

## DSM in motion: *driving focused growth*

After a long history of successful transformations, DSM has reached a next phase where it delivers on its mission of creating brighter lives for people today and generations to come, driving focused growth and becoming a truly global company. Embedded in the company's mission is the core value that DSM's activities should contribute to a more sustainable world. This guides how DSM pursues sustainable value creation for all stakeholders on three dimensions simultaneously: People, Planet and Profit.

The businesses that form DSM's new core in Life Sciences and Materials Sciences are built around finding innovative and sustainable solutions to some of the world's most important challenges, based on a clear understanding of the key global societal trends and their consequences for the planet, consumers and societies, which in turn is based upon extensive stakeholder input. See also the chapter on stakeholder engagement from page 36.

The global population is expected to grow from 7 billion now to 9 billion by 2050. In addition, it is aging and becoming increasingly urban and wealthy, leading to increased consumption per capita and a bigger claim on the world's resources. All this comes together in three key global societal trends: a global demographic shift, challenges in the field of climate and energy usage and a growing focus on how to secure health and wellness for all.

### - **Global shifts**

The accelerating shift of wealth from West to East and from North to South is the basis of a whole series of global shifts which are creating a more urban, more connected and more prosperous world – but with huge resource and cultural challenges as a result.

### - **Climate change and energy**

The accepted reality that our fossil age is causing considerable change to our climate is driving the search for alternative energy, chemicals and materials sources as well as efforts to reduce resource consumption in a multitude of ways as the world will enter an era of resource scarcity.

### - **Health and wellness**

The impact of a growing, aging, more urban population is being felt across the world, but in remarkably different ways: the drive to improve well-being and increase life span among the growing middle classes of the high growth economies contrasts with the continuing struggle to effectively feed the populations in less well-off parts of the world.

DSM's focus is on providing its customers with the innovations and sustainable products they need to meet the societal and market demands arising from these trends. By adding to its customers' success, DSM adds to its own success too.

It is DSM's ambition to fully leverage the unique opportunities in Life Sciences and Materials Sciences, using four growth drivers (High Growth Economies, Innovation, Sustainability and Acquisitions & Partnerships) and bringing all four drivers to the next level. At the same time DSM aims to make maximum use of the potential of all four growth drivers to mutually reinforce each other and generate a greater number of compelling business opportunities.

Regional organizations, functional excellence groups and shared services enhance the performance of the business groups, which together operate as One DSM. DSM will capture regional business opportunities and synergies and implement excellence throughout its global organization.

The culture change program that is currently in progress (focusing on external orientation, accountability for performance and inspirational leadership) will be further rolled out with an emphasis on collaboration and speed of execution to support this strategy. All this is based on sustainability as DSM's core value and its true belief in diversity and inclusion, including internationalization.

DSM has set itself ambitious targets for the current strategy period. The company has high aspirations, based on an assessment of the opportunities, particularly in high growth economies, innovation, sustainability, acquisitions and partnerships, and aims at accelerated growth and increased profitability.

For 2013 two profitability targets have been set: an increase in EBITDA to a level of € 1.4-1.6 billion and an increase in Return on Capital Employed (ROCE) to more than 15%. In 2011 EBITDA was € 1,296 million, compared to € 1,128 million in 2010 (excluding IFRS pension adjustment of € 33 million). ROCE in 2011 was 14.0%, compared to 14.6% in 2010.

Strategic and financial targets

<b>Profitability targets 2013</b>	
- EBITDA	€ 1.4 - 1.6 bn
- ROCE	> 15%
<b>Sales targets 2015</b>	
- Organic sales growth	5-7% annually
- China sales	from USD 1.5 bn to > USD 3 bn
- High growth economies sales	from ~32% toward 50% of sales
- Innovation sales	from ~12% to 20% of sales
<b>Aspiration regarding Emerging Business Areas for 2020</b>	
- EBA sales	> € 1 bn

In terms of the sales targets established for this strategy period, DSM comfortably exceeded the organic sales growth target and demonstrated solid growth in sales in China in 2011. DSM saw a growth in sales in high growth economies as a percentage of overall sales to 39% in 2011, bringing the company closer to its announced goal of moving from approximately 32% toward 50% of total net sales. Innovation sales — measured as sales from innovative products and applications introduced in the last five years — reached 18% of total net sales in 2011, close to the company’s 2015 target of approximately 20%.

Further progress was made in the Emerging Business Areas (EBAs). The EBAs are DSM Biomedical, DSM Bio-based Products & Services and DSM Advanced Surfaces.

For the period 2011-2015 capital expenditure can be expected at a level comparable to that in the 'accelerated *Vision 2010*' period (€ 500-550 million per year on average). For the total period, capital expenditure is expected to amount to € 2.5-2.7 billion, of which approximately USD 1 billion in China. In addition, DSM aspires to keep working capital as a percentage of annualized net sales below 19%. At the end of 2011 working capital as a percentage of annualized net sales amounted to 20.2%.

**Sustainability aspirations 2011-2015**

**Dow Jones Sustainability Index**

Top ranking (SAM Gold Class)<sup>1</sup>

**ECO+ (innovation)**

80%+ of pipeline is ECO+<sup>2</sup>

**ECO+ (running business)**

From approximately 34% toward 50%

**Energy efficiency**

20% improvement in 2020, compared to 2008

**Greenhouse-gas emissions**

-25% (absolute) by 2020, compared to 2008

**Employee Engagement Survey**

Toward High Performance Norm<sup>3</sup>

**Diversity and People+**

To be updated in 2011

<sup>1</sup> This means a total score of at least 75% and within 5% of the SAM sector leader  
<sup>2</sup> See page 224 for a definition of ECO+  
<sup>3</sup> The High Performance Norm (79% favorable) is the composite of the top 25% employee responses of the selected external benchmark organizations

In 2010 DSM set a number of ambitious sustainability aspirations for 2015, and in 2011 the company made good progress toward meeting them. The highlights can be found on page 27.

**High Growth Economies: from 'reaching out' to being truly global**

A key element of DSM in motion: *driving focused growth* is for DSM to move from being a European company reaching out to the world to being a truly global company. All the evidence indicates that fast-growing economies such as China, India, Brazil and Russia and other emerging areas will be the major growth engines for the world economy over the next decade. DSM’s market penetration in the high growth economies has increased from just 22% of sales in 2005 to 39% now, the target for 2015 being to move toward 50% of sales. DSM expects over 70% of its growth in the period to 2015 to come from high growth economies.

DSM has a clear focus on China, where the company has set a target to double sales to a level of at least USD 3 billion by 2015. In 2011 DSM made good progress toward this target: China sales increased 23% to USD 2.0 billion. To support this growth DSM intends to invest USD 1 billion in China in this strategy period. DSM will also increase its presence in other markets, doubling or even trebling revenues in India, Latin America and Russia.