

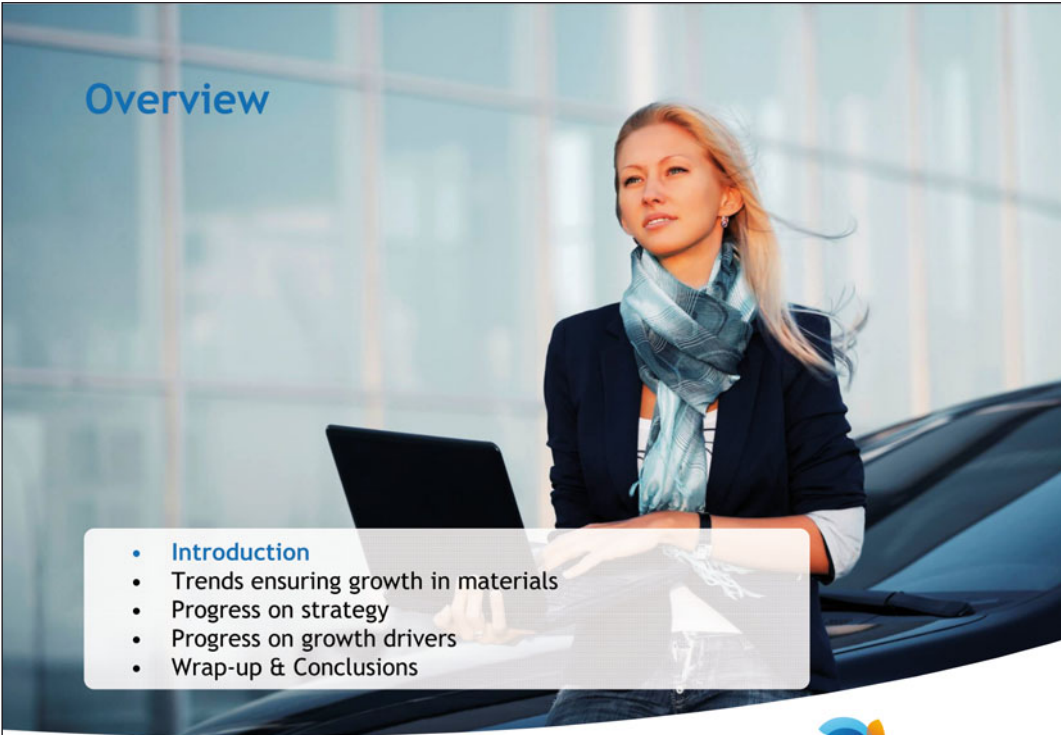


Materials Sciences
Growth via Performance & Sustainability

Nico Gerardu
Member of the Managing Board


Capital Markets Days 2011

HEALTH · NUTRITION · MATERIALS



Overview

- **Introduction**
- Trends ensuring growth in materials
- Progress on strategy
- Progress on growth drivers
- Wrap-up & Conclusions



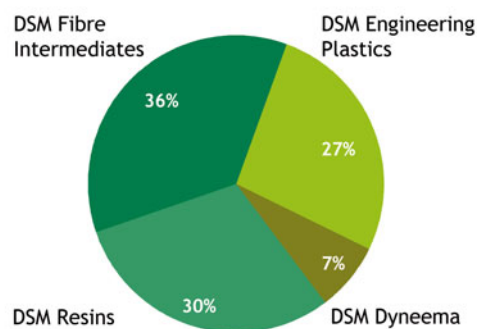
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Materials Sciences within DSM

Key figures 2010 / H1 2011

- 2010 Net Sales: € 3.9bn
2011 H1: € 2.3bn
- 2010 EBITDA: € 506m
2011 H1: € 365m
- Capital Employed: € 2.0bn (year-end 2010)
- Capex 2010: € 164m
- R&D expenditure 2010: € 161m
- Workforce: 6,369 (June 2011)

Total sales in 2010: € 3.9bn



- DSM's Materials Sciences businesses comprise the Performance Materials and Polymer Intermediates clusters. In 2010 the two clusters represented 48% of DSM's total net sales from continuing operations.
- DSM Engineering Plastics is a global supplier of high-performance engineering thermoplastic solutions. DSM Dyneema is the global supplier of Dyneema®, the world's strongest fiber™. DSM Resins is a global supplier of innovative high-quality resins solutions for paints and coatings, composite materials and fiber optic coatings.
- DSM Fibre Intermediates is the global leader in the production and supply of caprolactam, the raw material for polyamide 6 (nylon-6).

Strong global market positions

DSM Engineering Plastics

- Holds a global top 3 position in semi-crystalline engineering plastics
- Top 2 positions in polyamide 6 and thermoplastic copolymers
- Global leader in high temperature polyamides

DSM Dyneema

- Inventor, manufacturer & marketer of Dyneema®, the global premium brand for ultra high molecular weight polyethylene fiber
- Undisputed and highly successful leader in sustainable innovation

DSM Fibre Intermediates

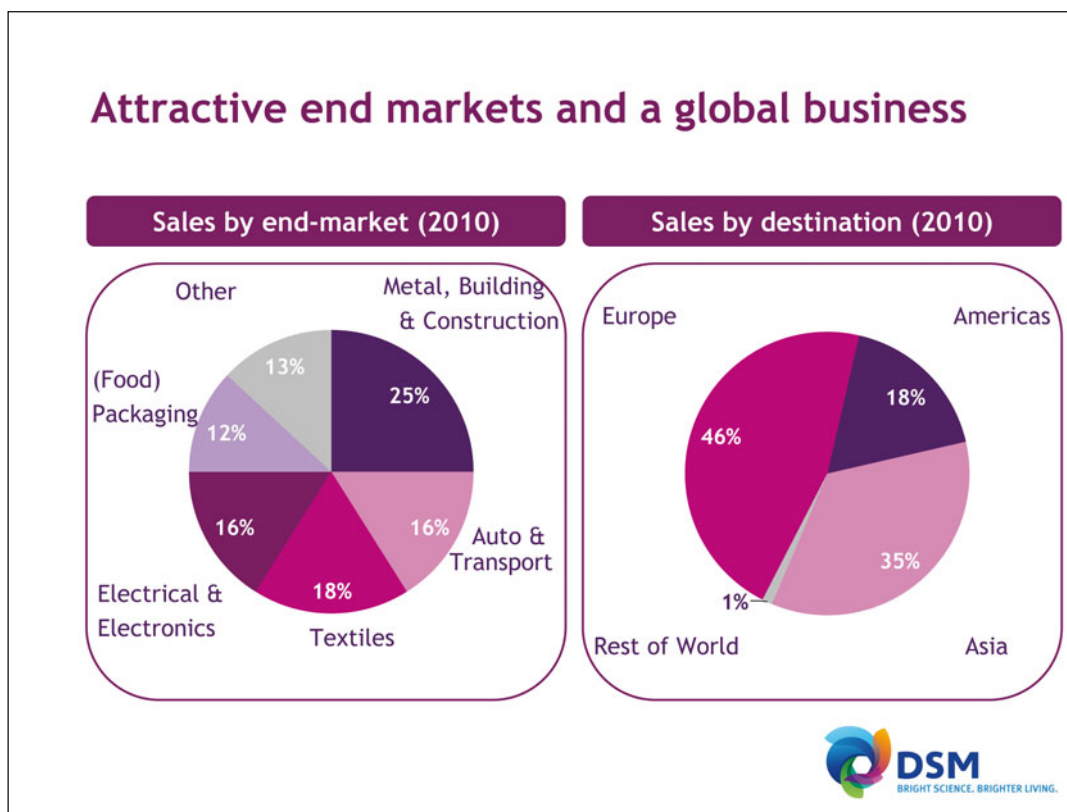
- Global leader in production & supply of PA6 intermediate caprolactam
- Production facilities on 3 continents; only Western producer in fast growing China
- Supplier to 20% of global merchant market
- European leader in acrylonitrile with 25% of the European market

DSM Resins

- Among global leaders in resin systems for industrial coatings and decorative coatings
- Global-leadership in fiber optic coatings
- Front-runner in sustainable resins (UV-curing, powder, & waterborne resins)
- European market leader in unsaturated polyester resins and growing fast in China



- DSM Engineering Plastics has a focused portfolio of products and, with each of these products it has realized global leadership. DSM Engineering Plastics is the global number 3 in the overall market for semi-crystalline engineering plastics. DSM is the global market leader in high-temperature polyamides. In polyamide 6, DSM holds a number 2 position, as it does in thermoplastic co-polyesters. DSM Engineering Plastics offers an industry-leading portfolio of renewable thermoplastic technologies. Its leadership in sustainable solutions is demonstrated by its complete portfolio of halogen-free engineering plastics. An important prerequisite for DSM Engineering Plastics' leadership and growth is its strong upstream integration in a leading caprolactam player: DSM Fibre Intermediates.
- Dyneema® is respected as the global premium brand for ultra high molecular weight polyethylene fiber. DSM Dyneema manufactures and sells products in several forms including fiber, tape and uni-directional (UD) sheets. The powerful Dyneema® brand is used in a wide and ever-increasing range of applications. DSM Dyneema is an undisputed and highly successful leader in innovation.
- DSM Resins ranks among the global leaders in the markets for resin systems for industrial coatings and decorative coatings. DSM has a global leadership position in fiber optic coatings, protecting more than one billion kilometers of fiber optic cables around the world. As a leader in sustainable solutions, DSM is recognized as a front-runner in the development and production of environmentally friendly coating resins. DSM is the European market leader in unsaturated polyester resins and is rapidly building a position in Asia.
- DSM Fibre Intermediates is the global leader in the production and supply of caprolactam, the raw material for polyamide 6. It has production facilities on three continents (Europe, North America, Asia). DSM supplies around 20% of the merchant market. With its market share of 25%, DSM Fibre Intermediates is the leading supplier in the European merchant acrylonitrile market while globally it ranks third.



- The innovative products from DSM's Materials Sciences clusters are used in a wide variety of attractive, fast growing end-markets. The building & construction industry is the largest end-market, followed by the electrical & electronics industry, the (food) packaging industry, textiles, the automotive industry and others, including the life protection, sports and leisure industries.
- DSM's engineering plastics are used mainly in technical components for the electrical and electronics, automotive, engineering and packaging industries. Dyneema[®], the world's strongest fiber[™], is used in many applications in various end-markets, such as life protection, shipping, fishing, offshore, sailing, medical and textiles. DSM Resins' main end-markets include building and construction, automotive & transport and telecom. DSM Fibre Intermediates' materials are ultimately used in engineering plastics, textiles, floor coverings and industrial yarns.
- The Materials Sciences clusters have built up a strong position in Asia. As economic prosperity is being spread more evenly over the world, rapid market growth in the high growth economies is expected to continue. Growth of engineering plastics, caprolactam and resins is high in these regions as a result of increased local demand and a shift in global manufacturing bases.
- A substantial part of the capacity expansion of DSM's Materials Sciences businesses has taken place in high growth economies such as China and India. These investments will enable DSM to better capture the opportunities that these fast-growing economies offer to its Materials Sciences businesses.



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Materials for performance and sustainability

Main global trends

- Economic development
- Functionality and performance
- 'Greener' products

Transportation - Increased infotainment and safety devices, CO₂ emissions and End-of-Life directives drive the industry


Building & Construction - Ever increasing quality demands in coating systems; regulations to reduce emissions, hazardous substances & carbon footprint

Electronics - miniaturization spurs performance demands; strong push to reduce e-waste and hazardous substances

High Performance Fabrics - increased focus on personal safety & protection

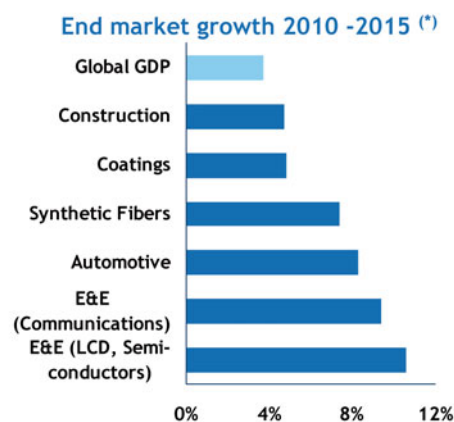
Performance Materials

- High performance lightweight materials capable of replacing metal and reducing friction
- Innovation leader in more environmentally friendly and safer materials to fulfill consumer and regulatory demands
- Moving towards portfolio of lower footprint materials via bio-based solutions and recycling



- Global shifts, economic growth, need for more functionality and performance of products and desire and need for 'greener', more sustainable, less energy consuming products are important trends driving the materials industry.
- DSM's customers are seeking products that reduce energy use or emissions in their own operations or, even more importantly, throughout their value chains. In many cases DSM is active in the business of replacing metals with lighter alternatives, for example, and supports customers who are increasingly seeking polymer solutions that are based on renewable (rather than fossil-based) raw materials or solvent-free products or processes that can help create more sustainable value chains. Resource scarcity, which also impacts costs, is increasingly contributing to these developments.
- Urbanization is an important driver for building and construction - one of the areas in which DSM plays an important role with innovative resins solutions. The building and construction industry needs paints and coatings with exceptional (environmental) performance and the fewest possible health risks.
- E-waste and resource efficiency are growing concerns for electronics manufacturers. They want materials in their products that not only deliver excellent performance, but are also non-hazardous and can be efficiently recycled or can even be produced bio-based, so as to avoid health risks and reputational problems for their brands.
- Workplace health and safety standards are becoming more common across the world as prosperity grows. DSM provides solutions with Dyneema[®] fiber for high performance fabrics. At the same time, concerns about personal safety and global threats have not diminished.

Trends ensure market growth above GDP



*: Source: IHS Global Insight, August 2011



Substitution of traditional materials due to sustainability & performance drive



- DSM expects to benefit from strong growth in its Materials Sciences end-markets in the period from 2011 to 2015. Automotive, personal protection and electrical and electronics are all expected to see on average above-GDP growth during the coming period.
- Building & Construction end-markets in North America and Western Europe have still not started yet to recover from the 2008/2009 downturn. No real recovery is currently expected before 2013(*). In Asia, especially in China and India, building & construction markets have remained healthy and are expected to remain healthy, resulting in an overall above global GDP growth expectation for this important segment.
- End-market growth is very important for DSM's Materials Sciences businesses. However, besides end-market growth, substitution of traditional materials by sustainable innovative high performance products is expected to continue, resulting in growth above the end market growth. This not only means replacing steel by engineering plastics, steel wire ropes with ropes from Dyneema® and replacing concrete or steel with composites; it also

means for instance replacing less sustainable plastics by more sustainable plastics (halogen free, made from renewable raw materials, recycling, lower footprint), addressing the best and safest functionalities in life protection, applying resins in coatings that are solvent free.

* Source: IHS Global Insight

Materials reduce CO₂ emissions in transportation

- Enabling car owner to save fuel costs and OEMs to save on CO₂ penalty costs



- ~ 12-15% of modern cars are made from plastics
- Resulting in *weight* savings in a 'small car' means:
 - > 5% less fuel used during life of a car
 - Reduction 5 gram/CO₂ km emissions, saving € 500 on new EU penalties

- New chain tensioner in car engines gives higher endurance, lowers *weight & friction* and saves:
 - 1% fuel used during life of a car
 - 1 gram/CO₂ km (~ €100 EU penalty/car)

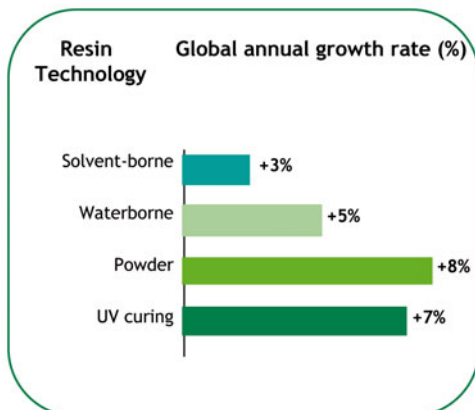
Stanyl®



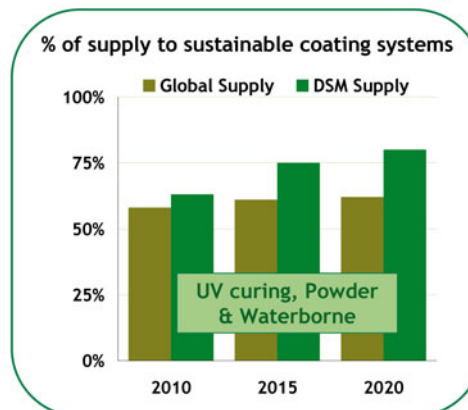
- Manufacturers are increasingly turning to advanced performance materials that are capable of facilitating the accommodation of the infotainment and safety devices that drivers increasingly regard as standard in modern vehicles, as well as reducing weight and friction to minimize CO₂ emissions and to comply with regulations.
- Advanced materials from DSM enable manufacturers to reduce the carbon footprint over the life cycle of their vehicles, help preserve scarce raw materials and meet future regulations on greater re-use and recovery of materials at the end of a vehicle's life, while at the same time helping end-users to reduce fuel consumption.
- Currently 12-15% of a small car's parts are made from plastics. This share is increasing. This results in fuel savings due to weight reduction of more than 5% or 750 liters during the life of a (small) car. Less fuel translates directly into less emissions and savings for the owner.
- An example of a successful sustainable innovation is: reducing friction by applying DSM's Stanyl® PA46 in chain tensioners in engines. This results in ~1% fuel saving. Replacing the aluminum structural support for the guide by Stanyl® reduces friction and weight, lowers system cost and contributes further to noise reduction. The combination of oil resistance, long term ageing resistance, and high temperature stiffness that Stanyl® offers is unmatched. Stanyl® presents excellent fatigue and creep resistance allowing for tensioner performance even when exposed to high temperatures.
- Applying sustainable innovative materials in cars benefits not only the car owner and our environment; fuel reduction and emission reduction will support car manufacturers in reducing the average emissions of their fleet. The EU has set the target for the average emission of newly registered vehicles at 120 gram CO₂/km by 2015. Exceeding this target would result in a penalty of € 100 per gram per car registered.

Legislation drives shift to sustainable coatings

Shift to more sustainable coatings

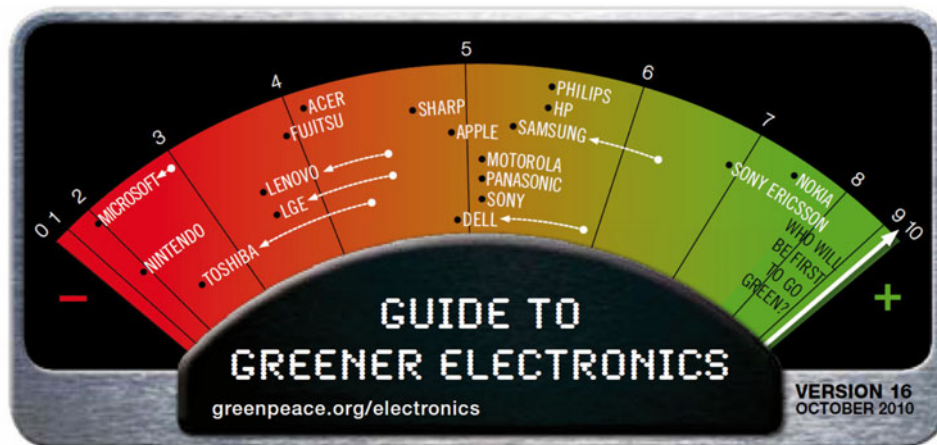


DSM focus on sustainable coatings



- Demand for coatings and thus resins is driven by higher living standards, especially in the high growth economies. Customers and end-users are demanding an ever-expanding range of high quality, innovative and sustainable coatings to meet lifestyle desires and improve durability and functionality.
- Regulation aimed at reducing or eliminating hazardous substances and minimizing carbon footprint is driving change within the global coatings industry. Increasingly stringent VOC regulations are leading to further uptake of more sustainable technologies such as waterborne, powder and UV-curable coatings. Following a trend that began in North America and then moved to Europe, Asia's high growth economies, including China, are looking to transition to more sustainable technologies. Demand for sustainable resins is expected to grow clearly above demand for solvent-borne resins systems. Solvent-borne resins are expected to show global growth too, however, this growth is strongest in Asia.
- DSM is meeting sustainability demands today as well as addressing the future performance and functionality needs of the paint industry by moving towards a range of innovative solvent-free, high performance products for the paints and coatings industry. DSM's shift to more sustainable resins systems is outpacing global substitution of solvent-borne systems.
- Customers request new milestones in terms of improving performance, appearance and functionality delivered by DSM's innovation leadership in coating resins. DSM Resins' waterborne coatings range already delivers significant advantages to paint customers, who are faced with regulatory pressures and social responsibility demands. An example is NeoCryl[®], a family of waterborne resins that meet food safety standards and can be used in inks and overprint varnishes that come into direct contact with foods.
- DSM's improvements to paints are not only benefiting the painter or brightening lives of the end-customers; DSM's sustainable innovations are reducing the impact on our environment. Today, DSM is working with Novomer on a breakthrough technology to produce polycarbonate resins from CO₂, significantly reducing our carbon footprint.

Green image key for brand value in electronics



Source: www.greenpeace.org

Greenpeace publishes a guide which scolds tech companies on everything from halogen content to recycling to carbon emissions



- The electronics industry continues to experience rapid growth, driven by rising wealth in the high growth economies as well as the speed of innovation and shrinking product lifespan in the consumer electronics sector.
- The trend for miniaturization is increasingly leading manufacturers to turn to materials that have excellent mechanical properties and are lightweight. Consumer electronics companies are seeking to satisfy demand for miniaturization and productivity through the development of high-temperature and high-flow plastics.
- Sustainability and product safety demands are rising, in particular with regard to e-waste, which is a growing problem. Faced with more environmentally conscious end-users, consumer brand OEMs are outpacing regulation in terms of elimination of hazardous substances, demanding, for example, halogen-free technology and solutions for lead-free soldering, as well as managing the growing problem of e-waste and fostering recycling initiatives.
- NGOs are fueling consumer consciousness. An example is Greenpeace, which updates their “Guide to Greener Electronics” on a regular basis (see above the 2010 version of the Guide, which - according to the website of Greenpeace - will be updated November 2011). The Guide ranks the 18 top manufacturers of personal computers, mobile phones, TV sets and games consoles according to their policies on hazardous substances (including halogens), recycling and climate change impacts of their operations and products.
- Through its unique portfolio of high temperature materials with high flow and high performance polymers with good flexibility combined with in-house technologies on halogen-free flame retardants and solutions for lead-free soldering, DSM is contributing to finding a solution to the growing problem of e-waste, helping foster recycling initiatives and delivering environmental, health and safety improvements. An example of DSM’s halogen-free alternatives is Arnitel® XG, used in consumer electronics cables. DSM is supporting consumer electronics companies’ sustainability strategies through its increasing portfolio of materials that are bio-based and/or made from recycled content.



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Strategy of the Materials Sciences clusters

Performance Materials


Growing via innovative sustainable solutions

- Expand leadership in selected segments
- Accelerate growth in high growth economies
- Sustainability driving innovation
- Sales growth at double GDP growth level
- EBITDA margin >17% by 2015

Polymer Intermediates

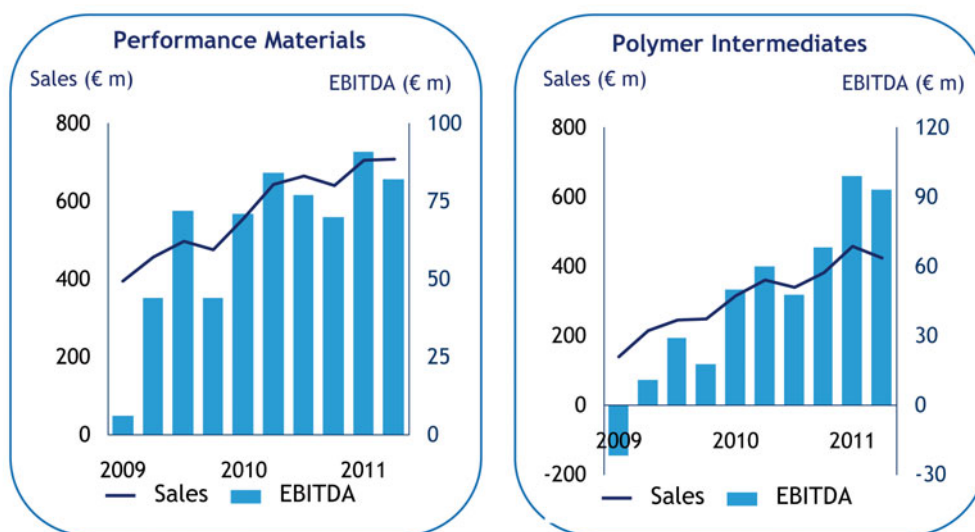
Strengthen backward integration for DSM Engineering Plastics

- Doubling production in China by 2014
- Implementing new sustainable technology
- Further improve competitive position
- EBITDA margin ~ 14% on average over the cycle

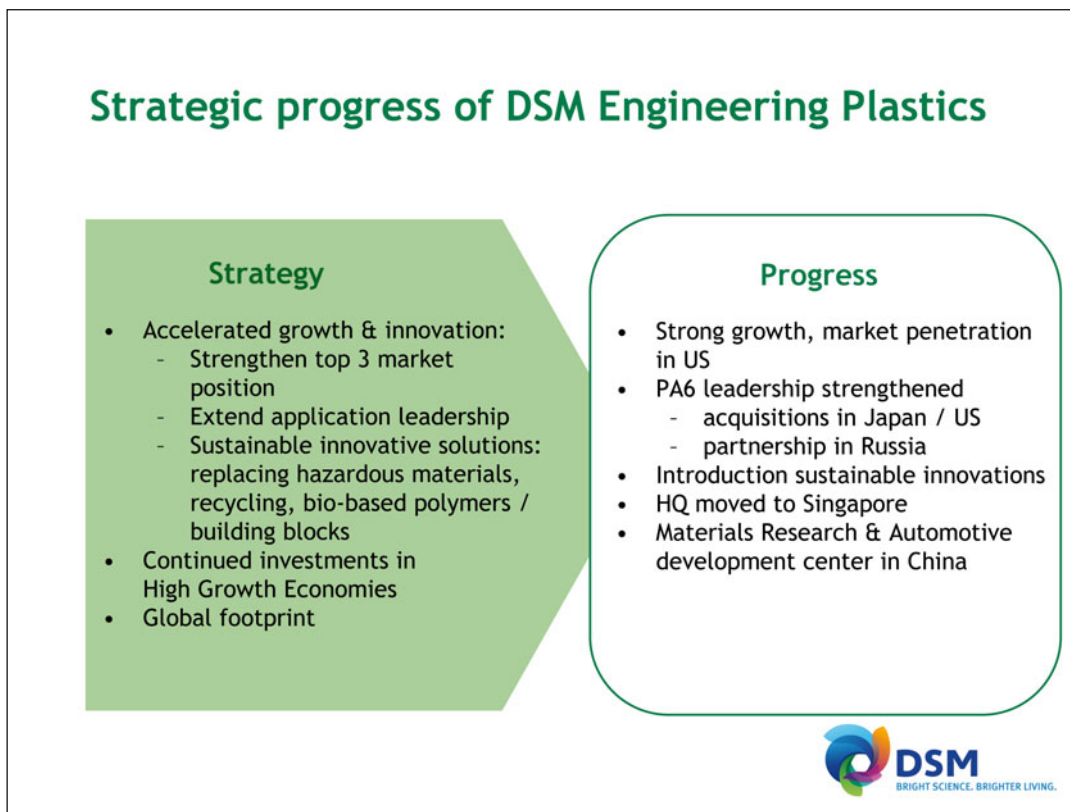


- The above slide is a wrap-up of what DSM presented in September last year at the Capital Markets Days as strategic aspirations of the Materials Sciences clusters.
- With a key focus on growth via innovative sustainable solutions, DSM has set its sales growth aspiration for the Performance Materials cluster at double GDP growth level and has set an EBITDA margin aspiration of above 17% by 2015.
- For the Polymer Intermediates cluster, DSM has set an EBITDA margin aspiration of ~14% on average over the cycle and has announced that it will double its capacity in China by 2014.
- In the next few slides we will focus on the achievements and progress of the Materials Sciences businesses in the first year of DSM's new strategy; DSM in motion: *driving focused growth*.
- We will address why DSM is convinced that its Performance Materials & Polymer Intermediates clusters are well positioned to capture growth opportunities that arise from the global trends and will achieve the strategic aspirations as set in 2010.

Strong profitable growth in Materials Sciences



- The Performance Materials cluster has shown healthy sales growth since 2009, which is reflected in clear EBITDA improvements. DSM Engineering Plastics has been capturing market share, whereas DSM Resins has been improving its unit margins despite the ongoing weakness in its main market: building & construction. DSM Dyneema has continued its growth.
- The Polymer Intermediates cluster has emerged stronger from the downturn, with improved yields, reduced variable and fixed costs, good profitability and a continued full focus on customers and sustainability. Its significant foothold in high growth economies has particularly benefited its caprolactam business.
- Polymer Intermediates showed unprecedented results as a result of strong volumes and excellent prices and margins over benzene. Due to favorable trading conditions, strong demand in China & Asia, a unique position, the first half of 2011 saw Polymer Intermediates deliver a record performance.



- DSM Engineering Plastics focuses on strengthening its leading positions in heat-resistant resins, polyamides - in particular PA6 - and co-polyester elastomers and using its applications leadership to meet the needs of its customers, who are increasingly focused on creating sustainable, and at the same time profitable, products and value chains.
- To realize the opportunities in high growth economies, DSM will continue to invest in these markets. DSM Engineering Plastics has started a partnership with KuibeyshvAzot to capture its part of Russia's fast growing automotive market. DSM has set up a Materials Research and Automotive Development Center in Shanghai. This will be DSM's biggest research center for engineering plastics outside the Netherlands.
- DSM has moved the global headquarters of DSM Engineering Plastics from the Netherlands to Singapore. It is essential that the management of the business is close to the markets showing the strongest growth. DSM believes this will further increase our awareness of customer needs and will also help to internationalize this part of our organization.
- DSM strives to further improve the environmental performance of its products. The most innovative developments in this field are new bio-based polymers and bio-based building blocks. DSM is already making good progress on this front: EcoPaXX™ is the best-performing renewable polymer available, and has a zero carbon footprint.
- An important prerequisite for DSM Engineering Plastics' ambitious growth is its strong upstream integration in a leading caprolactam player.

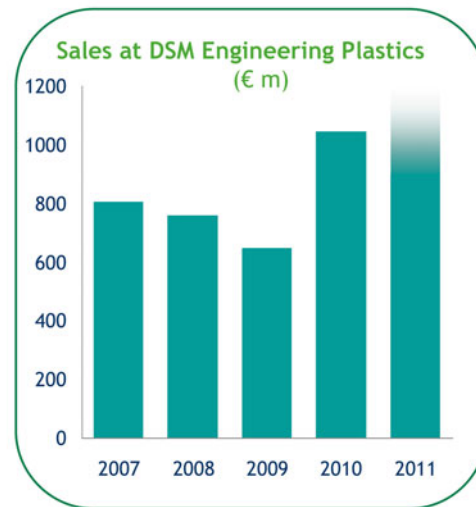
Strong sales growth at DSM Engineering Plastics

Improved market position

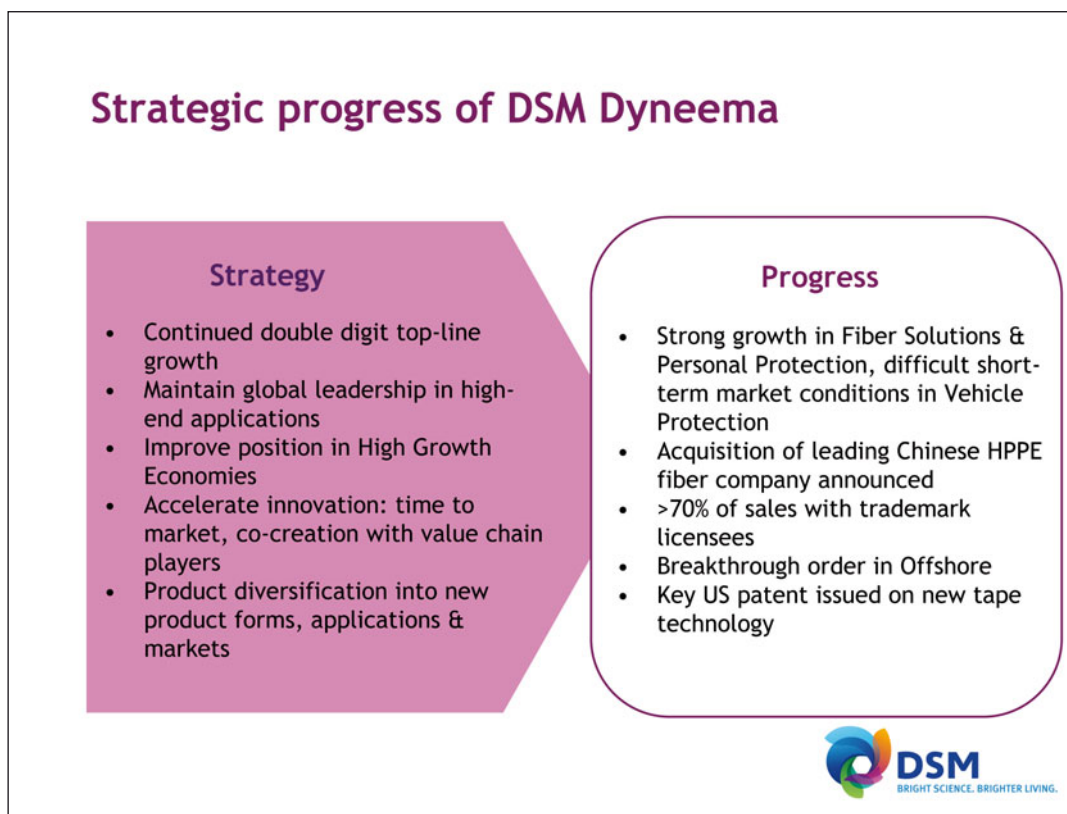
- Excellent reputation in market
- Commitment during downturn to US' automotive market
- Long term presence in China
- Unique position in India
- Successes of sustainable innovations
- Strengthened position in Asia & US via acquisition and in Russia via JVs

Enabling further growth

- New compounding facilities in China and the US under construction
- DSM studying further expansion in India



- DSM has shown excellent sales growth in engineering plastics. DSM has gained substantial credit for ongoing support to the industry and offering winning solutions to our customers through environmentally friendly products and supporting new customer designs.
- DSM Engineering Plastics holds strong positions in high growth economies, enabling the business to capture growth in the end markets. In China, DSM has a long-standing presence and a good reputation and is strengthened by the integration with its own domestic caprolactam production. In India, DSM is the leader in engineering plastics, focusing on the fast growing automotive industry.
- DSM Engineering Plastics has been successful in launching innovations that actively replace hazardous materials, for instance by introducing halogen-free alternatives, such as Arnitel® XG (used in consumer electronics cables), Stanyl® and Arnite® XG (used in electrical insulation in white goods).
- DSM and KuibyshevAzot OJSC have a strategic cooperation, With this partnership DSM is expected to be in an excellent position to capitalize on the anticipated growth in Russia.
- In 2010 DEP strengthened its position in PA6 with the acquisition of the Novamid business in Japan and Taiwan and the full acquisition of Nylon Polymer Corporation LLC in the US.
- In India we continue to expand our presence and are studying the next round of expansion of our production capacities to maintain our leading position.
- In China and the US new capacity expansions for compounding are under way to cope with increased customer demand.



- DSM Dyneema is committed to supporting winning customers and to developing new products, forms, applications and markets. DSM Dyneema's fiber solutions business is experiencing double digit growth typically in segments like marine and industrial applications. Growth projections for DSM's Life Protection business continue to be healthy, but the tender driven dynamics of the vehicle protection business, a part of Life Protection, can cause volatility.
- Innovation remains key: DSM Dyneema's product portfolio already includes over 100 inventions protected by more than 500 patents or patent applications. DSM Dyneema has innovated in various applications such as the patented new Dyneema[®] Tape Technology for the life protection or electromagnetic windows market (radomes).
- Another innovative breakthrough is the application of Dyneema[®] in mooring ropes for a semi-submersible mobile offshore drilling unit of Petrobras (see later in this presentation). DSM will further accelerate innovations and get them to market even quicker by extending its co-creation partnerships with leading value chain players.
- DSM signed an agreement to acquire the majority shareholding in Shandong ICD High Performance Fibre Co. Ltd. based in Laiwu, Shandong province, China. Closing of this transaction is expected in the course of 2011. ICD is a manufacturer of UHMWPE (ultra high molecular weight polyethylene) fiber and a potential strong player in the Chinese market for high performance fiber.
- The Dyneema[®] brand is well known in the industries served. DSM Dyneema has implemented a comprehensive brand licensing strategy which will result in a number of new licensees and enhanced control of their key assets. This strategy is particularly targeted at supporting key customers. The Dyneema[®] brand is recognized as a vital ingredient in a growing variety of applications, and is therefore an extremely valued asset for both DSM and its licensed partners.

Dynamic growth at DSM Dyneema

Fiber solutions:

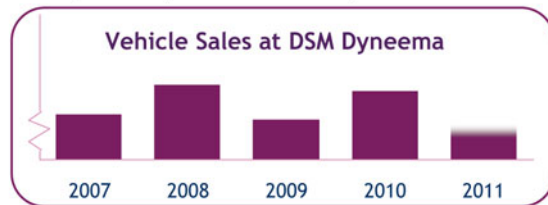
- Strong recovery of commercial marine & high protective textiles segments
- Double digit growth

Personal Protection

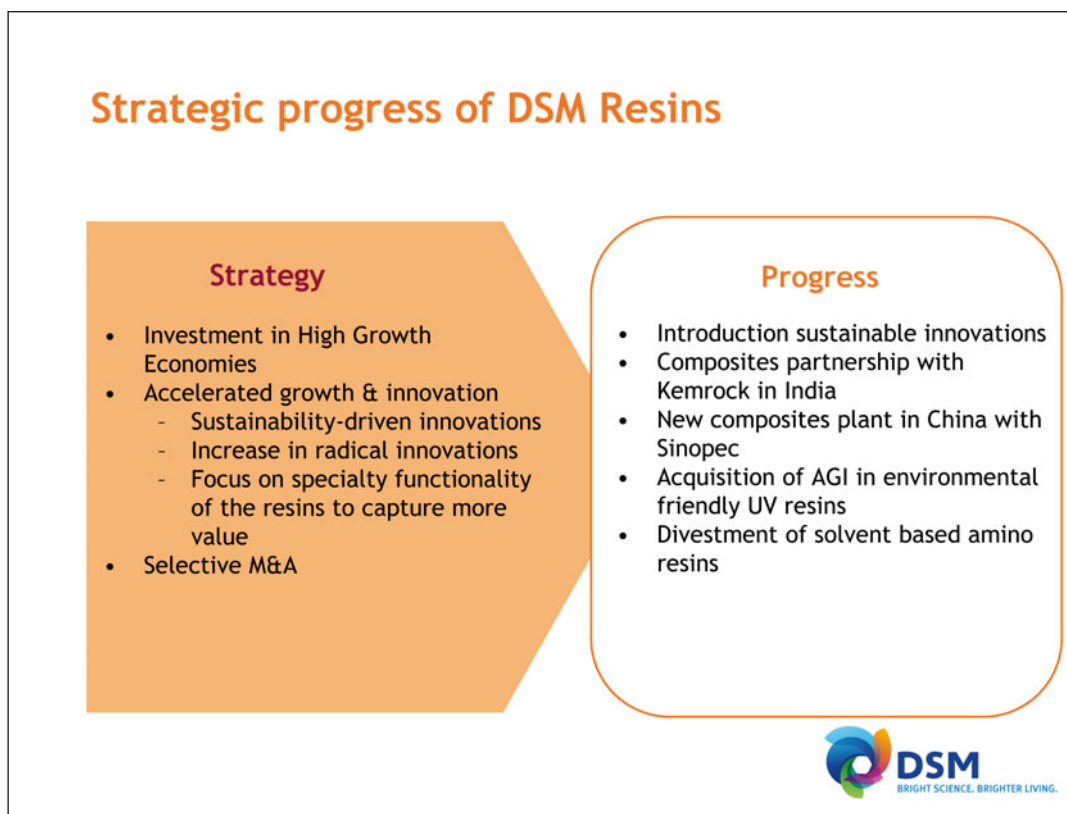
- Continued strong growth

Vehicle protection: tender driven

- Large size / impact tenders & “Winner takes all” dynamics
- Urgent Operational Requests (UOR)
- Dependency on economic & political conditions



- Within DSM Dyneema, the various businesses have their own dynamics. The fiber solutions business - with key markets in commercial marine, offshore, industrial, high performance textiles, sports & leisure, sailing - is showing ongoing strong double digit growth. However, its industry segments are not independent of consumer spending and industrial activity. During the 2009 downturn, the fiber solutions business of DSM Dyneema clearly felt the effect of unfavorable market conditions. Growth rates, however, recovered fast to the levels at or above the downturn.
- The life protection business consists of the personal protection business, which includes armor for instance for vests, inserts and helmets for military, law enforcement and civil staffs, and the vehicle protection business which includes armor for military and law enforcement vehicles. Both businesses have their own dynamics and show healthy growth.
- Because of the size of the tenders, the vehicle protection business can cause larger fluctuations in the performance of the business group. Next to size, there is the “winner takes all” dynamics which means that sometimes you win the tender (and get all the business) and sometimes you lose (and get nothing out of that specific tender). A special tender is a so-called urgent operational request where producers of armor are asked to supply on short notice.



- DSM Resins' growth strategy is focusing on growth in high growth economies. This means its investments will also largely be in the high growth economies. For DSM Resins, the main high growth economies are Asia and Turkey. The US market is also an interesting growth market for DSM Resins.
- In 2011 DSM announced that, together with its JV partner Sinopec, it will invest in a new facility for composite resins in China. This will be among the largest manufacturing plants for composite resins in the world. This new facility will boost the sustainable development of our composite resins business in China. DSM's resins deliver considerable advantages in creating lightweight composites used in containers, cars, trucks and trains, wind-turbine blades and a range of other applications related to improving energy efficiency. The new unit is expected to come on stream early 2012.
- DSM Resins' focus is on accelerating growth, particularly via sustainability-driven innovations. DSM has introduced Palapreg[®]ECO, DSM's bio-based resin with 55% bio-renewable content, which has excellent properties. DSM Resins' waterborne coatings range delivers significant advantages to its paint customers, who are faced with regulatory pressures and have to meet social responsibility demands. DSM will further increase the flow of radical innovations.
- With its range of innovative specialty resins, DSM is able to differentiate itself from the competition. As the resin is the key differentiator for the end-product, DSM can create value by understanding what its customers need and where it can add to the value chain.
- DSM Resins will also grow through selective M&A. In 2011, DSM announced a partnership with Kemrock for the production of specialty composite resins in India. DSM will focus on the supply of innovative specialized composite resin solutions to the fast growing Indian market while Kemrock will concentrate on the production of high-end composite parts. DSM will hold 51% and Kemrock 49% in the joint venture, which will be based in Pune, India.
- In 2011 DSM has acquired a 51% stake in AGI Corporation of Taiwan. This acquisition is consistent with DSM's strategic focus on high growth economies, sustainability, innovation and partnerships. AGI offers a broad range of environmentally friendly UV curable resins and other products.

Weakness in Building & Construction not over

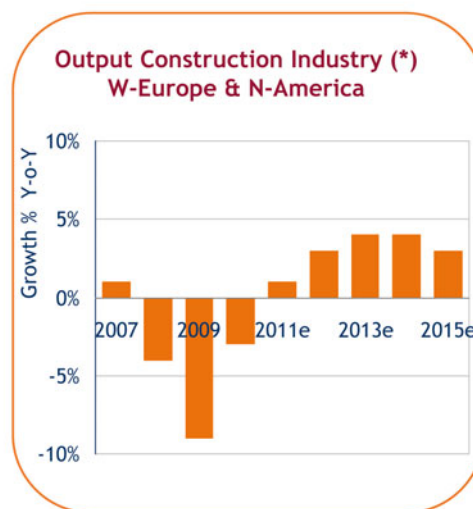
Market development

- European and US markets have not recovered from downturn
- Recovery not expected before 2013
- Ongoing strong growth for B&C expected in China & India

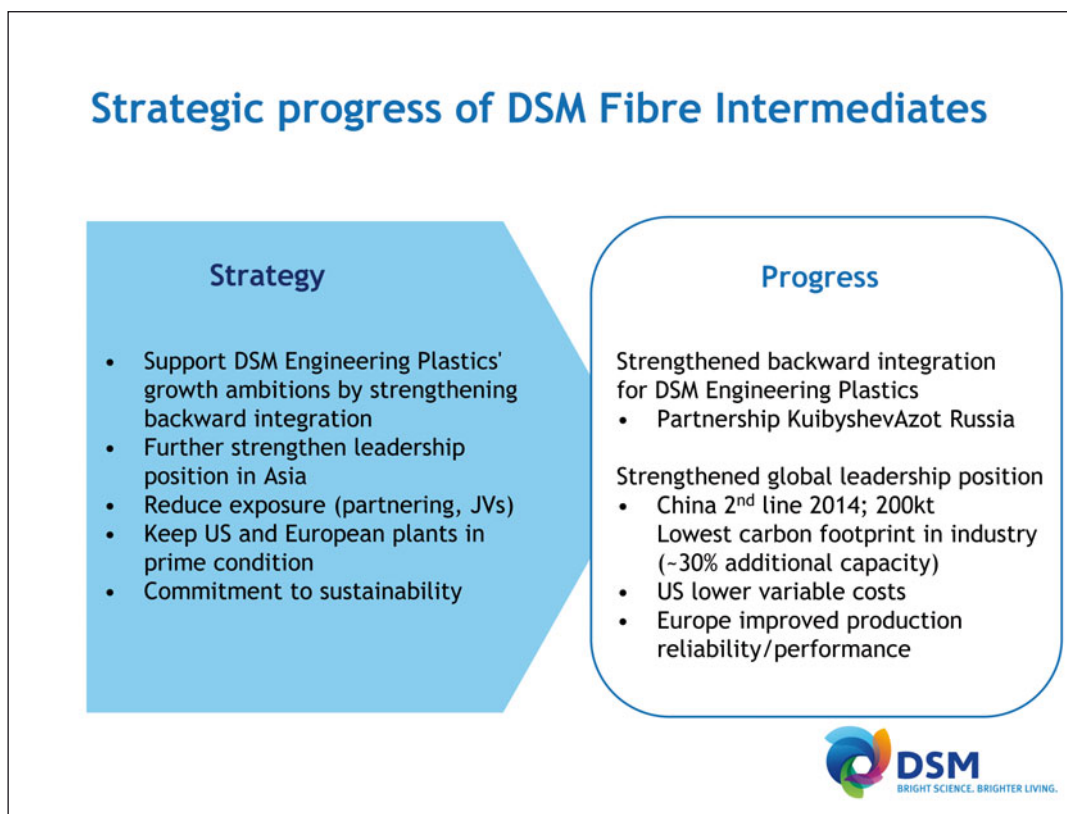
DSM Resins

- B&C important end-markets for coatings & composites (~50% of DSM Resins' sales)
- Partnerships and capex in India and China enable capturing market growth
- Recovery in Europe and US will improve results (operational gearing)

*: Source: IHS Global Insight, August 2011



- The building & construction market is a very important market for DSM Resins. Approximately half of its sales are to the building & construction industry, of which the European and North American markets have traditionally been very important for DSM.
- The building & construction industry in Europe and the US was severely hit by the downturn end of 2008 / 2009. And although the deterioration of output came to an end in 2010, no real recovery has taken place yet. According to data of IHS Global Insight, we have to wait until 2013 before any real recovery will take place (with recovery in US before Western Europe).
- At the same time, building & construction markets in India and China have continued to show high single digit or even double digit growth numbers. Growth forecasts continue to be healthy.
- This is why DSM Resins is focusing on building up its positions in Asia, for instance with the majority partnerships in resins in India with Kemrock and in China with Sinopec. And at the same time, DSM Resins is actively managing the subdued demand in some the more traditional regions.
- The ongoing weakness in European and US building & construction has kept pressure on margins at DSM Resins and the cluster as a whole. Recovery in Europe and the US, will, however, lead to improved results due to increased gearing of existing capacities in these regions. However, as we write this sentence in September 2011, there are no signs of a fast recovery in this sector in Europe and the US.



- Polymer Intermediates has a uniquely strong starting point: its global market position, a solid partnership in China, excellent performance, technological leadership and a secured supply to DSM Engineering Plastics. Building on these foundations, Polymer Intermediates further strengthened its backward integration with DSM Engineering Plastics through the partnership with KuibyshevAzot in Russia, securing supply of competitive priced raw materials for DSM Engineering Plastics.
- Polymer Intermediates is capitalizing on the opportunities that are arising by variable cost reduction in the US, by doubling production capacity in China with our partner Sinopec, by continuously improving existing assets by means of improving production reliability and performance in Europe and by maintaining its firm commitment to sustainability.
- DSM's strong position in China is very important. DSM is the only caprolactam producer with production assets on 3 continents. In the Chinese region (China and Taiwan), consumption of PA6 is expected to grow rapidly in the coming years, primarily

driven by strong growth in engineering plastics and film segments (CAGR > 10%). Being the only Western producer with production assets in China, in combination with a partnership with a strong Chinese company (Sinopec), DSM has an excellent position to grow in Asia. DSM's newest and best-in-class technology, which is being implemented in the second line in China, is expected to demonstrate that lower costs (economy) goes hand in hand with better eco-footprint (reduction of waste, reduction of energy use).

China's hunger for PA6 & caprolactam

Global demand

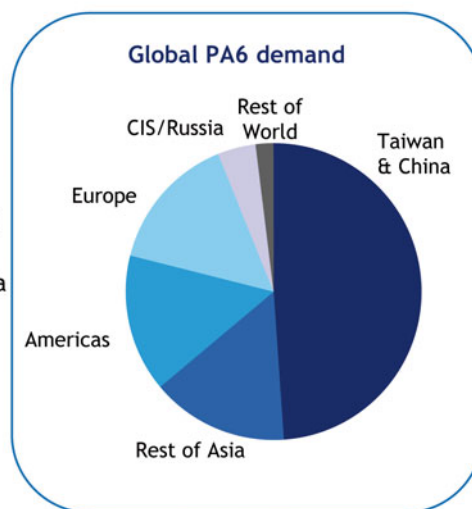
- Main application textiles, engineering plastics & film, industrial, carpets
- Highest growth in EP & film

China

- PA6 demand ~ 50% in China & Taiwan
- PA6 growth in China & Taiwan constrained by supply of caprolactam
- 2010: 630kt caprolactam imported to China

Expansions

- Limited additional caprolactam supply
 - DSM's 2nd line: 200kt
 - Further ~ 300kt expected in period 2012 - 2015
- GUR expected to stay > 90%



- In the Chinese region (China and Taiwan), consumption of polyamide 6, and therefore demand for caprolactam, will grow rapidly in the coming years, primarily driven by strong growth in engineering plastics and film segments (CAGR > 10%).
- Largest applications in China & Taiwan are in Textiles (~ 0.9 MMt), EP & film (~ 0.5 MMt), and Industrial (~0.5 MMt); highest growth is in EP & film.
- China is largely dependent on imports to satisfy the demand for polyamide 6. Currently, one third of the polyamide 6 demand is covered by imports and half of the caprolactam to produce polyamide 6 locally is imported as well. China will reduce this dependency and consequently much more locally produced caprolactam will be needed.
- Until 2015, ~ 500kt of caprolactam capacity might come on stream. Not all of this has, however, been confirmed. Apart from DSM-Sinopec's 200kt second line in China in 2014, another ~ 300kt might come on stream including some smaller debottlenecking. As the global market is expected to grow by more than 3% (~150kt per year), global utilization rates are expected to stay above the healthy level of 90%.
- DSM Engineering Plastics has ambitious plans to accelerate its growth in polyamide 6 in the coming years. DSM Fibre Intermediates is confident that it can fully support DSM Engineering Plastics, while simultaneously growing in high growth economies. The second caprolactam line in Nanjing will be crucial for this support, for strengthening its own cost leadership position, and for benefiting from the growth in China.

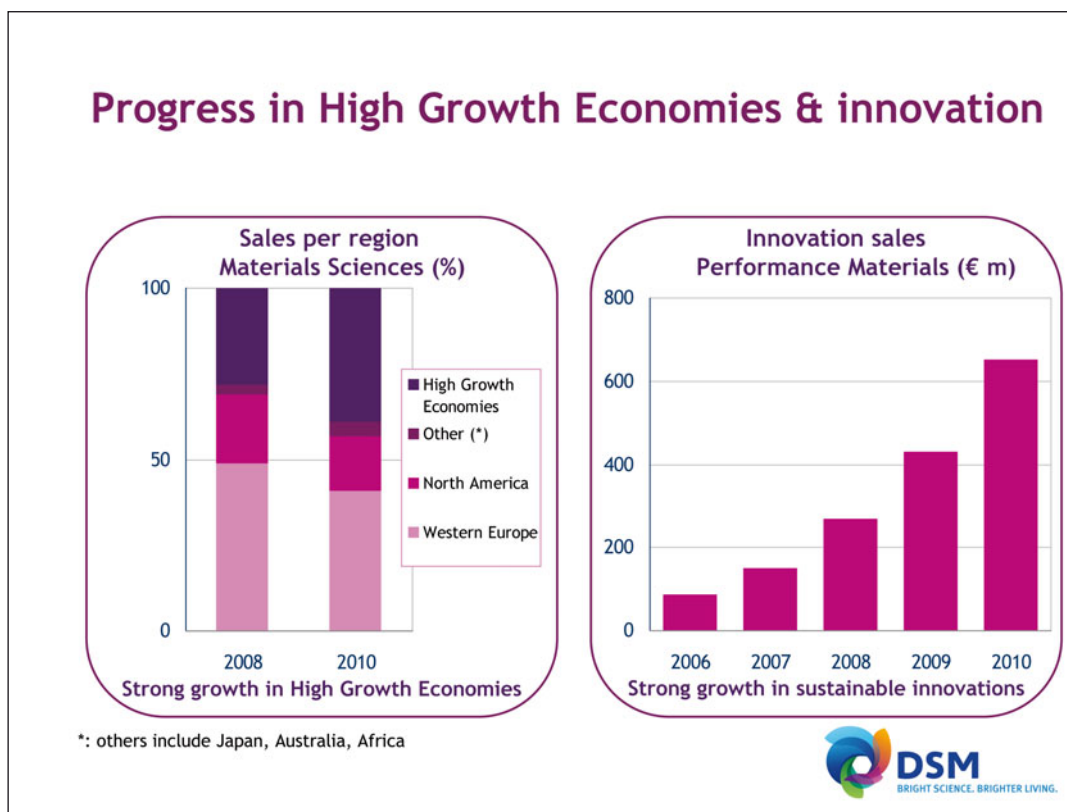


Overview

- Introduction
- Trends ensuring growth in materials
- Progress on strategy
- **Progress on growth drivers**
- Wrap-up & Conclusions



DSM
BRIGHT SCIENCE. BRIGHTER LIVING.



- With major investments in high growth economies such as China and India, DSM's Materials Sciences clusters are making a major contribution to DSM's growth in Asia. For instance, both DSM Engineering Plastics and DSM Resins have opened new plants in China in the last few years. DSM Engineering Plastics has opened a new facility in China and DSM Resins has announced a joint ventures in India (with Kemrock) and the construction of a new composites facility together with its existing partner (Sinopec) in China. At the end of September 2011 the groundbreaking ceremony of the second caprolactam line in China took place. DSM has set up a Materials Research and Automotive Development Center for engineering plastics in Shanghai.
- Since 2008 sales to high growth economies as a percentage of overall sales has increased from below 30% to almost 40% in 2010, driven by healthy volume growth in Performance Materials due to new facilities and Acquisitions & Partnerships and strong growth and price developments in Polymer Intermediates.
- The Performance Materials cluster outperformed its 2010 innovation target.

Despite the downturn, innovations in performance materials continued to accelerate. With the great majority of these innovations driven by sustainability, DSM's Performance Materials cluster is recognized as a front-runner in creating and introducing sustainable innovative solutions.

Sustainable innovations & High Growth Economies



Modular school buildings from composite resins in India



Mooring ropes from Dyneema® for deepwater oil-drilling at Petrobras Brazil



- DSM has recently launched a number of exciting innovations. Two are illustrated on this page. Both are innovations in high growth economies.
- DSM Resins and its Indian partner Kemrock have completed two composite modular buildings with four classrooms each for the Shakti school in the village Kushuan. The composite buildings are factory built and shipped in a modular kit. The composite buildings are lightweight, easy to transport & handle (in one truck) and easy to install and can be set up in less than two weeks (compared to ~90 days for a comparable traditional brick building). The school is a demonstration of DSM's commitment to use its bright science (Life Sciences and Materials Sciences) to create brighter living today and for generations to come.
- DSM's Dyneema® fiber will be used in mooring ropes for a semi-submersible mobile offshore drilling unit of Petrobras, one of the world's leading integrated energy companies. To moor one drilling unit, more than 15 kilometers of rope is needed. Petrobras is going to use Dyneema® fibers in its new Pre-Salt deepwater fields off the coast of Brazil. Pre-Salt is one of

the largest recent oil discoveries in the Western Hemisphere.

Partnerships & High Growth Economies



DSM & KuibyshevAzot in fast growing engineering plastic markets in Russia



DSM & Sinopec in fast growing caprolactam markets in China



- Partnerships & Acquisitions are part of DSM's strategy in Materials Sciences. Two exciting partnerships in high growth economies are highlighted on this slide.
- According to the Boston Consulting Group, Russia will be among the top six auto manufacturers worldwide by 2020. They expect growth in the Russian market to vary between 8-14% throughout this decade. The Russian market is expected to be the third largest in Europe within three years. DSM Engineering Plastics has two joint ventures with KuibyshevAzot. These joint ventures, in which DSM holds a majority share, relate to marketing and sales of engineering plastics in Russia & CIS and secondly for the production of engineering plastics compounds in a plant located in Togliatti (Russia). By acquiring 80% in the compounding plant, DSM is the first western PA6 supplier with its own manufacturing presence in Russia and the CIS. The cooperation has also resulted in a license grant under DSM's proprietary cyclohexanone technology to be applied at KA's caprolactam plant.
- Another exciting project in high growth economies is the construction of the second 200kt caprolactam line in China, together with Sinopec. The rapidly increasing demand (both captive and merchant), the Chinese government's intention to replace imported caprolactam by local production, and good margins provide sound foundations for expanding capacity. By building a second line in China, DSM aims to double its capacity in the country by 2014 (with the second line in China on stream in 2013).

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Aspirations 2015 reconfirmed

Aspirations Performance Materials

- Growth at double GDP growth level
- EBITDA margin > 17%

How to achieve


- Market demand growth (including recovery B&C)
- Sustainable innovations (higher margins)
- Above average growth of Dyneema®
- Active margin management

Aspirations Polymer Intermediates

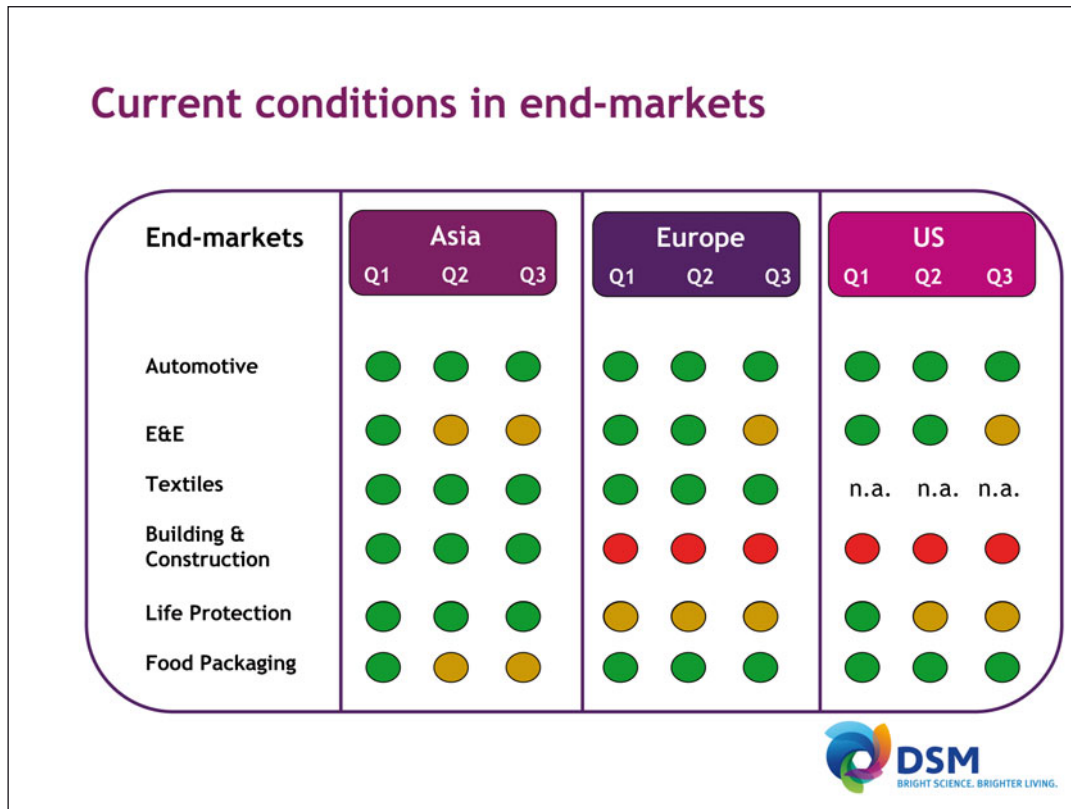
- EBITDA margin ~ 14% on average over the cycle

How to achieve

- China expansion by 2014
- Yield improvement (productivity, costs)



- DSM reconfirms its strategic aspirations in both Performance Materials and Polymer Intermediates.
- Continuing to meet customer needs for higher performing, more sustainable products - which in turn enjoy higher margins and above average growth - will drive value creation in DSM's Performance Materials businesses. The DSM Dyneema business and the innovations in DSM Resins and DSM Engineering Plastics are good examples of this.
- In addition, DSM believes that general market growth above GDP growth level, a recovery in the building and construction sector over the course of this strategy period as well as active margin management to ensure that DSM passes on raw material price rises, will enable the company to achieve its target of an EBITDA margin of at least 17%.
- Growth in DSM's Polymer Intermediates business will be driven by expansion in China in 2014 to support growing caprolactam demand. By marrying this with continual operational excellence and strong margin management, we are confident we can deliver an EBITDA performance of around 14% over the economic cycle.



- Performance Materials is experiencing continued growth in end-user demand, albeit at a lower pace. Asia remains the growth engine and markets like automotive continue to grow. However, engineering plastics for the electrical and electronics (E&E) segment are slowing and the building and construction market has not yet emerged from the recession.

Conclusion

- Successful first year of strategy implementation
 - Improved market position in the US, Japan and China
 - Strong growth in High Growth Economies
 - Continued sales growth through sustainable innovations
- Clearly better business performance
 - Strong sales growth
 - Improving profitability
- Good progress towards achieving 2015 aspirations





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

Abbreviation	Explanation	Abbreviation	Explanation
6-APA	6-amino-penicillanic acid	EU	European Union
AGI	AGI Corporation Taiwan	F&B	Food & Beverage
AMEA	Association of Machinery and Equipment Appraisers	FD	Finished dosage / final dose
ANH	Animal Nutrition & Health	FDA	Food and Drugs Administration
API	Active pharmaceutical ingredients	GBP	Pound Sterling
AR	Anti-reflective	GDP	Gross Domestic Product
ARA	Arachidonic Acid	GHG	Greenhouse Gas
B&C	Building and Construction	GUR	Global Utilization Rate
B2	Vitamin B2	HGE	High Growth Economies
B2C	Business-to-Consumer	HMDA	Healthcare distribution management association
B6	Vitamin B6	HQ	Headquarters
BCM	Billion Cubic Meter	IFRS	International Financial Reporting Standards
BF	Bio-Fuel	INF	Infant Formular
BMM	Biomedical Material	JPY	Japanese Yen
bn	billion	JV	Joint Venture
BP&S	Bio-based Products & Services	KA	KuibyshevAzot OJSC
C/E	Central / East	KGA	Ketoglutaric Acid
CAGR	Compound Annual Growth Rate	kt	kiloton
CAPEX	Capital Expenditures	LATAM	Latin America
CEO	Chief Executive Officer	LCD	Liquid crystal display
CFO	Chief Financial Officer	m	million
CH4	Methane	M&A	Merger & Acquisitions
CHF	Swiss franc	MB	Managing Board
CHP	Combined heat and power	NGO	Non-governmental organization
CIO	Chief Innovation Officer	OEM	Original equipment manufacturer
CIS	Commonwealth of Independent States	OWC	Operating Working Capital
CMD	Capital Markets Days	P&L	Profit and Loss
CMO	Contract Manufacturing Outsourcing	p/a	per annum
CRM	Customer Relationship Management	PA6	Polyamide 6
CTO	Chief Technology Officer	PEN	Penicillin
DA	Depreciation and amortization	PI	Polymer Intermediates
DAI	DSM Anti-Infectives	PM	Performance Materials
DBM	DSM BioMedical	PTG	The Polymer Technology Group
DBPS	DSM Bio-based Products & Services	PUFA	Polyunsaturated fatty acids
DD	DSM Dyneema	R&D	Research and Development
DEP	DSM Engineering Plastics	ROCE	Return on Capital Employed
DEP	DSM Engineering Plastics	SSC	Shared Service Center
DHA	Docosahexaenoic acid	SSP	Supplies Service Partner
DPP	DSM Pharmaceutical Products	UD	Unidirectional
DS	Dietary Supplements	UHMwPE	Ultra-High Molecular Weight Polyethylene
DSP	DSM Sinochem Pharmaceuticals	UOR	Urgent Operational Requests
E&E	Electrical & Electronic Industry	US	United States (of America)
EBA	Emerging Business Area	US\$	United States dollar
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	USA	United States of America
ECO+	The Greenhouse Dialogue	USD	United States dollar
EFSA	European Food and Safety	UV	Ultra Violet
EP	Engineering plastics	VA	Vitamin A
EPA	Environmental Protection Agency	VE	Vitamin E
EPS	Earnings per Share	VOC	Volatile organic compounds
		y-o-y	Year-on-year
		YTD	Year-to-Date