Regional support centers (China, India, South America)

Based on transparent organizational structure

Robust Risk Management

- Risk Management system and process (based on COSO-ERM)
- Risk analyses at corporate and business-group level
- Risk controls embedded in Corporate Requirements
- Risk Management system is discussed in Audit Committee (3x / year)



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