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Materials Sciences
DSM Capital Markets Day 2013



- Polymer Intermediates : Reduce volatility
- Performance Materials : Upgrade portfolio

Polymer Intermediates: CSD 2010

Strengthening backward integration for DEP

Strategy for Polymer Intermediates

- Support DSM Engineering Plastics' growth ambitions by strengthening backward integration
- Further strengthen leadership position in Asia
- Keep US and European plants in prime condition
- Limit capital intensity of the business and reduce exposure
- Commitment to sustainability

Aspirations (2015)

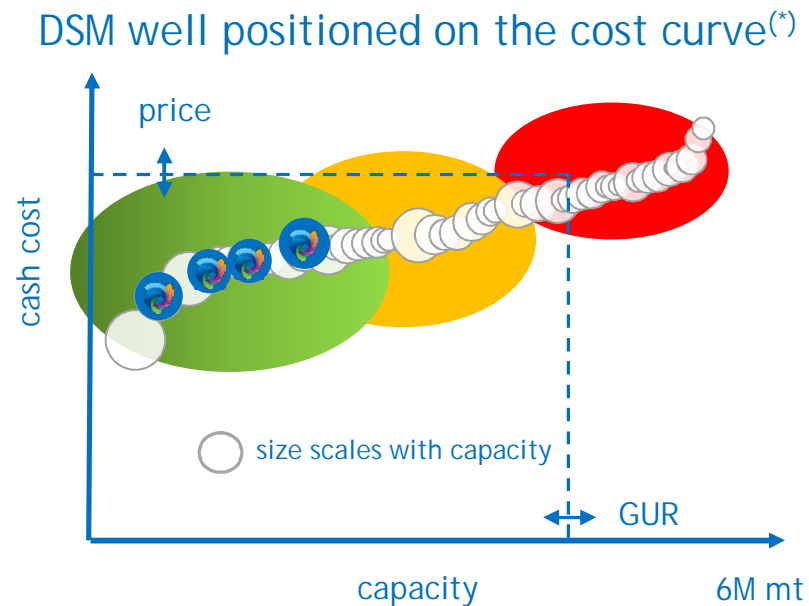
- Doubling production in China by 2014
- Further improve cost position
- EBITDA margin ~ 14% (on average over the cycle)

DSM

Source: DSM CMDs 2010

Strategic achievements securing cost leadership

- Initiated program to reduce costs
- Existing facilities kept in prime condition
 - Investment in sustainable lowest cost plant for ammonia sulfate, a by-product of caprolactam
- New 200 kt line to be started up end 2013
 - License deal with Shen Yuan secures substantial part of plant load in coming years
- Life time extension projects



*: The positioning of competition (grey circles) versus DSM (blue) only shows a few examples. It does not give a complete overview.

Continued volatile market environment

2010-2011

- Exceptional returns due to shortages of caprolactam in China

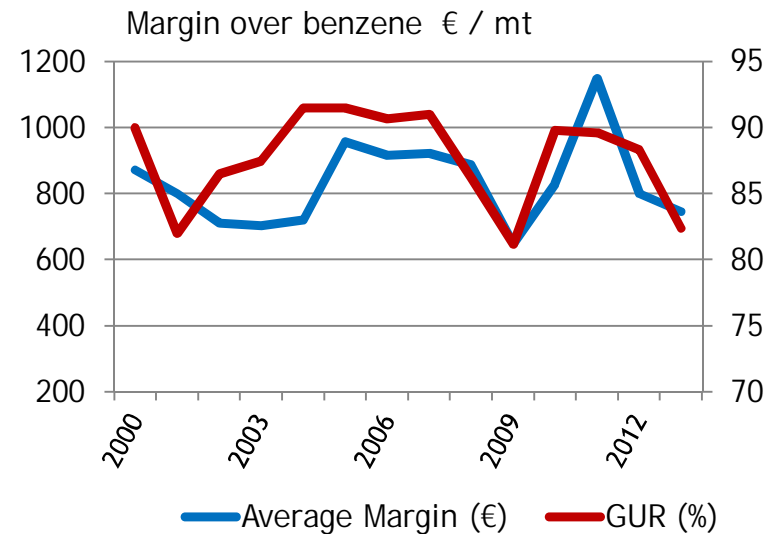
2012-2013

- Caprolactam margins declined sharply due to the combination of
 - High benzene prices
 - Long markets due to capacity extensions in China

2014-2015

- Global demand will continue to show stable growth ~ GDP
- Additional capacities will come on stream in China
- Negative cash margin for high cost CPL producers expected to keep utilization rates around 80-85%

Caprolactam margins and GUR



* 2013 based in H1 2013

In the short term, we expect no change in business conditions

Strategy 2015: reduce volatility

- Reduce exposure to the merchant caprolactam markets
- Secure cost leadership position in caprolactam





Performance Materials : upgrade portfolio

Overview

- Strategic Progress
- Upgrade portfolio
- Targets

Performance Materials: CSD 2010

Growing via innovative sustainable solutions

Strategy for Performance Materials

- Expand leadership in selected segments
- Strong sales growth and presence in High Growth Economies
- Growth via sustainable and innovative solutions
- Strengthen leadership through selective acquisitions

Aspirations (2015)

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

DSM

Source: DSM CMDs 2010

Strategy: progress in DSM Engineering Plastics

- Expand leadership in selected markets
 - ✓ Leadership in high performance Engineering Plastics strengthened with further expansion of Stanyl® ForTii™ capacity
- Strong sales growth and presence in HGE
 - ✓ Sales in China up 25% since 2010
- Sustainable innovative solutions
 - ✓ More bio-based High Performance plastics (EcoPaXX®)
- Strengthen leadership through partnerships
 - ✓ Partnership with KuibyshevAzot in Russia



Strategy: progress in DSM Resins

- Expand leadership in selected markets
 - ✓ By restructuring and margin management activities significantly improved financial performance in Powder and Specialty Coating resins.
 - ✓ By introducing “Supercoating” for Fiber Optic Materials to ensure continued market leadership in segment
- Strong sales growth and presence in HGE
 - ✓ Established “Waterbased China platform” to develop sustainability awareness in industrial coating market in China
- Sustainable innovative solutions
 - ✓ Moved away from solvent borne coatings in portfolio: from 50% of portfolio in 2000 to less than 20% in 2015e
- Strengthen leadership through partnerships
 - ✓ DSM acquired 51% of AGI to establish a position in UV resins, a fast growing sustainable coating solution



Strategy: progress in DSM Dyneema

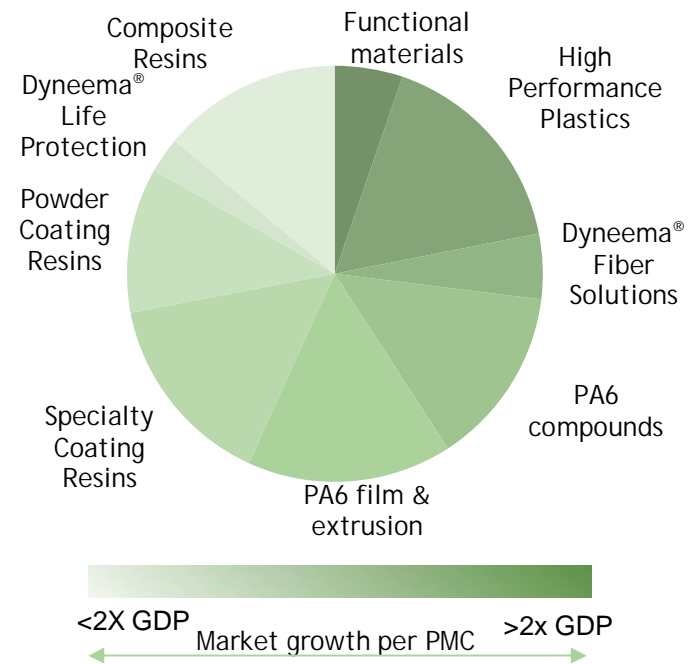
- Expand leadership in selected markets
 - ✓ Launch of Dyneema® Max Technology to enable deep sea mooring and accelerate substitution of steel wire ropes
- Strong sales growth and presence in HGE
 - ✓ Acquisition of ICD Shandong HPPE fiber producer and subsequent launch of Trevo™ 2nd brand, resulting in quadrupling sales in China in 2 years
- Sustainable innovative solutions
 - ✓ Dyneema® Diamond Technology providing higher levels of cut protection, comfort and wearability in protective gloves, whilst reducing overall carbon footprint of solution
 - ✓ Dyneema® fibers used in several high profile projects with extreme requirements



Headwinds have impacted financial performance...

- Negative sales and margin effects:
 - Macro-economic conditions in building and construction and automotive Europe
 - Special tenders in vehicle protection business
 - CPL effect in DEP
- Positive sales and margin effects:
 - + Profit Improvement Program
 - + Strong growth in higher margin segments

2012 sales and market growth PM per PMC

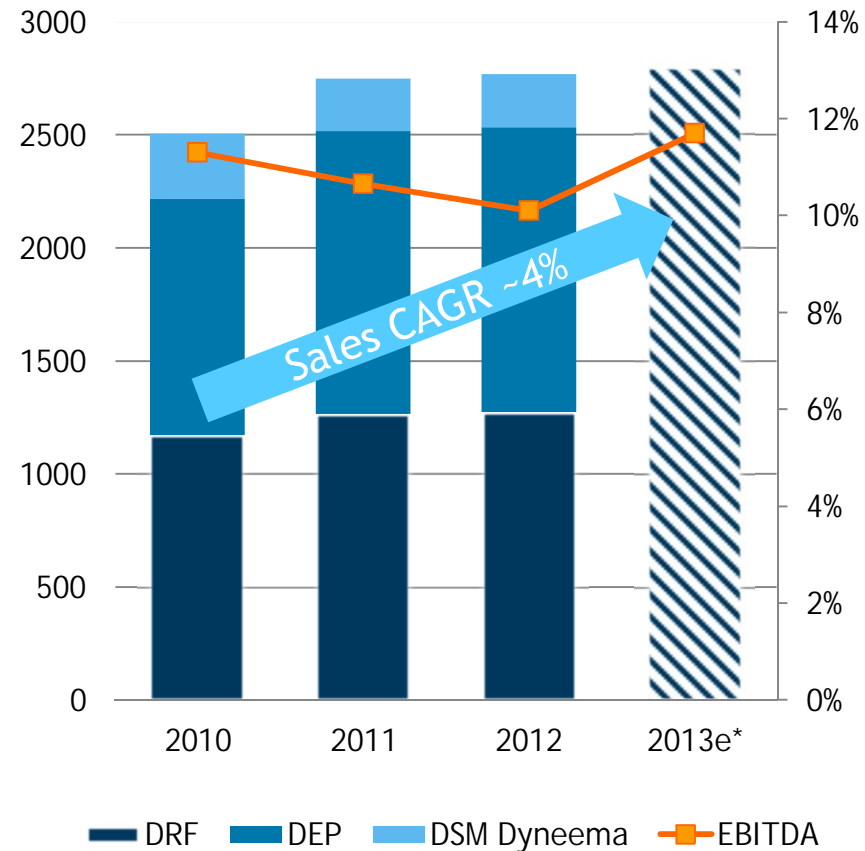


...and hide important financial achievements

- Performance Materials sales growth close to 4% between 2010-2013H1 driven by HGE and sustainable innovation
- Profit Improvement Program delivers, following an early contribution from DSM Resins as from 2012
- Profitability reverses negative trend

 Set for profitable growth

Sales (€ m) and PM EBITDA margin



* 2013e sales based on 2x H1 2013, margin H1 2013

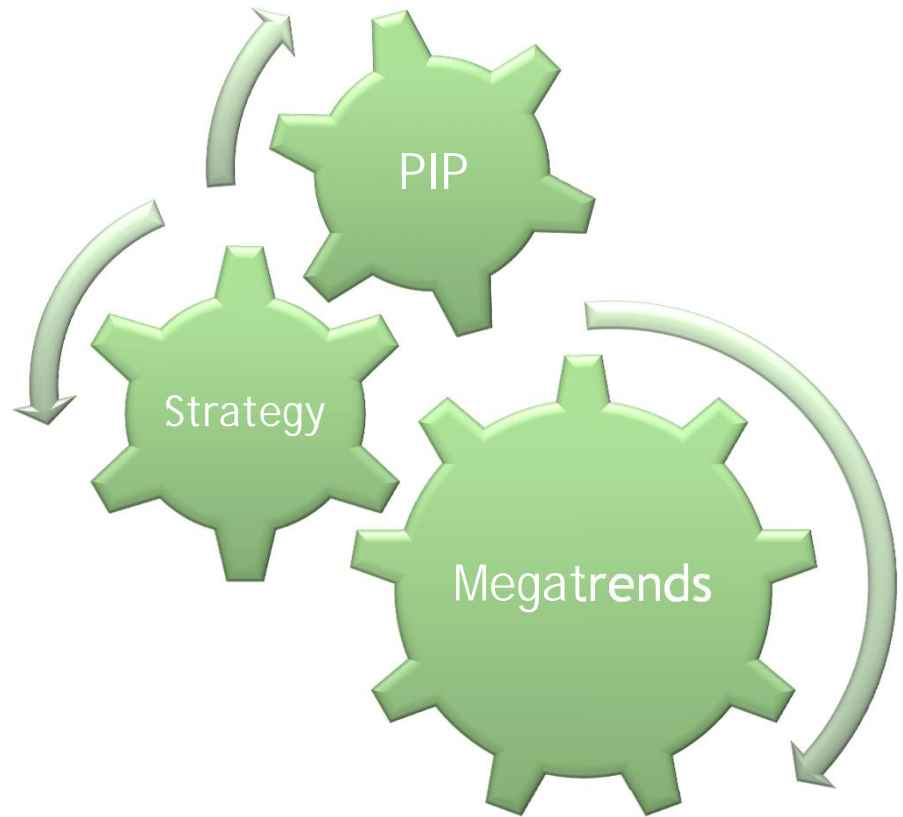
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- Upgrade portfolio
- Targets

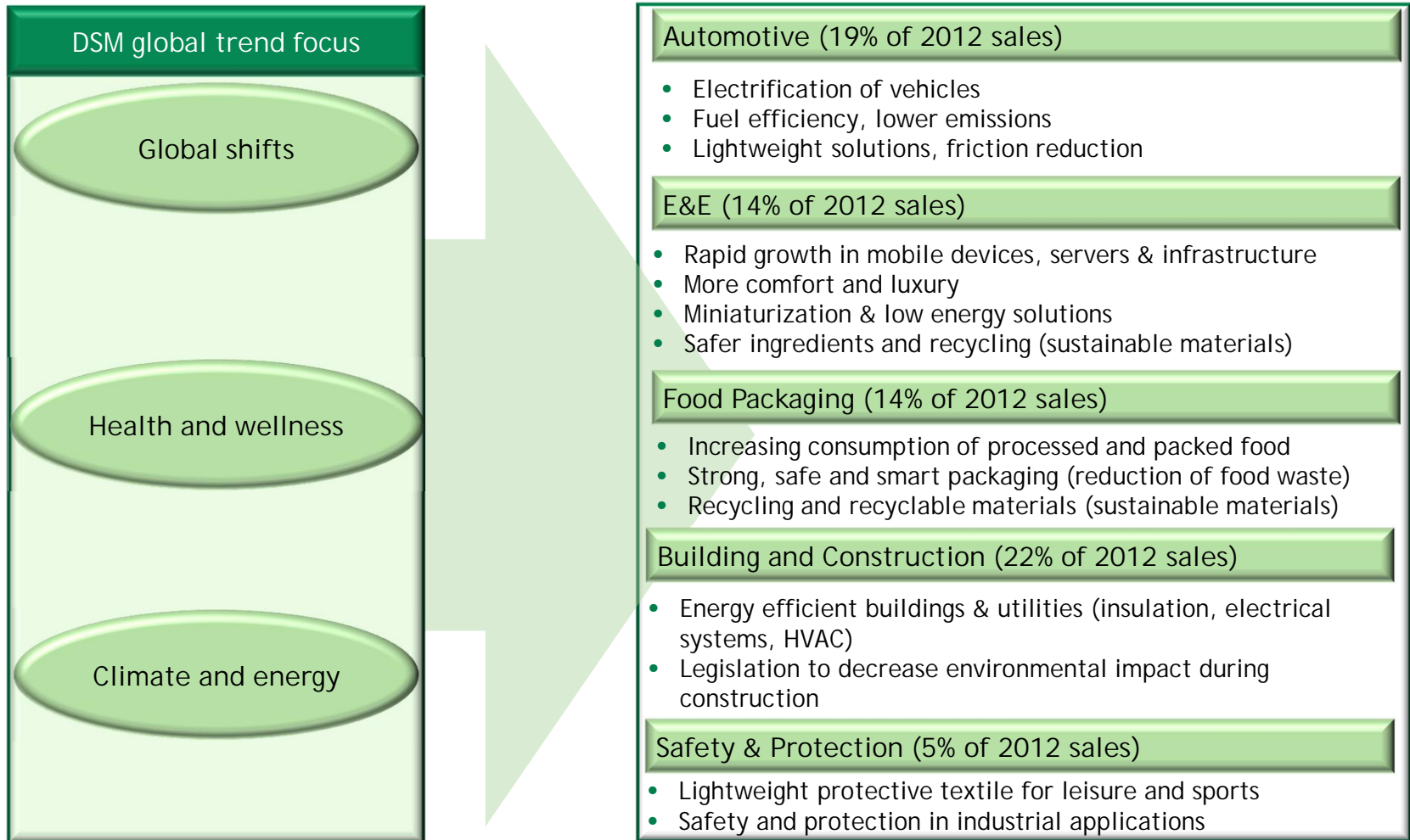
Drivers to improve performance

Improve performance by upgrading the portfolio, leveraging 3 drivers:

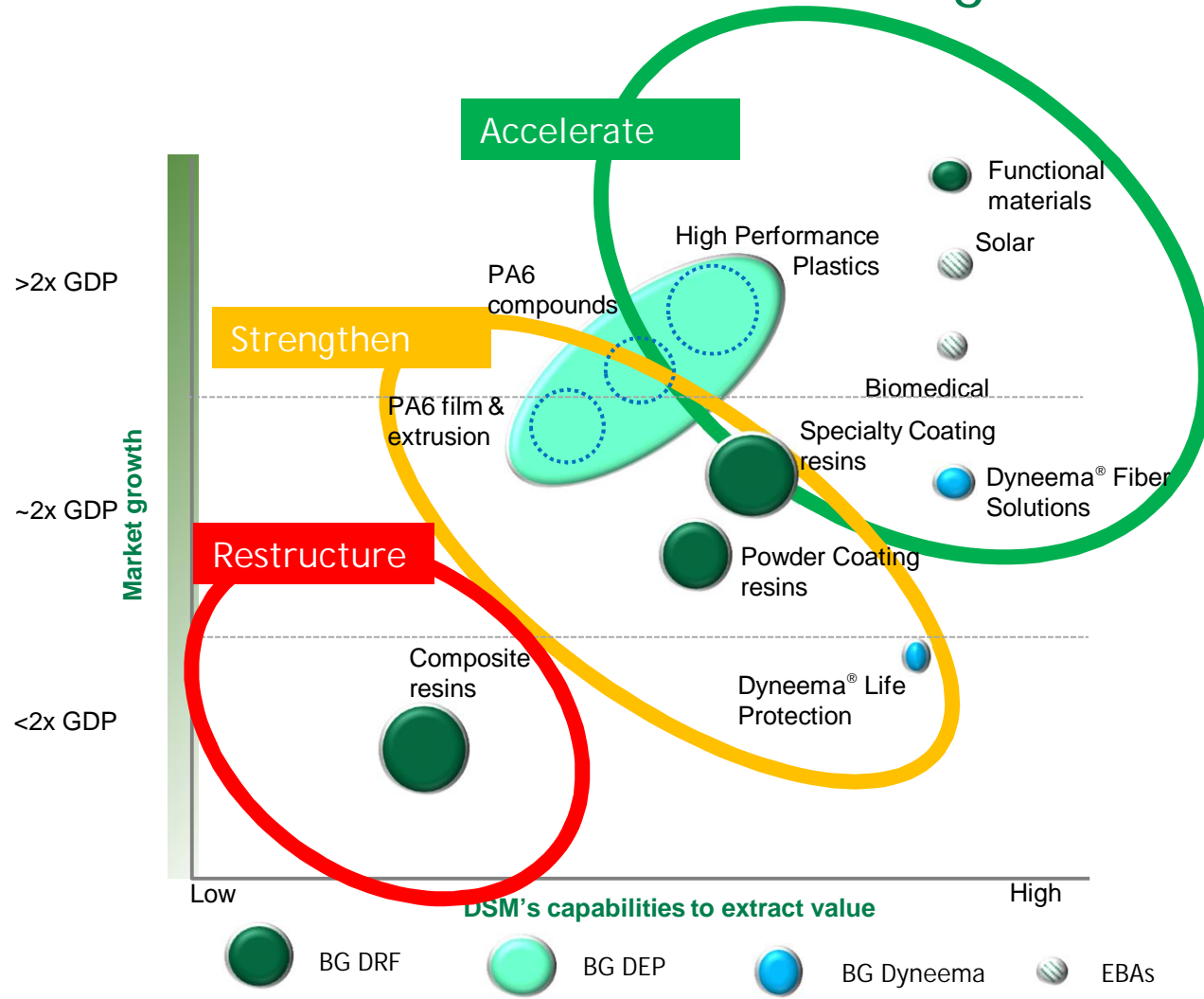
1. Megatrends
2. Differentiated strategies to capture profitable growth
3. Profit Improvement Program



Megatrends are a reality in our key end-markets

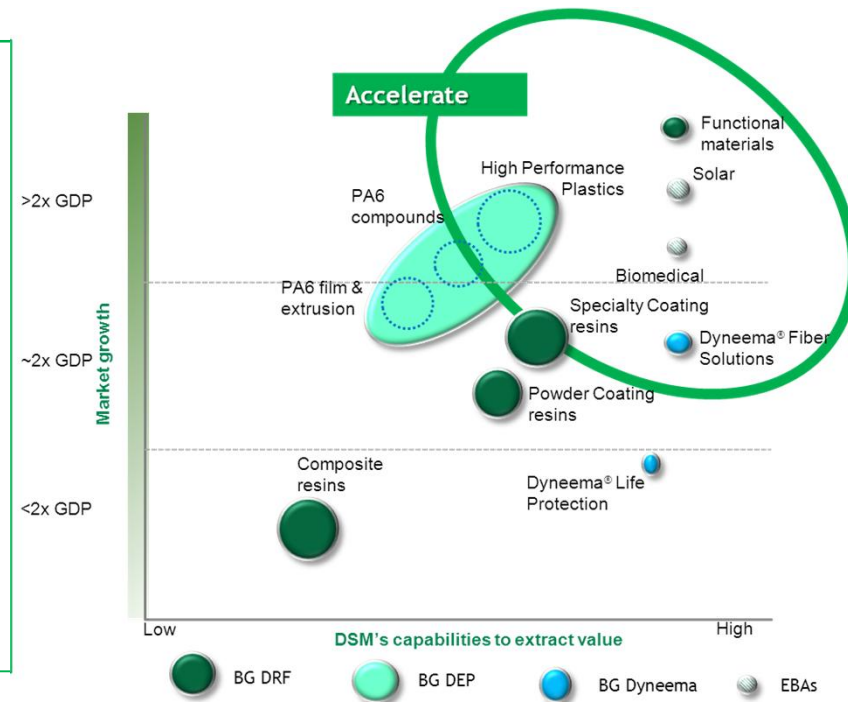


Megatrends drive differentiated growth strategy



Accelerated growth

- Leverage existing infrastructure of main Performance Materials activities:
 - Fully capture the opportunities offered by global megatrends
- Focus on fast sales growth:
 - Development of new - mostly - bio-based materials
 - Development of new applications
- Look into selective acquisitions/ partnerships



Maximize capabilities to capture profitable growth

Innovative materials set for accelerated growth

High Performance Plastics

- Lightweight solutions, friction reduction, LED
- Opportunity for bio-based materials
- More consumption of processed foods
- End-markets like electronics & automotive grow more strongly in Asia/Latam



Functional Materials

- Rapid growth globally in connectivity infrastructure
- More comfort, safety and luxury leads to more individualized products
- Waste reduction via new production processes (such as additive manufacturing/3D printing)



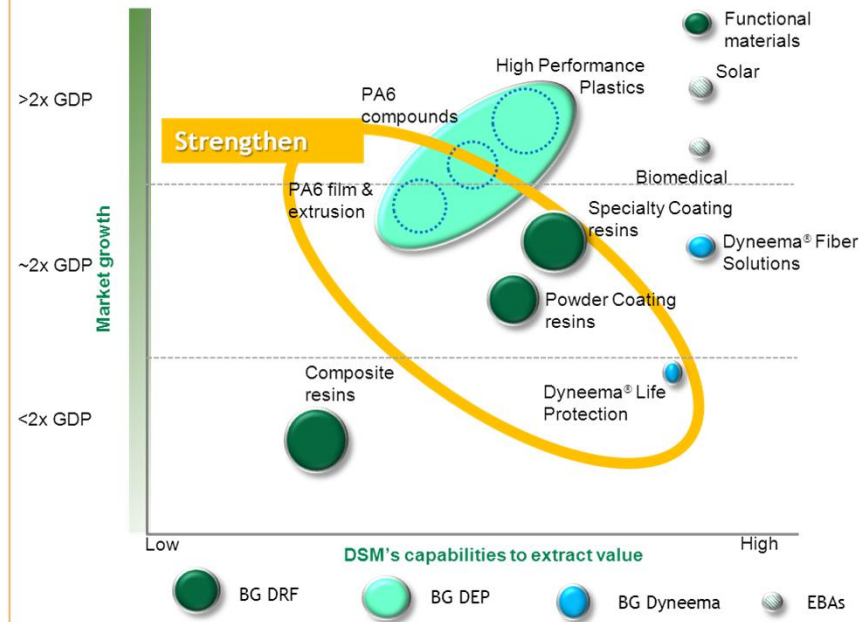
Dyneema® Fiber Solutions

- Fiber solutions for various industrial applications (mooring, building & construction, transport) offering increased safety and protection
- High performance textile solutions for leisure, sport and travel applications



Strengthen value creation via sales & margin growth

- Realize strong sales growth:
 - Leverage presence in HGE, rising middle class
 - Innovate to capture opportunities in the substitution cycle (more sustainable materials)
 - Launch new applications
 - Make selected and focused investments
- Combine sales growth with margin optimization programs and cost management

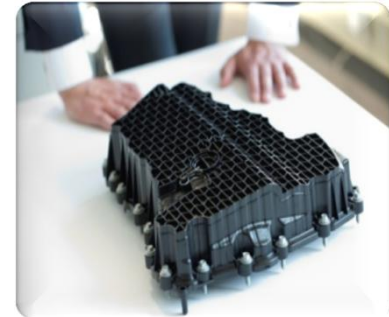


 Strengthen Performance

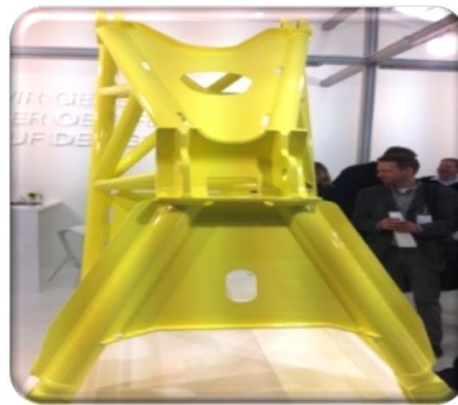
New materials drive substitution cycle

New materials with a better sustainability profile offer opportunities to grow market share in existing markets and applications

- In the Automotive end-market, Polyamide use shows growth rates above 10% CAGR. Growth of polyamides in cars is driven by further weight and friction reduction, engine downsizing and higher temperatures under-the-hood
- DSM Coating Resins' shift in portfolio over the years: a clear shift from solvent-borne technology to sustainable solvent-free products/low emission resins



Sales growth driven by new applications



Margin optimization & cost management

"Summit" program in DSM Engineering Plastics

- Cost reduction
- Improve operational efficiency, pricing and margin management
- Accelerate the growth of innovative specialty products

"Zero" program in DSM Resins and Functional Materials

- Cut back costs and improve asset optimization
- Margin management program: improving client segmentation, key account management, innovation speed & quality

"Reset" program in DSM Dyneema

- Restructuring and cost reduction
- Improved focus on key market segments and new business opportunities: Accelerated delivery of innovation products

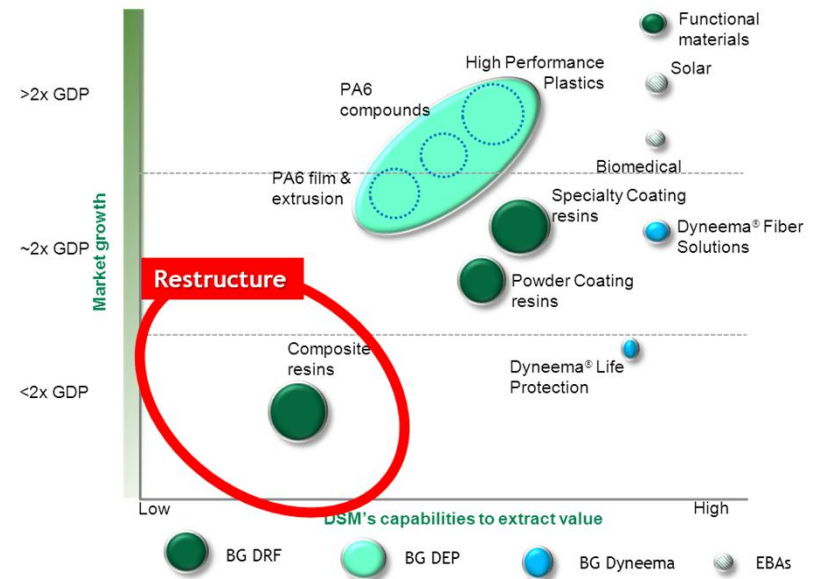
Materials Sciences:
annual savings by 2015
~€110-120m*

* includes DFI

Restructure Composite Resins

Cost reduction and programs to improve results

- Continued absence of underlying recovery in European B&C drives the need to further adjust the footprint
- Review the best way to restructure the business



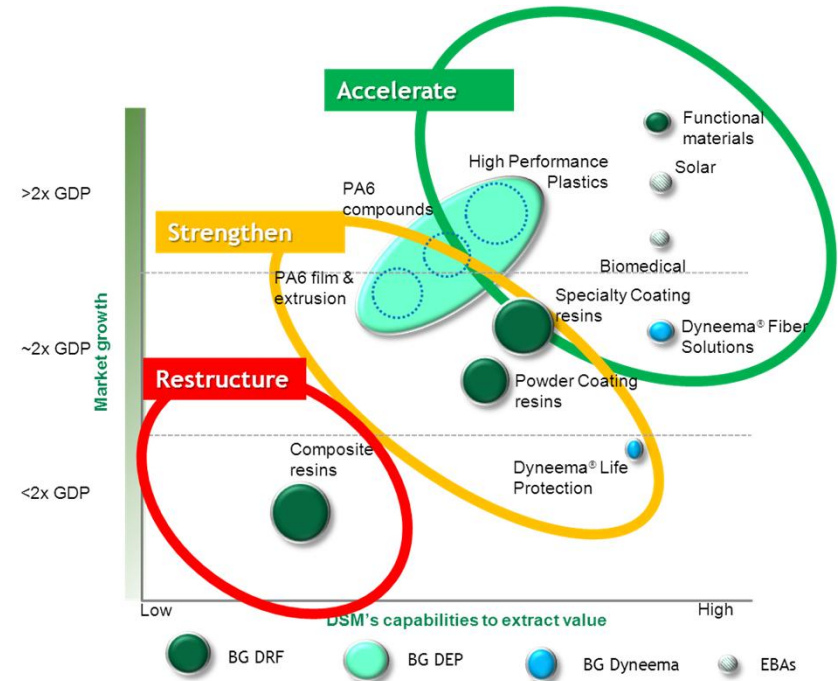
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Upgrade portfolio via differentiated strategy

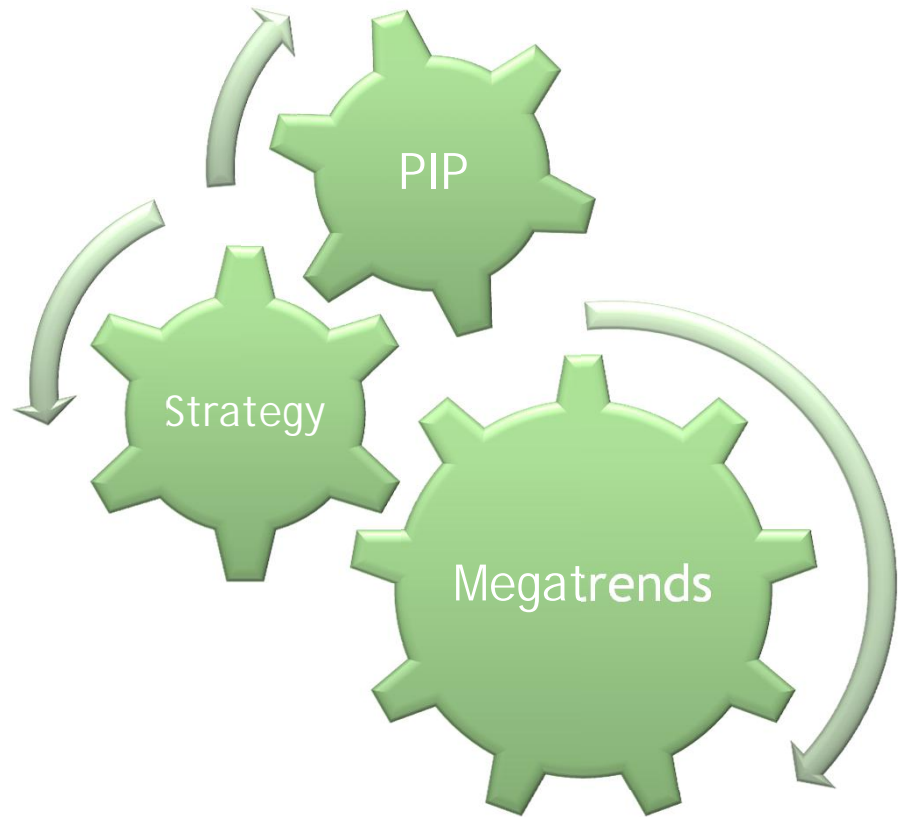
- Accelerate: Accelerate growth in highly innovative markets to fully benefit from megatrends
- Strengthen: Combine sustainable innovation sales growth with margin optimization programs
- Restructure: Composite Resins



Drivers to improve performance

Improve performance by upgrading the portfolio, leveraging 3 drivers:

1. Megatrends
2. Differentiated strategies to capture profitable growth
3. Profit Improvement Program



Targets PM 2015:
Sales growth at double GDP
EBITDA margin 13-15%

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