
Tinashe Ndoro (left) and Wenjing Fu

Royal DSM Integrated Annual Report 2013

HEALTH · NUTRITION · MATERIALS

DSM

BRIGHT SCIENCE. BRIGHTER LIVING.

Life Sciences and Materials Sciences

DSM, the Life Sciences and Materials Sciences company

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.

DSM uses its Bright Science to create Brighter Living for people today and for generations to come. Based on a deep understanding of key global trends that are driving societies, markets and customers, DSM creates solutions to some of the world's biggest challenges, thus adding to both its own and its customers' success.

DSM believes that its continued success will be driven by its ability to create shared value for all stakeholders, now and in the future. It creates sustainable shared value by innovating in ways that allow its customers to provide better People, Planet and Profit solutions – solutions to the challenges facing society, the environment and end-users. In this way, DSM's customers derive value from being able to offer end-users improved products; society and the planet derive value from the impact of more sustainable, longer-lasting, safer, healthier and more nutritious alternatives; and, as a result, DSM and its shareholders derive value from stronger growth and profitability. Finally, DSM's employees feel engaged and motivated both through the contribution they make to a better world and the success this creates for the company in which they work.

Key data for 2013

Net sales, total DSM (x million) € 9,618	**Operating profit plus depreciation and amortization, total DSM**[1] (x million) € 1,314	**Net profit, total DSM** (x million) € 271	**Capital expenditure, total DSM** (x million) € 793
Net sales, continuing operations (x million) € 9,051	**Operating profit plus depreciation and amortization, continuing operations**[1] (x million) € 1,263	**Net profit, continuing operations**[1] (x million) € 499	**Capital expenditure, continuing operations** (x million) € 752
Cash provided by operating activities, total DSM (x million) € 889	**Core earnings per ordinary share, continuing operations**[2] € 3.19	**Dividend per ordinary share**[3] € 1.65	**ROCE, continuing operations** (in %) 9.7
Workforce (at year-end) 24,349	**Number of nationalities** (at year-end) 83	**Employee engagement - favorable score** (in %) 71	**Frequency Index of recordable injuries** (per 100 DSM employees and contractor employees) 0.38
Greenhouse-gas emissions, total DSM (x million tons) 4.3	**Energy use, total DSM** (in petajoules) 43	**Water use, Total DSM** (in million m^3) 152	**ECO+ solutions as % of running business, total DSM** 45
ECO+ solutions as % of innovation pipeline, total DSM 95	**Innovation sales as % of total sales** 19	**China sales, continuing operations** (x USD million) 1,714	**Sales to High Growth Economies as % of total sales** 39

1 Before exceptional items
2 Before exceptional items and excluding amortization of intangible assets related to purchase accounting
3 Subject to approval by the Annual General Meeting of Shareholders

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Forward-looking statements
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 businesses 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 company's 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 divestments, 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.

Key data

	2013[1]	2012[1]
People		
Workforce at 31 December (headcount)	24,349	23,498
Female/male ratio	26/74	26/74
Total employee benefits costs in € million	1,845	1,761
Frequency Index of recordable injuries (per 100 DSM employees and contractor employees)	0.38	0.44
Employee engagement - favorable score (in %)	71	72
Planet		
Energy use (in petajoules)	43	41
Water use (in million m^3)	152	149
Greenhouse-gas emissions in CO_2 equivalents (x million tons)	4.3	4.2
Emission of volatile organic compounds (x 1000 tons)	5.1	3.5
COD (Chemical Oxygen Demand) discharges (x 1000 tons)	5.4	5.5
ECO+ solutions as % of innovation pipeline[2]	95	80
ECO+ solutions as % of running business	45	43
Profit (in € million, unless otherwise indicated)		
Net sales, continuing operations	9,051	8,588
China sales in USD million, continuing operations	1,714	1,692
Operating profit plus depreciation and amortization, continuing operations (EBITDA)[3]	1,263	1,073
Operating profit, continuing operations (EBIT)[3]	749	651
Net profit attributable to equity holders of Koninklijke DSM N.V.	271	278
Cash provided by operating activities	889	730
Dividend for DSM shareholders	297	263
Capital expenditure	793	715
Net debt	(1,862)	(1,668)
Shareholders' equity	5,908	5,874
Total assets	12,017	11,966
Capital employed, continuing operations	7,864	7,480
Market capitalization at 31 December[4]	10,370	8,307
Per ordinary share in €		
Core earnings, continuing operations	3.19	2.80
Dividend	1.65[5]	1.50
Ratios (%)		
Sales to High Growth Economies / net sales	39	38
Innovation sales / net sales	19	18
EBITDA / net sales (continuing operations)	14.0	12.5
Operating working capital / annualized fourth quarter net sales (continuing operations)	21.1	20.7
ROCE (continuing operations)	9.7	10.1
Gearing (net debt / equity plus net debt)	23.4	21.6
Equity / total assets	50.7	50.5
Cash provided by operating activities / net sales	9.2	8.0

1 Key data presented relate to total DSM (= continuing operations + discontinued operations), unless explicitly stated otherwise
2 For a definition of ECO+ see page 221
3 Before exceptional items
4 Source: Bloomberg
5 Subject to approval by the Annual General Meeting of Shareholders

DSM at a glance

DSM's activities have been grouped into business groups representing coherent product/market combinations. The business group directors report directly to the Managing Board.

For reporting purposes, the activities are grouped into five clusters. In addition, DSM reports on a number of other activities, which have been grouped under Corporate Activities.

Life Sciences

Nutrition

Continued value growth

The Nutrition cluster comprises the business groups DSM Nutritional Products and DSM Food Specialties. They serve the food and beverage, feed, personal care, dietary supplements and pharmaceutical industries. DSM offers the world's widest range of nutritional ingredients, addressing existing markets based on fermentation and chemical synthesis as well as key niches of active compounds derived from plant extracts. DSM has particularly strong positions in vitamins, nutritional lipids (polyunsaturated fatty acids), enzymes, cultures and carotenoids. New nature-identical or natural ingredients as well as the expansion of the premix footprint in high growth economies are important drivers in the areas of human and animal nutrition and health.

Pharma

Leveraging partnerships for growth

The Pharma cluster includes the business group DSM Pharmaceutical Products (DPP), one of the world's leading custom manufacturing organizations to the pharmaceutical industry, biopharmaceutical and crop protection industries, and DSM's 50 percent interest in the DSM Sinochem Pharmaceuticals (DSP) joint venture, the global market leader in beta-lactam anti-infectives. In 2013, DSM announced the formation of a new entity together with JLL Partners, combining DPP and the US-based company Patheon to create a leading global contract development and manufacturing company in which DSM will retain a 49 percent interest. From 2014 onwards DSM will discontinue the use of proportionate consolidation for joint ventures and account for both DPP and DSP in accordance with the equity method.

Materials Sciences

Performance Materials

Growing via sustainable, innovative solutions

The Performance Materials cluster comprises three business groups: DSM Engineering Plastics (a global supplier of high-performance engineering thermoplastic solutions), DSM Dyneema (the global supplier of Dyneema®, the world's strongest fiber™) and DSM Resins & Functional Materials (a global supplier of innovative high-quality resins solutions for paints and coatings, composite materials and optical fiber coatings). End-use markets include automotive, aviation, electrical and electronics, marine, sports and leisure, paint and coatings, and construction. Sustainability is a business driver as well as an innovation driver for this cluster. DSM's materials portfolio is shifting towards a higher value-added mix by introducing innovative, more sustainable solutions, leveraging the megatrend Climate and Energy.

Polymer Intermediates

Strengthening backward integration for DSM Engineering Plastics

The Polymer Intermediates cluster contains the business group DSM Fibre Intermediates (DFI), a producer of caprolactam and acrylonitrile. These products are raw materials for synthetic fibers and plastics. Caprolactam is a key feedstock for DSM Engineering Plastics' polyamide production. Globally, DFI is the largest merchant caprolactam supplier and the third largest merchant acrylonitrile supplier.

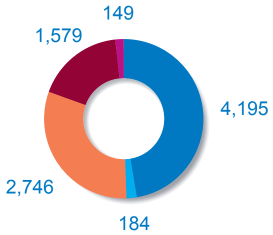
Innovation Center

The Innovation Center is an enabler and accelerator of innovation. It facilitates DSM's strategic transition towards becoming an intrinsically innovative organization. The cluster also includes the three Emerging Business Areas (EBAs), growth engines that focus on new business areas outside the current scope of the company's business groups. DSM Biomedical produces novel materials-based solutions for the medical device and biopharmaceutical industries with coatings, drug delivery platforms and a wide range of biomedical materials for use in implantable medical devices. DSM Bio-based Products & Services creates solutions for bioconversion of feedstocks for the production of bio-energy including cellulosic biofuels as well as bio-based chemicals and materials. DSM Advanced Surfaces provides smart coatings and surface technologies to the solar industry.

Sales per cluster in 2013, continuing operations

net sales in € million

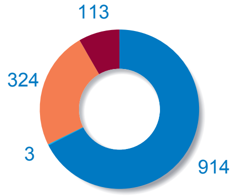
- Nutrition
- Pharma
- Performance Materials
- Polymer Intermediates
- Innovation Center



EBITDA per cluster in 2013, continuing operations

EBITDA in € million
excl. Innovation Center (-€ 17 million)

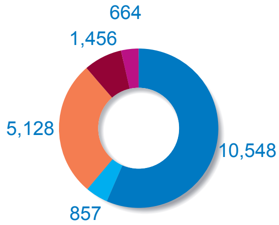
- Nutrition
- Pharma
- Performance Materials
- Polymer Intermediates



Workforce per cluster in 2013, continuing operations

headcount at year-end 2013

- Nutrition
- Pharma
- Performance Materials
- Polymer Intermediates
- Innovation Center



Letter from the Chairman

Dear reader,

The megatrends that shape our world and markets became even more pronounced in the year, while the uncertainty regarding global economic growth persisted. This offers the context for our company to develop and grow our business with the portfolio we have created over the years. We live in extraordinary times; the race to find sustainable solutions to the world's most pressing economic, social and environmental challenges has only intensified.

At DSM our strategy has been to focus on the unmet needs we have identified, and translate them into compelling growth drivers for our business. To this end, we have undertaken a successful transformation of our portfolio in recent years, offering innovative and sustainable solutions, while expanding our global presence. Today, we are uniquely positioned to create value for all stakeholders by contributing to our customers' success in meeting the challenges they increasingly face.

The megatrends that steer our roadmap for growth stem from a globally expanding and aging population, which is increasingly moving to urban areas. The trends we address are broadly divided into three categories: (1) global shifts, which account for the sharp demographic changes and the emergence of a multi-speed global economy; (2) increased attention to climate and energy, which encompasses the world's growing efforts to reduce pollution, achieve a more balanced consumption of resources and energy, and develop new energy forms; and (3) focus on improving health and wellness for all, which refers to the care for people's health, especially through nutrition.

In 2013, we continued to implement our DSM in motion: *driving focused growth* strategy which we launched in 2010 to deliver profitable and sustainable growth by addressing the above-mentioned trends. Although we still have much to achieve, we can say that our strategy has served us well.

In the year, we continued to make good progress against our stated targets in our four business growth drivers: High Growth Economies, Innovation, Sustainability, and Acquisitions & Partnerships. These drivers remain unchanged for the years ahead, and we have set ourselves new sales and profitability targets for 2015 to measure the success of our approach.

Our Nutrition business clearly increased its profit during the year and has shown its resilience as well. Acquisitions, organic growth and harvesting synergies were the main drivers. In the last quarter(s) of the year the results were negatively influenced by the strong euro. In addition, Nutrition was impacted by weakness in the US dietary supplements market, soft demand in Western food and beverage markets, and price pressures in vitamin E. Despite the exchange rate effects and the current unrelated market headwinds, our Nutrition business remains well positioned to benefit from the structural global megatrends with its unique, broad, integrated and global offering across the value chain. As said, our Pharma business is repositioned in two new ventures and will be deconsolidated as per 2014. Our Performance Materials business performed well over the year in all its businesses. We will continue to upgrade the portfolio in the period ahead to further improve performance. In Polymer Intermediates, we continued to work on options to reduce our exposure to the merchant market for caprolactam, where there is greater volatility.

We are pleased to report that in 2013 DSM delivered significant increases in profitability across all its business clusters, resulting in an EBITDA of € 1,314 million (€ 1,263 million from continuing operations), an 18 percent increase over 2012. We achieved this against a backdrop of challenging macro-economic conditions and adverse currency movements, especially in the fourth quarter of 2013. Growth remained stubbornly low in Europe, while the modest recovery in the US continued and economic activity in Asia remained at a relatively good level.

Our expansion into High Growth Economies (HGEs) has made us a truly global company, with almost 40 percent of our sales originating from high growth economies, a proportion that will continue to rise in the years ahead. At the same time, we have increased our physical presence in these areas, with many of our global business group headquarters and R&D facilities located there.

While HGEs experienced a slowdown in the second half of 2013 compared to previous periods, they will continue to be the primary engines of global growth in the years ahead and an investment focus area for DSM via its products and businesses.

In Innovation we are underway to deliver on our 20 percent innovation sales target for 2015. Innovation sales, which are sales of products and solutions brought to the market within the last five years, will strongly contribute to our growth in years ahead. They also enjoy significantly higher than average EBITDA margins, contributing not only to our sales growth but also to the quality of our profitability. We have a balanced approach between incremental and process innovations on the one hand, and more radical innovations on the other. We are also focusing more on local applications developed in our regional innovation centers around the world.

We have also continued to invest heavily in our Emerging Business Areas (EBAs), three important growth areas that tap into attractive and fast-growing end markets. In DSM Biomedical, we are making good progress with our product portfolio and have completed the integration of Kensey Nash. In DSM Bio-based Products & Services, we are demonstrating technologies through strategic investments and partnerships, such as the POET-DSM cellulosic bio-ethanol plant in Emmetsburg (Iowa, USA), which has begun to explore its licensing activities as we plan to become the leader in bioconversion technologies, capitalizing on our knowledge and capabilities in industrial biotechnology, for example in enzymes and yeast. In DSM Advanced Surfaces we have increased our production capacity of anti-reflective solutions for the fast growing solar panels market, resulting in good growth rates.

Sustainability continues to be an important business driver in addition to being our core value and responsibility. Our ECO+ solutions, which provide customers with clear ecological benefits over more conventional products, are growing faster and more profitably than non-ECO+ sales. They now account for 45 percent of all DSM sales and over 90 percent of our innovation pipeline. In the year, we also began developing a comparable People+ strategy for those products that improve the lives of people. With the People+ program, we make the people element of People, Planet and Profit more tangible, transparent and comparable, as we have done for planet with ECO+.

Over the recent years we have made significant progress in the development of our portfolio through Acquisitions & Partnerships. Our acquisition of Fortitech at the end of 2012 has strengthened our Human Nutrition & Health business, and once again expanded our value chain presence. This is in addition to earlier value creating acquisitions including Martek, Ocean Nutrition Canada, the enzymes business of Verenium and the Enzymes and Cultures activities of Cargill. In April, we concluded our acquisition of Tortuga, the Brazilian market leader in organic chelates and other feed ingredients, which has boosted DSM's position in one of the world's leading ruminant markets. These steps have been decisive in establishing DSM as a global leader in the field of human and animal nutrition.

In November 2013, we announced our much anticipated strategic partnership for DSM Pharmaceutical Products with Patheon via a joint ownership with the private equity firm JLL Partners to enable this Pharma business to accelerate growth and create a global top Contract Development and Manufacturing Organization (CDMO). This combination is consistent with our strategy to maximize value for this business as a standalone company and represents another major step in the strategic transformation of our Pharma activities. After completion of the partnership we will have put both our Pharma businesses in joint ventures, following the joint venture we established with Sinochem in the area of antibiotics in 2011.

Having concluded the transformation of our portfolio, our focus in the coming years will be on realizing its full potential through operational performance and harvesting important synergy benefits. This work is already well underway and will continue in 2014. Consequently, major acquisitions are not expected for the coming year.

The almost €3 billion we have spent on acquisitions since 2010 has allowed us to create and strengthen our portfolio to a large degree in North America but also in the high growth economies, balancing our global presence and increasing our resilience. Today we are stronger and more stable, with more sustainable growth and profitability. Overall the performance of the acquired companies was clearly satisfactory.

In addition to the delivery of synergies from acquisitions, our success has also been due to our ongoing Profit Improvement Program (PIP). This initiative has continued to optimize functional and business cost infrastructures across our company.

An equally important part of our organizational transformation has been the attention to our culture, values, and mission that drive our strategy. These efforts are embodied in the ONE DSM Culture Agenda to optimize our company by developing the culture we require to achieve our strategic ambitions, mirror the world that we operate in, and become a high performance organization. In the year, we continued to roll out the ONE DSM Culture Agenda throughout the organization, at all levels and in all regions. While much more remains to be done, we are encouraged by the progress we have made to date.

In the year, we conducted our sixth worldwide Employee Engagement Survey, achieving a very high response rate of over 85 percent. This survey measures DSM's Employee Engagement Index, the percentage of employees scoring favorably on a combination of four attributes: commitment, pride, advocacy and satisfaction. The index level reached in 2013 was 71 percent (2012: 72 percent). This is higher than the global average benchmark. We can be proud of such a result. We will take the feedback and use this as input for making further improvements in order to become a truly high-performing company.

We also achieved important improvements in the area of Safety and Health. The Frequency Index of Recordable injuries for 2013 was 0.38 (a decrease of 14 percent), which for the second consecutive year is the lowest ever. This means that fewer people were injured in their work for DSM. Our ultimate aim is that DSM be an injury and incident-free working environment.

We have also continued to make steady progress towards our Inclusion & Diversity goals by addressing the geographical distribution of management and other key functions, looking to achieve a representative balance of DSM's leadership group in gender and nationality. The number of women in executive positions increased from 10 percent to 11 percent in 2013, and we saw as well a further growth in the number of non-European executives.

We are very proud that in 2013 we were once again named among the leaders in the Dow Jones Sustainability World Index. We are also proud that during 2013 we won several prestigious awards and received a great deal of recognition for our achievements regarding our integrated Triple P approach. We continue to further develop our integrated reporting based on the guidelines of the Global Reporting Initiative. Once again this integrated annual report, our fourth, merits the GRI A+ rating, representing a high level of transparency. We stay committed to aligning our strategy and operations with the principles of the United Nations Global Compact.

I would like to thank all those who have helped to make 2013 another successful year for DSM. I would like to take this opportunity to show my sincere appreciation and gratitude to Nico Gerardu, our valued Board member for 7 years who retired on 1 September 2013, and Claudio Sonder, who retired from our Supervisory Board in May 2013.

As we look ahead, we are confident to further build on the strategic progress we have made so far contributing amongst others to a further improvement of our profitability. Our Nutrition business will continue to grow and we will take steps to further broaden and deepen our position, becoming ever closer to customers and to end users. In Performance Materials, our aim is to accelerate in markets where we have strong positions and restructure those parts where we are weaker. In both cases, our emphasis will be on operational improvements, organic growth, innovations, sustainability and high growth economies.

Our mission at DSM is to create brighter lives for people today and for generations to come by connecting our unique competences in Life Sciences and Materials Sciences. This is a collective endeavor that would not be possible without the enormous talent and dedication of our employees around the world and the continued support and trust of our customers, our shareholders and other stakeholders for which we are grateful. I look forward to reporting further progress as we continue to create value for all our stakeholders.

Feike Sijbesma
CEO/Chairman of the Managing Board

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Report by the Managing Board

DSM in motion: *driving focused growth*

In 2013, DSM completed the third year of its successful strategy DSM in motion: *driving focused growth*, which it launched in 2010 to become a global leader in health, nutrition and materials. The strategy has provided the necessary framework to drive sustainable and profitable growth in the company's core activities, following the profound transformation of its portfolio of businesses in the preceding years.

The transformation of DSM has been strengthened by its determined effort to cultivate organic growth, while tapping the synergy potential of acquisitions and partnerships. These actions have been supported by cultural and structural integration efforts that have made it a truly global company. Today, the company enjoys greater resilience in the face of macro-economic movements, and higher quality and stability in its earnings.

DSM is uniquely positioned to deliver on its mission of creating brighter lives for people today and for generations to come. At the heart of this mission is the core value of sustainability, a fundamental business driver that defines DSM's position in the market and determines its ability to shape a stable and prosperous future for the benefit of People, Planet and Profit.

Strategic focus

With its focus on Life Sciences and Materials Sciences, and the key growth drivers of High Growth Economies, Innovation, Sustainability and Acquisitions & Partnerships, DSM's strategy is an effective response to the world's most pressing social, environmental and economic challenges.

It is a strategy that has served the company well since 2010, supported by a stakeholder engagement process and a risk and issue assessment that enabled it to determine how it could best help meet the world's most pressing needs.

Many of the world's social, environmental and economic challenges stem from the world's rapidly expanding population, which is expected to reach 9 billion by 2050. Societies are also experiencing fundamental changes in their demographics with people becoming older and increasingly urbanized and wealthy. These trends will put unprecedented pressure on the planet's resources and on the food chain, while also creating new consumption patterns and having an impact on the environment.

These megatrends can be summarized into three distinct categories: Global Shifts, Climate and Energy, and Health and Wellness. Through its innovative and sustainable solutions, DSM is able to address these areas and benefit from the opportunities that are arising from the increased spending that will result on a global scale.

Global Shifts

The accelerating shift of wealth in a multiple-speed global economy is the basis for a series of global shifts that are creating a more urban, more prosperous and more connected world, but one that faces huge resource and cultural challenges as a result.

The DSM Managing Board (from left to right): Rolf-Dieter Schwalb (CFO), Stefan Doboczky, Feike Sijbesma (Chairman/CEO), Stephan Tanda and Dimitri de Vreeze

These changes are influencing where demand comes from, how and where people live, and how they interact with each other. Urbanization and economic prosperity are promoting dietary changes and increased spending on housing, transport, lifestyle and energy. The advent of new technology is also having a major impact on societies and their behavior.

Climate and Energy
The reality of man-made climate change must translate into increased efforts to reduce fossil fuel dependencies and bring down harmful levels of greenhouse-gas emissions. This is accelerating the adoption of renewable energy sources and the use of chemicals and materials that are more sustainable. These actions will help protect the planet's limited resources, as the world enters an era of resource scarcity.

Efficiency is an important part of this focus, as customers look to create more sustainable value chains through higher yields, less waste, lower energy use and less pollution.

Health and Wellness
The impact of a growing, aging, increasingly urban population is becoming visible in remarkably different ways. On the one hand, living standards are steadily rising, and there is a drive to improve well-being and increase life spans. On the other, the daily struggle to effectively nourish populations in the most impoverished areas of the world, especially children below the age of three, continues.

There is an increasing need to address core health issues, whether through nutrition, medicines or lifestyle improvements, especially in high growth economies. In the West, healthcare cost pressures are rising because of aging populations. Nutrition security and access are also growing in importance, and there is a growing demand for safer and healthier solutions.

By providing its customers with the innovations and sustainable products they need to meet the demands arising from these trends, DSM stands to capitalize on these trends for many years to come.

Strategic progress and aspirations

It is DSM's ambition to leverage unique opportunities in Life Sciences and Materials Sciences by using the four growth drivers of High Growth Economies, Innovation, Sustainability and Acquisitions & Partnerships. It aims to maximize the potential of these drivers so they reinforce each other and generate further business opportunities.

The company relies on regional organizations, functional excellence groups and shared services to enhance the performance of its business groups. It has set itself ambitious targets for accelerated growth (above GDP growth levels) and for increased profitability during the current strategy period. These were formulated based on an assessment of opportunities in each of the growth drivers.

Following the rapid expansion of its global portfolio in recent years, the company is now fully focused on operational performance, organic growth and improved profitability. It is also concentrating on regional R&D and innovations for local applications that are better tailored to the needs of customers in its fastest growing markets, and which capture more opportunities and synergies.

Financial targets
Despite the ongoing macro-economic challenges, DSM increased its EBITDA for 2013 to € 1.314 billion, representing a considerable increase of 18 percent over the previous year. In 2013, DSM formulated profitability targets for 2015, including an EBITDA margin of 14-15 percent.

Progress on the target for Return on Capital Employed (ROCE) of more than 15 percent was delayed as a result of the company's accelerated acquisition strategy and the deterioration of global macro-economic conditions. In 2013, ROCE from continuing operations reached 9.7 percent compared to 10.1 percent in 2012.

Sales in High Growth Economies reached 39 percent of total sales in 2013, bringing the company closer to its stated goal of having about 45 percent of total net sales from these markets. Innovation sales, which are measured as sales from products and applications introduced within the last five years, reached 19 percent of total net sales in 2013, putting the company well on track to deliver on its 2015 target of 20 percent.

There has been steady progress in the three Emerging Business Areas (EBAs), DSM Biomedical, DSM Bio-based Products & Services, and the new area of DSM Advanced Surfaces. All three areas provide significant growth potential for DSM. The 2020 target for these areas is € 1 billion in sales with a high EBITDA margin.

Targets and aspirations as updated in September 2013

Financial targets	
Profitability targets 2015	
- EBITDA margin	14%-15%
- ROCE	11%-12%
Sales targets 2015	
- Organic sales growth	5%-7% annually
- China sales	towards USD 3 bn
- High growth economies sales	about 45% of total sales
- Innovation sales	20% of total sales
- ECO+ sales	towards 50% of total sales
Cluster targets 2015	
- Nutrition	EBITDA margin 20%-23% Sales growth GDP +2%
- Performance Materials	EBITDA margin 13%-15% Sales growth at double GDP
Aspiration regarding Emerging Business Areas for 2020	
- EBA sales	> €1 bn
Sustainability aspirations 2011-2015	
Dow Jones Sustainability Index	
Top ranking (SAM Gold Class)[1]	
ECO+ (innovation)	
At least 80% of pipeline is ECO+[2]	
ECO+ (running business)	
From approximately 34% towards 50%	
Energy efficiency	
20% improvement in 2020, compared to 2008	
Greenhouse-gas emissions	
25% reduction (absolute) by 2020, compared to 2008	
Employee Engagement Survey	
Towards High Performance Norm[3]	
Diversity [4]	
Increase percentage of women in executive positions	
Increase percentage of BRIC+ nationals in executive positions	
People+[4]	
DSM People LCA	People+ framework defined

1 This means a total score within 1% of the SAM sector leader.
2 See page 221 for a definition of ECO+.
3 The High Performance Norm (80% favorable) is the composite of the top 25% employee responses of the selected external benchmark organizations.
4 See also the chapter People in 2013 on page 43

Sustainability aspirations

DSM is on track with its sustainability aspirations, which are central to its strategy. In 2013, DSM's ECO+ solutions as a percentage of running business reached 45 percent (46 percent after deconsolidation of DSM Pharmaceutical Products (DPP)), which is a considerable increase compared to the approximately 34 percent in 2010.

ECO+ solutions accounted for approximately 95 percent of the innovation pipeline (97 percent after deconsolidation of DPP), well on track for the 2015 aspiration of at least 80 percent. In 2013 about 90 percent of ECO+ innovation launches were supported by comparative LCAs.

Data from the business groups DSM Engineering Plastics and DSM Resins & Functional Materials show that ECO+ sales have grown by around 10 percent each year since 2010, while non-ECO+ sales have slightly declined. Moreover, ECO+ sales have higher margins compared to non-ECO+ sales in both Materials Sciences and Life Sciences businesses.

In 2013, DSM once again featured among the chemical industry leaders in the Dow Jones Sustainability World Index (SAM Silver Class status). DSM improved its ranking and returned to SAM Gold Class status for 2014.

From an operational standpoint, good progress has been made in terms of energy efficiency, which DSM is aiming to improve by 20 percent by 2020 compared to 2008 levels. Between 2008 and 2013, energy efficiency improved by 13 percent.

The company is also committed to a 25 percent reduction in greenhouse-gas emissions by 2020 compared to 2008. Total emissions in 2013 came to 4.3 million tons of CO_2 equivalents, a 1 percent increase compared to 2008. However, on a like-for-like basis the total greenhouse-gas emissions of DSM decreased by 19% when comparing 2013 with 2008.

The sixth worldwide Employee Engagement Survey took place in the year to measure engagement levels for the DSM Employee Engagement Index. This Index determines how employees score on a combination of the following attributes: commitment, pride, advocacy and satisfaction. In 2013, the Employee Engagement Index was measured at 71 percent (2012: 72), which is above the global standard of 69 percent. The score keeps DSM within a 9 percentage point range of the external benchmark of high performing companies (scoring 80 percent favorable), which DSM aims to be part of.

DSM's People+ strategy is to deliver products with a measurable positive impact on people. In 2013, considerable progress was made towards this aim. Through the People+ program DSM engaged with suppliers and customers in a number of joint projects.

Organization and culture

In support of its global integration efforts, DSM continued to implement its ONE DSM Culture Agenda in 2013. This agenda is based around the themes of External Orientation, Accountability for Performance (and learning), Collaboration with Speed, and Inclusion & Diversity, and aims to develop the culture and organization the company requires to fulfill its strategic ambitions. The ONE DSM Culture Agenda introduction week took place in the first quarter and was followed by four 'theme weeks' in the second half of the year. These events were attended by thousands of employees. In December, a week-long event entitled Glass Half Full Week allowed employees to review the year, focusing on the many positives and on lessons learned.

The cultural and organizational identity was further supported through the new corporate brand that DSM introduced in 2011. This brand has become a symbol of the company's transition in recent years and demonstrates to stakeholders how the company has evolved. During 2013, the global roll-out of the brand was successfully completed.

Within DSM, the business groups are the primary building blocks of the organization with their focus on customers and markets. Infrastructure and capabilities are provided by the regional organizations which also support local innovation in select countries and represent DSM to external stakeholders.

These efforts are supported and optimized by shared services, which provide efficient, high quality services in designated areas, and functional excellence groups that offer functional expertise and implementation capabilities. Corporate staff departments are responsible for supporting the Managing Board in running the company.

In 2013, the regional organizations were given a stronger mandate to support R&D and innovation with local applications, bringing DSM closer to its key markets and customers. There is clear board level accountability for regional performance.

Growth Driver: High Growth Economies

From 'reaching out' to becoming truly global

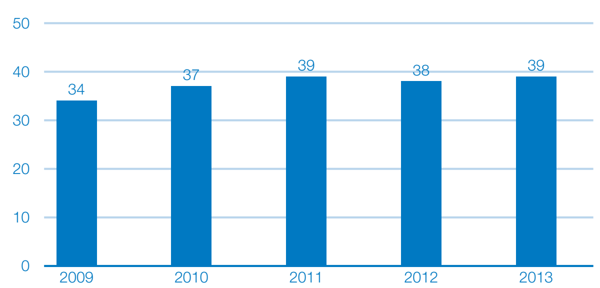
A key element of the DSM in motion: *driving focused growth* strategy has been for DSM to broaden its international presence to capture greater megatrend opportunities in high growth economies such as Brazil, Russia, India and China. Although no longer growing at historical highs, these countries continue to be the main growth engines for the world economy, with rapidly expanding urban populations and increasing domestic consumption.

The share of sales in high growth economies as a portion of DSM's total sales has increased significantly in recent years, and accounted for around 39 percent in 2013. It is DSM's aim to increase this share to about 45 percent by 2015. So far, these economies have accounted for around 60 percent of DSM's organic growth since the launch of the strategy.

The transition to becoming a truly global company has been marked by a shift of DSM's operations (including four global business group headquarters, and Innovation and R&D centers) from Europe into other regions. Today more than 30 percent of DSM employees live and work in high growth economies.

With a structure of country presidents in China, India, Russia and Latin America, as well as in Japan and North America, DSM is also facilitating regional decision making and strengthening local R&D. Regional innovation centers have been established in India and China, while at Managing Board level, clear accountability has been established for regional growth.

Sales in high growth economies
as % of total sales

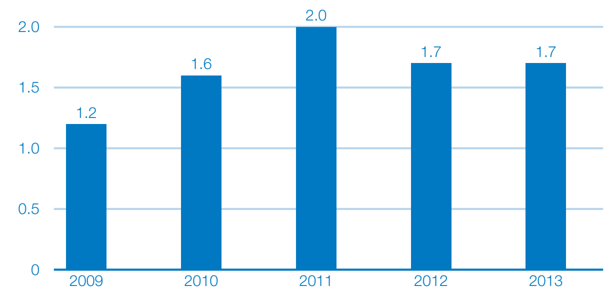


China

China has continued to be an important strategic investment focus area, as DSM establishes promising opportunities for growth in the years ahead. In 2013, DSM Nanjing Chemical Company doubled its capacity for caprolactam, with a new facility that will begin commercial production in early 2014. It also began construction on a new state-of-the-art animal nutrition R&D center near Beijing that will significantly contribute to the nation's food safety program for swine and poultry. The 29 percent stake acquired in Yantai Andre Pectin Co. Ltd, the producer of texturing ingredients, was another important step towards harvesting opportunities from this megatrend.

Sales in China continued to represent an important contribution to DSM's total sales in high growth economies. The company has stated its ambition to increase sales in China towards USD 3 billion by 2015, and it continues to invest there. In 2013, DSM's sales in China remained stable at USD 1.7 billion, although they were still affected by lower prices for caprolactam in the Polymer Intermediates cluster.

China sales
in billion USD



Latin America

DSM has also grown in other high growth economies, mostly through acquisitions and partnerships. It seeks to double or even triple sales in Latin America, India and Russia, where domestic consumption has become the biggest contributor to growth.

In Brazil, DSM finalized its acquisition of Tortuga, a leading company in nutritional supplements with a focus on pasture raised beef and dairy cattle, which has doubled DSM's workforce in Latin America to approximately 2,000 people. In human nutrition in Brazil, DSM expanded its forward integration capabilities for customers including packaging and branding and plans are underway for a new innovation center in 2015.

DSM's presence in Latin America was also strengthened through the acquisition in late 2012 of Fortitech, which generates about 16 percent of its revenues in Latin America and 13 percent in Asia. Similarly, the 2012 acquisition of Ocean Nutrition Canada, which has a production site in Peru, in addition to Canada and the United States, has further expanded DSM's presence there.

Sustainability

In 2013 DSM set up its Latin America Sustainability Forum. This internal sustainability committee consists of representatives from DSM companies in Latin America. They meet quarterly to discuss the latest developments and initiatives in the areas of People, Planet and Profit in the world and how these affect their region and their business.

DSM India has defined a sustainability roadmap with specific focus areas and these are being driven by an India Sustainability platform comprised of the different business groups led by the DSM India president. DSM India has defined six areas to positively impact via sustainability initiatives: energy efficiency, supply chain, water, innovation, marketing and sales, and external stakeholder engagement.

As part of the strengthening of the regional organizations, DSM established a regional China Sustainability Committee in 2012, which helps to create more awareness of sustainability as a business driver at DSM China.

Biogas

Biogas derived from anaerobic fermentation of biodegradable materials such as biomass, manure or sewage and green waste can be used to generate electricity and heat. In India DSM has invested in a biogas plant in the province of Punjab. The year 2013 was the second year of association between DSM and the Punjab Energy Development Agency, an organization that promotes renewable energy in Punjab. The plant generates 7,000 to 10,000 m^3 of biogas a day from 235 tons of cow waste. The biogas is converted into electricity (1 MW) and fed into the state electricity grid. In 2013 DSM signed a special Memorandum of Understanding with the Punjab government for collaborative actions in the bio-energy space.

With the demand for energy increasing around the world, DSM strives for alternative energy solutions. In 2013 the DSM Engineering Plastics site in Pune (India) entered into an agreement with a local wind energy producer that will supply 25 percent of the plant's total energy need via wind power.

In Pune DSM produces compounds of polyesters and polyamides and has established a strong track record of highly efficient water management systems. Thanks to increased process water recycling and rigorous monitoring of potential water leakages, the operation's water footprint was reduced by two-thirds in 2013 in comparison to 2012.

China Triple P Supplier project

DSM initiated the China Triple P Supplier Engagement and Development project in July 2013, in partnership with Solidaridad and Manpower. The aim of the project is to use the People, Planet and Profit angle to engage suppliers to create a more sustainable supply chain. A related goal is that suppliers in China who sign on to the project start to apply the same approach to their own supply base and set up their own sustainability programs. See also Sustainability Program on page 35.

Great Place to Work® award in Brazil

In 2013 DSM's Tortuga was recognized as one of the best companies to work for in Brazil. The Great Place to Work® award is a prize recognized all over the world with international and regional dimensions. The Great Place to Work Institute partners with many of the most successful and innovative businesses around the world to create, study, and recognize great workplaces. In Brazil, Epoca Magazine does research into and awards the most trustworthy companies.

Sustentar

In 2013 DSM Brazil participated in a large regional event on sustainability: Sustentar 2013. With an agenda consisting of 22 simultaneous events, 240 speakers and 6,000 participants, Sustentar is the largest event about sustainability in Latin America. It is renowned for bringing together specialists and executives, leaders and national and international authorities. Its scope is promoting substantial improvements of social and environmental issues.

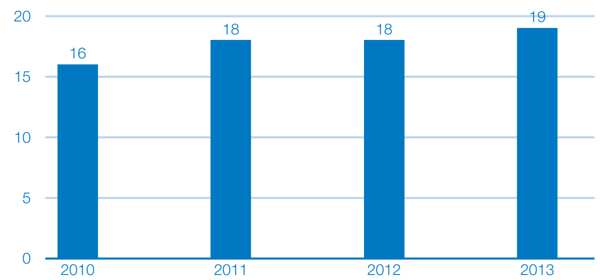
Growth Driver: Innovation

From building the machine to doubling the output

At DSM, innovation aims to turn 'Bright Science' into 'Brighter Living'. It goes beyond having great ideas, state-of-the-art technology and high-tech laboratories. It is about discovering and integrating the best, the most sustainable, and commercially viable solutions, in order to meet market needs and create profitable growth and future value.

DSM creates innovative solutions that nourish, protect and improve performance, by combining its unique competences in Life Sciences and Materials Sciences. In doing so, it delivers on its mission of creating brighter lives for people today and for generations to come.

Innovation sales
as % of total sales



By 2015, DSM wants innovative products and solutions to account for 20 percent of its total sales. The company is well on track to deliver on this ambition. Innovation sales are defined as sales of products and applications that have been introduced over the last five years. In 2013, these products and services accounted for 19 percent of total sales and strongly contributed to DSM's sales and EBITDA growth with gross margins over 5 percent higher than the average of the running business.

DSM aims to foster and sustain its innovative practices on an ongoing basis. A benchmark of innovation processes developed with McKinsey that compared DSM's innovation practices to those of its peers during the 2006-2012 period showed that the company has consistently increased its innovation score. It now ranks in McKinsey's Top Quartile benchmark for best innovation practices within its peer group. Looking to 2014 and 2015, DSM will further intensify its innovation and R&D activities and seek to generate more opportunities for open innovation, especially radical innovations that offer higher returns and will come to represent around one quarter of its total innovation efforts.

R&D expenditure (including associated IP expenditure), continuing operations

x € million	**2013**	2012
Nutrition	209	202
Pharma	6	4
Performance Materials	132	131
Polymer Intermediates	17	18
Innovation Center	80	61
Corporate Activities	26	22
Total	**470**	**438**
Total as % of net sales	5.2	5.1
Staff employed in R&D activities	2,256	2,392

Governance

DSM has established best practices in innovation and manages its major innovation activities at a platform level. The platforms are chosen within specific areas, such as food and nutrition security, health, sustainable manufacturing and energy security.

This structure provides the basis for an effective management of company-wide competence building programs in Research and Development that is directed by the team of the Chief Technology Officer. It also guides the exploratory activities for DSM's Business Incubator.

The platform-based approach to innovation aims to develop larger initiatives. It also enables the company to improve coordination between the various competences, projects and business development activities, and give its efforts greater focus.

Within the Innovation Center, DSM's Emerging Business Areas (EBAs) are instrumental in turning innovations into major businesses. The current EBAs are DSM Biomedical, DSM Bio-based Products & Services and DSM Advanced Surfaces. The EBAs provide exciting growth platforms within the Innovation Center that focus on new business areas outside the scope of the company's business groups. DSM aspires to achieve EBA sales of up to € 1 billion by 2020. In 2013, combined EBA sales reached € 148 million.

Research and Development (R&D) is instrumental to the realization of DSM's innovation strategy, and most of the expenditure in this area is directed toward business-focused programs. DSM also has a Corporate Research Program that helps build and strengthen technological competences within the company to execute development projects.

Key technological competence areas are Materials Sciences, Nutritional Sciences, Process Technology, Biotechnology, Chemistry & Catalysis, Materials Chemistry and Analysis & Characterization. These form the scientific basis for the overarching innovation platforms.

Collaboration

The DSM science network is globally spread and consists of approximately 2,250 internal scientists who cooperate extensively with external R&D institutions. Academic collaboration efforts are normally specific and bilateral, while DSM is also active in broader public-private partnerships that increase its scientific scope.

The Dutch Polymer Institute (DPI) is an example of a public-private partnership. Founded in 1997, this partnership is between polymer producing and processing industries and knowledge institutes involved in polymer research. A new partnership that was shaped in 2013 is the Bio-based Industries Consortium, a public-private partnership between European industries, scientific institutes and the EU.

Patents

DSM filed more than 400 patents in 2013 (2012: 319).

Value creation through best practices

In 2013 DSM continued its Excellence in Innovation program. This program aims to optimize DSM's innovation infrastructure by working to improve key innovation behaviors, including leadership and teamwork skills, in order to secure an even more favorable innovation culture at DSM. The company will continue the Excellence in Innovation program in order to maintain its leading position as an innovator (as indicated by its top ranking in the McKinsey innovation diagnostic assessment) and to improve its capabilities.

Licensing

The company approaches licensing as an effective way of creating shared value with partners. The company's center of excellence for creating value from intellectual property (IP) assists the business groups and EBAs with the initiation and management of collaboration that is based on IP (patents, trademarks and know-how).

Licensing is a fundamental aspect of the EBA business models, helping to enhance their value proposition and increasing the speed with which products can be brought to the market.

Open Innovation

An essential element of DSM's approach to innovation is Open Innovation, which seeks to combine internal and external ideas and capabilities. By combining its own capabilities with the vast pool of ideas, know-how and expertise that are available outside the company, DSM is better able to develop and discover solutions.

DSM is keen to continuously improve the quality of its Open Innovation practices and the licensing of its know-how and expertise is one example of how this is driving new business models. The company aims to accelerate its venturing and partnering activities, not only in its key business areas but also in technology, so that it can broaden and further strengthen its technological competence base. Also see DSM Venturing on page 107 of this report.

DSM Bright Science Awards

As part of its commitment to promoting pioneering research that leads to products or solutions that help enhance people's quality of life, DSM has put in place the Bright Science Awards program. The program recognizes the achievements of DSM scientists as well as those working outside the company that have demonstrated excellence in innovative research. The program is an integral part of the company's open innovation approach.

The DSM Science & Technology Awards recognize outstanding, innovative PhD research. In 2013, DSM granted Science & Technology Awards in three regions: Europe, the Americas and Asia.

In April, Stijn van de Vyver from the Katholieke Universiteit Leuven (Belgium), received the Science and Technology Award Europe for his PhD research entitled 'Rethinking the design of heterogeneous catalysts for the conversion of cellulose'. In May, the Science and Technology Award Asia was handed to Li Songtao from the Harbin Medical University (China). He received the award for his PhD research entitled 'The effect of calcium supplementation on the endogenous cholesterol metabolism in estrogen deficiency'. In September, the Science and Technology Award Americas was won by Christopher M. Bates from the University of Texas in Austin (USA) with his PhD research on block copolymer thin film orientation.

Each year, DSM also grants a major award to an established scientist who has made a significant, peer-acknowledged contribution to the advancement of science. This award alternates between Nutritional Sciences and Materials Sciences. In 2013, DSM granted a Nutritional Sciences Award for research in human nutrition to Professor Maret G. Traber, Director, Oxidative & Nitrative Stress Laboratory, Linus Pauling Institute, College of Public Health and Human Sciences in Corvallis (Oregon, USA). Professor Traber received the distinction for her lifetime commitment and scientific achievements in the field of vitamin E research.

Growth Driver: Sustainability

From responsibility to a strong business driver

At the heart of DSM's mission is the core value of sustainability and a commitment to helping to create a more sustainable world. As part of its 2010-2015 strategy DSM in motion: *driving focused growth*, the company has taken sustainability to the next level. In addition to fulfilling its own responsibilities toward society, DSM has successfully developed sustainability as a strategic growth driver. DSM believes that achieving sustainability means pursuing activities that create value in the areas of People, Planet and Profit. They must meet the needs of the present generation, without compromising the ability of future generations to meet their own needs.

By 2050 the world's population will reach an estimated 9 billion people, which will place an unprecedented pressure on societies to develop innovative solutions to meet their needs, while protecting the planet's environment and its natural resources. Over this hangs the cloud of climate change, which is already having huge consequences. Scientific consensus is that the world faces the risk of even more severe floods and droughts. In order to avoid economic, human and ecological damage the world needs to keep global warming under two degrees Celsius compared to the pre-industrial level. The global society also needs to address food and water security, for it is unacceptable that 2 billion people are malnourished.

The growing impact of business activities must lead to an increased responsibility to contribute to the real, higher goal of the economy – to serve society. The primary goal for business should be to create societal, ecological and economic value. For DSM, sustainability is a key differentiator and a value driver in its markets. The company is uniquely positioned to capitalize on the many opportunities that this presents across the value chain. As an integral part of the company's operations, strategic actions and decisions, sustainability guides the activities of its global business groups. These are charged with continuously developing innovative science-based products and solutions that contribute to a brighter future for people, while helping to increase the company's profitability.
See Review of business in 2013 on page 74 to page 109.

ECO+

ECO+ is DSM's program for the development of sustainable, innovative products and solutions with ecological benefits. Products qualify as ECO+ when their environmental impact is better compared with competing mainstream products fulfilling the same function. When considered over their entire life cycle, ECO+ solutions offer superior performance and a lower eco-footprint. The ecological benefits can be created at any stage of the product life cycle, from the raw materials through to manufacturing and potential re-use and end-of-life disposal. DSM uses comparative Life Cycle Assessments to determine whether a solution should be considered ECO+.

Sustainability aspirations 2011-2015	Realization 2013
Dow Jones Sustainability Index	
Top ranking (SAM Gold Class)	SAM Silver Class[1]
ECO+ (innovation)	
At least 80% of pipeline is ECO+[2]	95%
ECO+ (running business)	
From approximately 34% towards 50%	45%
Energy efficiency	
20% improvement in 2020, compared to 2008	13% improvement
Greenhouse-gas emissions	
25% reduction (absolute) by 2020, compared to 2008	1% increase[4]
Employee Engagement Survey	
Towards High Performance Norm[3]	71% favorable
Diversity [5]	
Women in executive positions	11%
BRIC+ nationals in executive positions	10%
People+[5]	
DSM People LCA	Draft framework in place

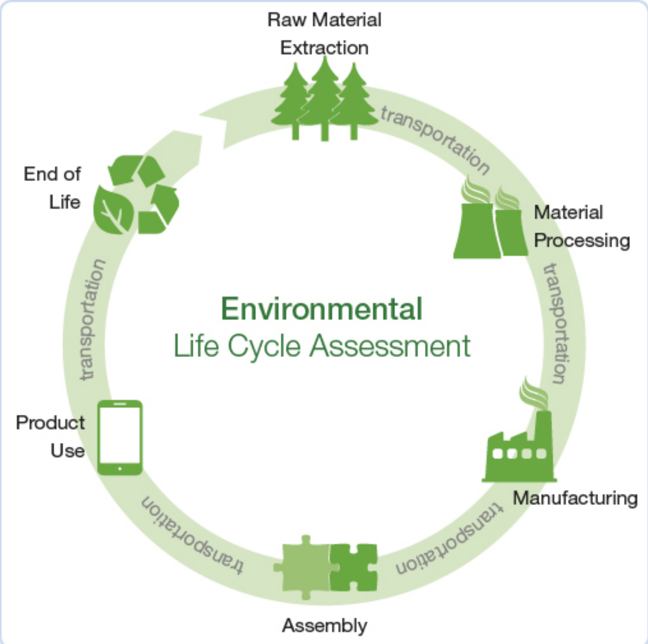
1 DSM returned to Gold Class for 2014
2 See page 221 for a definition of ECO+
3 The High Performance Norm (80% favorable) is the composite of the top 25% employee responses of the selected external benchmark organizations
4 On a like-for-like basis the total greenhouse-gas emissions of DSM decreased by 19% when comparing 2013 with 2008
5 See People+ and Inclusion & Diversity in the chapter People in 2013 on page 43

It is DSM's ambition that at least 80 percent of its innovation pipeline be comprised of ECO+ solutions by 2015, and that they generate approximately 50 percent of total net sales. At the end of 2013, the innovation pipeline contained 95 percent ECO+ solutions (97 percent after deconsolidation of DSM Pharmaceutical Products (DPP)). ECO+ solutions as a percentage of running business increased to 45 percent in 2013 (46 percent after deconsolidation of DPP). DSM is on its way towards the 50 percent aspiration for 2015. In 2013 about 90 percent of ECO+ innovation launches were supported by comparative LCAs.

ECO+ solutions can be found across all of DSM's business groups with many more under development. For example, in

Animal Nutrition, a product under development reduces methane emissions from livestock, one of the world's largest contributors to greenhouse-gas emissions responsible for climate change.

DSM is also investing in solutions for renewable energy. In 2010 the DSM Innovation Center developed KhepriCoat™ anti-reflective glass coating. It is applied on the cover glass of solar modules and strongly reduces the reflection of sunlight. The result is an increase in the energy output of these modules of up to 4 percent. In 2013 KhepriCoat™ was subjected to a comparative life cycle assessment and was added to the portfolio of ECO+ products. The fast growing market for solar energy has increased the need for additional coating supply. In April DSM opened a new manufacturing plant for KhepriCoat™ at the Chemelot site in Sittard-Geleen (Netherlands).



Data from the business groups DSM Engineering Plastics and DSM Resins & Functional Materials show that ECO+ sales have grown by around 10 percent each year since 2010, while non-ECO+ sales have slightly declined. Moreover, ECO+ sales have higher margins compared to non-ECO+ sales in both Materials Sciences and Life Sciences businesses. A comprehensive description of the ECO+ program can be found in the 'Planet in 2013' chapter on page 56 of this report.

People+

People+ is DSM's sustainability program to develop solutions that measurably improve the lives of consumers, employees and communities across the value chains. With People+, in combination with ECO+, DSM makes its mission 'Bright Science, Brighter Living' more tangible. People+ offers new perspectives beneficial for new product development, value propositions and customer engagement. In the absence of a ready to use methodology to assess the impact of products on people's lives, DSM started to develop a new methodology in consultation with stakeholders in 2011. The methodology that has been developed to define and quantify the impact that DSM solutions have on people, the DSM People Life Cycle Assessment (LCA) tool, was further road tested and improved in 2013 in close connection with different stakeholders. DSM actively strives to create a harmonized and broadly accepted methodology, with the Products Social Metrics Roundtable (PSMR) with participants from a variety of industries and the World Business Council for Sustainable Development (WBCSD). PSMR consists of close industry partners of DSM.

The DSM People LCA tool enables the business groups to identify new levers for innovation, develop value propositions, and engage with partners in the value chain, by concentrating on the impact that DSM products have on the lives of people involved in making and using the product. This tool is now an incentive for innovation and research and development across the company.

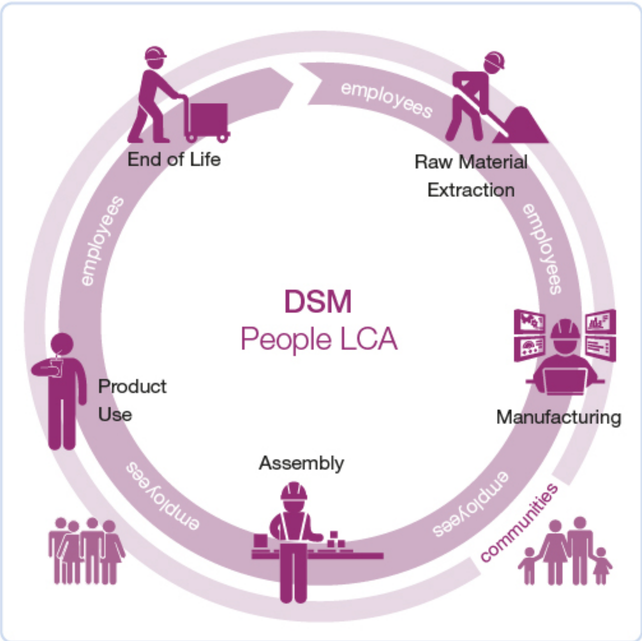
For example, DSM's waterborne resins for paints reduce the health risks for professionals and do-it-yourself painters, in comparison with solvent-based paints on the market. By a continued focus on replacing less sustainable technologies and enlarging the applications for which waterborne resins can be applied, DSM continues to push the boundaries in this area in order to improve end-users' health and well-being without compromising on functionality and performance. A comprehensive description of the People+ program can be found in the 'People in 2013' chapter on page 43 of this report.

Social entrepreneurship

For DSM, social entrepreneurship means finding solutions to major societal challenges by encouraging entrepreneurialism and innovation through new business models and partnerships. Besides profits, DSM generates social value by playing an important role in fighting malnutrition and hidden hunger. In this complex world where billions are still undernourished, DSM believes companies, governments, academia, NGOs and international institutions must work together in finding innovative solutions and scaling up production.

The Nutrition Improvement Program (NIP) aspires to make DSM the partner of choice in the global fight against hidden hunger. To this end, the company offers nutritious, safe and affordable solutions and sustainable business models tailored to the needs of local communities in the developing world, with a special focus on women and children. This initiative is underway in Latin America, Africa and Asia where it is aimed at the most disadvantaged sectors of society.

In 2013 NIP focused on developing new sustainable and inclusive business models. One example is the cooperation with Mercy Corps to expand and improve Indonesia's healthy food cart program KeBAL. Together with Rabobank Foundation, NIP is growing KeBAL to transform it into a viable franchise concept of affordable and more nutritious meals for children of low-income households in Jakarta. The business will be scalable for replication in other parts of Indonesia and across the world.



Environmental entrepreneurship

As a result of its various stakeholder engagements, DSM has developed a broad understanding of societal needs in relation to environmental challenges. It is well positioned to develop products that help grow its business in the long term and address immediate sustainable needs.

In 2013, DSM joined the Circular Economy 100 (CE100) platform, an initiative of the Ellen McArthur Foundation. A circular economy is an economic system in which resources in the value cycle can be used and re-used again and again. This requires a different way of thinking compared to linear value chains, since resource, production and waste management are integral parts in the design. Through engagement and cooperation with the other participating companies, DSM is committed to building momentum for a circular economy and actively contributing, in partnership, to the design of a more sustainable future. DSM believes CE100 is the right platform to scale up the circular economy as a real alternative to existing economic models. DSM's diverse knowledge of materials and compounds offers valuable insights into the sector for the conversion and capitalization of agricultural and other organic waste, the development of materials free of hazardous substances, and the promotion of the use of recycling technologies.

One example of environmental entrepreneurship and a move forward to a circular economy is the foundation of Reverdia. Reverdia is a joint venture of DSM and Roquette Frères and has been set up for the production, commercialization and market development of Biosuccinium™ sustainable succinic acid. Biosuccinium™ is one of the new bio-based building blocks of the last decade. It allows customers in the chemical industry to choose a bio-based alternative with a lower eco-footprint for a broad range of applications, from packaging to footwear. At the end of 2012 Reverdia began operations in Cassano Spinola (Italy) in a plant which has a capacity of about 10,000 tons per year.

Sustainability in manufacturing

In DSM's manufacturing organization, sustainability is embedded in Functional Excellence programs and expert networks for maintaining and improving specific competences. Functional Excellence programs help make DSM's pooled manufacturing expertise available wherever and whenever it is needed throughout the global organization. Competence networks have been set up to develop shared solutions to DSM-wide issues. The programs and networks help DSM achieve its objectives in the areas of People, Planet and Profit.

Sustainability in supply chains

Together with its suppliers, DSM works to create value in the areas of People, Planet and Profit simultaneously. In the People area, this means actively pursuing better working conditions and a safe and healthy working environment for DSM's own and supplier and customer employees, as well as promoting local community development and education across the world as part of the People+ program. In the Planet area, it means creating products which, compared to alternative products in the market, perform at least as well but have a lower eco-footprint as part of the ECO+ program. In the Profit area it means conducting business in an ethical and fair way and providing products that are not just carbon, energy and cost efficient but also of a high quality and added value.
See also: Sustainable value chains (3) and Suppliers on page 35.

Growth Driver: Acquisitions & Partnerships

From portfolio transformation to growth

Accelerating growth through acquisitions and partnerships is a fundamental element of the DSM in motion: *driving focused growth* strategy announced in 2010. Since the beginning of the strategy period, DSM has successfully invested some €2.85 billion in new businesses, primarily in Nutrition, and radically transformed its portfolio. It has also completed a number of partnerships that have met the company's strict criteria.

The company is now poised to capture the opportunities in the global megatrends it has identified in its main markets. While it remains mindful of new opportunities in the years ahead, it is focusing its efforts on integrating its latest acquisitions to enhance their operational performance and realize the full synergy potential in terms of growth and profitability.

All acquisitions and partnerships are based on stringent strategic and financial criteria. The screening process begins with an initial selection based on strategic fit, which results in a shortlist to which DSM applies financial criteria. A key consideration is that the business or partner must add or improve a leadership position and create value for DSM in terms of technological and/or market competences.

The key financial criteria for acquisitions are:

- Acquisitions should enable DSM to remain within the boundaries defined for maintaining its Single A credit rating.
- They should contribute to cash earnings per share from the beginning.
- They should contribute to earnings per share from year two.
- They should support DSM's other financial targets.

In the exceptional case that a uniquely attractive acquisition opportunity arises that would put pressure on financial metrics, DSM may consider a temporary deviation from its credit metrics that is commensurate with its ratings objectives. DSM considers its Single A rating to be the optimum way of ensuring the company enjoys sufficient financial and strategic flexibility. Therefore, after completing such an acquisition, DSM would seek to manage its balance sheet and underlying financials to realign ratios with Single A ratings within a short period of time.

In 2013, DSM was involved in partnerships that serve clear strategic objectives, in addition to regular contract arrangements with suppliers and customers. These business partnerships sometimes involve long-term supply agreements and are material to DSM's business performance.

New acquisitions and partnerships in 2013

In November 2013, DSM announced its much-anticipated strategic partnership for DSM Pharmaceutical Products via a joint venture with private equity firm JLL Partners via their majority-owned business Patheon. The combination will enable this Pharma business to accelerate growth and create a top global contract development and manufacturing organization. This is consistent with DSM's strategy to maximize value for this business as a standalone company and represents another major step in the strategic transformation of the company's Pharma activities.

Acquisitions since 2010

Company	Business group / EBA	Enterprise value in € m	Year
Martek	DSM Nutritional Products	790	2011
Ocean Nutrition Canada	DSM Nutritional Products	420	2012
Cultures and Enzymes business of Cargill	DSM Food Specialties	85	2012
Fortitech	DSM Nutritional Products	495	2012
Kensey Nash	DSM Biomedical	275	2012
Tortuga	DSM Nutritional Products	465	2013
Unitech	DSM Nutritional Products	35	2013
Other acquisitions		285	
Total enterprise value		approx. 2,850	

Value creation via Acquisitions & Partnerships since 2010

Acquisitions & Partnerships	Leadership	Market Position	Geographic Ambition	Innovation/ Technology
Microbia			●	●
Martek	●	●	●	●
DSM Sinochem Pharmaceuticals	●	●	●	●
Vitatene		●		●
Premix plants		●	●	
AGI Taiwan	●	●	●	●
KuibyshevAzot		●	●	
Shandong ICD		●	●	
C5 Yeast Company	●	●		●
POET-DSM Advanced Biofuels	●	●	●	●
Kensey Nash	●	●	●	●
Verenium assets			●	●
Ocean Nutrition Canada	●	●	●	●
Tortuga	●	●	●	
Enzymes and Cultures business of Cargill	●	●	●	●
Fortitech	●	●	●	●
Unitech	●	●	●	●
Andre Pectin		●	●	●
SolarExcel				●
DSM Pharmaceutical Products joint venture[1]	●	●		

●Life Sciences ●Materials Sciences ●Emerging Business Areas

[1] Expected to close in first half of 2014

Andre Pectin

DSM has acquired a 29 percent stake in this China-based manufacturer of apple and citrus pectin, a key food hydrocolloid providing texture, as well as pectin related food products. Andre Pectin is the only significant pectin manufacturer in Asia with premier access to the world's fastest growing specialty food ingredients market. DSM's investment in Andre Pectin synergistically combines with the previously acquired gellan gum assets based in China and creates a China-based hydrocolloids growth platform, in line with DSM's Continued Value Growth strategy for the Nutrition cluster.

Animal health premix businesses in Philippines and China

DSM acquired Bayer's animal health premix business for feed mills in the Philippines. DSM also acquired Bayer's China custom and standard vitamin premix business in Chengdu (China). Both acquisitions further strengthen DSM's position as a leader in vitamin premixes. In China, DSM's animal nutrition business currently operates five vitamin blending facilities.

Unitech

DSM acquired Unitech Industries Limited (Unitech), a New Zealand-based producer of nutritional products for both human and animal markets. Unitech mainly focuses on the manufacture and sale of micronutrient premixes and macronutrient blends for the rapidly growing Asian human nutrition and health markets. It is also active in the animal nutrition and health markets including premixes for pet food. This acquisition fits in the strategy for DSM's Nutrition cluster as Unitech adds to DSM's already strong geographic footprint and value chain presence.

SolarExcel

DSM acquired Netherlands-based SolarExcel, which has developed a proprietary light trapping technology that can significantly increase the efficiency of solar panels. With the acquisition, DSM expanded its growing portfolio of solar energy enabling technologies. The company will be integrated into DSM Advanced Surfaces, part of the DSM Innovation Center. DSM Advanced Surfaces was established in 2010 to build a portfolio of technologies to enable and improve the capture of solar energy.

Tortuga

DSM finalized its acquisition of Tortuga Companhia Zootécnica Agrária (Tortuga), a privately held Brazilian company with a leadership position in nutritional supplements with a focus on pasture-raised beef and dairy cattle. The company is headquartered in São Paulo (Brazil) with approximately 1,050 employees. Tortuga has three production sites in Brazil.

Stakeholder engagement

DSM seeks to address some of the world's most pressing social, environmental and economic challenges by offering highly innovative and sustainable solutions. By reaching out to all its stakeholders – customers, investors, employees, partners and public and private organizations – DSM engages in an ongoing dialogue to exchange thoughts and views. Stakeholder consultations help to deepen the company's insights into the drivers of its business and the needs of society across different regions in the world. By working together, DSM and its stakeholders can create shared value and contribute to a more sustainable world.

In its more than 100 years of existence DSM has always been able to transform itself in response to societal changes, and its focus has always been on innovation and the long-term perspective, in response to stakeholder needs. Without innovation there can be no fundamental shift towards sustainability. That is why for DSM innovation is an essential starting point for a sustainable business model.

Materiality

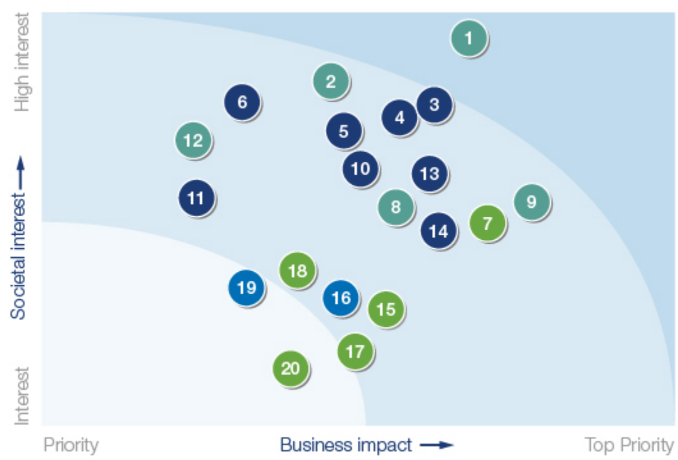
Beyond the economic wealth they help create, major corporations have a responsibility to serve society. To do so, companies must focus their efforts on material issues that have a direct or indirect impact on their ability to create or preserve economic, environmental and societal value for stakeholders and society at large.

In 2012, DSM mapped its material issues according to their relevance to society and their impact on the company. The matrix plots the societal interests/concerns against the impact these issues have on DSM and indicates the level of influence the company can have on an issue through its operations, products and solutions.

DSM's first materiality matrix was published in its Integrated Annual Report 2012. In 2013 this matrix was updated through new research and a stakeholder consultation process. Twenty issues emerged as being material to the company from a sustainability perspective. The twenty issues were positioned in this materiality matrix using an external and internal ranking process, DSM's corporate risk and issue assessment, feedback from stakeholders and opinion leaders, and a media scan.

The twenty issues have been clustered into four categories: **Societal shifts**, **Eco limits**, **Business enablers** and **Trust and accountability**. They are described below by category (the number in brackets after each issue indicates its ranking in the matrix).

Materiality matrix



Societal Shifts

1 Health and wellness
2 Hidden hunger
8 Food safety
9 High growth economies
12 Human rights

Business Enablers

7 Open innovation
15 Careers and employment
17 Advocacy
18 Social media
20 Trade barriers

Eco Limits

3 Sustainable value chains
4 Bio-based and circular economy
5 Climate change
6 Water management
10 Resource constraints
11 Biodiversity
13 Renewable energy and greenhouse-gas emissions
14 Sustainable animal protein

Trust & Accountability

16 GMMs and bioethics
19 Tax

Societal shifts

Growing populations, aging societies, increased urbanization, growing middle classes, and the 'rise of the rest' are important shifts leading to new societal needs in terms of nutrition, health, and safety, as well as a heightened focus on human rights.

Health and wellness (1)

Health and wellness is seen as an area of opportunity for DSM, with stakeholders consistently listing it as a high priority topic. Some stakeholders have highlighted aging as a driver for growth, as an older but still healthy population would be in need of more high quality solutions that increase comfort and well-being.

Health and wellness can be increased by better nutrition and tasty food, a better environment and good healthcare solutions. DSM is active in all these areas. Improving health and well-being is for example an important driver for DSM's biomedical business. DSM Biomedical's mission is to be the leading development partner, trusted by the medical industry to shape the future of biomaterials and regenerative medical devices that improve and brighten patients' lives throughout the world. It produces materials for medical devices and it also manufactures medical devices on behalf of its customers.

Hidden hunger (2)

Stakeholder engagement in 2013 showed that hidden hunger and malnutrition remain high on the priority list. One third of the world's people, the majority of them in developing countries, either do not have access to or cannot afford a nutritious and healthy diet. Even a diet that provides sufficient calories may be lacking important micronutrients (vitamins and minerals) – this is what is called hidden hunger. Over time, hidden hunger has a devastating impact, not only on the health and productivity of individuals but also on the social and economic development of countries. There is plentiful evidence that improving nutrition in developing countries is fundamental to breaking the cycle of poverty.

DSM contributes to solving the problem of malnutrition by developing new products and combining technical and scientific expertise with high-nutritional products to add much needed micronutrients to the food baskets of organizations focused on combating malnutrition and hidden hunger. DSM's research and development on food fortification have created new nutritious products such as micronutrient powders and fortified rice.

Food safety (8)

In 2013 different regions in the world were confronted with food scandals. DSM stakeholders worldwide expressed their concern about food safety. As a leading food ingredients supplier, DSM considers it its duty to address concerns about issues related to food safety and quality. The company helps to develop programs together with various public and private stakeholders. DSM's Quality for Life™ seal is an example of such a program. The seal reflects its commitment to create safer, fully traceable, reliable and sustainable business processes and products. It incorporates DSM's commitment to the environment and society, extending beyond products and services. Quality for Life™ symbolizes DSM's pledge to uphold ethical values in relationships with customers, employees and other stakeholders.

High growth economies (9)

Stakeholders indicated the importance for DSM to extend its activities in high growth economies. A key element of the strategy DSM in motion: *driving focused growth* is to broaden DSM's international presence to capture greater megatrend opportunities in fast-growing economies such as Brazil, Russia, India and China, also known as the BRIC countries.

DSM focuses on sustainable economic development creating a positive impact on the lives of people and the environment in high growth and emerging economies. Both DSM China and DSM India have sustainability committees and locally developed programs which help to create awareness of sustainability as a business growth driver. The sustainability committee of DSM China reports quarterly about its sustainability progress. The committee from DSM India has defined a sustainability roadmap with specific focus areas such as water and energy efficiency. In 2013 DSM Latin America installed its Sustainability Forum. The forum consists of senior executives from the regional DSM businesses, who will meet quarterly. See also Growth Driver High Growth Economies on page 16.

Human rights (12)

DSM is committed to supporting the Universal Declaration of Human Rights of the United Nations and commits to the UN Framework and Guiding Principles on Business and Human Rights. DSM follows United Nations guidance on embargoed and sanctioned countries and adheres to national and international legislation where relevant. The company blocks customers and vendors from embargoed countries in its bookkeeping systems to ensure that no transactions can be made with blacklisted companies.

DSM has been a signatory to the United Nations Global Compact since 2007. The company remains committed to aligning its operations and strategy with the principles of the UN Global Compact for human rights, labor, environment and anti-corruption. By doing so, DSM helps ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. The company fully supports the UN Global Compact's principles and continues to integrate them further into its business. For example, DSM will refrain from any form of corruption, including active or passive bribery and extortion, even if it loses business as a consequence. See Table Principles of the UN Global Compact on page 42.

Eco limits

The societal trends outlined previously and the continued impact of climate change put further pressure on the limited natural resources (such as water, fossil fuels, land and biodiversity). New business models and supply chain approaches to production and consumption are required.

Sustainable value chains (3)
Sustainability is at the heart of all DSM's operations. However, each DSM business is just one link in a large value chain. DSM believes that true sustainability can only occur when all parts of the value chain work together towards the same goals. DSM works hard to make this a reality through continuous improvements and it engages in a continuous dialogue with suppliers, customers, NGOs and industry peers that seek to increase the sustainability of the various value chains the company operates in. With sustainability as a core value, DSM is committed to continuously improving the eco-footprint of its own operations and the eco-footprint of the entire value chains in which the company operates. As part of this commitment, the company (1) requires its suppliers to meet DSM's sustainability standards and to minimize their eco-footprint, and (2) focuses on providing solutions that enable all downstream players, from customers to end-users, to improve their eco-footprint as well.

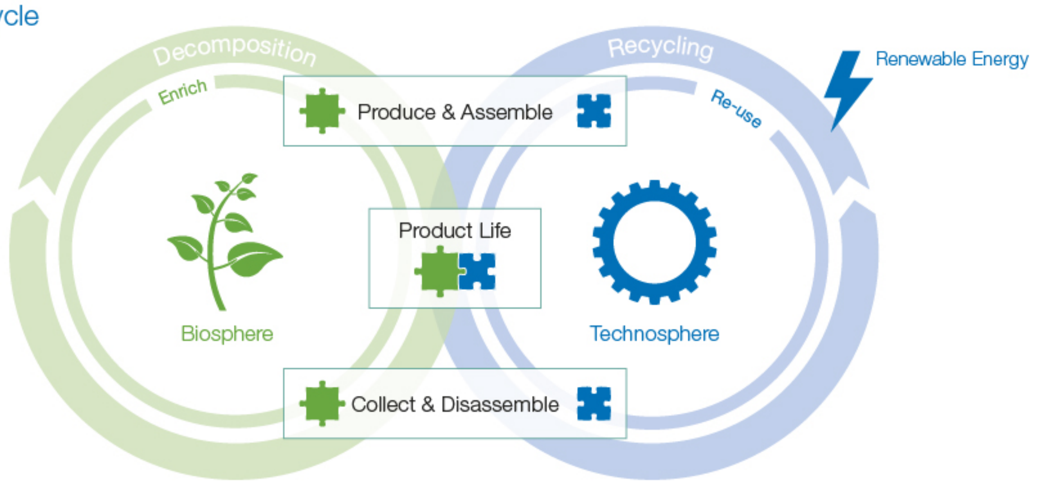
BrewersClarex™ is an example of a DSM product that decreases the eco-footprint of customers. It simplifies and shortens the beer stabilization process while enabling breweries to reduce their overall CO_2 footprint by between 5 and 8 percent. This equates to a potential energy cost saving of € 100,000 per million hectoliters.

In 2013 a group of young DSM professionals explored the possible monetization of sustainability. With their project they built on DSM's sustainability program ECO+ and carried out a pilot on DSM Resins & Functional Materials products to find the 'true' cost and price of producing resins for the paint industry. 'True' cost means attaching a monetary value to environmental impacts, such as energy and water usage. The team also interviewed stakeholders to understand the value of sustainability for DSM's customers and end-users. They developed a roadmap for 2014 and beyond, for how DSM can start to use monetization for decision-making and communications. See DSM's Supplier Sustainability Program on page 35.

Bio-based and circular economy (4) and resource constraints (10)
Significant steps are being taken around the world to move to a sustainable economy and decrease the world's dependency on finite resources and address climate change concerns. DSM believes that the transition to a circular economy can make an important contribution to those objectives. A circular economy is an economic system in which resources in the value cycle can be used and re-used again and again. This requires new business models – for example a model where companies remain the owner of the products – and a different way of thinking compared to linear value chains: resource use, production and end-of-life waste management all need to be taken into account in the product design stage.

The bio-based economy, where production relies on the use of natural inputs, thus ensuring renewability of the raw material, contributes to the development of such a circular economy. Bio-based products, such as biofuels, bio-based materials and bio-based chemicals, will play an increasingly important role in the world's energy, materials and chemicals supply: the world will be 'living off the land' again. In addition, in order to really 'close the loop' and move to a circular economy it will be critical to use safer ingredients. DSM is committed to promoting these developments.

Product Life Cycle



An example of the company's contribution to the development of a circular economy is the partnership of DSM Engineering Plastics with the Ravago Group. This partnership combines DSM's expertise in Akulon® polyamide 6 (PA6) with the recycling know-how of Ravago to develop a portfolio of Akulon® compounds with post-consumer recycle content. These grades are well suited for e.g. automotive and furniture applications. See examples of circular, safer ingredients and bio-based solutions on page 20, page 64 and page 65.

See also DSM's position paper on Sustainable biomass at www.dsm.com.

Climate change (5)

According to the International Energy Agency, the current models are pointing to a long-term average global temperature increase of 3.6 degrees Celsius above the pre-industrial level in the coming decades, which is well above the two degrees Celsius which the United Nations Framework Convention on Climate Change has recognized as the upper limit to avoid devastating and possibly irreversible natural and social consequences. DSM believes there is an urgent need to redesign the planet's energy system from a fossil-based system towards a more renewable energy mix and, at the same time, secure a competitive energy supply. DSM supports efforts to move to a circular economy where goods and services are used, produced and recycled in a sustainable manner. A renewable energy system will form an important part of this. Society's current path, with an expected increase in global energy demand with an accompanying potential high increase in energy-related CO_2 emissions, is unsustainable.

Water management (6)

Many areas in the world are rapidly facing growing water stress: too much, too little or too dirty. Sustainable water management is therefore a must, and both individual and collective action are needed to achieve the Millennium Development Goals for water. DSM aims to achieve sustainable water management by ensuring that its activities have no adverse effect on the availability and quality of ground water and surface water in the regions where it operates. DSM executes water risk assessments at its sites in order to mitigate environmental, societal, operational, regulatory, reputational and financial risks, and promotes similar initiatives across the supply chains in which it operates. DSM's CEO Feike Sijbesma has endorsed the UN Global Compact's CEO Water Mandate, a public-private initiative that helps develop and implement sustainable water practices and policies. DSM also takes part in the water task force of the World Business Council for Sustainable Development (WBCSD).
See also the Water section in Planet in 2013 on page 62 and Partnership with WBCSD on page 37.

Biodiversity (11)

Different stakeholder groups see biodiversity as an area of growing importance. Biodiversity is the term given to the variety of life on earth. The various life forms, and the ecosystems in which they interact with each other and with their non-living environment, significantly impact the world's climate and vice versa. DSM's strategy to mitigate climate change and thus preserve biodiversity, ecosystems and natural capital is first of all aimed at improving the company's own footprint impact (e.g. energy efficiency, reduction of greenhouse-gas emissions, waste and water use). But beyond that, DSM is also looking to address the issue from a broader perspective by measuring and mitigating the impact of all stakeholders involved in the value chains in which DSM operates across the world. Together with three other companies (partners in the Inspirational Program of the Leaders for Nature platform of the International Union for the Conservation of Nature), DSM is working on the design and future development for a biodiversity-friendly business estate. See also the Biodiversity section in Planet in 2013 on page 63 and the position paper on Biodiversity on www.dsm.com

Renewable energy use and greenhouse-gas emissions (13)

In the discussions with stakeholders it became clear that the issue of renewable energy has three dimensions: the company's own consumption of renewable energy, DSM's development of products that lead to a decrease in energy use and greenhouse-gas emissions and its efforts to increase the overall production of renewable energy through advocacy. DSM advocates for consistent, longer-term global governmental policies that enable a worldwide transition towards a more renewable energy mix. Such policies should include (1) target setting at national, regional and global level for renewable energy use; (2) improvement of energy-efficiency and reduction of CO_2 emissions for 2030 and beyond; and (3) stable, fair and controlled CO_2 pricing on which a cap and trading system can be based. The development of new technologies and a right balance between taxes on undesired practices and incentives for desired practices regarding CO_2 emissions and energy use and development should be promoted. Such policies should also stimulate the much needed investments by the private sector in renewable energy. See also DSM's energy perspective and its position paper on sustainable biomass as published on www.dsm.com.

Sustainable animal protein (14)

The world will reach a population of 9 billion by 2050. This population growth, combined with urbanization and growing wealth, is resulting in increasing demand for animal protein, especially in high growth economies. To meet this growing demand, more food must be produced while at the same time constraints on the use of natural resources such as water and soil must be respected.

With its product portfolio of vitamins, minerals, carotenoids, eubiotics and feed enzymes for the global feed industry, DSM is able to provide solutions for all types of species and animal farming systems with a view to making them more resource efficient and mitigating the environmental burden. This includes making more efficient use of feed, providing alternatives to antibiotic growth promoters, improving animal health and welfare with the aid of micronutrients and reducing the environmental impact of animal farming in terms of for example greenhouse-gas emissions, air quality in stables and land use.

Business enablers

Proactive management of both internal engagement with the workforce and external engagement with business partners and other stakeholders (including advocacy with policymakers and government authorities) can be beneficial to business and society.

Open innovation (7)

Innovation is one of the four growth drivers of DSM's business strategy. Innovations are the lifeline for the company as well as for its stakeholders; innovative solutions keep DSM number one with its customers and partners and contribute to the company's profitable growth.

There was a time when it was standard practice for large industrial companies to keep their innovations to themselves in order to maintain their competitive edge. However, this 'closed innovation' model is increasingly giving way to open, collaborative innovation. There are various reasons for this. One is the increased availability and mobility of highly educated people. Companies today are aware that there is a large pool of knowledge available outside their own research laboratories, and that it can be advantageous to tap into this pool. Another reason is the significant growth of venture capital, which offers large companies the opportunity to have their promising ideas and technologies explored by start-ups. A third reason is that other players in the value chain (suppliers, customers) play an increasingly important role in the innovation process. And the fourth reason is that the demands of society are such that companies often have no choice but to work together in meeting them. DSM is well aware of these developments and is working to find the right balance between open and closed innovation. See growth driver Innovation on page 19.

Careers and employment (15)

Attracting, developing and retaining bright talent worldwide is very important for DSM. Finding talented employees is one of the elements of its human resources strategy Passion for People. It is also important to keep these employees engaged and ensure they remain up to the challenges of a complex and volatile world. One of the ways to achieve this is education and training. In 2013 DSM started its sustainable employability program to encourage and enable employees based in the Netherlands to continue to develop throughout their entire career in order to remain employable. In this way DSM ensures that its employees use their talents and strengths to the full and that they work in the job that best suits them or are working towards such a job, so that they make the best possible contribution to the organization.

DSM encourages employees to become actively involved with some of the organizations in its partnership network, in particular with the United Nations World Food Programme (WFP). For example, an employee volunteer program offers DSM employees the opportunity to take on WFP assignments. See also People in 2013 on page 43.

Advocacy (17)

The term advocacy refers to the efforts made by companies, associations or individuals to influence the political decision-making process. It plays an important role in getting important topics on the agenda of (non-)governmental organizations. Malnutrition and stunting are issues where DSM wants to take a leading role in bringing them to the attention of a broader audience. DSM actively engages to build greater awareness about the importance of improved nutrition, which is one of its main businesses in both the developing and the developed world. Through this active advocacy, DSM has emerged as one of the industry leaders in this area, and it is often consulted by United Nations agencies, governments and NGOs.

CFO Rolf-Dieter Schwalb has joined the Chief Financial Officer Leadership Network on behalf of DSM. The CFO Leadership Network was established by Accounting for Sustainability (A4S), an initiative of HRH The Prince of Wales. A4S aims to put sustainability at the heart of business decision making and strategy. The network seeks to embed sustainability within financial decision making and improve the modeling of future risk and uncertainty.

Social media (18)

DSM is actively using social media for stakeholder engagement, reputation management and brand building purposes. The company wants to drive a proactive dialogue and conversation with its stakeholders and wants to increase the number of key stakeholders acting as advocates for the company. With its social media efforts DSM is primarily focusing on customers, governments, NGOs, local communities, its own employees and potential employees. DSM tailors its messages and conversations to stakeholder groups and specific channels. The company is actively involved in a number of social media platforms including DSM channels on Twitter, Facebook, LinkedIn, YouTube, Google+, Flickr and regional platforms including Weibo.

DSM's social media engagement activities build further on creating awareness and understanding of, and generating an active conversation and engagement with, its stakeholders on key societal themes including hidden hunger, the bio-based economy, the role of business in society, sustainable innovation, diversity & inclusion and climate change. DSM actively measures the level of engagement established and steers its actions accordingly.

Trade barriers (20)
In 2013 the role of free trade in encouraging sustainable innovation and development became clear when the European Union imposed tariff barriers on the import of solar cells and panels from China. With a looming solar trade war the importance of a global level playing field became an issue that could have an impact on DSM's solar energy related business.

DSM is pleased that the World Trade Organization accomplished an agreement on trade facilitation at the 9th ministerial conference in Bali in December 2013. The implementation of this agreement will encourage free trade to a large extent, which can help improve the global economy.

Trust and Accountability

Any business must be trusted by its stakeholders in order for it to function effectively. Transparency on company activities around key issues is the only way in which stakeholders can hold businesses to account and is a trend that is likely to grow.

GMMs and bioethics (16)
Biotechnology is a field of applied biology that involves the use of cells and proteins derived from these cells in bioprocesses for a broad range of applications such as pharmaceuticals, food, agricultural products, bio-based chemicals and materials as well as fuels. Genetically modified micro-organisms (GMMs) are organisms whose genetic material has been altered via biotechnological means. A few years ago genetic modification was the subject of a societal debate, DSM's latest consultations with stakeholders show that the debate now focuses on the question what role GMMs can play in nourishing the 9 billion people that will be living on this planet in 2050. New or unfamiliar technologies like genetic modification often raise concerns in society about their possible implications for public health or the environment, or trigger ethical discussions.

DSM is aware that consumer acceptance of new technologies cannot be taken for granted, and therefore makes safety and other concerns a priority. DSM believes in engaging in an open dialogue and debate on benefits and risks with all stakeholders, including the scientific community, industry, NGOs, governments and the general public. DSM adheres to all applicable regulations and legislation and applies the highest standards. DSM is transparent about its practices and uses science-based safety assessments, thus enabling the competent authorities to assess and approve DSM's use of innovative strain development technologies and the resulting genetically modified micro-organisms. DSM believes that biotechnology offers unique solutions to global challenges related to a growing and aging population and the depletion of fossil resources.
For more information see DSM's position paper on Biotechnology on www.dsm.com.

Tax (19)
Fair share tax became a prominent issue in 2013 as some multinational companies came under attack by civil society, the media and politicians because of the way they have minimized their tax contributions. At DSM's Annual General Meeting, the Dutch Association of Investors for Sustainable Development (VBDO) raised the topic of tax policies of multinationals. At the meeting, DSM's CEO Feike Sijbesma explained the company's global tax policy. The stakeholder consultation process shows that taxation is seen as being related to broader issues under the umbrella of ethical financial behavior, including remuneration, transparency, and product prices.
See DSM tax principles on page 110.

Fast changing world

A materiality matrix is like a snapshot: it represents society's interests and concerns at a certain moment in time. DSM's materiality matrix of 2013 represents the material topics and their positioning as seen by the company's stakeholders in 2013. The matrix is based on research and stakeholder engagement. Customers, suppliers, investors, civil society, academia and employees gave their opinion on what DSM should consider as (top) priorities. They also assessed what issues had become less important in 2013 and gave their insight into what they thought would be emerging issues in the coming years. From an initial list of 50 topics, 20 (three more than in 2012) found their way into the materiality matrix because they were considered to be the most pressing ones for the short term. Environmental Labeling, Poverty Alleviation, Disease and Health and Nanotechnology – topics from the 2012 materiality matrix– did not make it into the top 20 and were replaced by Sustainable Animal Protein, Open Innovation, Social Media, Sustainable Value Chains, Tax and Trade Barriers. GMM and bioethics were combined because of their overlap, as were Bio-based economy and Circular economy.

DSM values its stakeholder engagement and open discussions with various parties in society on the various topics related to its business activities and its role in society. If any topics emerge that might become material because of societal, environmental or ecological events or trends, DSM will take these into account and assess their influence on and value for the company.

Stakeholders

DSM is committed to creating value for all stakeholders by fully leveraging the unique opportunities in Life Sciences and Materials Sciences for people today and generations to come. DSM believes that in this ever more complicated world, companies, governments, academia, NGOs and international institutions have to work together to solve the big global issues of today. These issues include the question of how to deal with the big demographic changes in the world, including the rise of new economies and an aging population, but also how to address climate change and the development of alternative energy, and how to secure the health and well-being of all by resolving food and nutrition security and water issues.

Customers

DSM embraces true customer centricity in its focus on excellence in marketing and sales. The company is committed to becoming a part of the top quartile of customer-centric companies and therefore has developed a detailed roadmap to continuously improve its marketing and sales capabilities. To support the movement towards greater customer centricity, DSM is using the Net Promoter Score® (NPS), a customer interaction cycle that has become the lead performance indicator for loyalty and advocacy tracking. A better understanding of what drives customer behavior helps DSM to achieve its goals by securing longer lasting, more profitable relationships and enabling growth. The essence of the NPS methodology is creating a closed loop to continuously improve the customer experience. DSM has developed a tailored NPS program that is used by all its business groups.

In 2014, DSM will focus on enhancing the use of NPS as the lead performance indicator of customer centricity in the organization. An e-learning tool has been developed to train all relevant employees on the basics of NPS. Additional initiatives have also been undertaken to build customer management skills throughout the organization. A new customer management program focused on strengthening strategic relationships was built using internal and external best practices. Furthermore, the capabilities of over 1000 marketing and sales professionals were assessed, resulting in a significant number of tailored development plans.

Employees

DSM's HR strategy is called Passion for People and stands for the vision that the company wants its employees to reach their full potential everywhere in the world. This strategy is also important in supporting DSM's internationalization goal, creating a company that values diversity in all its aspects. The main elements of its human resources approach are recruitment, talent management, leadership development and performance management supported by the implementation of DSM's ONE DSM Culture Agenda and the career management process. The company's performance is linked directly to the health and well-being of its employees. That is why DSM has a single, comprehensive health and safety policy that is consistent around the world. The policy includes Safety, Health and Environment (SHE) training programs and vitality programs that help employees assess their health risks and set personal goals.
See also: People in 2013 on page 43.

Investors

DSM actively engages with investors and financial analysts. It does this by organizing conference calls following the publication of quarterly results and announcements of major transactions such as acquisitions and divestments. In 2013 DSM participated in investor conferences and interacted with investors in roadshows in Europe, North America and Asia. The company also organized a capital markets day with a special focus on updating the markets on its 2015 targets. In 2013 DSM experienced a growing interest from so-called socially responsible investors and traditional investors with a larger interest in companies' environmental, social and governance performance.

All relevant information was made publicly available via publication on the DSM Investor Relations website, ensuring that such information was equally and simultaneously provided and accessible to all interested parties.
See also Information about the DSM share on page 140.

Governments

DSM believes that dialogue between business and government authorities is a constructive part of the legislative decision-making process. An important goal of that dialogue is to create a reliable regulatory framework and favorable conditions for business activities, and thus promoting business success. DSM encourages legislators to promote competitiveness and innovation as DSM and its customers need to be competitive and innovative to stay successful.

DSM is committed to acting with responsibility and transparency when it comes to sharing its expertise with policymakers and government authorities in all markets. The company is for example registered in the European Commission's voluntary register of lobbyists. DSM engages with policymakers worldwide on various topics, including nutrition, energy and industrial biotechnology.

Civil society

Throughout the year DSM engaged with a wider audience to talk about the challenges the world is facing, for example hidden hunger and climate change, and also about the opportunities for sustainable development. DSM met with many non-governmental organizations during the year. Greenpeace launched a campaign in which it expressed its doubts about DSM's attitude towards renewable energy. This campaign led to several meetings between representatives of Greenpeace and DSM and to a revision of Greenpeace's assessment of DSM's renewable energy policy and a better mutual understanding. See also Public-Private Partnerships on page 36.

Suppliers

DSM increasingly takes into account the impact of the value chains in which it is active. This impact reflects the wider impact of DSM's activities both upstream and downstream in the value chains. DSM is looking for suppliers who can support the company in the areas of ECO+ and People+.

Supplier Sustainability Program

DSM's global Supplier Sustainability Program (SSP) has changed in character over the last six years. Originally a compliance driven process focusing on the integration of the Supplier Code of Conduct, self-assessments and audits, it has developed towards integration of the Triple P approach into standard sourcing practices like strategic sourcing and supplier selection and contracting processes.

People+ and Water are new topics that were added in 2013. The SSP proactively focuses on dialogue with DSM's suppliers. The aim is to create shared value with suppliers and focus on true supplier development, in the areas of leveraging capabilities and creating efficiencies and new solutions. In 2013, progress was made on these three areas of the program. It is important to note that supplier requirements differ per business and there is a need to focus on those elements where the greatest benefits can be achieved in terms of sustainable business practices.

Compliance

Building on the work done in previous years, DSM continued with its three step approach:

1. Supplier Code of Conduct
2. Questionnaires
3. Audits

The compliance program targets DSM's 40,000 global suppliers. Special focus is given to 1,200 of these because they (1) are located in countries with high environmental, social and governance risks; (2) supply high volumes; (3) are DSM's single source for a certain product or service; or (4) have a high potential for creating shared value in the areas of innovation and sustainability.

In 2013 changes were made to the compliance program: the Supplier Code of Conduct was updated to include DSM's Life Saving Rules, the questionnaires used in compliance monitoring were moved to a web-based platform hosted by a third party to facilitate information gathering and sharing in DSM's supplier base, and the scope of the audit program was expanded.

The outcomes of self-assessments and audits continue to be input for the improvement programs for suppliers. For example, the Triple P project in China was initiated on the basis of audits carried out over the last two years in China. In 2014, there will be a continued focus on integrating sustainability compliance into the standard Supply Risk Management and Supplier Approval processes as well as in the Strategic Sourcing Methodology and in Contracting.

Audit results / overview of supplier sustainability program

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Supplier solution projects	31

China Triple P project

DSM initiated the China Triple P Supplier Engagement and Development project in July 2013, in partnership with Solidaridad and Manpower. The aim of the project is to use the People, Planet and Profit angle to engage suppliers to create a more sustainable supply chain. The idea is that suppliers in China who sign on to the project will start to apply the same approach to their own supply base and set up their own sustainability programs. In the space of one year, veteran corporate social responsibility, productivity, SHE and HR experts will organize workshops and training courses for the participating suppliers, and offer rounds of in-house technical support to achieve genuine improvements in the areas of People, Planet and Profit. In addition, to measure the potential impact and progress at each plant, an on-site baseline assessment has been carried out and a system has been set up for continuously monitoring improvements.

Intermediate results indicate that the investments made in this project (by DSM and the participating suppliers) have an estimated payback time of six months. The evaluation to be carried out in April 2014 will capture the final value.

In 2014 the project will move to a next stage, based among other things on an evaluation of whether it fits into the context of initiatives that the Dutch government has set up in China.

Supplier Sustainability Program and ECO+

In 2012 and 2013 more than 220 DSM participants, mainly in Purchasing but also in related disciplines, were trained in basic and advanced sustainability topics. As a result, Life Cycle Assessments, supplier solutions and sustainability topics rose high on the agenda of standard supplier meetings in this period. Among other things, this resulted in sustainability initiatives in packaging and logistics as well as carbon footprint reduction initiatives such as the replacement of petrochemical-based raw materials by bio-based ones.

In 2013, 28 supplier projects in the area of ECO+ were executed. The 20 by 2020 project of the Physical Distribution (PD) team deserves a special mention. This project is a continuation of the Green Tender initiative that began in 2012 and focuses on DSM logistics and packaging suppliers. The goal of the project is to steer supplier selection in order to achieve a 20 percent reduction in emissions associated with logistics and packaging. At year-end 2013 the cumulative volume corrected scope 3 reduction compared to 2010, the baseline year, was already 8 percent. The aim is to achieve 10 percent in 2014.

In addition, the PD team is continuously thinking of ways to contribute to supply chain management from a People, Planet and Profit perspective. Many projects reported in the Purchasing Value Tracking System in 2013 contribute to one or more of the three Ps. Another topic that the team worked on is Safety, which is an important requirement at DSM. Safety is included in all Sourcing tenders. The aim is to work towards an aggregated overview of the safety performance of PD suppliers and report this. Such an overview will help DSM to identify potential risks and drive safety to a higher level.

Together with CO_2 reporting, Green Tender continues to act as an enabler to support data collection and steer supplier selection and performance in the desired direction. In addition, ECO+ has been integrated into strategic sourcing and supplier selection. In 2014, DSM Sourcing expects to focus on smart selection of raw materials in terms of their contribution to the carbon footprint, and to continue engaging with packaging and logistics providers to minimize the impact of those activities.

In 2013, water was added to the Planet part of the Supplier Sustainability Program. DSM has sought to identify suppliers in water-scarce areas and set up an assessment of water scarcity that can be completed by suppliers on the web-based platform used for self-assessments and audits.

Supplier Sustainability Program and People+

As People+ is a new program to DSM, it is also new to DSM Sourcing. During 2013 and 2014, the main focus is on working conditions and safety improvements. These elements were an integral part of the China Triple P project. In addition, eight supplier projects were executed in this area in 2013. An example is ‘Picking up the gauntlet’. This is an initiative started by the Technical Goods and Services team that targets training and the enforcement of Life Saving Rules and safety regulations on DSM sites — not just for suppliers, but also for contractors and sub-contractors. The goal of the project is to move from a passive approach (such as the enforcement of safety standards via contracting) towards a more proactive approach, to make sure that only the right people with the right (safety) attitude get to enter DSM sites. The active approach includes making safety performance an integral part of supplier qualification and selection; collecting and auditing track records on a continuous basis; getting commitments from suppliers to do the same with their sub-suppliers; and lastly, executing extensive know-how and best-practice sharing workshops.

Public-Private Partnerships

DSM-WFP Partnership

DSM joined forces with the World Food Programme (WFP) in 2007 to form the Improving Nutrition, Improving Lives partnership, lending its expertise to help improve the nutritional value of the food WFP distributes to those in need through more than 25 projects. With the partnership renewed in 2013 for an additional three years, DSM and WFP will seek to double the number of people who benefit from improved nutrition, from the current annual reach of 16 million to 25-30 million by 2015. This year, partnership projects included improving nutrition capacity at WFP, scaling up Micronutrient Powder distribution and continuing the roll-out of rice fortification in Bangladesh and Cambodia.

In July and August 2013, WFP and DSM launched an online campaign to grow WFP's Facebook community and raise awareness about hunger – the world's greatest solvable problem. More than 30,000 new likes were added, making it one of WFP’s most successful Facebook campaigns.

Global Alliance for Improved Nutrition

The Global Alliance for Improved Nutrition (GAIN) is an alliance driven by the vision of a world without malnutrition. Created in 2002 at a Special Session of the UN General Assembly on Children, GAIN supports public-private partnerships to increase access to the missing nutrients in diets necessary for people, communities and economies to be stronger and healthier. GAIN has the lead in the public-private partnership Amsterdam Initiative against Malnutrition (AIM) together with the Ministry of Foreign Affairs of the Netherlands, AkzoNobel, DSM, Unilever and Wageningen University. The goal is to eliminate malnutrition for 100 million people in Africa by 2015, focusing on six countries: Ghana, Kenya, South Africa, Ethiopia, Mozambique and Tanzania.

Sight and Life

Through its continued support of the non-profit humanitarian nutrition think tank Sight and Life, DSM is helping to improve the world's knowledge, understanding and awareness of hidden hunger. Sight and Life promotes nutrition research, shares best practices and mobilizes support for the world's undernourished. With a number of new public-private partnerships added to its nutrition portfolio in 2013, DSM recognizes the need for an open and transparent policy detailing its intentions with respect to these relationships.

Vitamin Angels

Vitamin Angels is a non-profit, non-governmental organization focused on bringing essential nutrition to children around the world through vitamin supplementation. It helps at-risk populations — specifically pregnant women, new mothers, and children under five — gain access to micronutrients. Millions of children worldwide are deprived of their childhood because their diet lacks essential vitamins and minerals. Instead of seizing opportunities, they are fighting diseases they may not survive. According to DSM and Vitamin Angels vitamin supplementation is a simple and cost-effective way to give those vulnerable children a childhood and a future. In December 2013 Vitamin Angels launched the Give Childhood campaign to raise awareness for childhood undernutrition, a problem that is linked to 45 percent of all childhood deaths worldwide, according to the World Health Organization (WHO).

Partners in Food Solutions

Along with Cargill, an international producer and marketer of food, agricultural, financial and industrial products and services, DSM has become one of the first corporate partners of the non-profit initiative Partners in Food Solutions. Linking the expertise of Cargill and DSM employees – in research and development, nutrition, engineering, marketing, finance and more – with small, growing food processors throughout Africa, this non-profit and volunteer initiative is designed to share knowledge and strengthen the capacity of local food manufacturers in Africa to help address the hunger problem. DSM's collaboration with the Partners in Food Solutions initiative emphasizes its longstanding commitment to developing sustainable partnership-based approaches that address the global problem of malnutrition and hidden hunger, with a clear role for the private sector.

World Vision International

In May 2013, DSM signed a Memorandum of Understanding with World Vision International, a global development organization. By 2016, the DSM-World Vision partnership aims to contribute to the reduction of the 165 million children under-five across the globe who are stunted. The collaboration will see both organizations jointly leverage their expertise, resources and reach in order to address undernutrition – the root cause of stunting and one-third of preventable child deaths. The partnership will focus on fortifying staple foods like maize, wheat and rice with essential micronutrients. The Miller's Pride project in Dar es Salaam (Tanzania) will fortify maize flour with essential micronutrients, reaching a population of millions. In addition to the fortification, DSM and World Vision will work with the millers to build business expertise, improve food safety and increase markets and profits for the millers.

UNICEF

In September 2013, DSM signed a one-year Memorandum of Understanding with UNICEF with a focus on home fortification in Africa. The partnership will focus on the delivery of micronutrients to pregnant and lactating women, joint advocacy for the importance of micronutrients, improved supply chain management of high nutrition foods and capacity building with African nutrition leaders.

Other partnerships

Through various partnerships DSM invests its scientific expertise, employee capability, broad network and funds, and benefits from greater credibility, access to new markets and distribution channels and knowledge of consumer behavior.

World Economic Forum

DSM is an active member of the World Economic Forum, an independent international organization based in Switzerland that is committed to "improving the state of the world". This Forum brings together leaders from governments, businesses, academia and non-governmental organizations to exchange and synchronize thoughts and to work together on important agenda topics to make the world a better place.

CEO Feike Sijbesma and Managing Board member Stephan Tanda represented DSM at the World Economic Forum's Annual Meeting in Davos from 22 to 25 January 2013. They spoke on a couple of occasions and participated in several sessions on subjects including nutrition, sustainability, innovation, the bio-based economy and the role of business in society.

World Business Council for Sustainable Development

DSM has a long-term relationship with the World Business Council for Sustainable Development (WBCSD). In the last two years DSM has chaired the work of the WBCSD Reaching Full Potential project on product international metrics development. This is a joint initiative of key global players of the chemical sector aiming at developing consistent and harmonized guidance for applying LCA to their products. This will help DSM to improve its ECO+ and People+ assessments. The environmental guidance is expected to be publicly released early 2014.

In 2013 DSM became co-chair of Action2020, the new program of the WBCSD that strives to find business solutions that can solve the societal and planetary needs described in its Vision2020, the long-term goal setting plan developed in 2011. DSM participates in three working groups: Food, Feed, Fiber and Biofuels; Sustainable Lifestyles; and Basic Needs and Rights.

Dutch Sustainable Growth Coalition

In 2013 DSM participated in several activities of the Dutch Sustainable Growth Coalition (DSGC). DSGC launched its second publication, 'Leadership and Corporate Governance for Sustainable Growth Business Models'. DSM featured in this publication with two best practices: Governance and Tone at the Top. The launch of the publication was celebrated with a special conference where DSM's CEO Feike Sijbesma gave a speech on the developments in sustainability in relation to societal needs and the role business can play in addressing those needs. AkzoNobel, FrieslandCampina, Heineken, KLM, Philips, Shell and Unilever are the other Dutch partners of the DSGC.

Science institutes

DSM works together with various science institutes and universities. Some of these collaborations are based on long term contracts, others are directly linked to special projects or related to business development, such as the bio-based economy or DSM's People+ program.

To stimulate the nutrition science agenda, DSM engages with the New York Academy of Sciences (USA), Johns Hopkins University School of Public Health in Baltimore (Maryland, USA), Tufts University in Medford (Massachusetts, USA), the University of Groningen (Netherlands), Wageningen University (Netherlands) and a number of other academic institutions.

Donations and sponsoring

By supporting special projects with money and expertise DSM has the opportunity to share its mission of using its bright science to create brighter living. Sponsoring is another means of showing that DSM is a sustainable and innovative partner, both worldwide and in local communities. In 2013, DSM donated more than €2.8 million for a range of initiatives.

DSM's Code of Business Conduct creates an agenda for making a positive contribution not only to the world of business but also to society as a whole. In line with this Code, DSM does not make any payments nor donations in kind to political parties or their institutions, agencies or representatives. DSM focuses its donations and sponsorships on activities that are connected to its know-how and competence base, its business position or its present and future geographical presence. In some cases donations and sponsorships are part of 'being an active neighbor'.

An example of a donation is the World of Life project. In 2007, DSM entered into a partnership with WFP (see partnerships in this chapter). DSM Purchasing contributed to this partnership by adopting the World of Life Community School in Lusaka (Zambia). DSM has already provided a water pump and eating utensils, and will start building three classrooms in 2014. In 2013, a container full of second-hand bikes donated by DSM colleagues was shipped to the school, for the children to use to travel to and from the school.

After the earthquakes in 2008, DSM China and its employees donated €122,000 (RMB 1 million) to help two schools, one in the province of Sichuan and one in the province of Gansu, to help the schools with their rebuilding efforts. DSM cooperated with China Youth Development Foundation to help 1000 students return to school. DSM kept in contact with both schools.

In 2013 the school in Gansu was opened and on that occasion DSM donated 20 computers and laptops, more than 1000 books and sports equipment. At the end of 2013 a delegation from DSM China visited the second school in Sichuan and on that occasion 20 computers were donated for the school's computer lab. DSM has a premix plant in Sichuan.

External recognition

Innovation

In August, DSM's heart health ingredient OatWell® oat beta-glucan was named one of the most innovative products of the year at the prestigious Food Ingredients South America (FISA) awards 2013. Beta-glucan is a soluble fiber found in oats.

In November, DSM was recognized for innovation with three separate awards. DSM's Chief Innovation Officer, Rob van Leen, was named Innovator of the Year by Accenture. This year, the award was presented for the first time to 'the person who has made an extraordinary contribution to innovation in the Netherlands over the past few years'. In the same month, DSM received the Kristal Award for the most innovative sustainability report. The prize is the outcome of a transparency benchmark survey carried out by the Dutch Ministry of Economic Affairs. Finally, DSM was recognized for the successful transformation of the company by winning the Erasmus Innovation Award 2013 at the Annual Inscope Conference. Inscope is a research center of Erasmus University Rotterdam (Netherlands).

Bio-based economy

In March, at the prestigious Sustainable Biofuels Awards 2013 ceremony held in Rotterdam, DSM and its joint venture partners were presented with awards in two categories: the Global Deal of the Year (POET-DSM Advanced Biofuels) and the Partnership of the Year (Reverdia).

In August, at Sustentar 2013, the 6th International Forum for Sustainable Development that took place in Minas Gerais (Brazil), DSM was recognized as one of the companies that most contributed to sustainable development. EcoPaXX® was awarded third place in the category Sustainable Products and Technologies 2013.

In October, DSM received top 10 honors in Biofuels Digest's prestigious '50 Hottest Companies In Bioenergy' and '30 Hottest In Renewable Chemicals' polls, finishing in place 10 and 7 respectively. The polls are based on votes by biofuels and bio-chemical industry professionals. In the same month, POET-DSM Advanced Biofuels, the joint venture between DSM and US-based POET, was named the 'Bio-based Deal of the Year at the World Bio Markets USA conference in San Francisco. The award recognizes "a deal that is of particular relevance for the long-term development of the bio-based industries".

Nutrition

In December, the dean of the Johns Hopkins Bloomberg School of Public Health in Baltimore (Maryland, USA) awarded the Dean's Medal to DSM in recognition of its global corporate leadership in efforts to mitigate food insecurity, prevent hidden hunger and promote sustainable development in low-income countries. The school's highest honor recognizes significant contributions to the field of public health. This is the first time the medal honored an organization, rather than an individual.

In May, DSM was recognized by the Chinese Nutrition Society for its outstanding contribution to nutritional science by constantly enhancing and improving human nutrition and offering strong support to the academic community in product development and applications. DSM was also acknowledged for its excellent contribution to providing innovative nutritional solutions to meet the needs of specific groups.

In August, Feed & Food magazine (Brazil) awarded DSM a *Troféu Curuca de Sustentabilidade,* the Brazilian 'sustainability Oscar for the agribusiness'. The award was given in recognition of the technologies and solutions DSM has developed in the fight against hunger around the globe, as published in the article "Vitamins for human development" in the 68th edition of the magazine.

Leadership

In January, the University of Maastricht in the Netherlands conferred DSM's CEO, Feike Sijbesma, with an honorary doctorate. Receiving the award, Mr. Sijbesma said: "DSM, the company I represent, and to whom in fact my honorary doctorate belongs, is using and developing technologies, based on scientific work, to address the global challenges."

In June, Mr. Sijbesma joined the Global CEO Council (GCC) of the Chinese People's Association for Friendship with Foreign Countries (CPAFFC). This prestigious committee, consisting of 14 CEOs from global, leading multinational companies, will support the Chinese leadership on several topics, including innovation, urbanization and sustainability.

In 2013, a group of young professionals of DSM participated in Leaders for Nature, the International Union for Conservation of Nature (IUCN) NL business network of twenty multinationals and major Dutch enterprises working together on greening the economy. The team won IUCN's Award for best Action Plan 2013 on how to incorporate natural capital into the business.

Benchmarks

In September, DSM was once again named amongst the leaders in the chemical industry sector in the Dow Jones Sustainability World Index. Since 2004 DSM has ranked among the top leaders in the sector four times and has held the worldwide sustainability leader position in the Materials industry group (previously the Chemicals super sector) six times. In 2013 DSM was ranked Silver Class. Because of the improved results during the year DSM returned to the Gold Class.

Sustainability Governance Framework

Managing Board

Being both a core value and a business driver for the company, Sustainability falls under the responsibility of the Managing Board, with CEO Feike Sijbesma as the primary point of contact. Other members of the Managing Board also chair sustainability areas and initiatives. Mr. Sijbesma also oversees the Inclusion and Diversity strategy. Managing Board member Stephan Tanda is the primary point of contact for DSM's partnership with the World Food Programme and other sustainability issues in relation to nutrition. Managing Board member Stefan Doboczky is responsible for Safety, Health and Environment.

Supervisory Board

DSM's Supervisory Board also recognizes sustainability as a strategic value driver for the company and has appointed its own Corporate Social Responsibility Committee to oversee progress against targets and report on the embedding of sustainability across the organization. For more details see the Supervisory Board Report on Corporate Social Responsibility on page 124.

At a corporate level, sustainability is organized across a network of employees and supported by the Corporate Sustainability department, which is under the responsibility of the Executive Vice President Corporate Affairs, who reports directly to Feike Sijbesma, the Chairman of the Managing Board. The aim of the corporate sustainability network is to support the business in achieving its sustainability aspirations.

DSM also has a dedicated Corporate Operations & Responsible Care department, which, among other areas, is responsible for all corporate issues related to Safety, Health and Environment (SHE). The Vice President Corporate Operations & Responsible Care reports directly to Managing Board member Stefan Doboczky.

External Sustainability Advisory Board

DSM's Sustainability Advisory Board has been set up as a sparring partner for the Managing Board and high level executives in the company. It supports DSM in deepening its understanding of stakeholder needs and strategic issues such as the bio-based economy and malnutrition, sharpening its focus, conducting advocacy efforts and handling dilemmas. The board comprises a diverse international group of thought leaders on key sustainability topics. The company's external Sustainability Advisory Board met twice in 2013 and discussed subjects such as the materiality matrix, renewable energy, innovation and advocacy.

Sustainability Advisory Board

Member	Background
Amir Dossal (m)	Chairman of the Global Partnerships Forum, a platform for innovation and entrepreneurship through multi-stakeholder partnerships. From 1999 to 2010, he was executive director, United Nations Office for Partnerships in New York. (Nationality: British)
Paul Gilding (m)	Independent writer and corporate advisor on sustainability. Fellow at University of Cambridge (CPSL). In 2011 he published his book "The Great Disruption". In the 1990's, he was executive director of Greenpeace International. (Nationality: Australian)
Pamela Hartigan (f)	Director of the Skoll Centre for Social Entrepreneurship at Saïd Business School and founding partner of Volans Ventures. She has served as director of several programs and departments for multilateral organizations. (Nationality: American)
David King (m)	Special representative for climate change of the current UK coalition government. From 2008 to 2012, he served as the founding director of the Smith School of Enterprise and the Environment at the University of Oxford. (Nationality: British)
Ye Qi (m)	Cheung Kong professor of Environmental Policy and director of Climate Policy Institute at Tsinghua University. Before he joined Tsinghua, he taught at Beijing Normal University, and University of California at Berkeley. (Nationality: Chinese)
Josette Sheeran (f)	President and CEO of Asia Society. She has also served as vice chairman of the World Economic Forum. From 2007 to 2012, Sheeran was executive director of the United Nations World Food Programme (WFP). (Nationality: American)

Global network

An internal network of corporate staff members and business managers dedicated to sustainability, known as Sustainability Champions, support line management in all business and functional groups and at the DSM Innovation Center. At the same time, SHE managers provide support at business group level. The DSM SHE Council, which includes all business group SHE managers, is instrumental in sharing experiences and developing practices and communications on SHE issues. DSM has set up internal regional sustainability networks in India, China and Latin America. See also: Sustainability in high growth economies on page 16.

Approach to sustainability reporting

DSM has an extensive track record in sustainability reporting that began in the 1980s when it published its first environmental annual reports. In 2002, DSM launched its first annual Triple P report, which provided details of its social and economic performance together with its environmental results, according to the triple bottom line (People, Planet and Profit).

In 2010, DSM decided to publish an integrated financial, social and environmental report, reflecting the progress it has made embedding sustainability in its business and making Sustainability one of the four business growth drivers. Since then DSM has also reported a number of sustainability metrics on a semi-annual basis. This is DSM's fourth Integrated Annual Report.

Reporting standards

DSM follows relevant best practice standards and international guidelines when reporting on its sustainability performance. The most important of these are the Global Reporting Initiative's (GRI) G3 Sustainability Reporting Guidelines. With regard to the GRI Application Levels system, DSM assessed itself at the A+ level. The GRI Index 2013 can be found on the website www.dsm.com.

DSM's external auditor Ernst & Young Accountants LLP (EY) has reviewed compliance of the Sustainability Information with this application level. See also: Independent Assurance Report on Sustainability Information on page 213.

In 2007, DSM became a signatory to the United Nations Global Compact. Like thousands of ompanies from around the world, as well as international labor and civil society organizations, DSM strives to get broader support for the 10 universal principles in the areas of human rights, labor, the environment and anti-corruption. DSM's sustainability mission and strategy, Code of Business Conduct and global Supplier Sustainability Program are the basis for meeting the standards set by the Global Compact. These areas are closely monitored and reported, as illustrated throughout this report, which is also the annual Communication on Progress that DSM submits to the UN Global Compact Office.

Principles of the UN Global Compact[1]

		DSM Code of Business Conduct and relevant page(s) in the Integrated Annual Report 2013
Principle 1	Support of human rights	page 43 to page 54
Principle 2	Exclusion of human rights violation	page 43 to page 54
Principle 3	Observance of the right to freedom of association	page 43 to page 54
Principle 4	Abolition of all forms of forced labor	page 43 to page 54
Principle 5	Abolition of child labor	page 43 to page 54
Principle 6	Elimination of discrimination	page 43 to page 54
Principle 7	Precautionary environmental protection	page 18 to page 22, page 43 to page 65, page 226
Principle 8	Specific commitment to environmental protection	page 18 to page 22, page 43 to page 65, page 226
Principle 9	Diffusion of environmentally friendly technologies	page 18 to page 22, page 43 to page 65, page 226
Principle 10	Measures to fight corruption	page 29, page 43 to page 54

[1] In 2013 DSM once again renewed its commitment to the UN Global Compact's CEO Water Mandate; see the Planet chapter on page 63

DSM strives for full adherence to the Greenhouse Gas Protocol, as defined in 2011 under the international Corporate Accounting and Reporting Standard, Revised Edition. This means the company reports emissions not only from its production processes and those related to the electricity and steam it purchases, but also the emissions present in value chains in which it operates.

People in 2013

The People dimension of DSM’s Triple P strategy is about improving people’s lives through the company’s activities, solutions and innovations. ‘People’ includes consumers, workers and communities across the value chains in which DSM is active. This chapter includes both the People+ strategy, which is the external component of the People dimension, and, under 'People at DSM', the human resources strategy as the internal component. For DSM, sustainability provides both a growth driver and a strong foundation for its human resources strategy. See also Growth Driver: Sustainability on page 21.

People+

People+ is DSM’s program for the development of innovative products and solutions which can measurably improve the lives of end-users, employees and communities across the value chains in which it is active. The benefits for consumers, workers and/or communities can be created at any stage of the product’s life cycle, from the sourcing of raw materials through to manufacturing, distribution, use and disposal. The People+ program uses the DSM People LCA tool to measure the social impact of each product.

The DSM People LCA tool is based on international standards of the United Nations (UN), the World Health Organization (WHO) and the International Labour Organisation (ILO) and has been developed in cooperation with internal and external stakeholders. With this tool, the social impact of a product on people's lives can be assessed, from raw materials extraction until end-of-life disposal. By using this methodology the People+ program improves DSM’s ‘people’ performance, in the same way that the ECO+ program already does for environmental and ecological performance. Both programs provide a measurable way to enhance DSM’s ability to address sustainability as a business growth driver and strengthen its leadership position in sustainability.
See also ECO+ on page 56.

In 2013, DSM’s People+ program made considerable progress with the addition of several new products to the People+ portfolio. By engaging with peer companies and other stakeholders, DSM has improved the tool that helps it to measure a product’s impact on people’s lives. The tool has proven to be highly effective in trials across a number of innovations and value proposition projects. These tests have also enabled it to be further refined and improved.

The DSM People LCA tool has four dimensions. It takes into account the impact that the product has on (1) the health condition of end-users, (2) the perceived comfort and well-being of end-users, (3) the working conditions of employees that produce it, and (4) the communities across the value chains in which DSM operates.

The dimension *Health Condition* assesses how the product contributes to maintaining, improving and regenerating people’s health. For example vitamin D is vital to bone health and muscle strength, and it can reduce the risk of falls and fractures linked to osteoporosis. *Comfort & Well-being* measures whether a product contributes to comfort and well-being. An example might be a product that smoothens the skin or reduces perspiration. *Working Conditions* focuses on employees. People+ products are required to be made within a healthy and safe working environment. This means that in every part of the life cycle employees are not subject to excessive working hours or other working conditions that can be detrimental to their health or well-being. *Community Development* determines whether a product contributes to local prosperity. Helping to improve education, creating jobs and purchasing locally are examples of community benefits that are measured as part of a People+ product assessment.

People+ examples

DSM’s Alpaflor®Edelweiss is based on edelweiss flower extract that is used in personal care products, such as moisturizer. It contributes to health, comfort and well-being because it improves skin resistance and gives a better skin feel. It contributes to local prosperity because of local cultivation and harvesting practices that have a positive effect on alpine flora diversity.

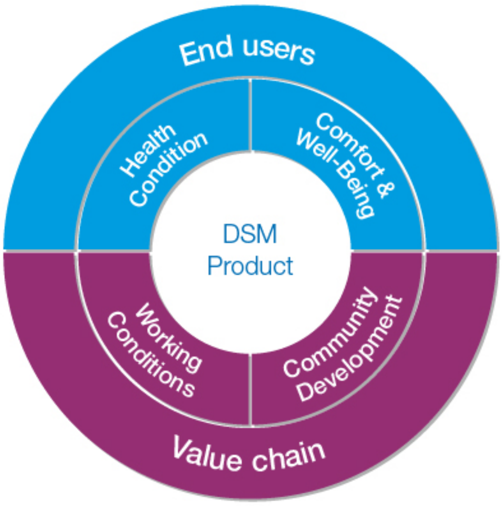
Waterborne resins for paints and coatings reduce the risk of diseases amongst professional and do-it-yourself painters. In doing so, they improve the comfort and well-being of consumers in two ways and contribute to better working conditions of professional painters.

DSM's Maxarome® is a yeast extract that can be used in food products to reduce salt content without eliminating the taste that people experience when they eat something salty. This contributes to a healthier lifestyle with lower salt consumption.

DSM Sinochem Pharmaceuticals has a site in Toansa (India) where it makes active pharmaceutical ingredients. It actively engages with the local villages of Toansa and Bholewal where it seeks to raise levels of health and education in a sustainable way, with a focus on children and adolescents. The site has also invested in and pays for streetlights along the 12 km highway that crosses the site between the two villages, making a significant contribution to road safety.

The DSM People LCA tool makes it possible for DSM to quantify the Brighter Living part of its brand promise in a measurable way. In the coming years, it will continue to develop the methodology in alignment with its stakeholders. The company is also looking forward to continuing working closely alongside its customers and suppliers to create further value across the chain.

People+
DSM's People LCA



People at DSM

DSM's human resources strategy contributes to the development of inspiring and collaborative leaders, creates an engaged and competitive workforce and fosters an inclusive environment in which people trust and respect one another, and where they encourage each other to achieve sustainable focused business growth. The approach is supported by the ONE DSM Culture Agenda.

DSM aims to further internationalize its business in order to bring its organization closer to its key markets and customers, strengthen the business and stimulate inclusion, diversity and innovation. DSM combines a strong regional infrastructure with clear board level accountability for regional growth. The company's human resources strategy supports its internationalization goal.

ONE DSM Culture Agenda

In 2013, DSM further rolled out its ONE DSM Culture Agenda across the organization. This initiative aims to ensure that DSM remains aligned with the needs of an ever-changing world and develops the behaviors and organization it requires to fulfill its strategic ambitions and to become a high performing organization. ONE DSM is based around the themes of External Orientation, Accountability for Performance (and learning), Collaboration with Speed, and Inclusion & Diversity.

A ONE DSM Culture Agenda introduction week took place in the first quarter of 2013, followed by four additional theme weeks during the year. Thousands of employees participated in the events which focused on specific behaviors related to each of the four themes, for example an online collaboration with employees and selected customers to see how to leverage social media to sustain DSM's business. This initiative led to more than 120 ideas. In addition, it promoted a different way of working.

The ONE DSM Culture Agenda emphasizes that employees are bound together by the behaviors fostered by its four themes. The four themes are the glue that connects the organization into ONE DSM. More remains to be done, and the next focus is on '*doing, acting and owning*'.

The ONE DSM Culture Agenda and its four themes remain a focal point during 2014, and will continue to support DSM's strategic business objectives. The themes of the ONE DSM Culture Agenda are described as follows:

External Orientation

DSM is convinced that in order to execute its growth strategy and adapt to changing customer and industry requirements, its employees must be aligned with the realities of a rapidly changing world. This means not just anticipating customer needs to drive marketing & sales and innovation priorities, but also being better able to track, learn and compete across all functions. External Orientation also helps to broaden DSM's networks and engage with stakeholder groups.

Accountability for Performance (and learning)

DSM expects its employees to set themselves ambitious targets and to deliver on these. Accountability for Performance (and learning) is about people taking responsibility for their actions and for the performance of their teams. It also means recognizing and celebrating successes, while viewing problems and mistakes as individual and collective learning opportunities.

Collaboration with Speed

In an ever more connected world, collaboration has become an important competitive advantage. DSM encourages employees to actively (co-)create, share and build on the ideas, information, knowledge and expertise of their colleagues and the outside world. By fostering collaboration, DSM taps the true potential of its global workforce and promotes faster decision making and execution.

Inclusion & Diversity

Fostering an inclusive culture that embraces differences is consistent with DSM's corporate values and helps it to create the high-performance organization it requires as a truly global company. A more balanced DSM leadership group (in terms of gender, nationality) is part of these efforts and will improve decision-making processes and the implementation of its strategy.

DSM Employee Engagement Survey

DSM's Human Resources strategy is about helping employees to successfully deal with the challenges of a changing company in a fast-moving global marketplace. The concept of employee engagement is very important in this regard. An engaged workforce is critical to DSM in realizing its ambitions. Engagement is about creating an inclusive and high-energy working environment, where employees are aligned and energized to contribute to the company's success.

In 2013, DSM executed its sixth worldwide Employee Engagement Survey. A total of 19,259 employees, including 535 contractor employees, completed the questionnaire, which was distributed online and on paper in 19 languages to all DSM employees. This represents a very high response rate of 85 percent.

The main element in the survey is the measurement of DSM's Employee Engagement Index, the percentage of employees scoring favorable on a combination of four attributes: commitment, pride, advocacy and satisfaction. The Employee Engagement Index measured in 2013 was 71 percent (2012: 72 percent). This is still above the global overall norm of 69 percent. The score of 71 percent takes DSM within a 9 percentage point range of the external benchmark of high performing companies (scoring 80 percent favorable), which is the league DSM aspires to be part of. The neutral responses amounted to 20 percent.

DSM continued to create a more inclusive working environment for its employees. The Inclusion Index, a subset of survey items to measure inclusion, improved for the fourth year in a row. Of the respondents 69 percent scored favorable on this index in 2013 (2012: 68 percent). The 2013 results are in general at a good level. DSM will continue to use the Employee Engagement Survey to guide its ONE DSM Culture Agenda.

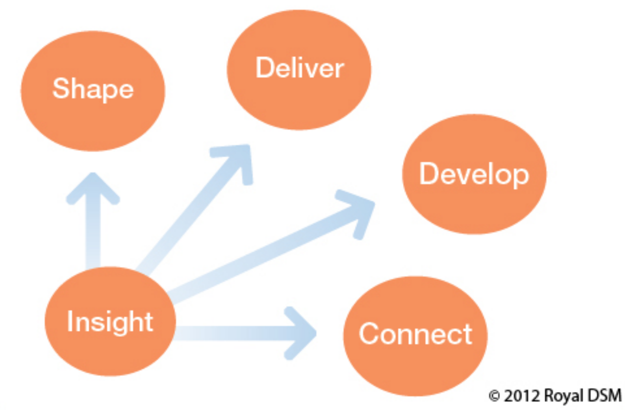
Talent management

DSM strongly believes that successful talent management requires leaders who have the right focus, mindset and capability to identify, develop, engage and share diverse talent. Leaders who are inclusive and who are focused on growing their people, the business and themselves. In addition, the company believes in creating opportunities for its talented employees to maximize their development. In 2013 the company continued the initiatives aimed at (1) empowering employees to take ownership of their career and (2) empowering leaders to take accountability for both talent performance and talent development. This resulted in a stronger focus on Individual Development Plans for DSM's employees, as part of its yearly performance and development cycle and more attention for succession planning and the implications for the company's diversity footprint.

DSM Leadership Model

In 2012 DSM presented a new leadership model that specifies the characteristics expected from leaders now and in the future in a simple, understandable and compelling way. The DSM Leadership Model provides a common vision and language regarding the leadership DSM desires, and it describes an inspirational mindset to raise the bar on the performance of leaders and to grow people. The model sets out the expectation for leaders to be role models and developers of a sustainable, successful organization for the future. It is the basis for high quality processes to hire people, to grow and develop talent and build high performing teams.

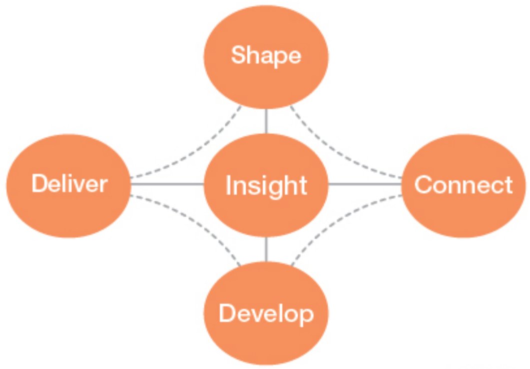
DSM Leadership Model: expectations



In 2013 DSM implemented the Leadership Model via model workshops for its executives, for them to internalize and personalize the Leadership Model. The Leadership Model is integrated in many HR processes for the top of DSM's organization. It is used in DSM's executive recruitment, and is the basis for executive leadership assessments and 360° feedback. It also forms the basis for DSM's executive leadership programs. The leadership model forms an important element of DSM's Performance Development Review.

In 2013, the regional Talent Management organization was strengthened in order to build and develop DSM's talent base in the regions. This has among other things resulted in more cross-organizational transfers in the regions. Mentoring programs in North America and Asia were successfully implemented.

DSM Leadership Model: leadership capabilities



Organizational learning

DSM strongly believes in the need to invest in the knowledge, skills and experience of its employees to ensure their long-term employability. The company provides its employees with various kinds of learning opportunities, including classroom and virtual programs, on-the-job training, coaching and mentoring. The DSM Learning Architecture consists of four program clusters: executive programs, management programs, functional programs and e-learning programs.

This architecture creates a common and coherent concept of learning and program design, facilitates the development of a DSM learning culture and provides enhanced learning for talent. The programs are designed and delivered in close cooperation with leading international business schools and global training providers (IMD, Wharton Business School, Babson College, Erasmus University) and are supported by a diverse internal faculty, primarily consisting of DSM’s top management. Other learning methods such as round table discussions, business simulations, virtual classrooms, webcasting and team assignments are integrated into the programs. This enables interactive knowledge sharing and stimulates peer-to-peer networking in the organization.

In 2013 DSM made further progress in designing and rolling out the Bright Talent Program in Asia. In 2014 a similar program will be rolled out in North America.

Leadership Model workshops were conducted across the globe for the executives population, and Project Management programs were delivered throughout the organization to improve employees’ project management skills. In 2014 these workshops and programs will be offered to a wider population.

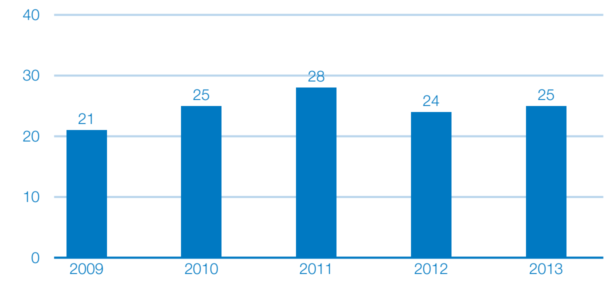
In order to better serve regional learning and development needs, further progress was made consolidating available learning and development interventions. As a result three distinctive learning guides with global and regional offerings were published. One for each geographical area: Europe, Asia and North America.

Learning and development continues to be an important source of innovation. However, in 2013 learning and development budgets were under pressure due to the challenging business environment. As a result, fewer programs were delivered in 2013, and fewer employees participated in them. A total of 2,188 DSM employees worldwide (from 27 different countries; 1509 male and 679 female) participated in the learning and development programs organized by the DSM Business Academy (2012: 3,706 participants from 35 countries, 2,239 male and 1,467 female). The total number of programs delivered by the DSM Business Academy in 2013 was 145, which is a decrease of 32 percent compared to the 212 programs delivered in 2012.

Program portfolio	**Available programs 2013**	Available programs 2012
Executive programs	10	8
Management programs	64	31
Functional programs	58	45
e-Learning programs	14	12
Total	146	96

In addition to the DSM Business Academy offering, DSM employees at all levels in the organization are offered a wide variety of training opportunities (both on-the-job and classroom training). The number of training hours per employee increased from 24 in 2012 to 25 in 2013.

Training per FTE
in hours



The growth of the non-European executive population, relative to the growth of DSM in high growth economies, will also continue to demand full attention from the businesses and regional organizations. The number of BRIC+ nationals in executive positions (37) as a percentage of the total number of executive positions increased from 9 to 10 percent in 2013.

DSM has defined inclusion and diversity aspirations (in terms of gender and nationality) for its business groups for the period 2012-2015 to ensure that its organizational readiness is in line with its stretched growth ambitions for 2015. DSM continues to address the geographical distribution of management and other key functions, with a keen eye on gender and nationality balance.

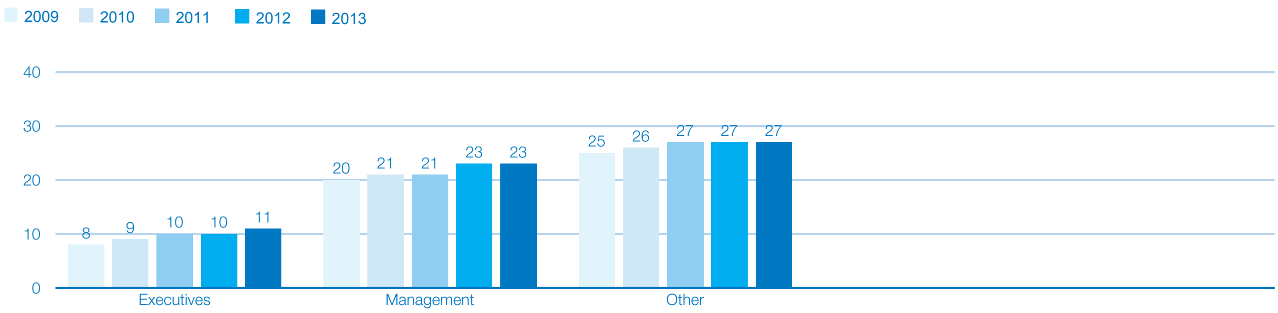
The role of the DSM Inclusion & Diversity Council, chaired by DSM CEO Feike Sijbesma, is to facilitate inclusion and diversity at DSM and to support all DSM businesses in creating a sustainable inclusive environment, where diversity is fully embraced. This Council is strongly aligned with DSM's internationalization efforts to make further progress with the company-wide ONE DSM Culture Agenda.

Workforce composition

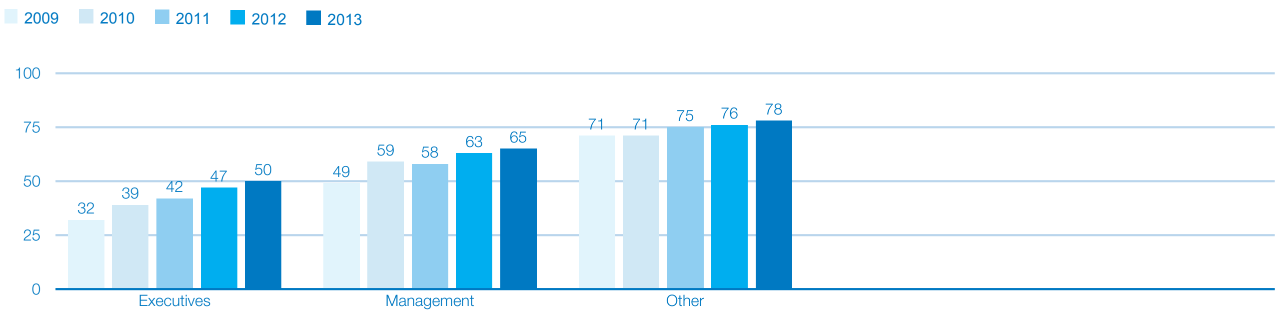
Inclusion & Diversity[1]

The number of women executives (44) as a percentage of the total number of executive positions increased from 10 percent to 11 percent in 2013. This will require attention going forward. In addition to recruiting female executives from the external market, DSM also makes an effort to recruit female executives from its internal pool of women candidates.

Gender diversity
% women

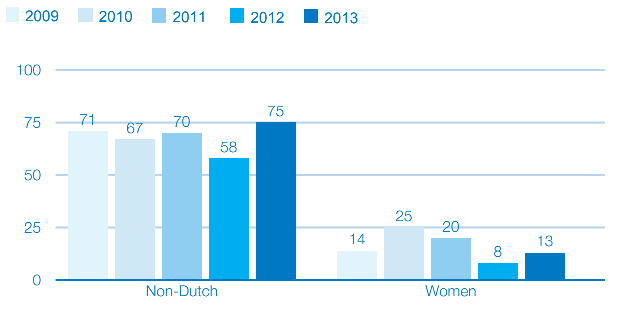


Workforce diversity
% non-Dutch

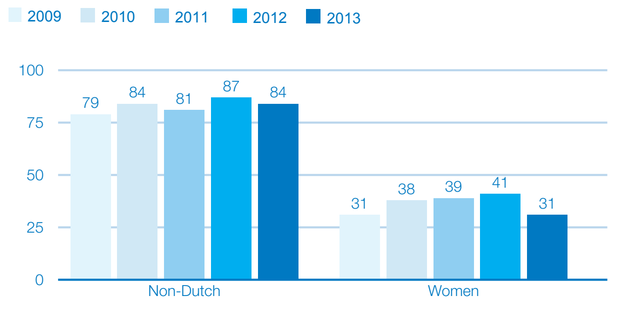


[1] *Last year DSM formulated aspirations for 2015: women in executive positions 21% and BRIC+ nationals in executive positions 24%. In the coming period DSM will redefine its targets in these areas.*

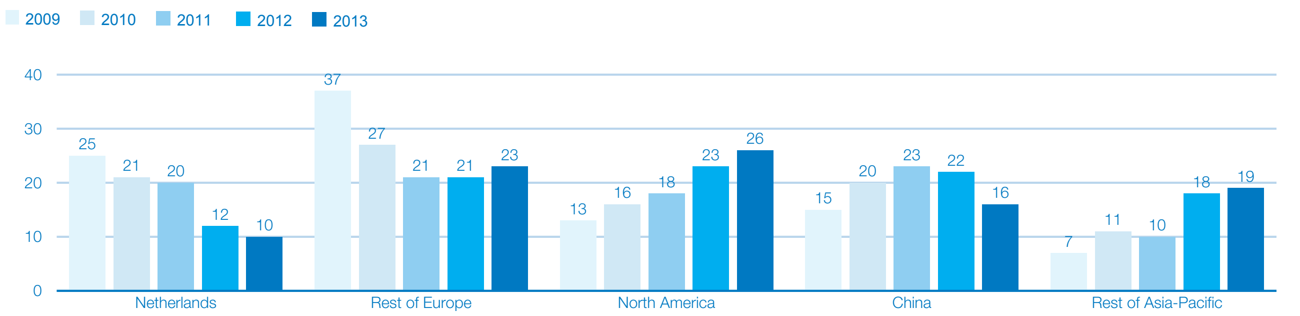
Executive hires
diversity in %



Professional hires
diversity in %



New hires by region
in %

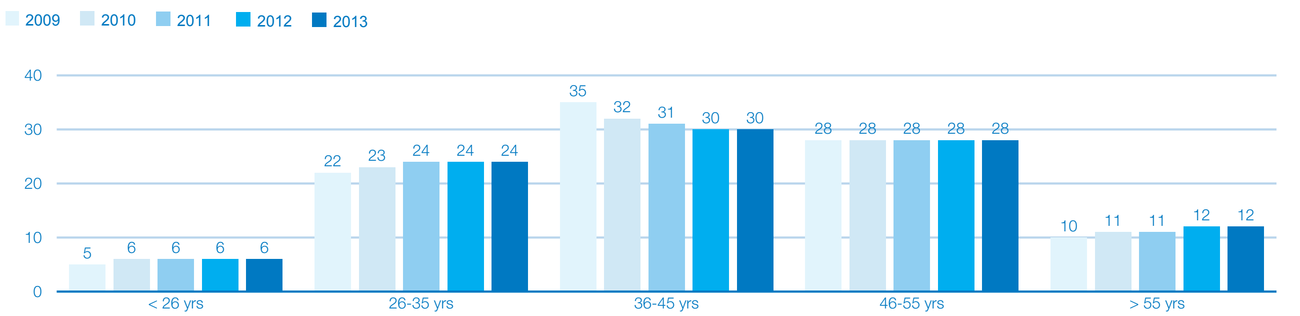


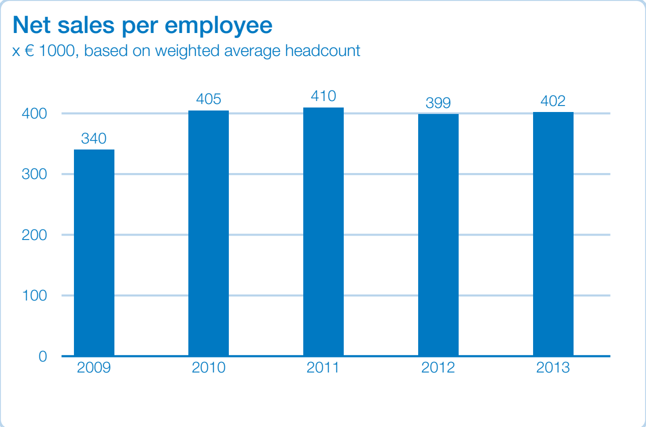
New employees

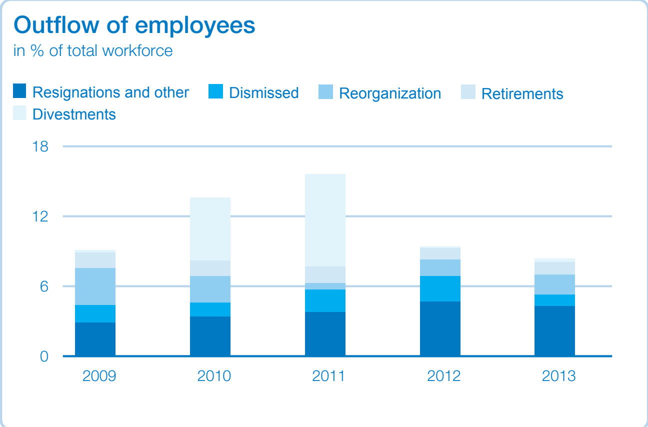
The total inflow of new employees into DSM in 2013 was 1,834, not including the inflow of employees due to acquisitions. As a result of acquisitions a total of 1,152 people were added to DSM's workforce in 2013.

In 2013, DSM recruited a total of 420 professionals (graduates and experienced hires), of whom 31 percent were women. The company wants to keep its focus on the diversity of these hires (nationality/gender) and build a strong diverse talent pipeline to achieve sufficient 'diverse critical mass' in the organization. DSM wants to improve its labor market positioning as an employer of choice, to ensure that the company is an attractive career option for talented individuals across all groups of potential employees.

Employees by age category
in %







Outflow of employees

The total outflow of employees at DSM in 2013 was 1,968, excluding divestments. A total of 259 employees retired, 1,043 resigned of their own will and, sadly, 34 employees passed away. In 2013, a total of 224 employees were requested to leave the company for non-performance or non-compliance reasons. A further 408 were made redundant due to reorganizations that took place across DSM in 2013. Divestments accounted for an outflow of 78 employees.

International labor standards

Respect for people is an essential part of the business principles outlined in the DSM Code of Business Conduct that DSM launched in 2010. DSM supports and respects human values as outlined in the United Nations Universal Declaration of Human Rights. DSM's employees represent more than 80 different nationalities and the company supports the equal treatment of all employees irrespective of race, nationality, ethnic background, age, religion, gender, sexual orientation or disability. Respect for human rights is also integral to DSM's sourcing policy and Supplier Code of Conduct. DSM utterly rejects and condemns any form of forced labor or child labor. This is clearly stated in the DSM Code of Business Conduct. DSM conducts due diligence before making any investment decisions in order to exclude, among other things, any relationships or practices which may be in contravention of human rights. DSM is unaware of any cases of breach of human rights or the use of forced or child labor within its operations in 2013.

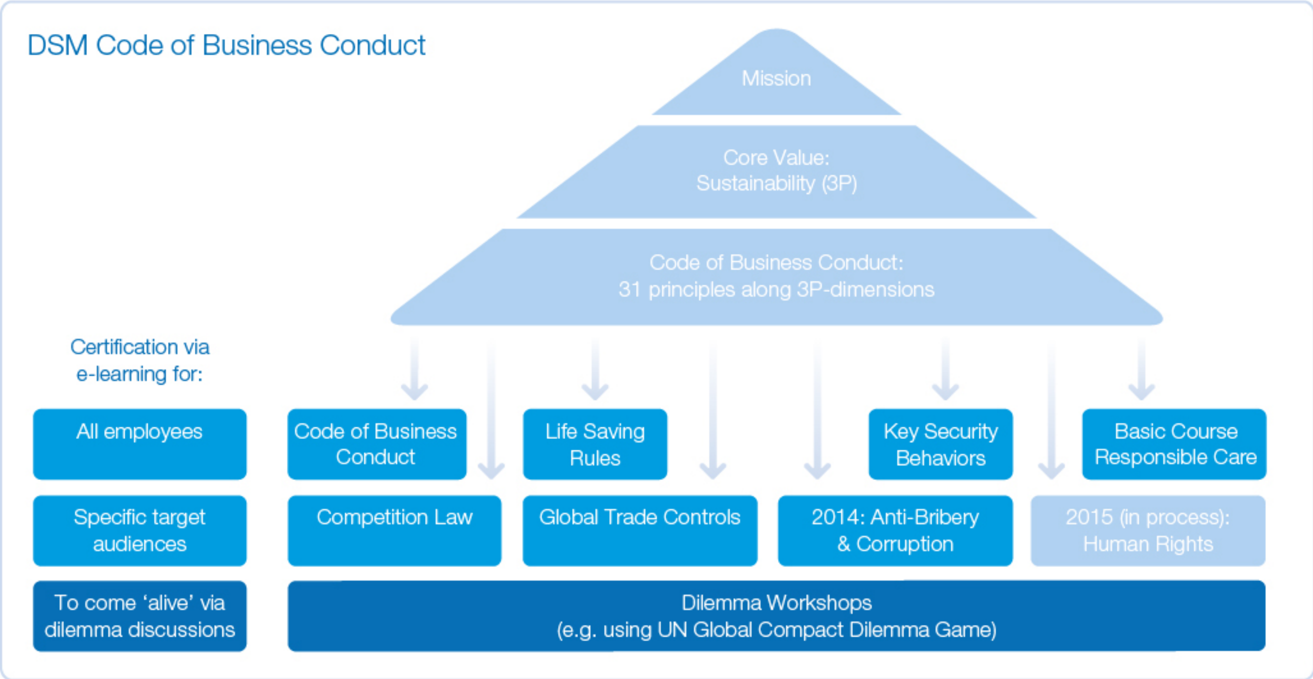
DSM is a Dutch signatory to the United Nations Global Compact. DSM also meets the recommendations made in the OECD (Organization for Economic Cooperation and Development) Guidelines for Multinational Enterprises. Furthermore, DSM supports the work-related rights defined by the ILO (International Labour Organisation) and recognizes the International Labour Standards. In countries or businesses where employees have third-party representation via a works council or collective bargaining, DSM respects these relationships and works with these third parties in a mutually respectful manner. See also: Stakeholder engagement page 28.

In the event of an organizational restructuring that results in the loss of a significant number of jobs, DSM develops and implements either a social program (aimed at assisting employees to continue in employment, whether inside or outside the company) or else a severance program. DSM promotes employee empowerment and human rights protection and therefore seeks dialogue with its employees and their representatives (works councils, labor unions). See also: People at DSM page 44.

DSM Code of Business Conduct

Business principles

The DSM Code of Business Conduct, as introduced and rolled out in 2010-2011, contains the company's business principles across the three dimensions of People (11 principles), Planet (5 principles), and Profit (15 principles). These principles translate DSM's mission and core value – Sustainability – into daily practice of business operations. All DSM employees are expected to act in accordance with the Code, and the Managing Board holds DSM's unit management accountable for compliance with the Code.



Training and awareness

In 2013, Code of Business Conduct refresher courses were rolled out to employees who had completed their first course two years earlier. Code of Business Conduct classroom training material was made available in 17 languages. This enabled employees that do not have individual access to a personal computer to participate in the training. The implementation of the Code of Business Conduct training program also proceeded well: at year-end more than 90 percent of all DSM employees had completed their training. The remaining portion are, to a large extent, employees of newly acquired businesses. The full text of the DSM Code of Business Conduct is available at www.dsm.com.

Umbrella function

The Code serves as an umbrella for several other DSM requirements, which are often supported by e-learning programs to train relevant people within the company. Depending on the subject, this concerns all employees or selected employees that have a specific role in the organization. These regulations are in three dimensions:

People dimension: To support DSM's ambition to create an incident-free and injury-free workplace, the Life Saving Rules specify the 12 most important rules that must be followed to prevent serious and/or fatal incidents.

Planet dimension: In the basic course on Responsible Care®, the basic elements of the Responsible Care Program, which is aimed at all functions within the company, are addressed.

Profit dimension: DSM uses the e-learning tools Global Trade Controls and Global Competition Law Principles and Practices. Compliance on these subjects is structurally embedded in DSM's systems and processes. For example, as part of the global trade controls process, DSM master data is screened to check customers and suppliers against embargoes and lists of sanctioned parties. Furthermore, compliance with competition law and trade controls is addressed via regular classroom training sessions and e-learning. In addition, refresher courses are offered to all employees whose first e-learning course on competition law and global trade controls dates back more than two years.

Those employees who are most exposed to competition laws have to complete an annual statement to confirm their compliance with the rules set forth in the DSM Competition Law Compliance Manual. In this statement they confirm that they are not aware of any violation of competition laws by DSM. Alleged breaches are reported to and discussed with DSM Legal Affairs. Over the year no breaches were reported. In 2013 DSM was not subject to any investigations by competition authorities related to potential anticompetitive behavior.

DSM also has rules in place on the holding of and execution of transactions in DSM financial instruments and certain other financial instruments related to trading in DSM shares, and if applicable, other company shares and related financial instruments, which apply to all DSM employees, including members of the Managing Board and Supervisory Board.

Developments in 2013

In 2013, the DSM Key Security Behaviors were introduced, accompanied by an extensive communication program. The roll-out of a new e-learning course to all employees will take place in 2014.

An Anti-Bribery and Corruption (ABC) Policy and Compliance Manual has also been developed, based on an internal risk assessment and an external benchmark of peer companies. The ABC Policy and Compliance Manual has been approved by the Managing Board and will be rolled out to targeted DSM employees in 2014.

Living the Code of Business Conduct can sometimes bring dilemmas that do not have a quick or clear answer. For this reason Dilemma Workshops were introduced in 2013, using the UN Global Compact Dilemma Game as a tool. The workshops build on DSM's company culture, which is based on openness, fairness and trust. The aim is to create an open-minded atmosphere in which dilemmas can be discussed among employees and/or management.

Consequence management

DSM applies zero-tolerance consequence management with respect to deliberate violation of its Code of Business Conduct. A whistleblower procedure (DSM Alert) and consequence management practices are in place to support compliance with the Code. The DSM Alert Officer responsible for dealing with violations of the DSM Code of Business Conduct reports to the CEO and is invited to report independently to the Supervisory Board once a year. As of 2014 people who are not DSM employees but wish to raise a concern regarding a violation of the DSM Code of Business Conduct can also contact the Alert Officer at www.dsm.com.

Proven serious violations of the Code can result in dismissal. In line with this policy, 33 employees were dismissed in 2013, as a result of breaches to the Code of Business Conduct or other legal or local company regulations. Most of these cases related to violation of the Life Saving Rules, inappropriate behavior, and fraud or theft.

Code of Business Conduct violations leading to dismissal

	People	Planet	Profit	Total
Europe / Africa	14	0	1	15
Americas	11	0	4	15
Asia / Pacific	1	0	2	3
Total	26	0	7	33

Safety and health

Occupational safety

The improvement in safety performance that was reported in 2012 continued in 2013. The Frequency Index of Recordable Injuries for 2013 was 0.38 and in October 2013 DSM reached the all-time low Frequency Index of 0.36. DSM's safety performance in 2013 means that 38 fewer people (DSM employees or contractors) were injured in their work for DSM than in 2010.

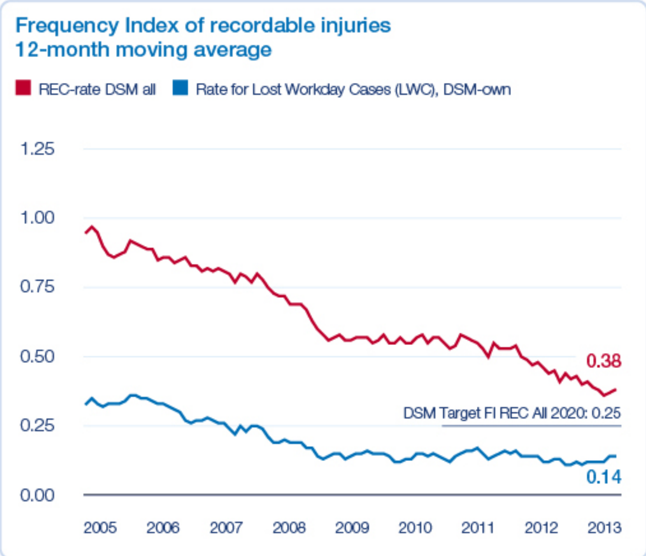
Notwithstanding this progress, the incidents that did occur (see also: 'What still went wrong in 2013' on page 138 of this report), and the severity of their consequences, remain a cause for concern for DSM.

It is DSM's goal to have an injury and incident-free working environment. DSM has set itself the target of reducing the Frequency Index of Recordable Injuries by 50 percent or more by the year 2020 compared to 2010. This will require an index score that is less than or equal to 0.25 by 2020, compared to the 0.57 achieved in 2010.

This Index measures Lost Workday Cases (LWC), Restricted Workday Cases, Medical Treatment Cases and/or fatalities per 200,000 hours worked (based on 100 full-time equivalents working 40 hours per week, 50 weeks per year) by DSM employees and contractor employees in a single year. At the end of 2013, the Frequency Index was 0.38 (2012: 0.44). The Frequency Index of Lost Workday Cases for DSM employees was 0.14 in the year (2012: 0.12).

DSM's aim is that by 2020, the number of serious safety incidents will be 65 percent lower than in 2010, when there were 15 such incidents. The figure for 2013 has given cause for concern as there were 14 such incidents reported, while another 2 occurred in recently acquired units still undergoing integration and not yet consolidated. Contact with moving parts of machines or equipment and falls were the primary causes of serious injuries.

The focus on preventing serious accidents and any potential fatalities that began with the introduction of DSM's Life Saving Rules has resulted in a significant improvement in safety performance. The incidents that still occurred demonstrate that a continued improvement of the company's working practices is needed and that 'near misses' still happen too often. Improving these practices was one of the reasons behind the introduction of mandatory standards for LOTOTO (Lock Out, Tag Out and Try Out; a way of safeguarding workers from the release of hazardous energy during equipment servicing or maintenance activities) and for Confined Space Entry.



Contractor safety

Contractors that work at DSM are between two and three times more likely to suffer a work-related accident than DSM employees. Almost half the fatalities that have occurred at DSM over the past 13 years have involved contractors. This can be partly explained by the fact that contractors sometimes execute more hazardous activities. For this reason, DSM has sought to give special attention to the safety of contractors when they work for DSM. The company strives for long-term partnerships with its contractors as it sees this as the foundation for good SHE performance. Contractors should be well informed about rules to be followed and adequately trained, which is only possible when contractors and DSM employees work closely together over a long period. This approach is paying off. Many sites have already started initiatives to achieve this. At its Sittard-Geleen (Netherlands) site, DSM and contractors have launched an initiative for coaching known as the Last Minute Risk Assessment (LMRA). The LMRA is the final check to see if the job is safe to start and whether everybody knows what to do, and it is also used in cases of an emergency. This LMRA is actively coached by someone who is not directly involved in the execution of the job, thereby preventing ‘tunnel vision’. It also ensures that all people are involved in the discussion.

This has resulted in a 70 percent reduction in such incidents in Sittard-Geleen since 2010. At the Delft (Netherlands) site, all contractors and DSM have signed a SHE alliance document whereby they are committed to achieving zero SHE incidents. All these actions have resulted in a reduction of 58 percent in the accident rate of contractors over the past five years.

SHE integration of new sites

In recent years, DSM has acquired a number of new companies with sites located in different countries. It is a high priority for the company that they implement the worldwide DSM approach to SHE as quickly as possible, as part of the integration process.

A total of 31 new sites were added to DSM as a result of acquisitions in 2012 and 2013, in North America (12), Asia (8), South America (5), Europe (4) and the rest of the world (2). All these sites are required to meet the DSM SHE requirements.

After the explosion at the AGI site in Taiwan in 2011, which took place just 14 days after DSM had acquired it, the company’s approach to the integration of new sites was evaluated. The result was that all new sites are now visited shortly after the acquisition by a specialized team to ensure there are no risks requiring immediate action beyond the ones identified during the acquisition process. This high risk assessment is now the first step in the integration approach. The second and third steps follow after some months once the management of the site has been established.

The SHE leadership course and the zero SHE assessment are executed by the corporate SHE department. In the SHE leadership course, the management of the new sites is familiarized with DSM’s values on SHE and its expectations from them as SHE leaders. During the assessment, the conditions of the site are compared with the SHE requirements to identify potential gaps and required actions. Representatives of the site and the SHE integration manager take part in this assessment, to understand where the gaps are and what actions can be taken. The integration manager on SHE is an experienced DSM manager who guides and supports the new sites during the first two years.

The zero SHE assessment results in an action plan aiming at closing the gaps to DSM’s SHE requirements. Corporate support is given where needed during the execution of the action plan. Within 1.5 to 2 years after an acquisition, the Corporate Operational Audit (COA) department will also assess the SHE situation.

Process safety

DSM follows the European Chemical Industry Council (CEFIC) guidance in defining which incidents qualify as process safety incidents (PSI). Of the total number of incidents reported in 2013, 144 (2012: 162) have also been classified as process safety incidents. This translates into a Frequency Index for PSI of 0.46 (2012: 0.55). DSM's targets for reducing the Frequency Index for PSI are 50 percent in 2015 and 75 percent in 2020, starting with a baseline Frequency Index of 0.68 (2010).

In 2013, the main causes of process safety incidents were analyzed. This led to the identification of several improvement actions in operations, design and maintenance. Although the overall performance improvement in PSI is not yet on track, the success of some of these efforts is already visible. One of DSM's business groups already achieved its 50 percent reduction target in 2013.

DSM continues to contribute to developing a globally harmonized process safety performance reporting standard. The primary objective of this standard is to enable companies to measure their performance and drive improvements. It also enables benchmarking across regions or companies, thus creating better transparency on process safety performance.

Employee health management

Research shows that there is a direct link between employee vitality and an organization's performance. Healthy employees allow for an organization that is more productive and sustainable. To increase vitality levels across the company, DSM has introduced a global employee health management program called Vitality@DSM. This program encourages employees to optimize their health by raising awareness about the importance of healthy lifestyle choices that contribute to a greater well-being and performance at work.

In addition to creating a personal lifestyle profile for every employee, Vitality@DSM provides DSM with anonymous data on its employees' health. This enables it to monitor progress through performance indicators such as knowledge of BMI, cholesterol and blood pressure. It compares results by region as a basis for defining the content and priorities of health promotion campaigns at site and regional levels, and creates scorecards within relevant areas of the company.

Results of Vitality@DSM in 2013 showed a positive trend; the rise in productivity, based on self-reported changes in lifestyle health risk factors such as unhealthy eating and lack of exercise, and extrapolated to 1,000 employees per region, came to a combined USD 4.5 million for the three main regions (Europe, Asia and North America).

"As a member of a DSM cycle team I'm required to have a medical check-up. The results showed I had high blood pressure and I was advised to have an ultrasound of my heart. It transpired that I was suffering from a serious lack of oxygen, even though I didn't have any symptoms, not even when running a half marathon only a couple of days before the check-up. This is the sort of risk that the Vitality Health Check can detect, and I was lucky it was discovered in time to prevent it getting worse." **Wil Fleurkens – Process Manager Purchase to Pay**

"When I participated in the Vitality Health Check a few years ago there was a nurse who pointed out that I have a very light skin with many birthmarks, which often means it is more susceptible to skin cancer. She advised me to have my skin checked regularly by a doctor and this is what I did for several years. Eventually, my doctor found a birthmark that was different in shape and color to the others. He removed it and performed tests that found it was a severe type of skin cancer. It was the most frightening time of my life, but after further research and tests I was told that it could be cured and that I had checked it just in time. I am very grateful for being offered the possibility to participate in the Vitality Health Check and my advice would be to have your health and body checked out on a regular basis." **Werner Vliex – Director DSM Business Information Systems**

"For DSM, vitality connects to our SHE values and to sustainable employability. In 2012 I was asked to take the lead in implementing an improvement program based on the recommendations of the Vitality check for DSM Dyneema in Urmond. I have led the Vitality@Urmond campaign since then with great enthusiasm and am part of a great team of passionate people who value vitality and also support the campaign. In 2013 we focused on activities for individuals, while for 2014, the theme is to 'team up on vitality'." **Margot van Wunnik – Application Development Specialist at DSM Dyneema**

At the end of 2013, more than 7,800 DSM employees worldwide had participated in the program. The year saw its roll-out in new sites including Kaiseraugst (Switzerland) and Delft (Netherlands). It also continues to be important at sites that already participate in the program, and where it is used to spontaneously launch health initiatives.

DSM in India and China are encouraging their employees to make healthy lifestyle choices. In DSM North America, a HealthyRoads system, which is similar to the Vitality@DSM program, aims to increase awareness about the benefits of healthier habits. About 1,500 employees in North America participated in the HealthyRoads system.

It is widely accepted that high BMI levels, a lack of exercise and an imbalance between stress and job satisfaction contribute towards an unhealthy lifestyle and potentially create future health problems, absenteeism and even work disability. As a growing number of employees become aware of their health parameters, more are investing in their well-being. While this is a positive development, there is considerable room for improvement.

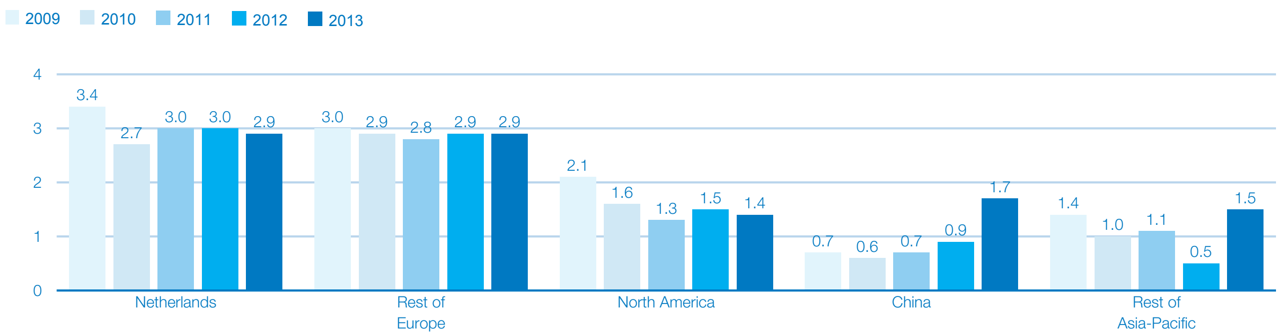
Comparing the three regions (Asia, North America and Europe), it is clear that stress risk (average 54 percent) is the largest lifestyle risk factor in all three. This factor has the largest impact on productivity and costs. Other high risks, according to employees, relate to eating habits (40 percent), and a lack of exercise (39 percent). There are also differences between the three regions with regard to health risks. In Asia the stress and exercise risks are significantly higher compared to North America and Europe. In these last two regions, the BMI risk is higher than in Asia. It is clear that further steps must include action plans and programs to reduce these risks.

Occupational health

In 2013 a total of 6 (2012: 13) occupational health cases were reported.

Absenteeism

in %



My bright ideas help to harvest solar energy more efficiently

Hugo Schoot, Business Development Manager, DSM Advanced Surfaces

DSM Advanced Surfaces provides solutions for the development and application of smart coatings. Our product, KhepriCoat™, reduces the amount of sunlight that is reflected off solar panels. This is an important efficiency gain – and a great example of how DSM is using its technology to help address climate change.

HEALTH · NUTRITION · MATERIALS

DSM
BRIGHT SCIENCE. BRIGHTER LIVING.

Planet in 2013

Within the Planet dimension of its Triple P approach, DSM delivers activities, solutions and innovations that improve the environmental footprint of its own business and that of its external stakeholders in the value chains in which the company operates (customers, suppliers and consumers). This approach includes the ECO+ program, in which DSM defines sustainability as a strategic business growth driver. This chapter also reports on DSM's environmental footprint and performance. See also: Growth Driver: Sustainability on page 20 of this report.

ECO+

ECO+ is DSM's program for the development of sustainable and innovative products and solutions with measurable ecological benefits. ECO+ solutions create greater value with less environmental impact. The ecological benefits can be created at any stage of the product's life cycle, from the raw materials through to manufacturing, potential re-use, and end-of-life disposal. The ECO+ framework uses the Life Cycle Assessment (LCA) methodology to measure the environmental benefits of each product. For a full definition of ECO+, see page 221.

It is DSM's ambition that at least 80 percent of its innovation pipeline be comprised of ECO+ solutions by 2015, and that they generate approximately 50 percent of total net sales. At the end of 2013, the innovation pipeline contained 95 percent ECO+ solutions (97 percent after deconsolidation DSM Pharmaceutical Products (DPP)). ECO+ solutions as a percentage of running business increased to 45 percent in 2013 (46 percent after deconsolidation of DPP). In 2013 about 90 percent of ECO+ innovation launches were supported by comparative LCAs.

The measurable benefits of ECO+ include lower requirements in natural resources, such as water or minerals (including metals), the reduction or valorization of waste, shelf life preservation, yield improvement, energy saving, bio-based solutions, weight reduction, raw material efficiency, and removal of hazardous substances in the life cycle. ECO+ products can provide solutions that benefit society at large by responding to major societal issues such as climate change, resource constraints and scarcity, water management and biodiversity. These qualities can make an important difference across a number of industries.

For example, together with net manufacturer NET Systems and the Cape Eleuthera Institute, a marine research center, DSM has developed a shark-resistant netting material. This innovative netting is called Predator-X and it combines Dyneema® polyethylene fibers and stainless steel wire. Cages made with Predator-X can be used in the open ocean to produce farmed seafood with a lower environmental footprint. The product allows fish farms to be located in areas with optimum currents and wave motion that help to dissipate waste more efficiently, much in the same way that free range animal farming does on land.

The ecological impact of these farms can be further reduced with DSM's innovative feed additives such as Ronozyme® phytase. This additive increases the availability of phosphorus in vegetable feed ingredients, with the result that less additional inorganic phosphorus is required in the feed. This means that less phosphorus is excreted into the environment.

These examples can be characterized as being more 'eco-efficient' because they help minimize customers' environmental impact. In the long term, DSM's goal is to become fully 'eco-effective', by providing solutions that have a truly positive, rather than less negative, environmental impact. This is the principle behind the creation of a truly circular economy. As such it is essential that DSM continue to invest in the development of products that are made from renewable, bio-based raw materials, rather than fossil fuels.

DSM also develops safer alternatives to existing solutions. Many products that are on the market today contain ingredients that have specific benefits during usage but which may for instance cause problems at the end-of-life stage of a product, or make it more difficult to recycle. The use of safer alternatives to mainstream materials creates business opportunities for DSM that are not within the reach of companies that merely comply with minimum requirements. Some examples of this are BluCure™, the 100 percent cobalt-free curing technology for composite resins, and Arnitel® XG and Stanyl® ForTii™, which are halogen-free flame retardant plastics.

Some DSM ECO+ solutions also carry an Environmental Product Declaration (EPD). An EPD is a standardized way of communicating the environmental performance of a product or system. It is based on ISO standard 14025/TR and Life Cycle Assessment. Some examples of products with an EPD include Pack-Age™ (2012), Brewers Clarex™ (2010) and Panamore® (2009).

In addition to their environmental advantages, most ECO+ solutions also generate downstream cost benefits at various stages in the value chain. These may include qualities such as lower waste generation during the use phase, greater durability of an application, and a reduction in the energy consumption during the application or disposal phases.

In 2013 DSM launched new innovative ECO+ products. A selection of ECO+ innovative solutions is given in the next table.

Value chain benefits of innovative ECO+ solutions

	Applications	Higher eco-efficiency[1]	Renewable content	Safer alternative[2]	Environmental Product Declaration[3]	Downstream cost benefits
Materials						
Akulon®	Air intake manifold	●				●
Akulon® Ultraflow	Oil sump	●				●
Akulon® Fuel Lock	Gas tank	●		●	●	●
	Small engine fuel tank			●		●
Arnitel® VT	Breathable membrane			●		●
Arnitel® Eco	Pan liners	●	●		●	
Arnitel® XG	Electronic wire & cable	●		●		
EcoPaXX®	Engine covers	●	●		●	
	Crank shaft cover	●	●		●	
	Snowboard bindings		●		●	
	Film		●		●	
	Window profiles		●		●	
Stanyl® Diablo	Air ducts	●		●		●
Stanyl® ForTii™	LED lamp	●		●		
Stanyl® ForTii™	DDR4, SDRAM modules	●		●		
Stanyl® ForTii™	Connector	●		●		
Stanyl® ForTii™	3D-MID Micro-electronics	●		●		
Dyneema®Force MT	Law enforcement ballistic vest	●		●		
Dyneema®DT	Comfortable cut resistant gloves	●		●		●
Dyneema®	Air cargo pallet net	●		●		●
Cellulosic bio-ethanol	Biofuel	●	●	●		●
Biosuccinium™	Building block for broad range of materials	●	●			
Decovery®	Waterborne paint	●	●	●		●
Somos®	3D printing	●				●
Uralac®	Low temp. curing powder coating	●		●		●
NeoRez®	Waterborne floor coating	●	●	●		
Hybrane®	Gas hydrate inhibitor	●		●		●
BluCure™ Technology	Marine, Building & Construction			●		
Beyone™ 1	Building, Marine & Wind Energy	●	●	●		
KhepriCoat™	Solar panels	●				●
Combined						
Pack-Age™	Cheese ripening	●			●	●
Akulon® XS	Food packaging	●				●
Health & Nutrition						
Puriclor™	Antibiotics	●	●			●
Multirome®LS	Savory food	●			●	●
Brewers Clarex™	Beer	●			●	●
Brewers Compass™	Beer	●			●	●
Panamore®	Bread	●			●	●
Delvo®Cid	Food preservation	●				●
Ronozyme® HiPhos	Animal feed	●				●
Alpaflor®Edelweiss	Organic bioactive for personal care	●	●			

[1] Better resource efficiency and/or circularity and/or reduced GHG emissions thanks to e.g. higher energy efficiency in the product life cycle; use of renewable raw materials
[2] Product can replace existing products that may contain substances of concern.
[3] When applicable.

Environmental impact of DSM's operations

DSM improved its energy efficiency by 13 percent compared to the reference year 2008, which is slightly below the improvement achieved in 2012 (14 percent). The benefits of energy saving initiatives at some sites were offset by non-recurring declines in energy efficiency at several larger sites.

Greenhouse-gas emissions were slightly higher than in 2008 and amounted to 4.3 million tons in CO_2 equivalents. This represents an increase over 2012, when greenhouse-gas emissions reached 4.2 millions of tons in CO_2 equivalents. The increase was caused by higher production volumes at several units and the addition of recently acquired units. The N_2O abatement system at DSM Fibre Intermediates in Nanjing (China), which started up in September 2012, was operational throughout the year and resulted in lower greenhouse-gas emissions at the site, despite its increased production volume.

VOC emissions increased significantly from 3,500 tons in 2012 to 5,100 tons in 2013. This was mainly caused by increases at DSM Dyneema's ICD facility in Laiwu (China) and process disturbances in the acrylonitrile plant in Sittard-Geleen (Netherlands).

Landfilling of non-hazardous waste was significantly reduced from 29,900 tons in 2012 to 26,600 tons in 2013. Several units found alternative destinations for this material, such as composting, land farming or incineration.

Changes in the other environmental indicators were relatively limited and largely non-structural.

Key environmental indicators, total DSM

	2013	2012[1]
Energy use in petajoules (PJ)	43.0	40.6
Greenhouse-gas emissions in CO_2 equivalents (x million tons)	4.3	4.2
Emission of volatile organic compounds (x 1000 tons)	5.1	3.5
Emission of NO_x (x 1000 tons)	1.7	1.7
Emission of SO_2 (x 1000 tons)	0.16	0.15
Chemical oxygen demand discharges to surface waters (x 1000 tons)	5.4	5.5
Water use (x million m^3)	152	149
Landfilling non-hazardous waste (x 1000 tons)	26.6	29.9

[1] In the 2012 column, differences compared to the numbers reported in the 2012 report are due to corrections that have been applied.

Environmental targets

In the framework of its corporate strategy, DSM has defined long-term Safety, Health and Environment (SHE) targets for the period 2010-2015, which include eco-efficiency targets. These targets are translated into plans and activities in a Corporate Multi-year Plan Responsible Care (CMP). The CMP provides necessary guidance to rolling three-year plans of each business group.

The eco-efficiency targets for the period 2010-2015 are based on the principle that by 2015 all DSM sites in the world must meet minimum standards applied within the European Union or the USA, via the use of Best Available Techniques. All new plants and major plant modifications must meet this requirement right from the start, while existing plants have until 2015 to meet it. For an overview of the eco-efficiency targets and the progress made towards them in 2013 see the table on page 20.

Progress made in 2013 towards environmental reduction targets

		% Reduction realized compared to reference year[1]	Target	
		2013	2010-2015	2008-2020
Climate change	Energy efficiency	13%		20%
	Greenhouse gases	(1%)[2]		25%
Emissions to air	VOC	24%	40%	
	SO_2	92%	70%	
	NO_x	42%	30%	
Discharges to water	COD	13%	20%	
Water availability and use	Total water consumption	(1%)	15%	
Waste	Landfilling non-hazardous waste	3%	15%	

1 Numbers between brackets represent a negative number, i.e. a deterioration in performance.
2 On a like-for-like basis the total greenhouse-gas emissions of DSM decreased by 19% when comparing 2013 with 2008

All environmental targets (except the target for greenhouse-gas emissions) are relative targets. This means that increases or decreases in the table above result from calculations that account for changes in production volumes. Acquisitions and divestments in the target period are excluded in order to create like-for-like comparisons with the reference year.

The target for greenhouse-gas emissions is an absolute target for DSM's direct CO_2 and N_2O emissions and other gases, as well as for indirect CO_2 emissions. The base year for this target (and the energy target) is 2008. The divested units DSM Agro, DSM Melamine, DSM Elastomers, Citrique Belge and DSM Special Products were excluded from this base year, but the impact of all other acquisitions and divestments is reflected in the total GHG emissions reported by DSM.

The graphs in this chapter show absolute totals for the years 2009-2013. This can give rise to some apparent differences with the numbers for relative target performance, as the latter are corrected for changes in production volumes and do not include companies that were acquired or divested in the target period (like-for-like comparison).

In 2013 Kensey Nash, Ocean Nutrition Canada, Fortitech, the Enzymes and Cultures business acquired from Cargill and AGI Taiwan were included in the DSM total for the first time. For more information, see Reporting policy on page 110.

DSM intends to adapt its methods to determine progress on environmental targets to include the performance of units that have been acquired or divested during the target-period. It also aims to reduce the difference between progress on relative targets and absolute DSM totals.

A distinction is made in the graphs between continuing and discontinued operations in view of the upcoming deconsolidation of DSM Pharmaceutical Products.

In addition to the consolidated graphs shown in this section, DSM publishes detailed information on the environmental performance of all its production sites in the areas of emissions, consumption and SHE highlights on www.dsm.com.

Data reporting by the sites is regularly audited by DSM's Corporate Operations Audit department. See also Reporting policy on page 110.

Emissions to air

Volatile Organic Compounds

Emissions of Volatile Organic Compounds (VOCs) grew from 3,500 tons in 2012 to 5,100 tons in 2013. An increase in output at the recently acquired DSM Dyneema plant in Laiwu (China) accounted for 1,300 tons of the growth. A project to significantly reduce these emissions began in 2013. Another portion of the increase (500 tons) was attributable to process upsets at the DSM Fibre Intermediates acrylonitrile plant in Sittard-Geleen (Netherlands). A correction in the reported VOC data for DSM Sinochem Pharmaceuticals at Santa Perpetua (Spain), was applied for the period 2010-2013, causing relatively minor changes compared to numbers reported previously.

Reductions of around 100 tons each occurred at DSM Fibre Intermediates in Augusta (Georgia, USA), as a result of improvements in incinerator operation; at DSM Nutritional Products in Dalry (UK), due to changes in the production process; and at DSM Fibre Intermediates in Nanjing (China), with the start-up of an improved incinerator. The recently acquired plant at Tongxiang (DSM China) also reported a reduction but this was the result of an over-estimation in 2012.

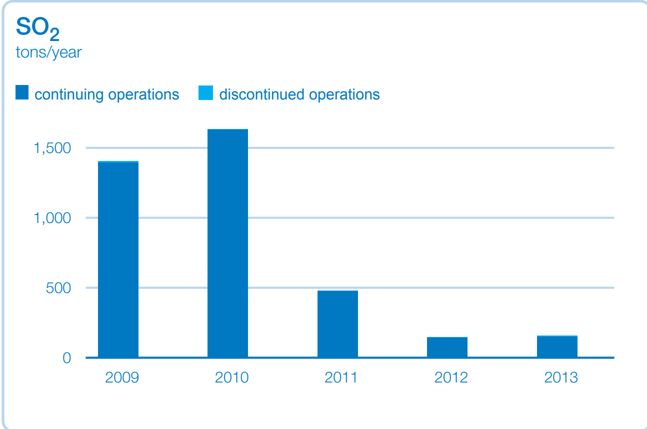
Nitrogen oxide

Emissions of nitrogen oxide (NO_x) remained almost constant at 1,700 tons. A structural reduction was achieved at DSM Fibre Intermediates in Nanjing (China) with the closure of an organic waste incinerator. Other changes were relatively small (<100 tons) and non-structural. The newly acquired unit in Piura (Peru), part of DSM Nutritional Products, added 20 tons.

Sulfur dioxide

Emissions of sulfur dioxide (SO_2) remained relatively stable at around 150 tons.

Small decreases in emissions at DSM Engineering Plastics Tai-Young Nylon in Taiwan and DSM Sinochem Pharmaceuticals in Toansa (India) were offset by increases from several newly acquired units that contributed to emissions in the year.



Discharges to water and landfill

Chemical oxygen demand

The discharge of Chemical Oxygen Demand (COD), which is an indicator of wastewater pollution by organic substances, decreased from 5,500 to 5,400 tons. Several non-structural decreases were offset by increases at other sites. No significant structural changes were realized.

Non-hazardous waste

The discharge of non-hazardous waste to landfill sites decreased significantly, from 29,900 tons to 26,600 tons. A reduction of 7,700 tons was achieved at DSM Nutritional Products in Kingstree (South Carolina, USA) through the introduction of composting to replace the discharge of organic waste to landfill sites.

DSM Dyneema in Greenville (North Carolina, USA) achieved a reduction of 600 tons through increased recycling and the re-use of materials. Further reductions in landfilled waste were achieved at DSM Nutritional Products in Belvidere (New Jersey, USA), DSM Resins & Functional Materials in Frankfort (Indiana, USA), DSM Nutritional Products in Freeport (Texas, USA) and DSM Resins & Functional Materials in Waalwijk (Netherlands), mainly by replacing landfilling by alternatives such as land farming or incineration.

Several newly acquired units reported for the first time in 2013, leading to significant increases in landfill levels. These included DSM Nutritional Products in Piura (Peru), DSM Nutritional Products in Schenectady (New York, USA), DSM Nutritional Products in Ontario (California, USA), DSM Resins & Functional Materials in Zhangbin (China) and DSM Food Specialties in La Ferté (France). Several other sites increased waste-to-landfill levels through higher production, especially DSM Sinochem Pharmaceuticals in Yushu (China).

At DSM Fibre Intermediates in Nanjing (China) a significant correction was made to the number reported in previous years, as the facility had erroneously included construction waste in this category, which resulted in lower levels of landfill discharge being reported.

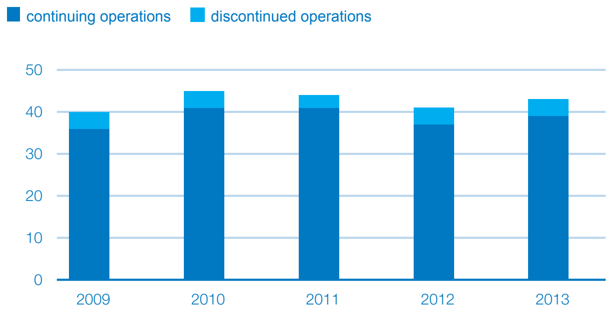
Landfilling non-hazardous waste
tons/year

Energy and greenhouse gases

Energy consumption

DSM's total energy consumption increased from 40.6 petajoules (PJ) in 2012 to 43.0 PJ in 2013. The energy consumption at DSM Fibre Intermediates in Nanjing (China) increased by 0.5 PJ. Nevertheless, the energy-efficiency of this unit improved as the increase in energy consumption was proportionally less than the increase of the caprolactam output. A significant contribution (0.6 PJ) to the increase in energy consumption comes from the acrylonitrile plant of DSM Fibre Intermediates in Sittard-Geleen (Netherlands), where operational issues and maintenance shutdowns caused inefficiencies. The energy consumption of DSM Fibre Intermediates in Augusta (Georgia, USA) increased by 0.8 PJ, mainly because the energy consumption of the DSM Engineering Plastics polyamide unit on this site has been included in the results as of 2013. Higher production levels resulted in increases at DSM Sinochem Pharmaceuticals in Ramos Arizpe (Mexico) of 0.3 PJ while non-structural process changes at the caprolactam plant of DSM Fibre Intermediates in Sittard-Geleen led to increases of 0.4 PJ. The inclusion of several new units caused a combined additional increase of 0.7 PJ. A significant decrease of 1.0 PJ resulted from the deconsolidation of DEXPlastomers, which was divested in early 2013. Relatively small changes, of around 0.1-0.2 PJ, occurred at several other units.

Energy consumption
PJ

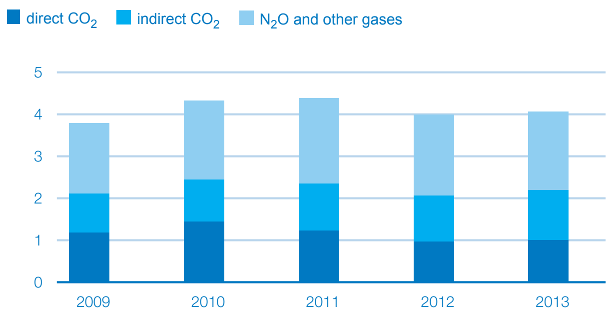


Greenhouse-gas emissions

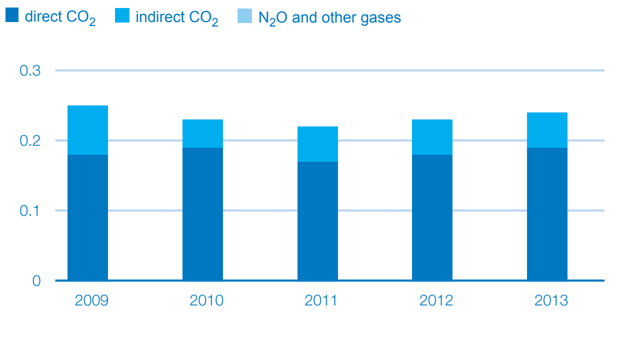
DSM's total greenhouse-gas emissions (direct and indirect), for continuing and discontinued operations, increased from 4.2 million tons of CO_2 equivalents in 2012 to 4.3 million tons in 2013. On a like-for-like basis the total greenhouse-gas emissions of DSM decreased by 19% when comparing 2013 with 2008.

Most changes reflect the variations in energy consumption described previously, but the relative increase is significantly less than the increase in energy consumption. This is caused by the fact that greenhouse-gas emissions at DSM Fibre Intermediates in Nanjing (China) decreased by 0.1 million tons, even though the production volume and energy consumption of the site increased. This was the result of the new N_2O-abatement system that was operational through 2013.

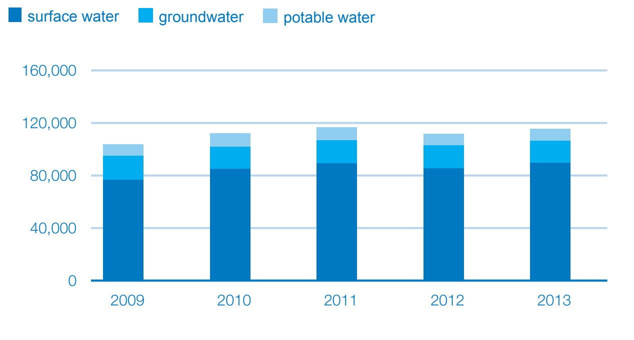
Greenhouse-gas emissions, continuing operations
million tons



Greenhouse-gas emissions, discontinued operations
million tons



Water use, continuing operations
1000 m^3, split between different sources

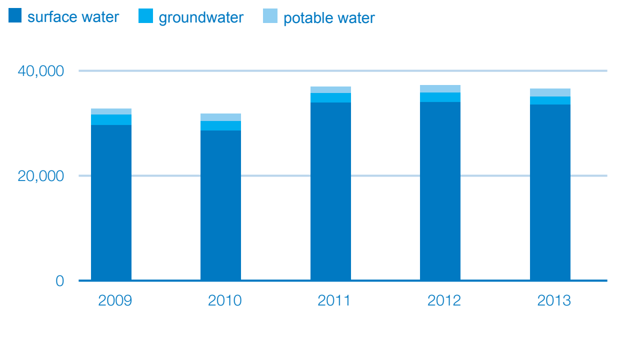


Water use

DSM's global water use is divided into surface water, groundwater and potable (tap) water. Total water use for continuing and discontinued operations increased from 149 million m^3 in 2012 to 152 million m^3 in 2013. The increase was to a large extent due to higher production levels at DSM Fibre Intermediates sites at Sittard-Geleen, Nanjing and Augusta. In addition, re-starting production facilities at DSM Nutritional Products in Belvidere (New Jersey, USA) and at DSM Sinochem Pharmaceuticals in Ramoz Arizpe (Mexico), as well as the inclusion of new reporting units, contributed to the increase. Some sites achieved improvements in water efficiency by executing specific projects. Examples are the projects carried out at the DSM Nutritional Products sites in Dalry (United Kingdom) and Sisseln (Switzerland) to prevent leakages of underground water pipelines and reduce specific water consumptions.

A significant part of DSM's total water use is for 'once-through cooling' (about 100 million m^3), particularly at sites located next to large rivers. These volumes fluctuate from year to year, because the required amounts depend on incoming river water temperatures and therefore on weather conditions. Water assessments on sites with 'once-through cooling' water shows that thermal pollution is within accepted levels, which has been confirmed by local authorities.

Water use, discontinued operations
1000 m^3, split between different sources



DSM's water policy is to minimize the adverse effects that its operations may have on the quality and quantity of available water in the regions where it operates.

The water policy is the basis for the DSM roadmap to sustainable water management. Water risk assessments began in 2012 and continued in 2013, focusing on water scarcity areas, as well as on locations with a relatively large contribution to DSM's discharge of pollutants (COD, nitrogen or phosphorus) or to water consumption. In 2013, sites were included which use large volumes of water for 'once-through cooling'. These risk assessments, which will continue in 2014, comprise a range of factors, including water scarcity and pollution of the local river basin, the water management system, local stakeholder involvement, business risks related to existing and future operations and value chain and ecosystem impacts. The water risk assessments enable DSM to set priorities for local mitigation efforts, such as projects to reduce consumption or discharges of specific pollutants. Projects based on the results of the water risk assessments are included within business group roadmaps for 2015 - 2020.

Water risk assessments give DSM a clear overview of its impact on water scarcity and pollution at a local level. They also provide indispensable insights into potential improvements that will enable DSM to achieve its 'no adverse effect' policy. There are a number of smaller sites where water scarcity may occur for a few months each year, but the impact of these sites has been shown to be relatively small, as they consume less than one percent of available fresh water sources. On the other hand, there are some larger sites where the risk of water scarcity is low, but DSM's potential impact is more significant. At these sites, DSM has prepared reduction plans for water consumption.

DSM engages with its suppliers to gradually build more sustainable value chains and consistently improve its eco-footprint, including its water footprint. It increasingly requires suppliers to commit to targets and assessments that are similar to those it applies to itself. The recently developed 'supplier water performance and risk assessment tool' is based on the same tool that DSM uses internally for its water risk assessments. This tool is already helping DSM suppliers to develop sustainable water management.

DSM has also been a signatory to the CEO Water Mandate since 2009. In addition, it has voluntarily reported its water policy and performance via the Carbon Disclosure Project since 2011.

DSM supports UN CEO Water Mandate

'Water availability is a concern of worldwide interest. Many areas in the world are rapidly facing a growing water stress, expressed in water scarcity, water pollution and water damages by natural disasters. Sustainable water management is therefore a must in our society. Both individual and collective action in this respect is a necessity, to have no adverse effect on water quality and quantity in regions and businesses where we operate. DSM truly values initiatives like the United Nations Global Compact CEO Water Mandate, to which principles I express my continued support. The topic of water and sustainable water management has our continued full attention.'

Feike Sijbesma, CEO of Royal DSM

DSM has also completed a raw material water footprint analysis that enables it to set priorities for potential improvements in its water footprint.

To further improve its methodology in water footprinting, DSM has continued to participate and collaborate with associations and partnerships that address these issues. The methodology used for water risk assessments was externally presented during the European Chemical Industry Council (CEFIC) water day in Brussels in 2013.

In India, DSM supported and contributed to the development of the India Water Tool, while making further contributions to the World Business Council for Sustainable Development (WBCSD) Action2020 agenda.

Biodiversity

Biodiversity and healthy ecosystems are key conditions for a more sustainable world. They sustain human life by providing what are known as ecosystem services, which meet essential human needs: food, materials, clean water and fresh air. DSM aspires to prevent the degradation of biodiversity and contribute to its preservation wherever possible. It believes that all companies have a central role to play in the conservation of natural capital, ecosystems and biodiversity. This task includes: (1) a continuous building of awareness about natural capital, biodiversity and ecosystems; (2) the assessment and monitoring of DSM's impact on protected areas within its vicinity; (3) the development of impact assessments with stakeholders; and (4) the development of measures that help mitigate this impact.

DSM actively contributes to organizations that address and develop awareness and methodologies to determine the impact of activities on biodiversity, ecosystems and natural capital employment. Biodiversity and ecosystem service reviews have been promoted by industry bodies like CEFIC, the Association of the Dutch Chemical Industry (VNCI), the governmental organization platform Biodiversity Ecosystems and Economy in the Netherlands and IUCN Leaders for Nature NL. DSM has piloted studies to apply and develop ecosystem service reviews. The studies qualitatively highlight the pressure factors from local production facilities that impact the local (protected) neighboring areas, including local emissions to air, water and soil. Further alignment with stakeholders such as neighboring companies and communities is still required in order to develop plans that quantify measures to address or prevent local impact and degradation.

Each year, DSM identifies and monitors the protected areas in the vicinity of its sites and the impact that it has on them. Some 40 percent of DSM's sites have been identified as being located in or adjacent to high biodiversity value areas. In all cases, DSM production sites are operating within applicable permit levels approved by local authorities.

Together with partners from the Inspirational Programme of the Leaders for Nature platform of the International Union for Conservation of Nature (IUCN), DSM has worked on a 'business area of the future' concept. This includes assessing a company's impact and dependency on biodiversity and ecosystem services.

Renewable energy

DSM acknowledges that the world must urgently shift its energy mix from fossil-based fuels towards renewable energy, while continuing to secure its energy supply. DSM aims to be a frontrunner in combating global warming and resource depletion and seeks to develop and promote products and solutions that help to reduce GHG emissions and energy usage in its value chain. DSM has also undertaken an advocacy role to cooperate with energy suppliers, co-leaders in industry and regulatory bodies, to bring about the necessary shift in the purchased energy mix towards a more renewable mix.

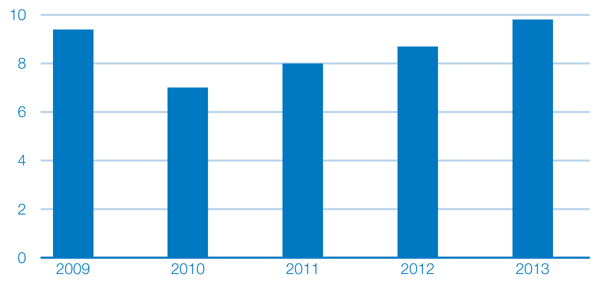
In 2013, DSM published a paper outlining its perspective on renewable energy on www.dsm.com. This paper is consistent with the goals of its current strategy, in which it has defined long-term environmental targets, including targets to increase energy efficiency by 20 percent by 2020 compared to 2008, and to reduce GHG emissions by 25 percent over the same period.

DSM aims to contribute to global GHG reductions in the most efficient way, and to report its targets and achievements within its Integrated Annual Report and as part of its commitment to the Carbon Disclosure Project. At the same time, it supports its customers' efforts to reduce GHG emissions via innovative, sustainable solutions and through various dedicated renewable energy initiatives. These initiatives include the POET-DSM Advanced Biofuels joint venture in the United States, and DSM's business in solar panel coatings and composite resin-based windmill blades, to name a few. DSM also encourages local initiatives for on-site renewable energy generation, making optimal use of local circumstances.

Raw materials

In 2013 approximately 10 percent of DSM's total spending on raw materials related to renewable raw materials. This represents an increase over 2010, 2011 and 2012, which is in line with the DSM portfolio changes. Further increases are expected in the coming years, with programs in place to further develop renewable raw materials.

Renewable raw materials
in % of total raw materials spend



Fines and sanctions
A total of four environmental sanctions were paid by DSM sites, totaling approximately € 62,500, which is higher than the fines paid in 2012 (€ 45,000). To the best of DSM's knowledge, no further fines or non-monetary sanctions for environmental issues were incurred in 2013.

Environmental incidents and complaints
The total number of registered environmental complaints was 45 (35 in 2012), of which 23 were about noise, 21 about odor and 1 related to water discharge.

The total number of environmental incidents was 271, compared to 316 in 2012. Of these, 8 were rated as serious (2 in 2012).

Sharing information on the safe use of chemicals
REACH
REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) is a European regulation that aims to protect human health and the environment from risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. Compliance with REACH provides a license to operate, while failure to register can have a serious impact on a company's commercial interests and its ability to do business. Manufacturers and importers of chemical substances, mixtures and articles that contain chemical substances within the European Economic Area must register these substances before 2018. Registration includes providing information on the safety of the substances that are intended for use.

Within the scope of REACH, DSM is running a program to submit relevant data on the presence or absence of hazardous effects of all chemicals DSM produces and imports within the European Union. The total number of substances involved exceeds 400. DSM has successfully met all deadlines, thus contributing to the security of supply for its customers. The company is currently REACH compliant. DSM will now follow up on its 2010 and 2013 dossiers and focus on the integration of REACH in its daily operations.

Safe ingredients policy

DSM is bolstering its approach to safer ingredients by bringing alternatives that are more environmentally friendly to the market in substitution of more hazardous chemicals. These actions are proactive and go beyond the legal requirements. They are focused on substances that are expected to become reclassified or that are less preferred by end customers because of their anticipated health and safety risks.

In 2013, DSM brought several greener and safer alternatives to the market:

- To make a significant contribution to solutions that reduce the environmental impact of e-waste, DSM has developed a broad portfolio of halogen-free materials for electronics and electrical applications that do not release carcinogenic compounds into the environment during manufacturing, use and disposal. These materials meet performance and sustainability requirements from regulators and consumers.
- DSM special grades of polyamide-6 provide producers of fuel tanks for vehicles and appliances with small engines with the simplest and most cost-effective way of cutting evaporative emissions. Tanks made from these materials conform to newly implemented regulations set by the US Environmental Protection Agency and the California Air Resources Board, and to guidelines from other parts of the world. The materials are also more cost effective and reliable than comparable solutions.
- DSM has developed a new material for ultrathin waterproof and highly breathable membranes in outdoor clothing. The material is PFC (perfluorinated chemicals) free and 100 percent recyclable.
- Anticipating the increasing concerns about cobalt toxicity, DSM has been working for many years on the development of cobalt-free resin curing systems. The company has successfully scaled up this technology and filed a broad range of patents covering many types of accelerator systems and materials. The company introduced five new cobalt-free pre-accelerated resins to the market in 2012-2013, and will deliver more in the future.

DSM's leading role in sustainability was also recognized by the UK Royal Society of Chemistry, which invited the company to contribute to their series Issues in environmental science and technology with a chapter highlighting DSM's sustainability journey towards a proactive ingredient policy for gaining effectiveness in the design of better products, which was published in June 2013.

GHS

DSM continuously monitors developments that relate to the UN Globally Harmonized System (GHS) and to related national regulations on classification and labeling, and takes any necessary actions to ensure timely implementation. Products have been re-labeled and revised accordingly, and safety data sheets are provided to reflect new requirements. National and regional deadlines are respected in this process and DSM employees are informed and trained on new systems of classification and labeling.

Sustainable value chains

In 2012, DSM reported a first baseline for emissions from its supply chain, according to the Greenhouse Gas Protocol for scope 3 emissions issued by the WBCSD and the World Resources Institute. The standard applies to 15 different categories, of which 11 have been found to be relevant to DSM's operations, according to the Chemical Sector Working Group of the WBCSD.

In 2013, this baseline was used as a starting point for improvements in the methodology and data used for calculations. There are a number of reasons for changes in the reported values. Corrections were made in calculations for categories 1 and 2. In several categories, DSM found ways to increase data accuracy and specificity (categories 2, 3, 6, 12 and 15), and to better align with the Protocol (categories 1, 2, 4). Furthermore, some numbers changed as a result of fluctuations in activity data, such as less business travel and reduced waste generation in operations.

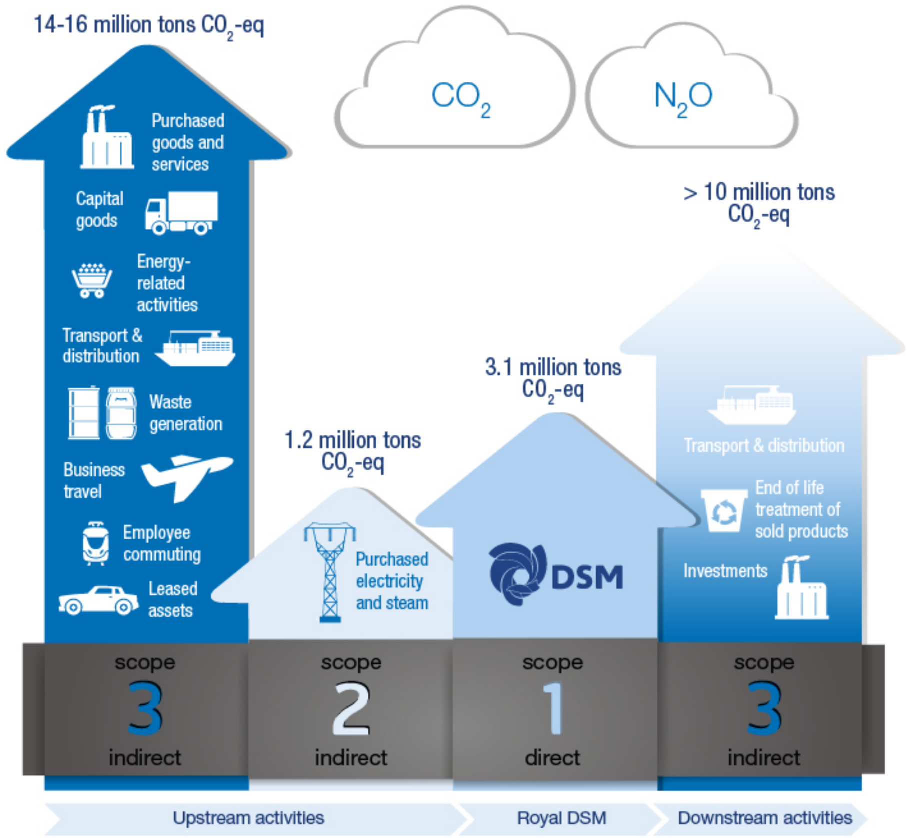
In addition to DSM's focus on improving the quality of the figures, it conducted an analysis in 2013 to determine which suppliers and raw materials contribute most to its scope 3 greenhouse-gas emissions, in order to identify further opportunities for reduction in the supply chain. DSM also intensified its efforts in collecting supplier specific LCAs as a means of refining its calculations and communicating DSM's expectations and aspirations to suppliers. DSM has sought to expand knowledge about sustainable procurement across the organization, particularly within the purchasing function, so that it becomes a natural way of thinking for people in relevant positions. See also DSM's Supplier Sustainability Program on page 35.

Scope 3 emissions under Greenhouse Gas Protocol

Category	Emissions (in kilotons of CO_2 equivalent) 2013	2012
1 Purchased goods and services	12,250[1]	13,500[1]
2 Capital goods	300-600[1]	1,000-1,750[1]
3 Fuel and energy-related activities	550	250-500
4 Upstream transportation and distribution	395[2]	186[2]
5 Waste generated in operations	159	171[3]
6 Business travel	43[1]	77[1]
7 Employee commuting	40-60	40-60
8 Upstream leased assets	31[1]	29[1]
9 Downstream transportation & distribution	19[2]	10-25[2]
10 Processing of sold products	not relevant[4]	not relevant[4]
11 Use of sold products	not relevant[4]	not relevant[4]
12 End-of-life treatment of sold products	<10,000	3,000-4,000
13 Downstream leased assets	not relevant[4]	not relevant[4]
14 Franchises	not relevant[4]	not relevant[4]
15 Investments	90-150[2]	10-30

1 From Q4 previous year to Q3 reporting year.
2 Reported figures with 1 year delay.
3 The number represents an update compared to the previously reported number.
4 These categories are considered to be not applicable or not relevant for DSM, or cannot be estimated at this time due to the wide array of applications, based upon the WBCSD Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain.

Greenhouse-gas emissions in DSM's value chain



Profit in 2013

Financial results

Within the Profit dimension of DSM's Triple P approach, DSM delivers a sustainable financial return. This ensures business continuity and allows the company to grow, while at the same time providing a good financial return to its shareholders. This chapter reports DSM's financial performance and provides an overview of the key financial metrics of the company.

Income statement

x € million, continuing operations	**2013**	2012
Net sales	9,051	8,588
Operating profit before depreciation and amortization (EBITDA)	**1,263**	**1,073**
Operating profit before exceptional items	**749**	**651**
Net finance costs	(142)	(109)
Share of the profit of associates	(2)	2
Income tax expense	(108)	(95)
Profit attributable to non-controlling interests	2	(10)
Net profit before exceptional items	**499**	**439**
Net profit from discontinued operations, excluding exceptional items	9	(12)
Net result from exceptional items	(237)	(149)
Total net profit attributable to equity holders of Koninklijke DSM N.V.	**271**	**278**
ROCE, continuing operations (in %)	9.7	10.1
EBITDA / net sales, continuing operations (in %)	14.0	12.5

Net sales

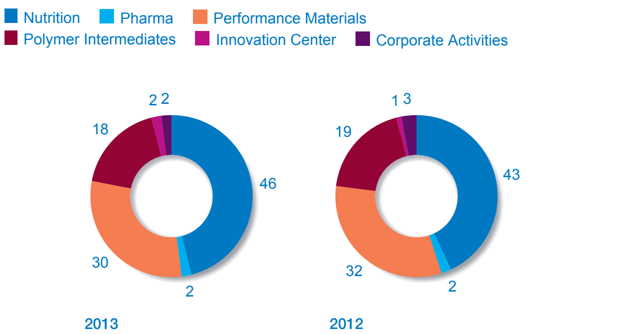
At € 9.1 billion, net sales from continuing operations in 2013 were 6 percent higher than in 2012 when they reached € 8.6 billion. Volume development accounted for a 5 percent increase in net sales. On average, selling prices were 3 percent lower than in 2012. Exchange rate fluctuations had a negative impact of 3 percent, while acquisitions contributed 6 percent.

Operating profit

Operating profit from continuing operations before exceptional items increased by € 98 million (15 percent), from € 651 million in 2012 to € 749 million in 2013. The EBITDA margin (operating profit before depreciation and amortization as a percentage of net sales) increased to 14.0 percent, compared to 12.5 percent in 2012.

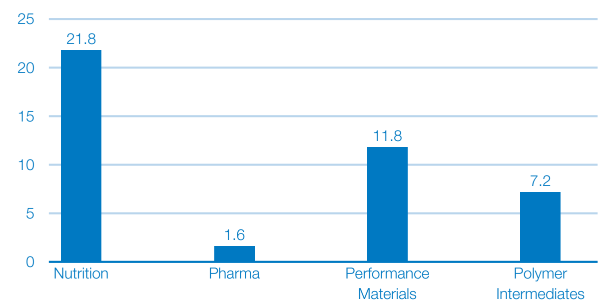
Net sales by business segment, continuing operations

in %



EBITDA / net sales, continuing operations in 2013

in %



Net profit

Net profit from continuing operations before exceptional items increased by € 60 million to € 499 million. Expressed per ordinary share, net earnings from continuing operations before exceptional items increased from € 2.59 in 2012 to € 2.84 in 2013.

Net finance costs increased by € 33 million compared to the previous year to a level of € 142 million. This increase was mainly the result of unfavorable hedge results and higher interest expenses due to higher net debt. The effective tax rate (before exceptional items) of 18 percent in 2013 was in line with the effective tax rate in 2012.

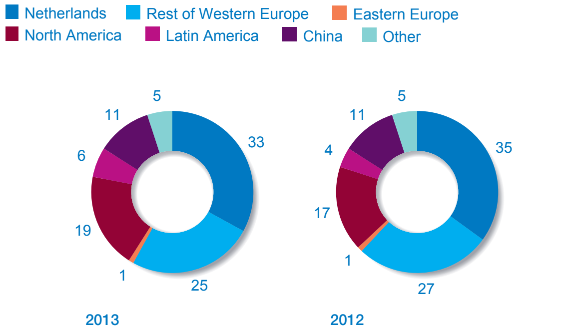
Total net profit for the full year came to € 271 million compared to € 278 million in 2012. The higher operating profit in 2013 was offset by higher finance costs and higher exceptional items (in particular restructuring and acquisition costs).

Exceptional items

Full-year exceptional items before taxes resulted in a loss of € 270 million (2012: loss of € 194 million), including an impairment of € 152 million relating to the envisaged contribution of DSM Pharmaceutical Products to a new entity that will be majority owned by private equity company JLL Partners, € 76 million in restructuring costs, € 35 million in acquisition related costs and € 10 million in costs for restructuring to capture synergies.

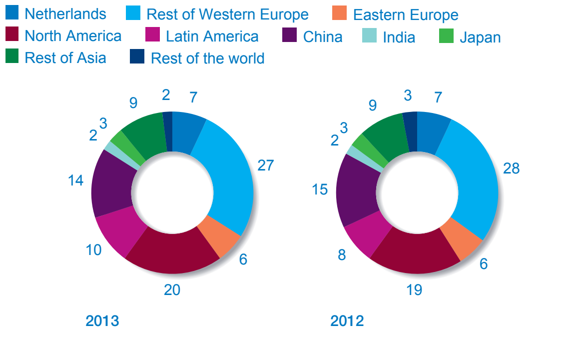
Net sales by origin, continuing operations

in %



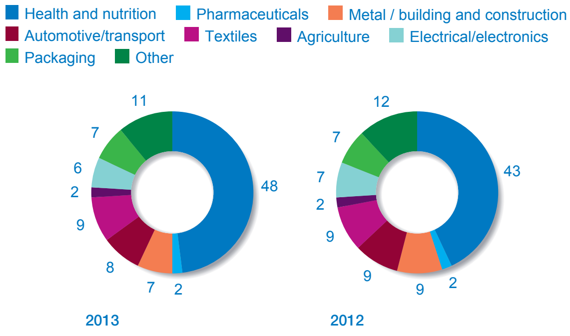
Net sales by destination, continuing operations

in %



Net sales by end-use market, continuing operations

in %



Cash flow

At € 889 million, cash provided by operating activities (total DSM) was 9 percent of net sales.

Cash flow statement

x € million	2013	2012
Cash, cash equivalents and current investments at 1 January	**1,133**	**2,147**
Current investments at 1 January	12	89
Cash and cash equivalents at 1 January	**1,121**	**2,058**
Operating activities:		
- Earnings before interest, tax, depreciation and amortization	1,314	1,109
- Changes in working capital	(87)	(17)
- Interest and income tax	(175)	(163)
- Other changes	(163)	(199)
Cash flow provided by operating activities	889	730
Investing activities:		
- Capital expenditure[1]	(735)	(686)
- Acquisitions	(509)	(1,262)
- Sale of subsidiaries	72	7
- Disposals	6	39
- Change in current investments	18	77
- Other	(22)	(31)
Cash from / used in investing activities	(1,170)	(1,856)
Dividend	(160)	(210)
Repurchase of shares	(73)	-
Proceeds from re-issued shares	145	90
Other cash from / used in financing activities	26	291
Cash used in financing activities	(62)	171
Effect of exchange differences	(2)	18
Cash and cash equivalents at 31 December	**776**	**1,121**
Current investments at 31 December	19	12
Cash, cash equivalents and current investments at 31 December	**795**	**1,133**

[1] An amount of € 37 million included in capital expenditure was funded by customers

Balance sheet

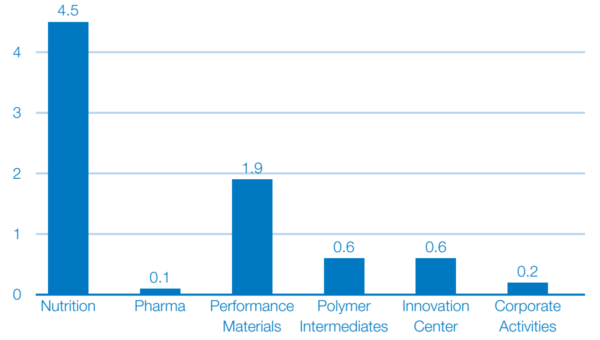
The balance sheet total (total assets) reached € 12.0 billion at year-end (same as in 2012). Equity increased by € 56 million compared to the position at the end of 2012. The increase was due to the net profit for the year and the proceeds from reissued shares, which were partly offset by the dividend and the repurchase of shares. Equity as a percentage of total assets increased from 50 percent at the end of 2012 to 51 percent at the end of 2013.

Compared to year-end 2012, net debt increased by € 194 million. The gearing was 23 percent at year-end.

Capital expenditure on intangible assets and property, plant and equipment amounted to € 793 million in 2013 and was above the level of amortization and depreciation.

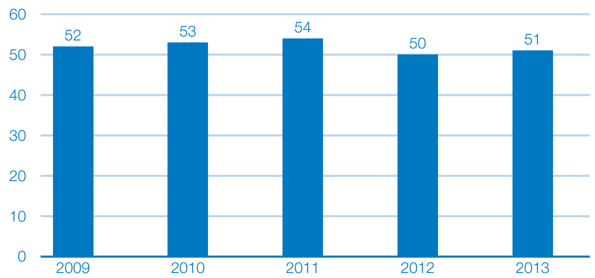
The operating working capital (continuing operations before reclassification to 'held for sale') was € 66 million higher than in the previous year and came to 21.1 percent of annualized fourth quarter net sales (2012: 20.7 percent). Cash and cash equivalents, including current investments, decreased by € 338 million and came to € 795 million.

Capital employed by business segment at 31 December 2013, continuing operations x € billion



Equity at 31 December

as a % of balance sheet total

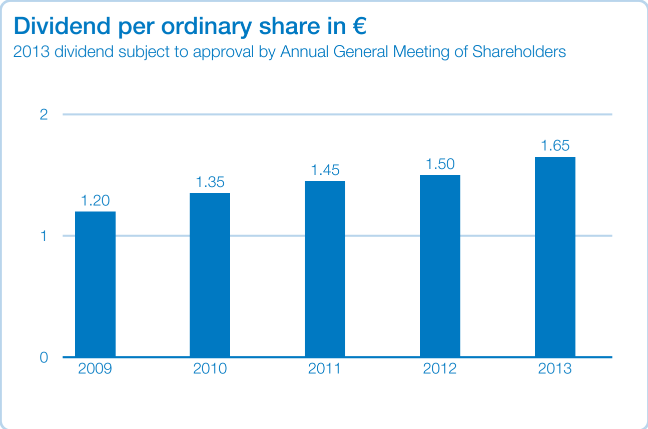


Balance sheet profile

	2013		2012	
	x € million	in %	x € million	in %
Intangible assets	2,705	22	2,793	24
Property, plant and equipment	3,822	32	3,811	32
Other non-current assets	615	5	521	4
Cash and cash equivalents	776	7	1,121	9
Other current assets	4,099	34	3,720	31
Total assets	**12,017**	**100**	**11,966**	**100**
Equity	6,098	51	6,042	50
Provisions	163	1	206	2
Other non-current liabilities	2,530	21	2,640	22
Other current liabilities	3,226	27	3,078	26
Total liabilities	**12,017**	**100**	**11,966**	**100**

Dividend

DSM's dividend policy is to provide a stable and preferably rising dividend. DSM proposes to increase the dividend by 10 percent from € 1.50 to € 1.65 per ordinary share. This will be the fourth consecutive increase. This will be proposed to the Annual General Meeting of Shareholders to be held on 7 May 2014. An interim dividend of € 0.50 per ordinary share having been paid in August 2013, the final dividend would then amount to € 1.15 per ordinary share. The dividend will be payable in cash or in the form of ordinary shares at the option of the shareholder. Dividend in cash will be paid after deduction of 15 percent Dutch dividend withholding tax. The ex-dividend date is 9 May 2014.



Outlook

For 2014 DSM takes a prudent approach, assuming the unfavorable January 2014 foreign exchange rates are maintained for the year. Furthermore, DSM assumes a continued challenging macro-economic environment, with low growth in Europe, modest growth in the US, and a slowdown in the high growth economies.

Based on the above, DSM targets for 2014 to improve its business performance to at least offset the negative currency impact of € 70 million at January 2014 exchange rates.

Comparable EBITDA in 2013 from continuing operations after new accounting rules for joint ventures amounted to € 1,261 million.

Review of business in 2013

In 2013 DSM's activities were grouped into five clusters: Nutrition, Pharma, Performance Materials, Polymer Intermediates and Innovation Center. In addition, DSM reports separately on Corporate Activities. Results presented in this section (and elsewhere in the management report) are before exceptional items.

Net sales

x € million	2013	2012
Nutrition	4,195	3,667
Pharma	184	183
Performance Materials	2,746	2,772
Polymer Intermediates	1,579	1,596
Innovation Center	149	102
Corporate Activities	198	268
Total continuing operations	**9,051**	**8,588**
Discontinued operations	567	543
Total DSM	**9,618**	**9,131**

Operating profit (EBIT)

x € million	2013	2012
Nutrition	679	613
Pharma	(8)	(3)
Performance Materials	185	146
Polymer Intermediates	71	97
Innovation Center	(53)	(63)
Corporate Activities	(125)	(139)
Total continuing operations	**749**	**651**
Discontinued operations	10	(16)
Total DSM	**759**	**635**

EBITDA

x € million	2013	2012
Nutrition	914	793
Pharma	3	3
Performance Materials	324	280
Polymer Intermediates	113	129
Innovation Center	(17)	(38)
Corporate Activities	(74)	(94)
Total continuing operations	**1,263**	**1,073**
Discontinued operations	51	36
Total DSM	**1,314**	**1,109**

Capital employed at 31 December

x € million	2013	2012
Nutrition	4,494	4,122
Pharma	146	162
Performance Materials	1,910	2,026
Polymer Intermediates	570	447
Innovation Center	561	507
Corporate Activities	183	216
Total continuing operations	**7,864**	**7,480**
Discontinued operations	439	604
Total DSM	**8,303**	**8,084**

EBITDA / net sales

in %	2013	2012
Nutrition	21.8	21.6
Pharma	1.6	1.6
Performance Materials	11.8	10.1
Polymer Intermediates	7.2	8.1
Total continuing operations	**14.0**	**12.5**
Discontinued operations	9.0	6.6
Total DSM	**13.7**	**12.1**

ROCE

in %	2013	2012
Nutrition	15.5	18.3
Pharma	(5.1)	(2.1)
Performance Materials	9.4	7.2
Polymer Intermediates	14.0	23.3
Total continuing operations	**9.7**	**10.1**
Discontinued operations	1.9	(2.5)
Total DSM	**9.2**	**8.9**

Capital expenditure

x € million	2013	2012
Nutrition	255	195
Pharma	11	22
Performance Materials	56	109
Polymer Intermediates	235	214
Innovation Center	108	36
Corporate Activities	87	89
Total continuing operations	**752**	**665**
Discontinued operations	41	50
Total, accounting based	**793**	**715**
Non-cash items	(58)	(29)
Customer funding	(37)	(13)
Total, cash based	**698**	**673**

Workforce at 31 December

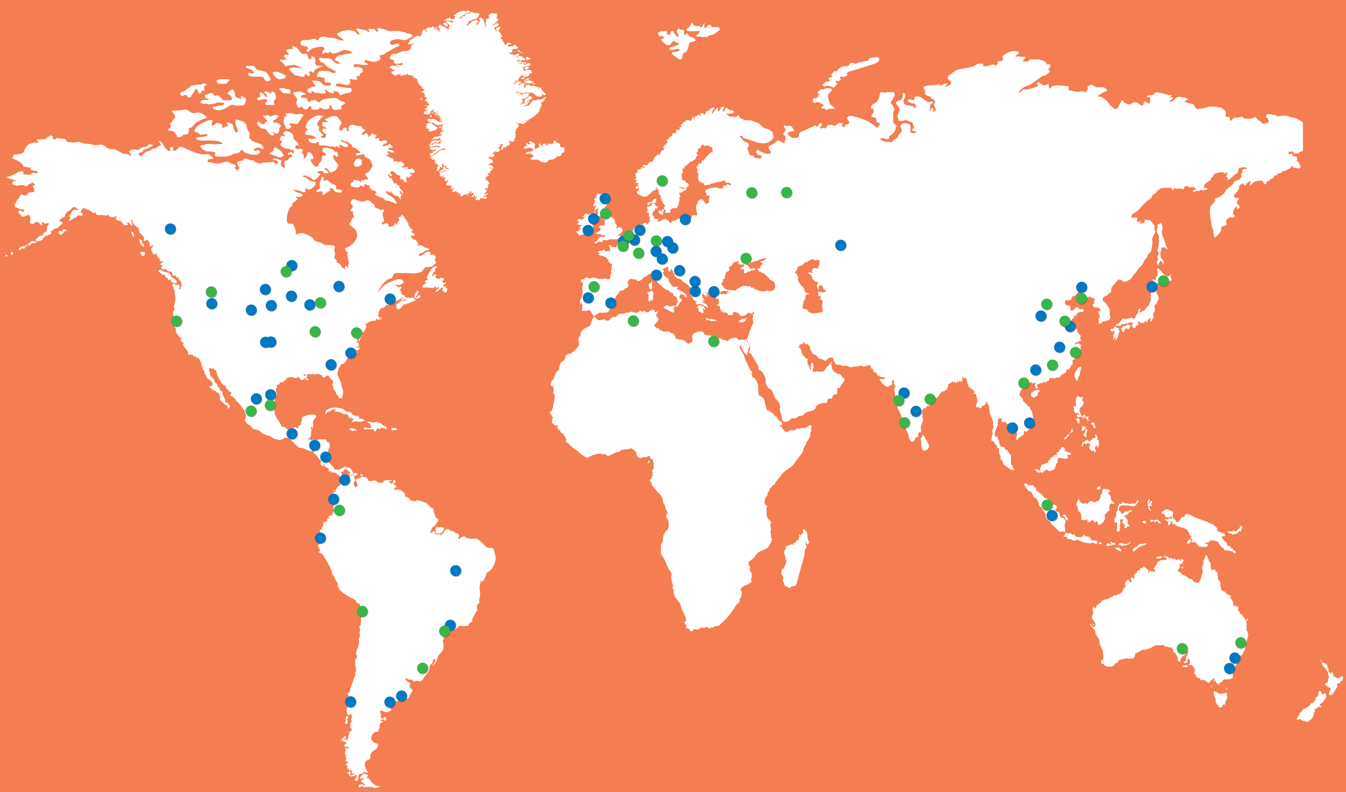
headcount	2013	2012
Nutrition	10,548	9,489
Pharma	857	851
Performance Materials	5,128	5,354
Polymer Intermediates	1,456	1,474
Innovation Center	664	668
Corporate Activities	3,204	3,199
Total continuing operations	**21,857**	**21,035**
Discontinued operations	2,492	2,463
Total DSM	**24,349**	**23,498**

R&D expenditure (including associated IP expenditure)

	x € million		as % of net sales	
	2013	2012	**2013**	2012
Nutrition	209	202	5.0	5.5
Pharma	6	4	3.3	2.2
Performance Materials	132	131	4.8	4.7
Polymer Intermediates	17	18	1.1	1.1
Innovation Center	80	61	53.7	59.8
Corporate Activities	26	22	13.1	8.2
Total continuing operations	**470**	**438**	**5.2**	**5.1**
Discontinued operations	45	52	8.0	9.6
Total DSM	**515**	**490**	**5.4**	**5.4**

Life Sciences

DSM's Life Sciences activities are bundled into two clusters: Nutrition and Pharma. In 2013, these two clusters represented 48 percent of DSM's total net sales from continuing operations.



- Production Facilities
- Main/Regional Sales Offices

Review of business in 2013: Nutrition

Continued value growth

Net sales

€ 4,195 m

x € million	2013	2012
Net sales:		
DSM Nutritional Products:		
- Animal Nutrition & Health	1,934	1,717
- Human Nutrition & Health	1,690	1,407
- Personal Care	152	174
	3,776	3,298
DSM Food Specialties	419	369
Total	**4,195**	**3,667**
Organic sales development (in %)	2	2
Operating profit	679	613
Operating profit plus depreciation and amortization (EBITDA)	914	793
Capital expenditure	255	195
Capital employed at 31 December	4,494	4,122
ROCE (in %)	15.5	18.3
EBITDA as % of net sales	21.8	21.6
R&D expenditure	209	202
Workforce at 31 December (headcount)	10,548	9,489

Business

The Nutrition cluster consists of DSM Nutritional Products and DSM Food Specialties. These businesses serve the feed, food and beverage, pharmaceutical, dietary supplements and personal care industries. With an in-depth knowledge of local and global market needs, they apply their unique capabilities to the benefit of customers and other stakeholders.

In 2013, Nutrition faced challenging market conditions with a fragile macro-economic environment in Europe and to a lesser extent the United States and price pressures in a number of markets. EBITDA increased 15 percent, driven by the positive impact of acquisitions, organic growth and operational performance, despite a negative impact from currencies. The US dollar and several currencies in high growth economies, which DSM is increasingly exposed to, weakened against the euro.

The first half of the year saw continued weakness in demand in Animal Nutrition & Health on the back of historically high grain prices in 2012. Recovery of demand was further delayed by the outbreak of animal diseases such as bird flu in China and Mexico and Early Mortality Syndrome (EMS) in shrimp in South East Asia. This demand weakness led to significant price pressures in several Animal Nutrition & Health products, most notably in vitamin E, which continued in the second half of the year. Overall, the organic growth of Animal Nutrition & Health was almost flat.

In Human Nutrition & Health demand development was positive in the first part of the year and through the summer. However, weakness in omega-3 based supplements, Western Food & Beverage markets and North American dietary supplements as of late Q3 led to a disappointing performance with flat sales in the fourth quarter. Infant Nutrition proved a strong driver of growth throughout the year. Overall, the organic growth of Human Nutrition & Health was 4 percent for the year.

In Personal Care, demand development was especially impacted by weak sales for sun filters due to a very poor summer in the US and Europe, considered one of the worst years ever by the industry, and by increased competitive intensity. The unit also focused on streamlining its distributor network and product line-up in skin care.

In Food Specialties, growth was achieved in all market segments, supported by contributions from business acquired in cultures and enzymes. Demand was strong for innovative yeast extracts and process flavors from high growth economies.

Total sales for 2013 of the Nutrition cluster came to € 4.2 billion, compared to about € 3.7 billion in 2012, which represents a compounded annual growth rate of 10 percent since the start of the current strategic period.

The Nutrition cluster has confirmed its targets for 2015 as organic sales growth of GDP +2 percent and an EBITDA margin range of 20-23 percent.

Trends

Despite the challenges in the macro-economic environment in 2013, the key global societal trends that drive the company's growth in nutrition and health remained intact and provided resilience to the cluster. With more than half the world's population now living in cities, the need for convenience and processed food has never been higher, which matches the company's ability to deliver tailor-made local applications and blends.

At the same time, a rapid rise in living standards has continued, particularly in high growth economies, where it is driving increases in the demand for animal protein. This is boosting the demand for more and better animal feeds, which, combined with the rising scarcity of resources, is requiring more efficient feed conversion processes and a reduction of undesirable waste components. In this regard, DSM offers solutions that help make industrial farming systems more sustainable and have a lower impact on the environment.

Global megatrends are fueling demand for health and wellness products such as infant nutrition products, dietary supplements, and healthier choices in food and beverages. As populations continue to age and awareness about hidden hunger increases, health consciousness is also prompting governments and health authorities to encourage the consumption of supplements and fortified foods.

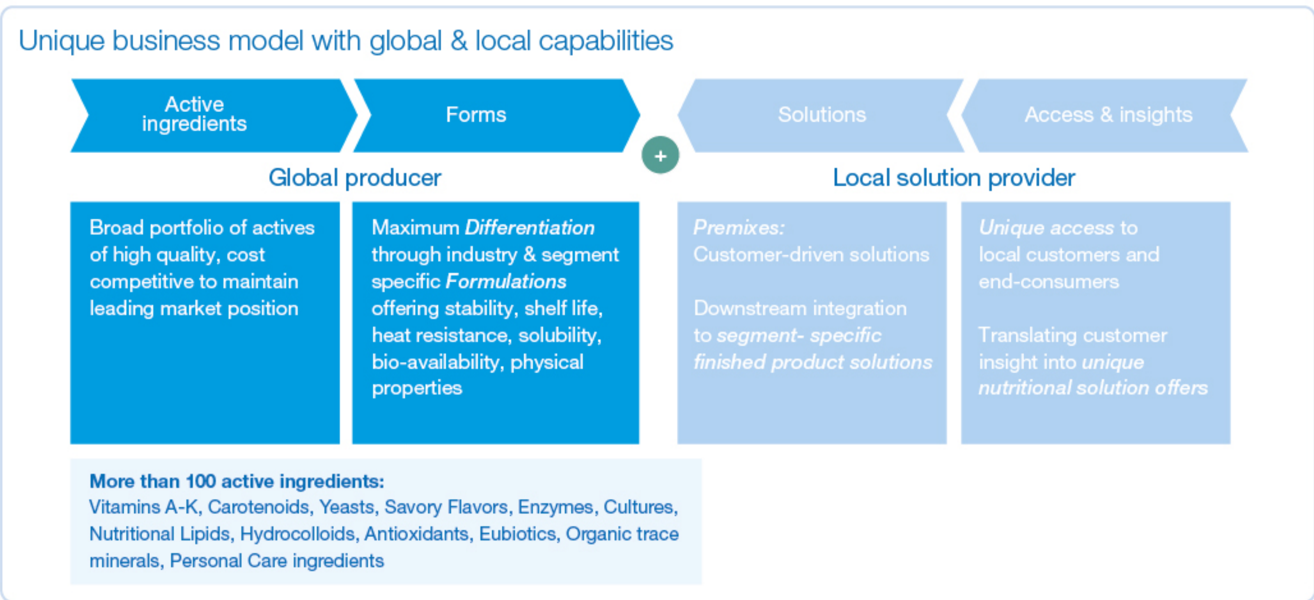
Public concerns are also increasing around issues of quality, safety and sustainability, leading to a stronger regulatory focus on these areas. Authorities prefer producers to work with suppliers that, like DSM, are rigorous in their application of science and have state-of-the-art quality assurance systems. The growing awareness around environmental sustainability, which is also notable in countries with low-cost producers, has become an important differentiator for DSM.

In the period ahead, DSM expects more demanding requirements from customers for deeper insights and customized solutions. Growth will continue to shift towards high growth economies where the business will increase its development of products tailored to local consumer preferences and market and channel structures.

Value chain

DSM's strategy for the Nutrition cluster, with a strong product portfolio leveraged across the value chain addressing attractive markets, has served the company well. The cluster has a unique business model that aims to capture opportunities arising from global megatrends by combining global production capabilities in active ingredients and formulations with customized local formulations, premix activities and distribution channels.

As a global producer, DSM delivers a broad portfolio of high quality and competitive actives while offering maximum differentiation through industry and segment specific formulations. At the same time, as a local solutions provider, it is increasingly focusing on customer-driven solutions and segment-specific products. By successfully managing the interdependencies between active ingredients, formulations, premixes and macro blends, it is able to drive innovation, optimize its logistics and ensure final value delivery to its customers and their end consumers.



The cluster works from a strong base as a global market leader, with a portfolio of key value-added nutritional ingredients that is the broadest in the industry, with particularly strong positions in vitamins, nutritional lipids, enzymes, cultures and carotenoids. It then leverages the potential of the value chain and establishes new growth platforms in adjacent areas that widen its global presence.

The business addresses the needs of individual markets through fermentation, chemical synthesis, and in key niches of active compounds derived from plant extracts. Specialist teams work closely with customers to jointly develop ingredient formulations for a range of end products. All formulations are customized to ensure the best ingredient characteristics for each specific end product.

Over the years, DSM has expanded and strengthened its value chain presence and business model downstream, adding macro blends while strengthening its nutritional consultancy and services. Its global footprint has grown to more than 60 countries, including a large number of high growth economies, where it benefits from unparalleled customer access, a broader product portfolio, and new skills and capabilities. The expansion of DSM's premix footprint in emerging economies has been one of the most important business drivers in the areas of human and animal nutrition and health.

DSM's uniquely integrated business model and strong global position enables it to be a front-runner in quality and innovation, regulatory and technical expertise, sustainability, and customer and consumer understanding. In the years ahead, the business will continue to provide solutions that capture macro-trend opportunities, while strengthening its core by improving operations and the supply chain. It will innovate and upgrade delivery systems through application and formulation technologies; expand premix networks and services through nutritional science and advocacy; maintain its investments in state-of-the-art quality management; and build on its ability to deliver more value, more efficiently.

Acquisitions

Since the launch of the DSM in motion: *driving focused growth* strategy in 2010, the company has acquired businesses in Nutrition totaling € 2.4 billion in enterprise value. These have created attractive shareholder value. The Nutrition cluster now accounts for approximately half of total company sales with an EBITDA margin target of between 20 and 23 percent. Acquisitions have been the main vehicle for adding new growth platforms, including high growth economies. In the period ahead, DSM's primary focus will be on the full integration of its newest companies, and on reaping the benefits of these in terms of growth, synergies and costs.

Overall the acquisitions performed well in 2013. Martek, Fortitech and Tortuga exceeded expectations. Ocean Nutrition Canada was confronted with market headwinds towards the end of the year. The integration of the acquisitions is well advanced, and synergies are being delivered according to plan.

The 2012 acquisition of Ocean Nutrition Canada (ONC), together with the fully integrated Martek business, has created a strong leader in nutritional lipids. Significantly higher fish oil costs have caused steep price increases in omega-3 based supplements at retail level, which led to softness in consumer demand in the US in the second half of the year. With ONC DSM has considerably strengthened its presence in the US dietary supplements market, while leveraging its global network to grow the dynamic omega-3 market category for dietary supplements and food and beverages outside the US.

Nutrition acquisitions 2010-2013

Company	Business group	Enterprise value in € m	Year
Martek	DNP	790	2011
Ocean Nutrition Canada	DNP	420	2012
Cultures and enzymes business of Cargill	DFS	85	2012
Fortitech	DNP	495	2012
Tortuga	DNP	465	2013
Unitech	DNP	35	2013
Other acquisitions		110	
Total enterprise value		approx. 2,400	

The integration of Fortitech, acquired in late 2012, is well underway with a new Human Nutrition & Health premix structure in place that preserves the very successful Fortitech operational model and its customer base. The business has added a strong position to DSM's customized food ingredient blends and expanded its value chain presence with complete solutions globally. In 2013, it achieved double digit growth and significant cost and ingredient supply synergies in all regions.

The Cultures and Enzymes business acquired from Cargill in 2012 has now been fully integrated. It is offering a new proposition in the attractive market for Dairy Enzymes & Cultures to leading global dairy players. The integration of its portfolio has led to a rationalization of brands and products, while synergies have been achieved.

DSM completed the acquisition of Tortuga, the Brazilian market leader in minerals for animal nutrition and health, in 2013. The business has already delivered a strong contribution to DSM's growth and earnings and its integration is on track to be fully completed in 2014. It fundamentally strengthens DSM's footprint in Latin America and its ruminants position globally. Product registrations are now underway for expansion in Latin America, while the company's growing trace mineral program for monogastric species is also underway.

DSM continues to implement further efficiency improvements in support of its unique business model in Nutrition.

Sustainability

Sustainability is a significant growth driver for the Nutrition cluster, and it creates opportunities to develop and market solutions that are more efficient and have distinct environmental advantages. The cluster contributes to the creation of ECO+ solutions within DSM, which is the term designated by DSM to those products that provide a quantifiably better ecological performance than comparable mainstream products in the market.

DSM completed several assessments of the ecological and carbon footprint of products, including vitamins C, B2 and B6. Many of these products and processes not only contribute to a reduction in DSM's ecological footprint, but also look to improve the ecological footprint of end products and their application and use.

DSM believes that good nutrition is indispensable to unlocking the physical and mental potential of every man, woman and child. It views the elimination of malnutrition as a key priority and a shared global responsibility that it supports wholeheartedly.

As an industry pioneer, DSM is also a key driver of the global science agenda in the field of ingredients. As such, it is focused on advancing the world's understanding of the intricate relationships between nutrition, health, product development and food production processes.

The company is increasingly recognized as a thought leader in the field of nutrition and health, which has become a key element in its development. Thought leadership enables DSM to engage in discussions on nutrition guidelines, policies and practices with high-level decision makers and authorities around the world. It also helps DSM to build institutional knowledge and create confidence among its customers and other stakeholders.

In 2013, its Sight and Life think tank published a book entitled The Road to Good Nutrition, a part of its Vitamins in Motion campaign to combat hidden hunger. The book was broadly acclaimed by the UN and the development community. In the year, Sight and Life also published a global hidden hunger index to help raise global awareness about the magnitude of hidden hunger around the world and its devastating consequences.

DSM Nutritional Products

DSM Nutritional Products is organized around three market-facing entities: Animal Nutrition & Health, Human Nutrition & Health and Personal Care. In 2013, DSM Nutritional Products posted sales of €3,776 million compared to €3,298 million in 2012. EBITDA increased 15% in 2013, driven by the positive impact of acquisitions, organic growth and operational performance, despite a negative impact of currencies.

Despite challenges in several of its markets, the year saw significant strategic progress for DSM Nutritional Products as it continued to capture megatrend opportunities by leveraging its broad range of active nutritional ingredients across the value chain. Its global premix network expanded its development of tailored customer and market solutions, and strengthened DSM's position as the innovation partner of choice for the food, feed and personal care industries.

As a result of its steady growth, stable margins, and value creating acquisitions, the business group is today twice the size of what it was 10 years ago. The global product portfolio has been significantly expanded around its core offering of vitamins and carotenoids focusing on Human and Animal Nutrition & Health. It now includes fish-oil based as well as vegetable PUFAs (polyunsaturated fatty acids, i.e. omega-3 and omega-6) and organic trace minerals.

The merger of DSM's human premix network with the leading blender Fortitech expands what was primarily a channel to market DSM actives, towards one with more economies of scale, flexibility and versatility. For both human and animal applications, DSM's premix network is by far the largest in the industry.

The business group has emphasized customer proximity and further developed its market approach and identity. For the first time since 2003, it began building a new vitamin factory, in Xinghuo, Shanghai (China), where it started work on its new state-of-the-art vitamin B6 facility in the autumn.

Animal Nutrition & Health

Strategic progress 2013

- HGEs: new premix plants in Vietnam and the Philippines, and other premix businesses acquired in China
- Innovation: construction of new Animal Nutrition Innovation and Science Application Center in China nears completion
- Sustainability: several assessments completed on the ecological and carbon footprint of products
- Acquisitions & Partnerships: Tortuga business delivers and integration is on track

The Animal Nutrition & Health (ANH) business achieved sales of € 1,934 million in 2013 compared to € 1,717 million in 2012.

This business holds a unique global position in the markets for poultry, swine, aquaculture and ruminants. In all these species, DSM is a full value chain player, providing active ingredients, delivery systems, and nutritional and premix solutions globally and at a local level. Its focus is on the nutritional ingredients and additives segments of these markets.

Despite some regional constraints, the challenges in the macro-economic environment, and the ongoing price pressures in the animal protein market, the megatrends of population growth and rising living standards continued to drive the business in 2013. Demand in some high growth countries was impacted by diseases, such as bird flu in China and Mexico and EMS in shrimp in Asia.

In the animal protein markets, decreasing agricultural commodity prices are supporting a steady but slow recovery in animal protein production. This fragility has created some price pressures, especially in vitamin E, which has led DSM to maintain its value-over-volume strategy.

During its first year as part of DSM, the Tortuga business in Brazil fully delivered on expectations. The acquisition was concluded in April 2013 and the integration program is firmly on track. Tortuga provides high-quality nutritional supplements including minerals for pasture-raised cattle as well as for dairy cows and feedlots. It specializes on ruminants with products to match specific requirements during the animal's life cycle. With its vast range of formulations and services, Tortuga has solutions for ruminants at all phases of development and in different environments, to help livestock farmers achieve greater efficiency, profitability, health benefits and sustainability in their operations. Tortuga has developed its own exclusive minerals technology for ten different minerals (calcium, magnesium, sulfur, chromium, zinc, manganese, copper, iron, cobalt, selenium). This is a significant differentiator in the market, as Tortuga is the only mineral feed producer in the world that is fully integrated in the supply chain and can apply those minerals in high inclusion. In addition, the business uses mineral technology in products for dairy and feedlot-raised cattle, and for other animals, such as swine, poultry, horses, sheep and goats. The combination of the DSM and Tortuga portfolios supports DSM's strategy of becoming a global full solutions provider. It boosts its access to a ruminants market of around 35,000 Brazilian cattle farmers, and enables Tortuga's minerals to reach other geographies and segments worldwide.

In 2013, DSM opened two new premix plants, in Vietnam and the Philippines. It also took over two other premix businesses in China and the Philippines. In China, the construction of the new Animal Nutrition Innovation and Science Application Center close to Beijing is nearing completion and the inauguration is planned for 2014.

Human Nutrition & Health

Strategic progress 2013

- HGEs: leveraging global footprint to drive nutritional lipids sales, while Unitech opens new channels for growth in Asia Pacific
- Innovation: Oatwell® betaglucans receive EFSA endorsement for health claims and new innovation center designed for Brazil to open in 2015
- Sustainability: several assessments completed on the ecological and carbon footprint of products
- Acquisitions & Partnerships: acquisition of Unitech Industries Ltd. in New Zealand further strengthens the premix business, while the previous acquisition of Fortitech has created a recognized leader in human nutrition blends

The Human Nutrition & Health (HNH) business reported 2013 sales of € 1,690 million compared to € 1,407 million in 2012.

This business largely addresses the nutritional ingredients part of the food& beverage and dietary supplements market, with an additional focus on infant nutrition and aroma ingredients. Its fundamental drivers are the link between nutrition and a number of global megatrends that have resulted from the world's growing population, rapid urbanization and the rise of living standards in developing countries.

Overall conditions in 2013 were challenging, but remained favorable for infant nutrition. In the Food & Beverage segment, customers faced softer demand, particularly in Western markets. In the dietary supplement market, fish-oil based omega-3 was impacted by sharp price increases at retail level, as the entire value chain pushed through higher crude fish oil costs.

As a result of the integration of Martek and Ocean Nutrition Canada, a new integrated organization in DSM Nutritional Products was implemented in the year. This organization now has the ability to provide both algal and marine-based lipid solutions to DSM's customer applications in all market segments. Additionally, DSM is leveraging its broad global footprint to drive nutritional lipids sales in high growth economies.

The combination of DSM and Fortitech in late 2012 has strengthened DSM's premix offer with the fastest and highest quality customer-oriented capabilities in the industry, for which Fortitech is widely recognized. Together with DSM's industry-leading innovation capabilities and the deepest portfolio of nutritional ingredients, the integrated global premix business has been recognized by customers as the leader in human nutrition blends. The company's goal is to provide industry leading nutritional science-backed solutions and unmatched customer service with the broadest global reach to help customers differentiate and grow their brands.

The acquisition of Unitech Industries Ltd., located in Auckland (New Zealand) completed the strengthening of the premix business. Unitech is now ideally positioned to further penetrate the rapidly growing market in Asia Pacific. It manufactures highly targeted nutritional premixes with a focus on infant nutrition. It also produces complete nutritional blends for global and regional infant formula companies. This is a highly demanding market that requires a total commitment to quality in all areas of the business.

The difficult market faced by DSM in Human Nutrition & Health have enabled it to prove its unique capabilities and high standards to customers. Its ongoing commitment to the four pillars of Quality, Reliability, Traceability and Sustainability has remained the foundation of the business and a significant differentiator in the market.

Personal Care

DSM's sales in Personal Care in 2013 were € 152 million, compared to € 174 million in 2012.

This market offers considerable long-term opportunities for DSM to innovate for accelerated growth. Personal Care focuses on creating mutual value with its customers through a unique portfolio of transformational beauty care ingredients such as peptides, natural bio-actives, vitamins, UV filters and polymers.

In 2013, DSM Personal Care launched a new identity entitled *Revealing the Power of Beauty*. This brand aspires to connect and leverage DSM's scientific capabilities in skin, sun and hair care products to develop transformational beauty care ingredients and concepts with superior performance, quality and reliability.

DSM Food Specialties

Strategic progress 2013

- HGEs: increased global footprint through the integration with the Cultures and Enzymes business acquired from Cargill
- Innovation: efforts are recognized by the industry and major steps forward are taken in the production of high purity steviol glycosides by means of fermentation
- Sustainability: Multirome® has 81 percent lower carbon footprint than regular yeast extracts according to LCA
- Acquisitions & Partnerships: the acquisition of a stake in Yantai Andre Pectin Co., Ltd. in China offers premier access to the world's fastest growing specialty food and ingredients market

Global distribution network in the food value chain

In 2013, sales for DSM Food Specialties came to € 419 million, compared to € 369 million in 2012. The business realized growth in all market segments, supported by contributions from its acquired cultures and enzymes business. Its position as a global market leader in bio-ingredients for food and beverages was further strengthened with high growth from emerging economies in Latin America and Asia, and new opportunities in Africa. Growth was especially fueled by a rising demand for innovative yeast extracts and process flavors.

DSM Food Specialties is a leading global supplier of food enzymes, cultures, taste and health ingredients and other specialties for many of the leading global and local dairy, baking, beverages and savory food brands. Its advanced ingredients help customers differentiate their products to consumers in terms of taste, texture and appearance, while helping to optimize production processes and raw material and energy use.

Trends

The food industry is increasingly looking for sustainable and higher value-added products that are healthier, better tasting and more appealing to consumers. Producers are also looking to improve production processes and save costs. Specialty food ingredients represent approximately 2 percent of the cost of a final product, but can have a significant, direct impact on the end-product.

The use of food enzymes is expected to grow in the years ahead as food manufacturers look for cost savings and more sustainable and more efficient production processes. The market for cultures and probiotics is also expected to grow, driven by health trends and the growing consumption of fermented milk products. At the same time, the market for savory ingredients is expanding alongside a rising demand for authentic ingredients and reduced sodium products.

Strategy

In Enzymes, DSM focuses on the food and beverage industry where it helps customers innovate their products and production processes.

In Savoury Ingredients, DSM applies yeast and enzyme technology to capture a unique position in the market with a portfolio of yeast extracts and process flavors for authentic, intense, natural tasting savory foods.

In Cultures, DSM's unique cultures and enzymes toolkit for the dairy industry helps manufacturers create the desired texture, surface and flavor characteristics for their products while increasing yields from their milk.

The business completed the acquisition of a 29 percent equity interest in Yantai Andre Pectin Co., Ltd., the China-based producer of texturing ingredients, and succeeded in increasing its global footprint in the year, through the integration of the Cultures and Enzymes business acquired from Cargill.

It also saw the completion of an additional dryer facility for the savory business in Delft (Netherlands) and a new office and laboratory opened in San Diego (California, USA) following the acquisition of the Oils & Fats enzymes business from Verenium in 2012.


Our bright ideas improve
the global pharmaceutical
supply chain

Review of business in 2013: Pharma

Leveraging partnerships for growth

Net sales

€ 751 m

x € million	Continuing operations 2013	2012	Discontinued operations 2013	2012	Total 2013	2012
Net sales:[1]						
DSM Pharmaceutical Products	-	-	567	543	567	543
DSM Sinochem Pharmaceuticals	184	183	-	-	184	183
Total	**184**	**183**	**567**	**543**	**751**	**726**
Organic sales development (in %)	7	7	5	10	6	9
Operating profit	(8)	(3)	10	(16)	2	(19)
Operating profit plus depreciation and amortization (EBITDA)	3	3	51	36	54	39
Capital expenditure	11	22	41	50	52	72
Capital employed at 31 December	146	162	439	604	585	766
ROCE (in %)	(5.1)	(2.1)	1.9	(2.5)	0.3	(2.3)
EBITDA as % of net sales	1.6	1.6	9.0	6.6	7.2	5.4
R&D expenditure	6	4	45	52	51	56
Workforce at 31 December (headcount)	857	851	2,492	2,463	3,349	3,314

[1] DSM Sinochem Pharmaceuticals is a joint venture for which proportionate consolidation was applied in 2013. From 2014 onwards DSM will have to apply IFRS 11, Joint Arrangements and account for its interest in DSM Sinochem Pharmaceuticals in accordance with the equity method. In view of the contribution of DSM Pharmaceutical Products to a new entity that will be majority owned by private equity company JLL Partners, that business is presented as discontinued operations in this report. After completion of the transaction that is anticipated for the first half of 2014, DSM will also account for its interest in the new entity in accordance with the equity method. In both cases the companies will no longer contribute to DSM EBITDA whilst the net results will continue to contribute to net income and earnings per share. From 2014 onwards the Pharma cluster will cease to exist but DSM will continue to report on the financial performance of both companies in the notes to the financial statements and in earnings announcements.

Business

The Pharma cluster includes the business group DSM Pharmaceutical Products (DPP), one of the world's leading custom manufacturing organizations to the pharmaceutical industry, and DSM's 50 percent interest in the DSM Sinochem Pharmaceuticals (DSP) joint venture.

In November 2013, DSM took a major step forward in its strategy for the cluster, with the announcement of the formation of a new entity together with JLL Partners, a New York-based private equity company, combining DPP and the US-based company Patheon to create a leading global contract development and manufacturing company in which DSM will retain a 49 percent interest.

DSM Pharmaceutical Products is a leading provider of high-quality custom manufacturing and development services to the pharmaceutical, biopharmaceutical and crop protection industries. Many of today's medicines around the world contain ingredients produced by DPP. The business serves its customers with clinical and commercial services from its two research and development sites in the US and Europe. Its customers include nine of the top ten pharmaceutical companies as well as the leading crop protection companies. The business also serves a large number of biotech, specialty and emerging pharma companies across the globe. DSM Pharmaceutical Products' facilities have been approved by the US Food and Drug Administration (FDA) and equivalent agencies in Europe, the Middle East, Africa and Japan. DSM Pharmaceuticals, Inc.

is licensed by the US Drug Enforcement Administration to manufacture scheduled drugs.

In 2013, sales in the Pharma cluster rose to €751 million compared to €726 million in the previous year. Full year organic sales growth was 6 percent. Total Pharma EBITDA for the full year increased to €54 million, compared to €39 million in 2012.

Trends

Business conditions in the pharmaceutical market continue to be challenging with a number of underlying trends that are shaping the industry in a fundamental way. These challenges provide growth opportunities for companies with sufficient scale, reach and sustainability capabilities.

For DPP's customers, mainly large innovative pharmaceutical companies, it is becoming more difficult to discover new active molecules that offer sufficient patient benefits and an acceptable risk profile. Achieving the necessary approvals from the FDA and other regulatory bodies is a significant hurdle, and they have seen a reduction in new product approvals over the last decade.

Cost pressures continue to be high, with rising costs in molecule development, and healthcare spending by governments and insurance companies continuing to be scrutinized. Medicines typically account for around 10 percent of healthcare spending. In response, pharmaceutical companies are reviewing their business models and product ranges, and turning their attention to specialist areas. These include biopharmaceutical products, where volumes are typically lower.

The above offers opportunities for high quality Contract Manufacturing Organizations (CMOs) and the market for outsourcing which is growing above GDP levels, especially for drugs nearing the end of their (patented) life cycle. Pharmaceutical companies optimizing their asset base are increasingly demanding experienced, cost-efficient and highly qualified partners to take on manufacturing challenges as their core supplier. It is a challenging environment that offers opportunities for DSM, with its ability to provide innovative and sustainable solutions.

The growing pharmaceutical outsourcing market is inherently volatile, and often subject to severe fluctuations in demand. In addition, there has been a steady rise in competition from Asian players, which is particularly the case for DSM Pharma Chemicals.

For DSP, leader in beta-lactam anti-infectives, growth is arising primarily in high growth economies where infectious diseases continue to be a major life threat. As the coverage and quality of healthcare in these economies expands, and given that these products are very safe and cost-effective choices, DSP continues to grow in these markets. DSP is seen as an industry leader with clear market advantages, communicated via the DSMPureActives™ brand.

The Asian market accounts for only 7 percent of total global pharmaceutical spend, but this proportion is expected to reach 20 percent by 2020 (Source: Credit Suisse/IMS). DSP is well positioned to benefit from this trend, and has two anti-infectives production sites in the region, one in China and the other in India, which are supported by a network of sales offices.

Strategic context

DSP will continue to focus on strengthening its position in beta-lactams while increasing the share of new product launches and strengthening its presence in formulations. DPP focuses on the upcoming integration with Patheon.

Sustainability

To further reduce their environmental footprint, both DPP and DSP are deploying their technological toolbox to reduce the use of scarce resources and energy where possible and are actively implementing the use of renewable energy sources in their operations.

The use of proprietary biotechnology makes DSP an industry leader in terms of sustainability. Emissions are considerably lower than with conventional technology, while product quality is higher.

DSM Pharmaceutical Products

Strategic progress 2013

- Innovation: DPC enters collaboration agreement with Chemtrix BV to augment DSM's expertise in microreactor technology
- Sustainability: technological toolbox to reduce resource and energy usage and increase the use of renewable energy
- Acquisitions & Partnerships: joint venture with Patheon

DSM Pharmaceutical Products focuses on innovative and generic pharmaceuticals, biologics and biosimilars, agro chemicals, and markets for fine chemicals. The business group includes DSM Pharma Chemicals (DPC) (custom chemical manufacturing services for complex registered intermediates and active pharmaceutical ingredients (APIs)); DSM Exclusive Synthesis (which caters to various fine-chemical customers outside of the pharma industry); DSM Biologics (focusing on services and licenses for biopharmaceutical companies based on unique technological strengths); DSM Pharmaceuticals, Inc. (offering manufacturing services for final dosage with a strong competence in sterile operations); and DSM BioSolutions (focusing on custom manufacturing services based on microbial fermentation).

In 2013 sales at DPP amounted to € 567 million compared to € 543 million in 2012. DPP's performance made significant progress in 2013, which will support a good start for the value-creating joint venture with JLL Partners.

Developing new ways of working

In 2013, DPC strengthened its technology offering by entering into a collaboration agreement with Chemtrix BV (Sittard-Geleen, Netherlands) that augments DSM's expertise in microreactor technology. The agreement with Chemtrix helps to provide sustainable manufacturing solutions to customers.

DPP is focusing on serving customers with integrated and full solutions. Shire Pharmaceuticals, one of the world's leading specialty biopharmaceutical companies, has transitioned the manufacture of eight specialty pharma products, including Vyvanse®, to DSM Pharmaceutical Products' facility in Greenville (North Carolina, USA).

DSM Pharmaceuticals, Inc. (DPI) further strengthened its project pipeline, working closely with a number of strategic partners. It announced a 3-year master supply agreement with Eisai Inc. for the production of sterile products. DPI became part of the nation-wide Fill Finish Manufacturing Network established by the Biomedical Advanced Research and Development Authority within the US Department of Health and Human Services and to be a supplier for the manufacture of influenza vaccine in the event of a flu pandemic.

DSM Biologics strengthened its biopharmaceutical operations in Groningen (Netherlands) and opened a new 'biologics plant of the future' in Brisbane (Australia) in conjunction with the government of Queensland and the federal government of Australia. This site serves the unmet need of the region for large scale cGMP (current Good Manufacturing Practice) mammalian cell culture based manufacturing, and the global biopharma markets.

During 2013, notable growth was experienced in biopharmaceutical services, including agreements with DecImmune Therapeutics of Cambridge (Massachusetts, USA) to develop the nitrogen pathway blocking antibody, and with Opthea of Melbourne (Australia) to manufacture Opthea's lead product for eye disease.

DSM BioSolutions experienced a setback with the lead CMO product that had negative phase III clinical trial results, which subsequently led to a substantial restructuring project. Actions to further improve DPP's business performance have triggered efficiency and cost reduction projects in the Capua (Italy) operations.

Throughout the year, DPP strengthened its core business through the Profit Improvement Program, which was successfully implemented and resulted in an improved cost position.

Leveraging partnership for growth

On 19 November DSM and private equity firm JLL Partners announced that they intend to combine the US-based company Patheon and DSM Pharmaceutical Products into a new company that will be a leading global contract development and manufacturing organization (CDMO) for the pharmaceutical industry. The formation of the new company is expected to be finalized in the first half of 2014. With a global footprint of 23 locations across North America, Europe, Latin America and Australia and about 8,300 employees, this new company will be a new global leader in contract development and manufacturing services for the pharmaceutical industry with anticipated sales of around USD 2 billion.

DSM Sinochem Pharmaceuticals

Strategic progress 2013

- HGEs: captured additional value growth in the emerging and developing economies of Asia
- Innovation: introduction of Puriclor™
- Sustainability: technological toolbox to reduce resource and energy usage while increasing the use of renewable energy

DSM Sinochem Pharmaceuticals is the global market leader in beta-lactam APIs such as semi-synthetic penicillins (SSPs) and semi-synthetic cephalosporins (SSCs), which represent the biggest class of APIs in anti-infectives. It is also a leader in other active ingredients such as nystatin and next generation statins. The joint venture manufactures nearly all its beta-lactam APIs and the related intermediates using proprietary biotechnology.

Sales for DSP in 2013, on a 100 percent basis, increased to € 368 million from € 366 million in the previous year, due to higher prices, offset by negative exchange developments, which intensified towards the end of the year. While results remained under pressure due to increased raw materials and energy costs, DSP has been able to strengthen its brand by supplying to the premium segment of the market. It benefits from differentiators in its value propositions that are based on unique product characteristics and excellence in additional services, such as technical after sales support.

Industry dynamics remained challenging due to significant overcapacity, especially in China. The stronger focus of Chinese authorities on the responsible use of antibiotics and the environmental impact of production are expected to lower the demand and increase compliance pressures for producers. With its unique technology base and considerably smaller environmental footprint, DSP is well equipped to meet such requirements.

In 2013, DSP was able to continue leveraging its position as a premium supplier, and capture additional value growth especially in the emerging and developing economies of Asia and Africa. DSP was able to convey the added value of high quality APIs and services, which led to more robust pricing in Asia, and to a lesser extent in Western markets where DSP is already positioned as a premium supplier.

The year marked the introduction of Puriclor™, DSP's first second-generation SSC API produced in a new facility in China's Shandong province. The facility was opened in 2012 and uses DSP's proprietary technologies.

Generic pharmaceuticals other than beta-lactams showed continuous strong growth in the year.

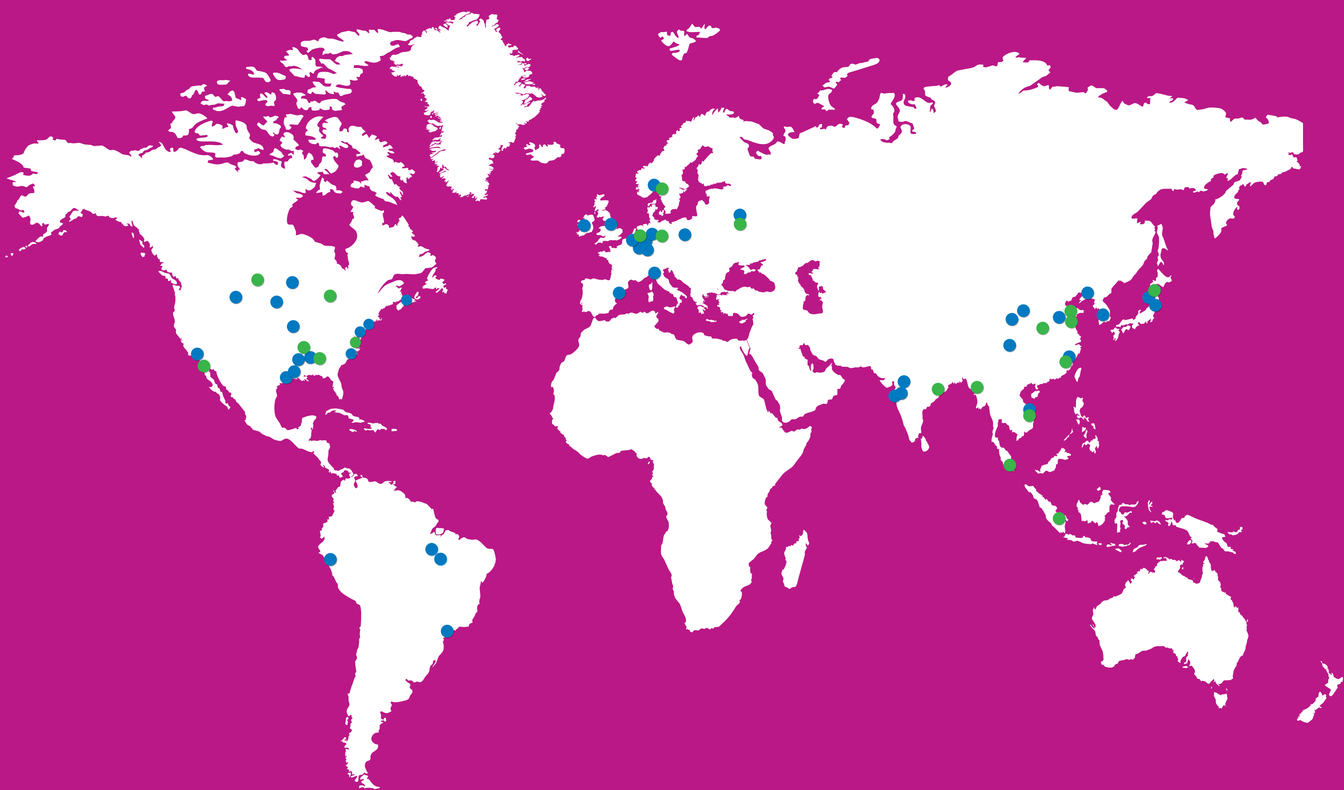
The new production base in Yushu (Jilin, China), which faced a number of challenges during the start-up phase in the previous year, made steady progress in 2013.

The business took an important step in its strategy to expand its API portfolio with the start of construction work at a world class multi-product plant in Toansa (India). The new facility will help to meet the increasing demand for DSP's existing high-quality products in cardiovasculars while also driving further expansion of its portfolio in defined therapeutic segments. To begin with, the facility will produce Atorvastatin using DSP's proprietary biotechnology route that is already successfully in place at its partner sites in India.

Atorvastatin is the most prescribed drug globally for high cholesterol and cardiovascular disease. First synthesized in 1985, it has topped the list of best-selling drugs worldwide for more than a decade.

Materials Sciences

DSM's Materials Sciences businesses comprise the Performance Materials and Polymer Intermediates clusters. In 2013 the two clusters represented 48 percent of DSM's total net sales from continuing operations.



- Production Facilities
- Main/Regional Sales Offices

Review of business in 2013: Performance Materials

Growing via innovative sustainable solutions

Net sales

€ 2,746 m

x € million	2013	2012
Net sales:		
DSM Engineering Plastics	1,261	1,260
DSM Dyneema	252	235
DSM Resins & Functional Materials	1,233	1,277
Total	**2,746**	**2,772**
Organic sales development (in %)	2	(4)
Operating profit	185	146
Operating profit plus depreciation and amortization (EBITDA)	324	280
Capital expenditure	56	109
Capital employed at 31 December	1,910	2,026
ROCE (in %)	9.4	7.2
EBITDA as % of net sales	11.8	10.1
R&D expenditure	132	131
Workforce at 31 December (headcount)	5,128	5,354

Business

This cluster comprises DSM Engineering Plastics, DSM Dyneema and DSM Resins & Functional Materials. These business groups manufacture technologically sophisticated high-quality products, and meet the needs of customers through specialized and sustainable value propositions.

DSM Engineering Plastics is a global player in polyamides and polyesters. These materials are used in components for the electrical & electronics, automotive, flexible food packaging and consumer goods industries. DSM Dyneema is the global manufacturer of Dyneema®, the world's strongest fiber™. DSM Resins & Functional Materials supplies innovative high-quality resins solutions for paints and coatings, composite materials and optical fiber coatings. The business has a global presence.

In 2013, the cluster continued to expand its presence and leadership positions in selected segments of the global market for advanced performance materials. It delivered increased volumes and profitability across all business groups, despite the challenges it faced in the macro-economic environment and foreign currency exchange effects.

The cluster has benefited from its investments and sales in high growth economies, most notably China and India, where it is a significant contributor to DSM's growth in the region.

DSM has developed a portfolio of specialized performance materials with higher value-added businesses. In doing so, it has strengthened its global position as a leading provider of sustainable innovations, meeting end-market demands for greater energy efficiency and improved environmental performance.

In 2013, sales in the Performance Materials cluster decreased to €2,746 million compared to €2,772 million in the previous year, as organic growth of 2 percent was offset by unfavorable exchange rates. Total EBITDA for the full year increased to €324 million, compared to €280 million in 2012.

Trends

Concerns over resource scarcity and climate change have become important macro drivers in the materials industry. Customers in virtually every market are demanding products that help to reduce energy consumption and harmful emissions, both within their operations and across the value chain. DSM addresses these needs through innovative materials that are lighter than metals and other conventional materials. It also provides customers with polymer solutions that are based on bio-based raw materials, as an alternative to fossil-based feedstocks.

The use of hazardous substances is another area of concern for consumers and regulators, and is driving demand for safer alternatives. In response to this concern, DSM Engineering Plastics and DSM Resins & Functional Materials are offering products and solutions that eliminate or reduce the use of substances such as halogens, styrene, volatile organic compounds (VOC) or cobalt.

In 2013 macro-economic conditions remained weak across several key markets. The European building and construction and automotive sectors were hit particularly hard.

Sustainability

DSM is committed to creating innovative solutions that make a positive difference to people's lives and reduce the environmental footprint. At the same time, sustainability has become a significant driver of new business and innovations in Materials Sciences.

This is leading to the development of new applications that address key sustainability challenges. In recent years, the company has shifted its materials portfolio towards a higher added-value mix by introducing innovative and more sustainable solutions, some examples of which are outlined elsewhere in this chapter and the report.

Strategy

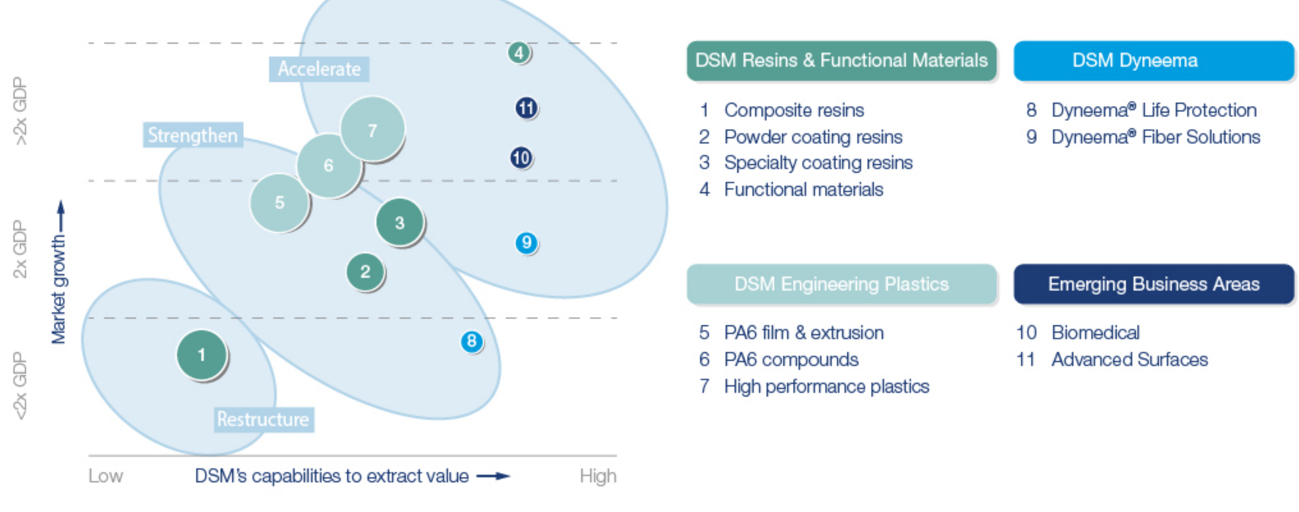
Against this backdrop, DSM is seeking to accelerate growth and improve its performance in Performance Materials. It is upgrading its portfolio and leveraging opportunities arising from megatrends, implementing differentiated strategies for its businesses to capture profitable growth. At the same time, it is implementing its Profit Improvement Program to further offset macro-economic headwinds and actively manage its margins and costs.

The cluster's differentiated strategy is based on a three-pronged approach that aims to accelerate, strengthen or restructure the businesses. It is accelerating growth by leveraging its existing infrastructure to capture global megatrend opportunities with a focus on fast sales growth and selective acquisitions and partnerships. To strengthen the business it is combining sales growth and margin optimization with cost management, launching new applications and making selected and focused investments. Finally, it is restructuring its Composite Resins business, so that it is aligned with market requirements.

DSM has set its sales growth aspiration for the Performance Materials cluster at double GDP growth level and has set an EBITDA margin goal of 13-15 percent in 2015.

In addition to these activities, DSM's Emerging Business Areas (EBAs) also provide long-term growth platforms. DSM Biomedical enjoys one of the broadest portfolios of medical materials, technologies and capabilities in the world. These include biomedical polyurethanes, biomedical polyethylenes, resorbable polymers, ceramics, collagens, extracellular matrices, silicone hydrogels, device coatings, and drug delivery platforms. DSM Advanced Surfaces is another important Emerging Business Area, which provides solutions for the development and application of smart coatings that enable and enhance the capture of solar energy. See also: DSM Innovation Center on page 105 of this report.

Megatrends drive differentiated growth strategy



DSM Engineering Plastics

Strategic progress 2013

- HGEs: new cooperation with the Electrical Research & Development Association in India
- Innovation: halogen-free flame-retardant Stanyl® ForTii™ for next generation memory connectors and sockets and new research center underway in Sittard-Geleen (Netherlands)
- Sustainability: EcoPaXX® high-performance bio-based polyamide 410 used in the Mercedes A-class engine and in crankshaft covers of VW engines
- Acquisitions & Partnerships: agreement with Petropol Polímeros in Brazil and partnership with Ravago Group

Sales for DSM Engineering Plastics in 2013 came to € 1,261 million compared to € 1,260 million a year earlier. The business group delivered a strong underlying performance in its specialty business. This, and strong cost control, was offset by negative currency effects and lower results in polyamide 6.

The markets for engineering plastics increasingly demand sustainable and innovative solutions that make people's lives safer, easier and healthier, while addressing climate change, ingredient safety and food waste. DSM Engineering Plastics has a focused portfolio with global leadership positions in many of its products. It is the global number three in the overall market for semi-crystalline engineering plastics and the global market leader in high-performance polyamides. In polyamide 6 and thermoplastic copolyester the business holds a global number two position. DSM Engineering Plastics' leadership is underlined by its strong upstream integration in the polyamide 6 value chain with DSM Fibre Intermediates. All innovations in DSM Engineering Plastics launched in 2013 were classified as ECO+, providing quantifiable environmental advantages to its customers.

With its global headquarters and management based in Singapore since 2012, DSM Engineering Plastics is uniquely positioned to respond to the requirements of its customers in the Asian market, which will account for the bulk of its growth in the period ahead. In 2013, the focus on Asia also resulted in the opening of a new application development technical center in Japan and in a cooperation with the Electrical Research & Development Association in India.

In addition, the business has production and R&D facilities in the Netherlands, the United States, Japan, China, Taiwan, India, Belgium and Russia. These centers house a wide range of highly specialized equipment for material and application testing and support the collaboration of local experts with local, regional and global customers.

In 2013, DSM Engineering Plastics further expanded its global presence via an agreement with Petropol Polímeros in Brazil, a leading engineering plastics compound producer in South America with more than 20 years experience.

DSM Engineering Plastics targets four key industries: automotive, electrical & electronics, flexible food packaging and consumer goods. In each of these, it aims to create shared value by providing high performance materials and solutions to help lower footprints over the life cycle, eliminate the use of substances of concern, use recycled content or offer improved recyclability, and use content that is entirely or partly bio-based.

In the automotive sector, manufacturers are looking to reduce vehicle fuel consumption and emissions by reducing weight and friction, and through alternative propulsion technologies (electrical, hybrid). They are also seeking to meet emerging regulations on end-of-life vehicles, reduce vehicle footprints by using bio-based or recycled materials and improve safety and comfort. DSM meets this demand by providing a broad portfolio of more sustainable and advanced solutions that reduce weight and friction, allow footprint reduction and enable innovations further downstream, such as the high-performance, bio-based, EcoPaXX® polyamide 410 used in the Mercedes A-class engine and in crankshaft covers of VW engines.

In the electrical and electronics industry, manufacturers increasingly seek solutions that address the growing problem of e-waste and offer improvements related to functionality, miniaturization and productivity. DSM Engineering Plastics addresses this need through its unique portfolio of high-performance, halogen-free flame-retardant materials with high flow, allowing lead-free soldering, thinner connectors and sockets and offering a halogen-free alternative for consumer electronics cables. An example is the high-performance polyamide Stanyl® ForTii™ that is used in next generation memory connectors and sockets.

In the flexible food packaging industry, where there are growing demands for solutions that help reduce food waste, DSM's leadership in polyamide 6 for film and specialty packaging is enabling customers to improve productivity, while better protecting food and extending its shelf life.

In consumer goods, where there is a growing requirement for more sustainable performance and improved functionality, DSM Engineering Plastics is moving towards a full range of innovative products with reduced content of substances of concern, increased bio-based content, increased recyclability and/or reduced environmental impact.

Contributing to a more circular economy, in 2013 DSM Engineering Plastics announced an extended partnership with Ravago Group to develop high performance Akulon® compounds with post-consumer recycled content for the automotive and consumer goods industries.

Akulon® Fuel Lock™, a material used in small engine fuel tanks or compressed natural gas tanks, provides a simple and cost-effective way to reduce evaporative emissions from these tanks by more than 99 percent.

In the year, DSM Engineering Plastics also established multiple partnerships for the development of innovative thermoplastic composites, the next generation materials to lightweight the automotive and other performance-driven markets.

In an important step forward in its research capabilities, DSM Engineering Plastics began building a new research center at the Chemelot Campus in Sittard-Geleen (Netherlands). This center will be an important hub for research and development activities within DSM's Materials Sciences. It will also become the most important research center worldwide for DSM Engineering Plastics. The focus of DSM's advanced materials research has historically been in Sittard-Geleen, which has led to a concentration of important technological competences and unique expertise in that area. In addition, being located at the Chemelot Campus provides unique opportunities for open innovation thanks to the proximity of other (start-up) companies and research and educational institutions. The new building will provide space for approximately 420 employees and will begin its activities in 2014.

In the year, the business group also implemented the second year of its Profit Improvement Program targeting reduced fixed costs, improved operational efficiency and innovative growth.

DSM Dyneema

Strategic progress 2013

- HGEs: good progress in establishing and commissioning the Trevo™ brand in the Chinese market
- Innovation: completed construction and commissioning of a regional technical development center in Singapore
- Sustainability: completed full value chain analyses of the environmental impact of products in all major end-uses
- Acquisitions & Partnerships**:** cooperation with Air France-KLM and DSM's customer AmSafe Bridport for rapid adoption of new air cargo nets made from Dyneema®

DSM Dyneema reported sales of € 252 million in 2013 compared to € 235 million in 2012. Solid growth was achieved in all end-use markets driven by the accelerated adoption of new products under the Dyneema® Diamond Technology, Dyneema® Max Technology, and Dyneema® Force Multiplier Technology platforms. In all cases, IP and brand licensing relationships were extended to further secure business for the long term. DSM Dyneema's results showed a strong improvement driven by sales growth and operational performance.

The Dyneema® brand is licensed for use across a wide and ever-increasing range of applications such as medical sutures, commercial fishing and aquaculture nets, ropes, slings, vehicle and personal ballistic protection, radomes and high-performance fabrics such as cut-resistant gloves. In 2013, DSM Dyneema moved decisively into performance and fashion apparel, with new licensed applications at Reebok, Mammut and Levi's.

In all cases, the benefits of high strength, comfort and safety, combined with low weight, make Dyneema® a key contributor to DSM's customer and licensee products. Customer products made with Dyneema® are inherently more sustainable than the materials they replace. They weigh less, use less material, need less energy to process and deploy in their final application, and have longer lifetimes. By the end of 2013, DSM Dyneema had completed full value chain analyses of the environmental impact of its products in all the major end-uses. In every case, the environmental footprints were lower than the competitive alternatives.

The Dyneema® brand is well known and valued in the industries it serves. DSM implements a comprehensive brand licensing strategy, which results in new licensees and enhances the control of the brand. This strategy is particularly targeted at supporting key customers.

The completion of the new, state-of-the-art commercial scale UHMwPE tape manufacturing facility in Greenville (North Carolina, USA) is supporting the adoption of the product in existing applications and in new ones, especially for the telecommunications industry. An integral part of the value proposition for radomes is the replacement of PVC with a material that has a significantly lower environmental footprint both in manufacture and in use.

In China, the ICD business unit of DSM Dyneema continues to make progress in establishing the Trevo™ brand in the domestic market. In addition to servicing customers in existing end-uses, ICD is developing several innovative new applications which support China's drive towards a more sustainable future through changes to food production, power generation and telecommunications.

As part of DSM Dyneema's commitment to innovation and application development support in high growth economies, it recently completed the construction and commissioning of a regional technical development center in Singapore, which supports the Global Technical Research and Development Center in the Netherlands. This unique facility is providing crucial support in the region by providing development and test services for customers to evaluate their own products. Since the formal opening ceremony in January 2013, the Singapore Technical Center has hosted visits from over 30 regional customers and end-users.

DSM is accelerating its innovations and bringing these to market more quickly by extending its co-creation partnerships with leading value chain players. For example, cooperation with Air France-KLM and DSM's customer AmSafe Bridport, world leader in aviation restraint technology, resulted in the rapid adoption of new air cargo nets made from Dyneema® across the consortium's fleet. Each lightweight net deployed will on average save 210 gallons of aviation fuel each year, reducing carbon emissions by over 2.5 tons per net per year.

Building on a platform of high strength and low weight qualities, DSM Dyneema is extending into new product applications (e.g. performance apparel) and adding functionalities to better serve existing customers and open up new markets. One example is the recent launch of Dyneema® Force Multiplier Technology. This leverages the company's unique backward-integration into UH polymer, and is the result of innovation in the polymer, the fiber produced from it and the unidirectional (UD) sheets to create a major breakthrough in highly flexible ballistic vests that use 20 percent less material and are up to 30 percent lighter than the previous best-in-class materials (also Dyneema®).

In the year, DSM Dyneema continued to support end-user educational initiatives aimed at creating greater awareness about key safety behaviors and the use of safety equipment amongst law enforcement officers and manufacturing industry workers, together with key representatives from industry, media and educational sectors.

In 2013, DSM Dyneema implemented the second year of its Profit Improvement Program, to re-align the business to meet the changing needs of the market. It fully implemented the changes to the organizational structure that it initiated in 2012, resulting in a simplified functional organization with clearer decision rights and interfaces between functions. This translated into noticeable improvements in several areas, including planning, inventory management, operational effectiveness, quality management and innovation, while achieving significant savings.

DSM Resins & Functional Materials

Strategic progress 2013

- HGEs: new state-of-the-art facilities in Zhangbin (Taiwan) and Nanjing (China)
- Innovation: cooperation with China's leading supplier of dental aligners to gain efficiencies in production to serve growing demand with the Somos® product line
- Sustainability: introduction of renewable materials in existing product ranges, such as the Decovery® product line, which reduces their environmental footprint
- Acquisitions & Partnerships: innovation partner of the Nuon Solar Team, which won the 2013 World Solar Challenge with their highly innovative solar powered vehicle Nuna7

DSM Resins & Functional Materials reported 2013 sales of € 1,233 million compared to € 1,277 million in the previous year. Through its business units, this business group is active across a broad range of resins and functional materials.

Despite ongoing subdued market conditions, DSM Resins & Functional Materials delivered improved results due to strong cost control and a one-off book profit. Having concluded major cost restructuring initiatives in previous years that enabled it to navigate challenging market conditions, in 2013 DSM Resins & Functional Materials continued to reap the benefits of its Profit

Improvement Program. These measures, in combination with its ongoing innovation efforts, yielded a significant improvement in profits.

In the coating industry, DSM is a global leader in the development and production of water-based coating resins and powder coating resins that offer distinct sustainability advantages. Since acquiring a majority stake in AGI Corporation of Taiwan, DSM has also become an emerging player in the market for UV curing coating resins.

In the functional materials area, DSM has a global leadership position in fiber-optic coatings, which protect over a billion kilometers of fiber-optic cables around the world. In the additive manufacturing industry, DSM offers the most efficient and effective prototyping technologies available, supporting the industry to design and bring new products to market with an increased speed.

DSM is the leading global innovator of high performance sustainable composite solutions, beyond the capabilities of traditional material solutions.

While market conditions remained challenging in the year, the strong focus on innovation in sustainable technology made DSM Resins & Functional Materials successful at addressing the growing demand for more sustainable, efficient and environmentally friendly materials, leading to a strong increase of its ECO+ sales versus non-ECO+ sales.

DSM Coating Resins

DSM Coating Resins seeks to grow the market for sustainable coating solutions with resins for three types of coatings: water-based coatings, powder coatings and UV-curing coatings. These resins are used in a wide range of coating applications, such as architectural, industrial wood, flooring, graphic arts, can, coil and powder coating applications.

The business has faced challenging macro-economic conditions in recent years, which continued in 2013. It has partly overcome these challenges by focusing on innovations developed in close collaboration with its customers and other industry players. By innovating in its core segments and technologies, DSM Coating Resins is also increasing the sustainability qualities of its coating solutions without compromising on quality and performance.

The demand for more sustainable products is highest in Europe and the US, where it continues to rise, as awareness about the negative effects of non-sustainable coatings increases. This awareness is beginning to grow in high growth economies and is expected to become a future driver of business.

DSM Coating Resins measures the carbon footprint of its innovations to validate its qualities and has conducted multiple LCA studies. The data acquired by these studies helps to foster cooperation across the value chain.

In water-based coatings, DSM focuses on expanding its field of properties to enlarge the range of applications in which its technology can be used. In 2013, DSM made important steps in the introduction of high performance, low (to zero) VOC resins for primers and topcoats and secured innovative product launches for its customers in the opening up of the water-based coatings market in North America. In addition, it is further reducing its footprint in this industry by the introduction of renewable materials in its existing product ranges, such as the Decovery® product line.

In powder coatings DSM is developing sustainable technologies that cure at lower temperatures, increasing efficiency, reducing energy consumption and, at the same time, enabling the company to expand its portfolio of Uralac® applications to a wider range of substrates.

UV-curing coating technology is another sustainable technology with a low carbon footprint, creating excellent durability on a variety of substrates. To support the growth of this rapidly developing technology, DSM Coating Resins has invested in a state-of-the-art facility in Zhangbin (Taiwan), producing coatings and inks for wood, flooring, plastic and graphic arts applications.

DSM Functional Materials

DSM Functional Materials is a leading developer of formulated coatings designed to address the growing demand for more sustainable, environmentally friendly and lighter-weight materials.

In the telecommunications market, DSM's UV-curable optical fiber materials set the standard for fiber protection and identification worldwide, helping ensure greater signal reliability and field performance within optical fiber networks. As bandwidth demand surges worldwide, there is an increased demand for performance from optical fiber networks.

Desolite® Supercoatings, the latest generation of optical fiber coatings, helps network owners attain higher levels of signal reliability and field performance from their optical fiber. In 2013, DSM introduced several innovative products specifically designed to meet the needs of global telecom providers.

In the additive manufacturing industry (often referred to as 3D printing), DSM's Somos® stereolithography materials enable industries such as automotive, dental and consumer goods, to create new and better performing products.

In 2013, the Somos® team worked with China's leading supplier of dental aligners to gain efficiencies in production which allowed them to serve the growing demand in the region. The team also supported the World Solar Challenge, by providing expertise and support from design to manufacturing of the winning solar car Nuna7. DSM was the innovation partner of the Nuon Solar Team, who won the 2013 World Solar Challenge with their highly innovative solar powered vehicle.

DSM Composite Resins

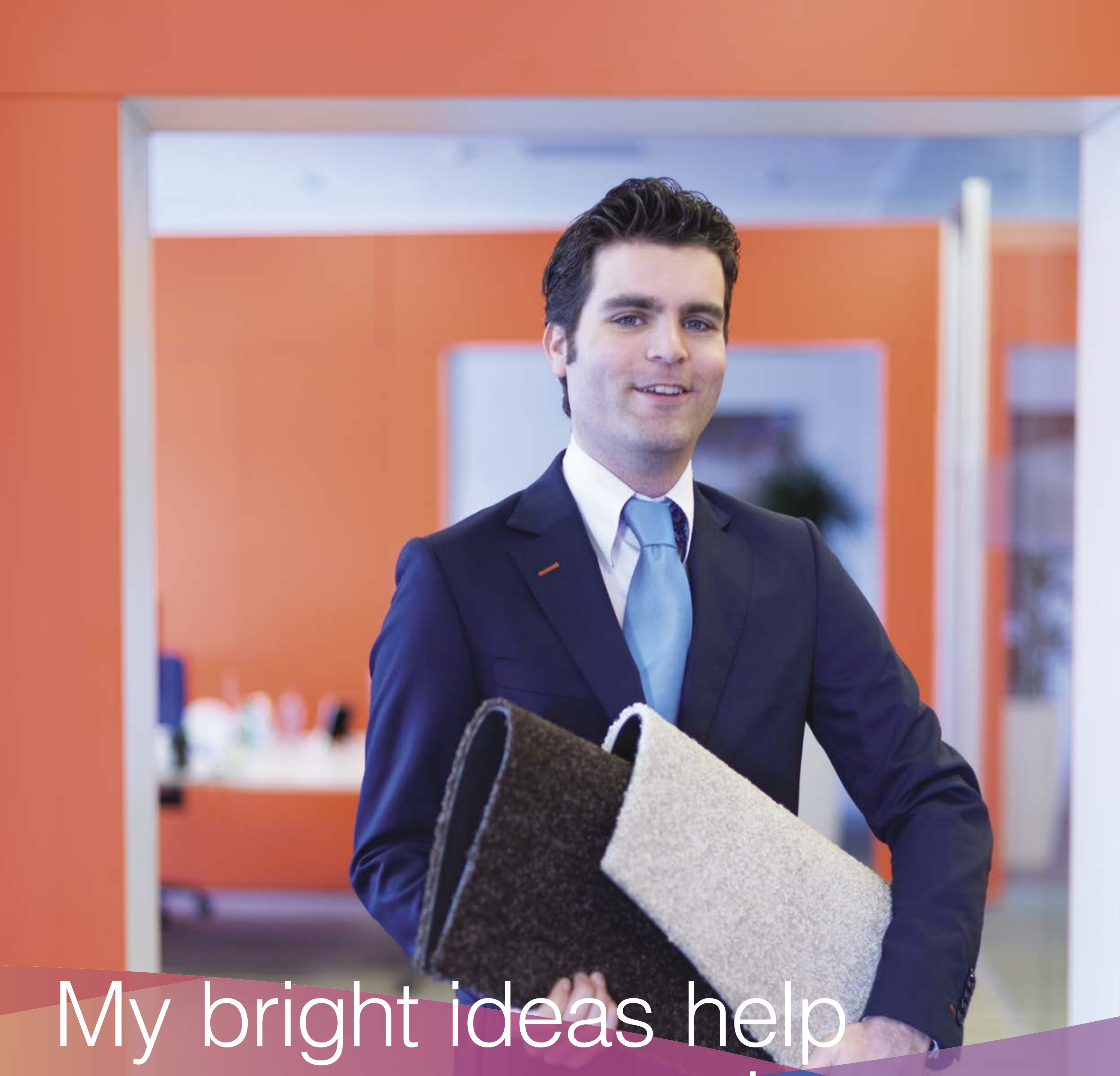
DSM Composite Resins provides resins solutions for lightweight composites used in trucks and trains, bridges, building façades, trenchless pipe renovation and wind-turbine blades.

Market conditions continued to be challenging in 2013 due to ongoing declines in the transportation and construction markets in the EU. The business partially offset the effects of lower volumes by maintaining tight cost controls.

DSM's new manufacturing plant in Nanjing (China), is the largest of its kind in the world, and is helping to introduce the latest DSM resins innovations in Asia. Operations commenced early 2013 in-line with plans and safety targets, yielding quality products for local customers.

In the year, DSM Composite Resins presented Beyone™ 201-A-01, a new styrene-free and cobalt-free resin (based on BluCure™ Technology), consisting of 40 percent bio-based raw materials. Because of its excellent fatigue resistance this resin is highly suitable for making resilient windmill blades, additionally bringing windmill manufacturers increased production output and cost savings.

The business unit also introduced a new series of Daron® high performance resins to support large volume production series in automotive markets. A novel styrene-free Daron® resin was applied in the Nuna7 solar-powered car.



Review of business in 2013: Polymer Intermediates

Strengthening backward integration for DSM Engineering Plastics

Net sales

€ 1,579 m

x € million	2013	2012
Net sales:		
DSM Fibre Intermediates	1,579	1,596
Total	**1,579**	**1,596**
Organic sales development (in %)	-	(16)
Operating profit	71	97
Operating profit plus depreciation and amortization (EBITDA)	113	129
Capital expenditure	235	214
Capital employed at 31 December	570	447
ROCE (in %)	14.0	23.3
EBITDA as % of net sales	7.2	8.1
R&D expenditure	17	18
Workforce at 31 December (headcount)	1,456	1,474

Business

The Polymer Intermediates cluster comprises DSM Fibre Intermediates, the global market and technology leader in caprolactam and the leading acrylonitrile supplier in Europe. Its head office is in Shanghai (China).

DSM Fibre Intermediates has three operating companies for caprolactam with a combined annual capacity of over 900 kt:

- DSM Caprolactam Europe: office and plant in Sittard-Geleen (Netherlands).
- DSM Chemicals North America: office and plant in Augusta (Georgia, USA).
- DSM Nanjing Chemical Company (DNCC): office and plant in Nanjing (Jiangsu, China). DNCC is a 60/40 cooperation with Sinopec Nanjing Chemical Industries.

The company's acrylonitrile plants are located in Sittard-Geleen.

DSM Fibre Intermediates supplies key intermediates to DSM Engineering Plastics. This backward integration secures a base-load and provides security of supply to DSM Engineering Plastics and is an important element to DSM's Fibre Intermediates operations.

In 2013, DSM Fibre Intermediates posted sales of € 1,579 million, compared to € 1,596 million in the previous year. Higher volumes were offset by lower prices and negative currency effects. EBITDA decreased compared to 2012 given the lower caprolactam prices and higher benzene prices since the second quarter of 2012. This impact could not be completely compensated for by cost savings and license income. The business achieved major sustainable savings in variable costs and purchasing as part of its Profit Improvement Program.

Volumes in DSM Caprolactam Europe were affected by a fire at the plant in Sittard-Geleen in April 2013, which interrupted production for just over one month. Otherwise, plant utilization rates were on track.

Ammonium sulfate (AS) is a co-product of caprolactam that generates a cost credit. The value of this credit fell over the year, following a decline in market prices for AS in the second half of the year.

At acrylonitrile, net sales were slightly lower compared to 2012, due to some one-off production issues.

DNCC saw the successful start-up of its 2nd line, which is part of the expansion project to double capacity to 400 kt. The start-up was achieved at premium grade product specifications and was the fastest ever build and start-up of a 200 kt caprolactam plant.

Also in the year, construction began on the next generation ammonium sulfate plant in Sittard-Geleen, which will secure high quality AS production in the most energy efficient way from 2015.

Caprolactam

Caprolactam is the raw material for polyamide 6 (PA6), also known as nylon 6, of which about 4.5 million tons are produced annually worldwide. The applications of PA6 are very diverse, covering many end-markets, from carpets and textiles to car parts, electrical devices and packaging film.

DSM Fibre Intermediates is the major supplier to the merchant caprolactam market. A major part of all caprolactam produced globally is made using DSM's proprietary technology, which it actively licenses.

The business has established a strong caprolactam position thanks to its local production facilities, reinforced by its strong partnership with customers in the downstream PA6 industries.

Acrylonitrile

DSM Fibre Intermediates is the leading supplier in the European merchant acrylonitrile market with a share of approximately 25 percent. Globally, it ranks third.

Acrylonitrile is a raw material for acrylic fibers, plastics, rubber, water treatment chemicals and a wide range of specialty products. It is a key ingredient for bright, fashionable acrylic textile and carpet fibers and for materials such as acrylonitrile-butadiene-styrene (ABS) and styrene-acrylonitrile (SAN) that are used for automotive components, electronic devices, toys and sports equipment. The application of acrylonitrile across a wide range of valuable specialty products like carbon fibers, water treatment additives and detergents is rapidly growing.

Trends

DSM Fibre Intermediates expects global demand for caprolactam and acrylonitrile to grow by approximately 3 percent each year in the coming period. The strongest growth of up to 6 percent per year will be seen in China. By comparison, demand from the US and Europe is expected to remain relatively stable.

Strategic context

Strategic progress 2013

- HGEs: HPO™ licensing agreement for two 200 kt lines of caprolactam in China with Shenyuan
- Innovation: new 2nd caprolactam line by DNCC, a cooperation with Sinopec
- Sustainability: N_2O abatement facility reducing greenhouse-gas emissions in China
- Acquisitions & Partnerships: license agreement with Univex

DSM Fibre Intermediates seeks to capitalize on the opportunities in the caprolactam market by:

- increasing sales from the doubling of production capacity in China;
- implementing new sustainable technology;
- further improving competitive position; and
- reducing merchant exposure.

DSM is securing its technology leadership position by pursuing an assertive approach to licensing its proprietary caprolactam technology and protecting its patents. In the year, it finalized a licensing agreement with Shenyuan for two lines of 200 kt each for caprolactam, using HPO™ technology, and a license to produce the main raw material for caprolactam, cyclohexanone, from phenol. A license agreement was also reached with Univex for improvements in the raw material consumption of their existing plant in Mexico.

DSM expects to maintain its global leadership position in caprolactam thanks to its focus on high growth economies, sustainability and technological innovation, and an unwavering commitment to its customers. In the period ahead, DSM will also continue to work on options to reduce its exposure to the volatile merchant caprolactam market.

In acrylonitrile, it will maintain its sustainable position as one of the leading players in Europe.

Sustainability

Projects aimed at feedstock reduction, energy conservation and recovery and waste abatement were implemented at DSM's caprolactam sites. This helped to reduce variable costs and improved sustainability, for example, through a more efficient use of hydrogen and ammonia.

The new N_2O abatement facility that DSM Fibre Intermediates inaugurated in August 2012 reduced nitrous oxide emissions by 580 tons in 2013, which is equivalent to more than 170,000 tons of CO_2 or the annual emissions of approximately 30,000 cars. Emissions reached 410 tons in the year, compared to 990 tons in 2012. The innovative second production line in Nanjing, designed for world class environmental performance, which started up successfully in late 2013, has been classified as an ECO+ innovation by DSM, due to its lower energy needs and fewer emissions.

Review of business in 2013: Innovation Center

Connecting bright science to brighter living

Net sales

€ 149 m

x € million	2013	2012
Net sales	149	102
Organic sales development (in %)	15	8
Operating profit	(53)	(63)
Operating profit plus depreciation and amortization (EBITDA)	(17)	(38)
Capital expenditure	108	36
Capital employed at 31 December	561	507
R&D expenditure	80	61
Workforce at 31 December (headcount)	664	668

DSM Innovation Center

The DSM Innovation Center was originally set up in 2006 to help facilitate the company's strategic transition toward an intrinsically innovative organization. It serves as an enabler and accelerator of sustainable innovation within DSM. See page 19 for the enabling activities within its Excellence in Innovation program. With its Emerging Business Areas (EBAs) and the Business Incubator, the Innovation Center has a business development role, focusing on areas outside the current scope of the business groups. The Innovation Center also includes DSM Venturing and Licensing.

Emerging Business Areas

DSM's Emerging Business Areas provide strong long-term growth platforms based on the company's core competences in Life Sciences and Materials Sciences. The company has three Emerging Business Areas:

- DSM Biomedical
- DSM Bio-based Products & Services
- DSM Advanced Surfaces

DSM aspires to realize € 1 billion in sales by 2020 in its combined Emerging Business Areas.

DSM Biomedical

DSM Biomedical is a leading development partner, trusted by the medical industry to shape the future of biomaterials and regenerative medical devices that improve and brighten patients' lives throughout the world.

From its facilities in the United States and Netherlands, DSM Biomedical provides a product portfolio with a wide range of innovative biomedical materials that enable the replacement, repair, enhancement and regeneration of tissue and organ functions in the body. Its novel, proprietary materials-based solutions are designed to meet the needs of the medical device and pharmaceutical industries.

The global market for medical devices saw a compound annual growth rate of 7 percent during 2008-2012 and is now worth an estimated USD 170 billion. There is a growing demand for cost effective devices that improve the lives of patients in developed and emerging economies, while the need to contain rising healthcare costs is also increasing. These trends give the global biomedical market strong growth prospects in the period ahead.

DSM Biomedical's products comprise implant materials, components and sophisticated drug delivery materials that are used by customers to make medical devices. DSM Biomedical also has a wide range of state-of-the-art capabilities to develop and produce components, sub-assemblies or full medical devices for its customers.

DSM entered the medical field more than a decade ago, starting with R&D efforts to develop medical applications based on Dyneema®, which led to Dyneema Purity® fiber, a material first used in orthopedic sutures. DSM Biomedical was established in 2006 as an Emerging Business Area. Since 2006, it has been a leading biomedical business with an annual growth rate of 35 percent in the last four years, which includes a significant contribution through the 2012 Kensey Nash acquisition.

Today, DSM Biomedical enjoys one of the broadest portfolios of medical materials, technologies and capabilities in the world, which includes biomedical polyurethanes, biomedical polyethylenes, resorbable polymers, ceramics, collagens, extracellular matrices, silicone hydrogels, device coatings, and drug delivery platforms. Millions of products are produced each year for applications in some of the most attractive high growth markets, including orthopedics, sports medicine, ophthalmology, general surgery and cardiology.

This Emerging Business Area applies materials sciences to create solutions that help the human body heal. Its investments are focused on research and product development, building further opportunities for future growth. These products extend the capabilities of physicians by providing tools that enhance their skills and help them transform the quality of life for patients, replenishing mobility and vitality. With each innovation, DSM Biomedical provides new opportunities for collaboration with business partners, to help physicians and patients across the world.

In 2013, DSM Biomedical continued to benefit from increased sales growth, EBITDA margins and synergies resulting from the 2012 acquisition of Kensey Nash and from previous acquisitions.

In 2013, DSM Biomedical signed new licenses to supply Bionate® II PCU for use in SpineVision®'s Flex+2™ Dynamic Lumbar Stabilization System. It also received clearance from the US Food and Drug Administration (FDA) for two finished medical devices: the Mesothelium Dental Membrane and the Meso Bilayer Surgical Mesh. The business established a partnership with San Antonio-based medical products company BiO_2 Medical to provide ComfortCoat® Coating for the Angel® Catheter, and extended its Dyneema Purity® product portfolio with novel ultra high molecular weight polyethylene membrane technology.

DSM Bio-based Products & Services

DSM's competences in industrial biotechnology are at the core of its strategic focus on Life Sciences and Materials Sciences. As the world increasingly moves away from its dependencies on fossil raw materials and towards a more sustainable, bio-based economy, there are significant opportunities for the company in renewable energies such as cellulosic bio-ethanol, advanced (microbial) biodiesel and biogas, and in renewable building blocks like bio-based succinic acid.

Drawing on DSM's unique position in biotechnology, materials sciences and chemistry, DSM Bio-based Products & Services is pioneering advances in biomass conversion and seeks to demonstrate the commercial viability of sustainable, renewable technologies in collaboration with strategic partners in the value chain. The development and supply of high value knowledge, ingredients and expertise in the field of bio-conversion technology are critical success factors. DSM's strategy is to license its technology and expertise to bio-based entrepreneurs, enabling them to convert biomass in a commercially viable and sustainable way.

POET-DSM Advanced Biofuels
POET-DSM Advanced Biofuels, DSM's major strategic joint venture partnership with POET LLC (one of the world's largest bio-ethanol producers) to commercially demonstrate and license cellulosic bio-ethanol, will begin producing cellulosic bio-ethanol from corn crop residue through a biological process using enzymatic hydrolysis followed by fermentation.

The first project (Project Liberty) will be a commercial-scale, cellulosic bio-ethanol plant utilizing POET process technology and DSM bio-conversion technology, and is scheduled to begin operations in Emmetsburg (Iowa, USA) in 2014. The initial capacity is expected to be 20 million gallons and is designed to grow to approximately 25 million gallons per year. This plant will serve as the commercial scale demonstration project for corn crop residue to cellulosic bio-ethanol to be licensed by the joint venture (POET-DSM Advanced Biofuels) to interested parties.

Most of 2013 was dedicated to the construction of the USD 250 million facility in Emmetsburg and preparing for the start-up. POET-DSM Advanced Biofuels is expected to be profitable within the first full year of production and to deliver substantial revenues with an above-average EBITDA contribution in the mid to long term.

POET-DSM Advanced Biofuels intends to replicate and license the technology to additional plants built close to existing corn ethanol facilities in the US, including the 26 corn ethanol facilities in POET's network. It will also look for licensing opportunities elsewhere in the world.

Advanced biodiesel
In 2013, DSM met each of the program milestones for the year for its partnership with BP on advanced biodiesel. It has greatly expanded its intellectual property portfolio to support future deployment of advanced biodiesel technology through the partnership, and continued to develop relationships with key technology providers that will be critical for future stages of the program.

The partnership has created a leading biotechnology platform that produces high yields of biodiesel from plant sugars. Around half of the world's current demand for transport fuel is for diesel and this proportion is expected to grow in the coming decades. Innovative solutions such as the conversion of sugars into diesel fuel, continue to represent a highly attractive business opportunity. Today, most biodiesel is produced from vegetable oils such as palm oil, soy bean oil and rape seed oil. These oils are increasingly associated with concerns about sustainability, which is driving a growing need to find alternative and more responsible ways to produce diesel from renewable sources.

Bio-succinic acid
The world's first large scale plant for bio-based succinic acid that was opened in Cassano Spinola (Italy) as part of the Reverdia joint venture between DSM and Roquette successfully scaled up its production in the year, using proprietary yeast technology that was earlier tested and validated in the demonstration plant. The first commercial shipments of Biosuccinium™ were realized. Reverdia is now considering a second large scale plant and application development work is underway to develop new business and open future markets.

DSM Advanced Surfaces

DSM Advanced Surfaces provides solutions for the development and application of smart coatings that enable and enhance the capture of solar energy. In April 2013, a newly constructed manufacturing plant in Sittard-Geleen (Netherlands) for the unit's flagship product, KhepriCoat™ anti-reflective coating, was opened. The plant increases DSM's production capacity and enables it to meet the fast-growing market demand for solar energy. KhepriCoat™ provides state-of-the-art anti-reflective properties, allowing a higher amount of energy to pass through to the solar modules, which increases the energy production of solar cells by 4 percent.

In 2013, DSM acquired SolarExcel, an innovative light trapping technology company based in Venray (Netherlands). This technology uses a textured surface on foil to prevent light from escaping the solar panel. The technology, which expands DSM's growing portfolio in solar energy enabling technologies, will be scaled up and is expected to provide energy efficiency increases of approximately 10 percent on solar panels.

Looking ahead, DSM Advanced Surfaces has identified potential partnerships that could address innovative surface technologies, which would help expand its product range. Partnerships and acquisitions will remain a critical factor for accelerated growth in advanced surfaces.

DSM Business Incubator

The DSM Business Incubator explores business opportunities in adjacent areas and future markets for DSM, with a strong link to DSM's technologies and competence base. Platforms are created within the scope of securing food, health and energy requirements of society, in close collaboration with industry partners and existing and potential customers. DSM's Business Incubator has been instrumental in feeding the pipeline with opportunities that address customer needs.

DSM Venturing

DSM Venturing invests in early to late stage innovative companies in areas strategically relevant to DSM's current and future businesses. In 2013, four new direct and four follow-on investments were made. DSM Venturing ended its participation in four companies in 2013.

New investments in the year included bioagriculture company Marrone Bio Innovation Inc. based in Davis (California, USA), which has since gone public, and Arecor Ltd. (United Kingdom), which is active in drug formulation methods. Follow-on investments were made in biochemicals company Verdezyne, based in Carlsbad (California, USA), and CO_2-based polymer developer Novomer in Waltham (Massachusetts, USA)**.** An up-to-date overview of the portfolio of published investments can be found at www.dsm.com.

Building on more than a decade of corporate venturing experience in Life Sciences and Materials Sciences, DSM Venturing expects to step up its deal flow and portfolio management in 2014 and beyond, and play an important part in the company's open innovation strategy.


My bright ideas
help to set new standards
in food quality

Corporate Activities

Any activities and businesses that are outside the five reporting clusters are reported as Corporate Activities. These comprise operating and service activities, as well as a number of costs that cannot be allocated to the clusters. This segment normally has a negative operating result.

Corporate Activities includes various holding companies and corporate overheads. The most significant cost elements are corporate departments and the share-based compensation for the Group.

x € million	**2013**	2012
Net sales	198	268
Operating profit	(125)	(139)
Operating profit plus depreciation and amortization (EBITDA)	(74)	(94)
Capital expenditure	87	89
R&D expenditure	26	22
Workforce at 31 December (headcount)	3,204	3,199

Sitech Services

Sitech Services provides manufacturing services, park services and Safety, Health & Environment services for the Chemelot industrial site in Sittard-Geleen (Netherlands) and the DSM Pharma Chemicals site in Venlo (Netherlands).

DSM Insurances

The company retains a limited part of its material damage and business interruption and product liability risks via DSM Insurances BV, a captive insurance company. In 2013, the total retained damages were € 16 million.

Corporate Research

The total costs of the Corporate Research Program have been reported under Corporate Activities since 2011.

Financial and reporting policy

Financial policy

As a basis for and contribution to effective risk management and to ensure that the company is able to pursue its strategies, even during periods of economic downturn, DSM retains a strong balance sheet and limits its financial risks.

The current strategy, DSM in motion: *driving focused growth*, has ambitious strategic and financial targets that are outlined on page 10. In addition DSM aims to maintain its Single A long-term credit rating.

Most of DSM's external funding needs are financed through long-term debt. Debt covenants are not included in the terms and conditions of outstanding bonds and financing arrangements. DSM aims to spread the maturity profile of outstanding bonds in order to have adequate financial flexibility.

DSM has a commercial paper program of € 1,500 million that is available and two committed credit facilities totaling € 1,000 million, consisting of € 500 million until September 2018 and € 500 million until March 2018, but with two extension options, which can bring the final maturity to 2020.

An important element of DSM's financial policy is the allocation of cash flow. DSM primarily allocates cash flow to investments aimed at strengthening its business positions and to dividend payments to its shareholders. The cash flow is further used for Acquisitions & Partnerships that strengthen DSM's competences and market positions in Life Sciences and Materials Sciences, supported by the other three strategic growth drivers: High Growth Economies, Innovation and Sustainability.

Should the occasion arise, the company may choose to return cash to shareholders if excess cash is available over a longer period to such an extent that the above-mentioned cash flow priorities can be satisfied without affecting the credit rating. DSM aims to provide a stable, and preferably rising, dividend. In order to avoid dilution of earnings per share as a result of the exercise of management and employee options, DSM buys back shares insofar as this is desirable and feasible. In 2013 1,266,945 shares were repurchased (no shares were repurchased in 2012).

It is DSM's policy to hedge 100 percent of the currency risks resulting from sales and purchases at the moment of recognition of trade receivables and payables. In addition, operating companies may – under strict conditions – opt for hedging currency risks from firm commitments and forecasted transactions. The currencies giving rise to these risks are primarily USD, CHF, JPY and GBP. The risks arising from currency exposures are regularly reviewed and hedged when appropriate.

The most important acquisition criteria are strategic fit and financial condition. A business or partner should add value to DSM in terms of technological and/or market competences. Acquired companies are in principle required to contribute to DSM's cash earnings per share from the very beginning and to earnings per share from year two. In addition, they are required to meet the company's profitability, sustainability and growth requirements. There are, however, exceptions to this rule. For instance, such requirements may not be appropriate in the case of small innovative growth acquisitions, although the sustainability requirement will be upheld at all times.

DSM is transparent towards all tax authorities and collaborates with them to determine the amount of tax due. DSM believes its obligation is to contribute the amount of tax owed to authorities and to observe all applicable rules and regulations in the markets where the company operates. Its tax reporting is fully compliant with all applicable rules and regulations. DSM's Managing Board is responsible for securing the tax principles under the supervision of the Audit Committee of the Supervisory Board. The planning of DSM's tax position is consistent with the normal course of its business operations, reflects the corporate strategy and is consistent with international best practice guidelines, such as the OECD Guidelines for Multinational Enterprises.The level of DSM's effective tax rate as a percentage of pretax profit reflects the geographic spread of the results over the years, also as a result of acquisitions and divestments, and/or the application of preferential tax regimes in countries where DSM operates.

DSM's policy in the various sub-disciplines of the finance function is strongly oriented toward solidity, reliability and protection of cash flows. The finance function plays an important role in business steering.

Reporting policy

Reporting policy and justification of choices made

In the sustainability information in this Integrated Annual Report, DSM explains its vision and policy with respect to sustainable enterprise and reports on its activities in this field during 2013. Besides presenting developments and data for the three categories of People, Planet and Profit, DSM reports on its sustainability strategy, its stakeholder engagement activities, and the organization of sustainability at DSM. Furthermore, DSM discusses the global trends that drive its strategy.

It is DSM's policy to proactively canvas the views of its employees on issues of material importance to the company.

The preparation of this report was facilitated by experts who were supported by a review group comprising employees selected from across the DSM organization.

Global Reporting Initiative

DSM bases its sustainability reporting on the guidelines of the Global Reporting Initiative (GRI). For this report, the company used the GRI G3 guidelines (see www.dsm.com). DSM has determined that this report once again merits GRI application level A+, representing a high level of transparency. EY has reviewed compliance of the Sustainability Information with this application level. See also Independent Assurance Report on Sustainability Information on page 213.

In its sustainability reporting DSM does not apply the framework of the International Integrated Reporting Council.

Selection of topics

The topics covered in this report were selected on the basis of input from stakeholders and the materiality analysis, GRI guidelines and DSM's own management systems and their relevance and impact for DSM and its various stakeholders. See also Stakeholder engagement on page 28.

On the basis of the principle of materiality (see the materiality matrix in the Stakeholder engagement chapter), DSM distinguishes between topics whose importance warrants publication in this Integrated Annual Report (relevant to both DSM and its stakeholders), and topics whose importance warrants publication on the company website only (topics important to either DSM or its stakeholders).

As in the 2012 report, DSM reports on its external recognition in a separate section. DSM also reports separately on its progress in implementing the principles of the UN Global Compact. See also page 42.

Scope

The People, Planet and ECO+ data in this report cover all entities that belong to the consolidation scope of the consolidated financial statements. Offices and R&D facilities are excluded from Planet reporting.

Acquisitions and divestments

The HR data (People) for newly acquired companies are reported from the first full month after the acquisition date. Historical HR data are not restated for divestments. The Safety, Health (People) and Environment (Planet) data for newly acquired companies are reported at the latest in the year following the first full year after acquisition, because these companies' reporting procedures first have to be aligned with those of DSM. Acquired and divested units are excluded from the evaluation of progress on environmental targets but are included in absolute figures (unless stated otherwise). ECO+ data for newly acquired companies are reported in line with the policy for Safety, Health and Environment data discussed above. Historical ECO+ data are not restated for divestments.

Quality of data

The data for the DSM sites are based on these sites' own measurements and calculations, which are based on definitions, methods and procedures established at corporate level. The year-on-year comparability of the data can be affected by changes in the portfolio as well as by improvements made in the measurement and recording systems at the various sites. Whenever impact is relevant, it is stated in the report. Details for the individual sites are published on www.dsm.com, together with an explanation of the definitions used.

Manner of reporting

Quantitative data are reported per business group. All data are consolidated at corporate level by the relevant departments. The qualitative reports on various subjects were provided by experts throughout the organization.

Planet methodology

Environmental indicators are evaluated and established on a yearly basis by the experts and process owners involved. Data on these indicators are collected on a yearly basis, while an additional mid-year measurement is done for the most relevant indicators and reporting units. The methodology and calculations can be found on www.dsm.com.

The site managers of reporting units are responsible for the quality of the data. Data are collected based on measurements in the production processes, information from external parties (e.g. on waste and external energy) and estimates based on expert knowledge. Reporting units have direct insight into their performance compared to previous years and are required to provide justifications for deviations above the threshold. For most parameters the threshold is set at 10 percent.

People methodology

All People and HR data are collected per business group and consolidated at corporate level.

ECO+

All financial ECO+ data are collected from the relevant financial and innovation systems by the controllers of the business groups and the Innovation Center. All assessments of ECO+ involve internal LCA experts. All data are internally validated with the Corporate Sustainability department and consolidated in DSM ECO+ key performance indicators.

Corporate governance and risk management

Introduction[1]

Koninklijke DSM N.V. (Royal DSM) is a company limited by shares listed on NYSE Euronext, with a Managing Board and an independent Supervisory Board. Members of the Managing Board and the Supervisory Board are appointed (and, if necessary, dismissed) by the General Meeting of Shareholders.

The Managing Board is responsible for the company's strategy, its portfolio policy, the deployment of human and capital resources, the company's risk management system, the company's financial performance and its performance in the area of sustainability.

The Supervisory Board supervises the policy pursued by the Managing Board, the Managing Board's performance of its managerial duties and the company's general course of affairs, taking the interests of all the company's stakeholders into account. The annual financial statements are approved by the Supervisory Board and then submitted for adoption to the Annual General Meeting of Shareholders, accompanied by an explanation by the Supervisory Board of how it carried out its supervisory duties during the year concerned.

The company is governed by Dutch law and by its Articles of Association, which can be consulted at the DSM website (www.dsm.comwww.dsm.com). The General Meeting of Shareholders decides on an amendment to the Articles of Association by an absolute majority of the votes cast. A decision to amend the Articles of Association may only be taken at the proposal of the Managing Board, subject to approval of the Supervisory Board.

DSM fully informs its stakeholders about its corporate objectives, the way the company is managed and the company's performance. Its aim in doing so is to pursue an open dialogue with its shareholders and other stakeholders.

DSM has a decentralized organizational structure built around business groups that are empowered to carry out all short-term and long-term business functions. At the operational level, the business groups are the primary organizational and entrepreneurial building blocks. The business groups are grouped into clusters. Business groups within a cluster report to one and the same member of the Managing Board. The clusters are the main organizational entities for external strategic and financial reporting. This structure ensures a flexible, efficient and fast response to market changes.

DSM has a number of functional and regional organizations to support the Managing Board and the business groups. Intra-group product supplies and the services of a number of shared service departments and research departments are contracted by the business groups on an arm's length basis.

Managing Board

The Managing Board consists of three or more members, to be determined by the Supervisory Board. The current composition of the Managing Board can be found in the chapter Supervisory Board and Managing Board on page 137. Since 2005, members of the Managing Board have been appointed for a period of four years.

The members of the Managing Board are collectively responsible for the management of the company. Notwithstanding their collective responsibility within the Managing Board, certain tasks and responsibilities for business clusters and functional areas as well as regional responsibilities have been assigned to individual members. This distribution of tasks is published on the DSM website.

The remuneration of the members of the Managing Board is determined by the Supervisory Board based on the remuneration policy approved by the General Meeting of Shareholders. The remuneration policy for the Managing Board can be found in the Supervisory Board report starting on page 126.

The functioning of and decision making within the Managing Board are governed by the Regulations of the Managing Board, which have been drawn up in line with the Dutch corporate governance code and can be found on the company's website.

In 2013 the Managing Board met 46 times. In eight meetings one member was excused due to another commitment. In two meetings two members were excused. In all cases, members who were unable to attend provided their input to the meeting in advance in writing.

Supervisory Board

The Supervisory Board consists of at least five members. The current composition of the Supervisory Board can be found on page 136. Members of the Supervisory Board are appointed for a period of four years with a maximum of three four-year terms.

All current members of the Supervisory Board are independent in accordance with the Best Practice provisions of the Dutch corporate governance code. The remuneration of the members

[1] This chapter contains, among other things, the information regarding corporate governance as referred to in Section 2 of the Dutch governmental decree of 23 December 2004 establishing further instructions concerning the content of the annual report (*Besluit van 23 december 2004 tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag*, *Staatsblad* [Bulletin of Acts and Decrees] 2004, 747) as amended in April 2009 (*Staatsblad* 2009, 154) and December 2009 (*Staatsblad* 2009, 545).

of the Supervisory Board is determined by the General Meeting of Shareholders. The functioning of and decision making within the Supervisory Board are governed by the Regulations of the Supervisory Board, which have been drawn up in line with the Dutch corporate governance code and can be found on the company's website.

In line with the Dutch corporate governance code the Supervisory Board has established from among its members an Audit Committee, a Nomination Committee and a Remuneration Committee. Given the strategic importance of sustainability, a Corporate Social Responsibility Committee has also been set up.

The task of these committees is to prepare the decision making of the Supervisory Board. The functioning and tasks of these committees are governed by charters that have been drawn up in line with the Dutch corporate governance code and can be found on the company's website.

Diversity

Since 1 January 2013 Dutch legislation requires that a large company, when nominating or appointing members of the Managing Board or Supervisory Board, should strive to achieve a balanced composition of these Boards in terms of gender, to the effect that at least 30 percent of the positions are held by women and at least 30 percent by men.

The current composition of the Supervisory Board is in line with this legislation.

The current composition of the Managing Board deviates from the above-mentioned percentages. For the appointment of a successor to Nico Gerardu, who retired on 1 September 2013, candidates of both genders were considered for the position. However, the Supervisory Board was unanimously of the opinion that its nominated candidate Dimitri de Vreeze was the best candidate to succeed Mr. Gerardu. Mr. De Vreeze was appointed by the General Meeting of Shareholders on 3 May 2013.

General Meeting of Shareholders

The main powers of the General Meeting of Shareholders relate to:

- the appointment, suspension and dismissal of members of the Managing Board and the Supervisory Board;
- approval of the remuneration policy of the Managing Board;
- approval of the remuneration of the Supervisory Board;
- the adoption of the annual financial statements and declaration of dividends;
- release from liability of the members of the Managing Board and the Supervisory Board;
- issuance of shares or rights to shares, restriction or exclusion of pre-emptive rights of shareholders and repurchase or cancellation of shares;
- amendments to the Articles of Association; and
- decisions of the Managing Board that would entail a significant change in the identity or character of DSM or its business.

The Annual General Meeting of Shareholders is held within six months of the end of the financial year in order to discuss and, if applicable, approve the annual report, the annual accounts, any appointments of members of the Managing Board and the Supervisory Board and any of the other topics mentioned above.

The Annual General Meeting of Shareholders and, if necessary, other General Meetings of Shareholders are called by the Managing Board or the Supervisory Board. The agenda and explanatory notes are published on DSM's website.

According to the Articles of Association, shareholders who, individually or jointly, represent at least one percent (1 percent) of the issued capital have the right to request to the Managing Board or the Supervisory Board that items be placed on the agenda. Such requests need to be received in writing by the chairman of the Managing Board or the Supervisory Board at least sixty days before the date of the Annual General Meeting of Shareholders.

On 3 May 2013 the Annual General Meeting of Shareholders was held. The agenda was to a large extent similar to that of previous years. Additional topics were the appointment of Dimitri de Vreeze as member of the Managing Board, the re-appointment of Pierre Hochuli as member of the Supervisory Board, the adoption of an amendment to the remuneration policy of the Managing Board and the evaluation of the Auditor. Further details can be found on the company's website.

External auditor

In accordance with the Dutch corporate governance code (V. 2.3), the Managing Board and the Audit Committee conducted a thorough assessment of the functioning of the external auditor EY in 2012. The main conclusions of the assessment were presented to the General Meeting of Shareholders on 3 May 2013. Based on the outcome of the assessment, the company decided to continue the audit services of EY. In 2013 a process was started to select a new audit firm to provide audit services as of 2015 in view of new legislation in the Netherlands with regard to mandatory audit firm rotation.

Article 10 of Directive 2004/25

With regard to the information referred to in the Resolution of article 10 of the EC Directive pertaining to a takeover bid which is required to be provided according to Dutch law, the following can be reported:

- Information on major shareholdings can be found below (Distribution of shares).
- There are no special statutory rights attached to the shares of the company.
- There are no restrictions on the voting rights of the company's shares. When convening a General Meeting of Shareholders, the Managing Board is entitled to determine a registration date in accordance with the relevant provisions of the Dutch Civil Code.
- The applicable provisions regarding the appointment and dismissal of members of the Managing Board and the Supervisory Board and amendments to the Articles of Association are set forth above.
- The powers of the Managing Board regarding the issue and repurchase of shares in the company can be found below (Issue of shares, Repurchase of own shares).
- Other information can be found in the notes to the consolidated financial statements (15 Equity, 18 Borrowings, 26 Share-based compensation) and in the chapters Information on the DSM share and Other information.

Issue of shares

The issue of shares takes place by a decision of the Managing Board. The decision is subject to the approval of the Supervisory Board. The scope of this power of the Managing Board shall be determined by a resolution of the General Meeting of Shareholders and shall relate to at most all unissued shares of the authorized capital, as applicable now or at any time in the future. In the Annual General Meeting of Shareholders of 3 May 2013 this power was extended up to and including 3 November 2014, on the understanding that this authorization of the Managing Board is limited to a number of ordinary shares with a nominal value amounting to 10 percent of the issued capital at the time of issue, and to an additional 10 percent of the issued capital at the time of issue if the issue takes place within the context of a merger or acquisition within the scope of DSM's strategy as published on DSM's website. The issue price will be determined by the Managing Board and shall as much as possible be calculated on the basis of the trading prices of ordinary shares on the Euronext Amsterdam Stock Exchange.

Distribution of shares

Under the Dutch Financial Markets Supervision Act shareholdings of 3 percent or more in any Dutch company must be disclosed to the Netherlands Authority for the Financial Markets (AFM). According to the register kept by the AFM the following shareholders had disclosed that they owned between 3 percent and 10 percent of DSM's total share capital on 1 January 2014:

- ASR Nederland B.V.
- Rabobank Nederland Participatie B.V.
- Delta Lloyd N.V.
- Capital Research and Management Company and Capital Group International
- Blackrock, Inc.

Repurchase of own shares

The company may acquire paid-up own shares by virtue of a decision of the Managing Board, provided that the par value of the acquired shares in its capital amounts to no more than one tenth of the issued capital. Such a decision is subject to the approval of the Supervisory Board. In the Annual General Meeting of Shareholders of 3 May 2013 the Managing Board was authorized to acquire own shares for a period of 18 months from said date. On 6 November 2013 DSM announced its intention to repurchase 2,500,000 ordinary shares for the purpose of covering the company's commitments under existing management and personnel option plans.

Dutch corporate governance code

DSM supports the Dutch corporate governance code adopted in 2003 and amended in 2008, which can be found on www.commissiecorporategovernance.nl.

DSM confirms that it applies all of the code's 113 Best Practices.

With respect to the appointment of members of the Managing Board for a period of at most four years (Best Practice II.1.1) it should be noted that DSM has adhered to this Best Practice since the introduction of the corporate governance code in 2004.

Since DSM respects agreements made before the introduction of said code, the current chairman of the Managing Board will remain appointed for an indefinite period.

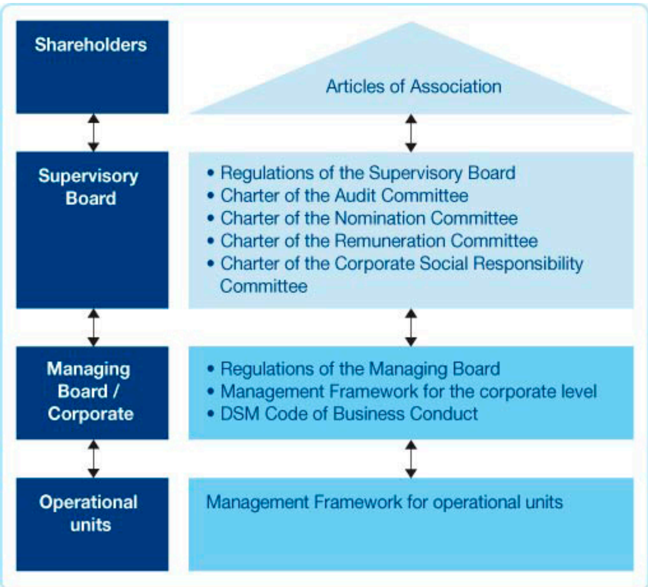
With respect to the Dutch corporate governance code it should be noted that any substantial change in the corporate governance structure of the company and in the company's compliance with the code shall be submitted to the General Meeting of Shareholders for discussion under a separate agenda item.

All documents related to the implementation at DSM of the Dutch corporate governance code can be found in the Governance section of the corporate website (www.dsm.com).

Governance framework

Business groups are the main building blocks of DSM's organization; they have integral long-term and short-term business responsibility and have at their disposal all functions that are crucial to their business success. The business groups within a specific cluster report to one and the same member of the Managing Board. This Board member manages the coherence of operations and the leveraging of resources within the cluster and is accountable for the overall performance of the cluster within limits defined by the collective responsibility of the total Managing Board for the overall management of the company. The clusters are the main entities for external strategic and financial reporting. In order to ensure sufficient independence with regard to financial management, the Chief Financial Officer has no business groups reporting to him.

The following figure depicts DSM's overall governance framework and the most important governance elements and regulations at each level.



Note: all internal regulations apply in addition to applicable national and international laws and regulations. In cases where internal regulations are incompatible with national or international laws and regulations, the latter prevail.

For the sake of clarity, a short summary of the main aspects of the framework at Managing Board / corporate level and operational level is given here:

- The Managing Board adheres to the Regulations of the Managing Board.
- In addition, the Managing Board works according to the Management Framework for the corporate level. This implies among other things that it adheres to the DSM Code of Business Conduct and applicable corporate policies and requirements.
- The Management Framework for the corporate level further provides a description of the most important (decision-making) processes, responsibilities and 'rules of the game' at the Managing Board, functional and regional levels and includes the governance relations with the next-higher levels (Supervisory Board and shareholders) and the operational units. In particular, the framework defines the roles of corporate staff departments, functional excellence departments and shared service departments as follows:

  - Corporate Staff departments: small, high level groups, supporting the Managing Board and reporting directly to a Managing Board member (in most cases CEO or CFO);
  - Functional Excellence departments: groups in which expert capabilities in selected functions are concentrated and which are steered by Functional Excellence Advisory Boards, chaired by a Managing Board member; the Director of a Functional Excellence department reports to a Managing Board member; and
  - Shared Service departments: groups in which selected service functions are leveraged and which are steered by Shared Service Boards, chaired by a business group director. The director of a Shared Service department reports to a Managing Board member, who is also a member of that Shared Service Board.

The company's strategic direction and objectives are set in a Corporate Strategy Dialogue. In 2010 such a Corporate Strategy Dialogue was held, resulting in the current strategy DSM in motion: *driving focused growth*. As part of this strategy, the regional functions have been further strengthened, especially in the high growth economies. Regional management reports directly to a Managing Board member.

The operational units conduct their business within the parameters of the Management Framework for operational units. This implies among other things that they:

- comply with the DSM Code of Business Conduct
- establish the strategy and objectives of their business according to the Business Strategy Dialogue, aligned with the Corporate Strategy Dialogue, in which process various scenarios and related risk profiles are investigated;
- implement risk management actions according to an Annual Risk Management Plan and in line with corporate policies and multi-year plans in several functional areas;
- comply with the Corporate Requirements and Directives; and
- monitor the effectiveness of the risk management and internal control system and regularly discuss the findings with the Managing Board.

On average once every three years, the operational units are audited by Corporate Operational Audit (COA). The director of COA reports to the chairman of the Managing Board and has access to the external auditor and the chairman of the Audit Committee of the Supervisory Board. Furthermore, the director of COA acts as the compliance officer with regard to inside information and is the chairman of the DSM Alert Committee, which is responsible for the DSM whistleblower policy, systems and processes.

In the Fraud Committee, relevant corporate functions participate under the chairmanship of the CFO. The objective of the committee is to ensure structural follow-up of fraud cases with the aim of reducing fraud risks.

Risk management

The Managing Board is responsible for risk management in the company and, supported by the Corporate Risk Office, has designed and implemented a risk management system and a risk management organization. The system and the organization are documented in the DSM risk management policy, the DSM Code of Business Conduct, DSM policies in several functional areas and the DSM Corporate Requirements and Directives. The aim of the system is to ensure that the extent to which the company's strategic and operational objectives are being achieved is understood, that the company's reporting is reliable and that the company complies with relevant laws and regulations.

The DSM risk management system is based on the COSO-ERM framework. It has been designed to achieve maximum integration of the risk management process in the normal business processes. It provides for risk assessment tools, controls for risks that commonly occur in the company and monitoring and reporting procedures and systems. The internal controls for the goods and money flows have been 'built into' business processes, and tools have been developed to support their implementation and to monitor their effectiveness in operation. In this way, a high level of internal control is achieved efficiently.

Upon the publication of this Integrated Annual Report, an updated version of the full description of DSM's risk management system and process together with a description of the identified risks will be placed on the company's website. These descriptions are to be considered an integral part of this Integrated Annual Report.

The functioning of the system in 2013

The important events in risk management in 2013 are reported below. This section is structured according to the elements of the COSO-ERM risk management framework.

Internal environment for risk management

Values and business principles are an important element of the internal environment for risk management. Directly related to its mission to create brighter lives for people today and generations to come, DSM has chosen sustainability as its core value.

DSM's business principles, which are defined in the DSM Code of Business Conduct, are based on this core value. The DSM Code of Business Conduct, which is available on the company's website, describes principles in the areas of People (social and humanitarian standards), Planet (principles with regard to the environment) and Profit (principles regarding fair and ethical business practices). In 2013, the mandatory biennial e-learning course on the Code of Business Conduct was completed by more than 90 percent of all eligible employees, including the personnel of newly acquired units. Classroom training is ongoing for a limited group of employees who do not have access to e-mail. A company-wide inventory was made of bribery and corruption risks. This inventory has been used to complement the general policy against corruption and bribery with business and region specific actions and practices. The Anti-Bribery and Corruption policy and the e-learning tool are ready to be deployed to specific target groups in the various units.

Another important factor determining the internal environment for risk management is the risk appetite. This risk appetite cannot be captured in one figure or formula, but varies per category of risks. The Managing Board has reviewed the company's desired risk appetite. The main characteristics can be described as follows:

- To fulfill its strategic intent, DSM is prepared to accept considerable risks in for example its drive to develop its people and organizational base into a competitive advantage, its innovation programs and its expansion to high growth economies, and in that same context the company also accepts risks in developing sustainability as a business driver. Of course these risks will always be limited by defined hurdle criteria and rigorous implementation programs.
- In risk areas such as intellectual property protection, acquisitions and joint ventures, production-process reliability, business continuity, reputation and product liability the company is cautious to conservative.
- With regard to safety, health and environment, reporting integrity and internal and external non-compliance the company is risk averse.

This risk appetite gives guidance for the responses to the risks identified in the Corporate Risk Assessment (see below). For specific units, the risk appetite may deviate from the overall company profile.

Objectives and risk identification, assessment and response

In line with the mandatory risk management process, business groups that updated their strategy in 2013 performed a business risk assessment to identify and assess the implementation risks of the chosen strategy and agree on responses. At mid-year and at year-end, all units reviewed and reported their risks and incidents as part of the semi-annual risk reporting process, in which risks are reported in terms of exposure (impact multiplied by probability). Additionally, risk assessments were performed by a number of units and regions, on major projects and as part of the compliance programs of new acquisitions.

In 2013, the Managing Board updated the Corporate Risk Assessment (CRA). Based on the results of the CRA conducted in 2012, input from the directors of corporate staff departments and shared service departments, internal risk and incident reports and risk information from external sources, the Managing Board, supported by the Corporate Risk Office, identified the risks that are relevant in relation to the achievement of the targets of the strategy DSM in motion: *driving focused growth*. Board members individually identified and assessed risks, and during a Managing Board session they reached consensus on these risks and related risk appetites. They identified any necessary responses to be made in addition to the mitigating actions already in place in order to bring the risks within the defined risk appetite.

The preliminary outcomes of the CRA were reported to and discussed with the Audit Committee of the Supervisory Board in the meeting of 9 December 2013. These 'top-down' outcomes were compared with the risks and incidents as reported 'bottom-up' by the operational units in their Letters of Representation and with findings from internal and external audits. The final risk profile was reported to and discussed with the Audit Committee of the Supervisory Board on 24 February 2014. It is the basis for the main risks and responses as reported on the following pages.

The company's top risks

The CRA identifies the likelihood and impacts of events that could jeopardize the achievement of the targets for 2014, 2015 and 2020 set in the DSM in motion: *driving focused growth* strategy. In setting these targets, assumptions were made about the macro-economic and global financial developments (basic scenario).

The table on the next page shows the most important risks for DSM achieving its targets under the basic scenario, and the remedial actions to mitigate them.

Following the Corporate Risk Assessment 2013, 'Growth and profitability in the Pharma cluster' no longer qualifies as a 'top risk' or even an 'important risk'. As announced in November 2013, DSM and JLL Partners will create a new company which will be a leading global contract development and manufacturing organization for the pharmaceutical industry. This mitigates this risk.

The top risks and related mitigating actions

Description of risks	*Mitigating actions*
Exposure to merchant market for caprolactam	
DSM has considerably reduced its exposure to cyclical and commodity markets. Volatility, cyclicality and supply-demand imbalance in the merchant market for caprolactam may cause the profitability to deviate from the projected levels.	DSM will continue to work on options to reduce its exposure to the volatile merchant caprolactam market.
Competition	
Price pressure due to intensified competition may cause the profitability of DSM's activities to deviate from the projected levels.	Cost reductions in all businesses are being continued to increase competitiveness. Further innovation is driving a focus on high-end markets which will also mitigate this risk.
Risks related to High Growth Economies	
In the current strategy, the relative importance of the High Growth Economies has further increased. There is, however, always a risk that the markets will not grow as expected and/or that opportunities in these markets will be missed.	DSM has further detailed its country and region specific strategies. More power and freedom will be given to regions to achieve the strategic goals.
People, organization and culture	
The implementation of the business strategy is supported by organizational measures to enhance regional and functional effectiveness. However, the organization may lack the resources in terms of quantity and quality to execute all the programs and projects.	DSM has launched the ONE DSM Culture Agenda focusing on: - External Orientation - Accountability for Performance (and learning) - Collaboration with Speed - Inclusion & Diversity Attention will be given to the implementation of stronger regional and functional talent efforts and career development. Focus and priority setting will secure proper project execution and implementation.
Global financial and economic developments (including tax risks and currency effects)	
A further economic downturn and a higher impact of currency volatilities could have a significant detrimental effect on the achievement of DSM's targets. Furthermore, changing tax regimes may also impact the realization of DSM's targets.	DSM will proceed with its profit protection plans as well as with the execution of its hedging policy. Regional changes in tax regimes will be closely monitored.

Other important risks

In addition to the top risks, the most recent risk assessment and reports show the following risks as being the most important:

- **Acquisitions & Partnerships**
  This risk has been reduced significantly by realizing several key strategic acquisitions. The risk on Acquisitions & Partnerships shifted from finding sufficient additional value adding acquisitions to getting the recent acquisitions effectively integrated. The company has developed good practices and structured processes to mitigate this, whereas quarterly tracking of the progress of the various integration programs is also securing the targets set.
- **Innovation**
  The Emerging Business Areas are developing well. The focus and concentration of efforts, as well as the reinforcement of the talent base, ensure that DSM capitalizes on talent. The current outlook is that DSM is on track to realize the innovation ambitions as set in its strategy. At the same time DSM further invests in strengthening its innovation skills and competences as well as its innovation portfolio.
- **ICT complexity**
  High ICT complexity (especially against the background of the large number of acquisitions in recent years) may hamper DSM's competitive advantage. Decomplexing and leveraging operations will mitigate this risk.
- **Raw material and energy: price and availability risks**
  DSM implements various policies to avoid supply chain disruptions (e.g. multiple supplier strategy) and decrease price volatility (e.g. commodity hedging). Nevertheless, the increasing complexity and interdependence of worldwide supply streams as well as increasing (perceived) pressure on the availability of resources may lead to price fluctuations and availability issues, influencing DSM's profitability. The Supplier Relationship program, aiming to obtain a number of strategic customer of choice positions, is another way to jointly optimize the value chains DSM is involved in.
- **Intellectual property (IP) risks**
  The policy of accelerated growth through speeding up innovation and expansion in high growth economies holds the risk of increased exposure in the IP area. Measures will continue to be taken to contain these risks, but these may not always be completely effective in mitigating IP risks.
- **Security (including information security)**
  Especially in the area of the security of and access to data in ICT systems, a continued focus on monitoring and implementation of key security behaviors is required, given the increasing tension between the growing professionalism of cybercrime and widespread use of (mobile) IT and social media.
- **Business continuity risks**
  Major disruptions, especially in the supply chain, in manufacturing and in the ICT environment, remain a low likelihood but possibly high impact risk. DSM recognizes these risks and has implemented contingency measures to prepare for the most important scenarios.
- **Safety, Health and Environmental (SHE) risks**
  After a number of fatalities in prior years, DSM has enhanced its already strict safety policies even further, among other things by strengthening the implementation of the Life Saving Rules. Nevertheless, SHE risks cannot be excluded altogether and any accidents may have a deep impact in terms of human suffering and (reputation) damage to the company.
- **Product liability risks**
  To reduce product liability risks, product risk evaluations have been carried out, contractual and quality procedures have been updated and insurance policies have been reviewed. Unexpected effects of or undetected flaws in DSM's products or services may, however, still cause considerable product liability exposures.

For the management of all these categories of risks, strategies, controls and/or mitigating measures have been put in place as part of DSM's risk management practices. These nevertheless involve uncertainties that may lead to the actual results differing from those projected. There may also be risks that the company has not yet fully assessed and that are currently classified as 'minor' but that could have a material impact on the company's performance at a later stage. The company's risk management and internal control system has been designed to identify and respond to these developments on time, but 100 percent assurance can never be achieved.

Control activities

Each business group and each major operational service unit has an Audit Committee which, under the direction of the director of the group or unit, sets up annual risk management plans, monitors their implementation and reviews risk management issues on a regular basis. During the year under review, major risk management events, such as business risk assessments, audits and the occurrence of control failures or weaknesses, were discussed with the responsible Managing Board member.

Commonly occurring risks are mitigated through the implementation of the Corporate Requirements and process controls in the business processes. The operational units regularly test compliance with these requirements and the effectiveness of the controls. Deviations from Corporate Requirements are only allowed temporarily, if sufficient alternative controls are in place and after approval by the responsible Board member. A limited number of waivers have been granted.

Information and communication

A continuous effort is being made to inform employees about the DSM risk management system and train them in its use. In India and Russia specific regional risk assessments were performed in 2013. To increase general awareness of risk management, internal webinars were held and dilemma discussions were started.

Monitoring and reporting

Information on the functioning of the system was collected on a continuous basis. Business groups tracked compliance with Corporate Requirements and the follow-up of actions arising from risk assessments. They conducted assessments on the effectiveness of their internal controls and reported and investigated incidents. Independent audits on the effectiveness of risk management implementation were executed by the Corporate Operational Audit department according to a program agreed with the Audit Committee of the Supervisory Board. Information coming in via the DSM Alert whistleblowing channel was also used as a source for reviewing the effectiveness of the risk management system. Any critical findings were addressed immediately.

By signing an affidavit, the business group controllers confirmed, among other things, that the quarterly financial statements had been produced according to the internal accounting rules and reporting procedures. The implementation of a financial shared services center in line with DSM's strategy to leverage operations has created a need for more explicit continuous control monitoring (CCM) to support the units' statements. CCM for this scope has been successfully implemented.

Based on developments within and external to the company, as well as findings from the various risk assessments, audits and monitoring and reporting efforts, the Corporate Risk Office drew up a consolidated risk report, including recommendations for further improvement of the risk management system. These recommendations were integrated into an update of the Corporate Risk Management Plan 2011-2015.

At the end of the second quarter, the operational units were asked to provide an update of their material risks and incidents over the first half of 2013 and the status of the mitigation of the risks reported over 2012, and to specify any material risks or uncertainties for the rest of the year. The consolidated overview of these risks, incidents and mitigation measures was the basis for the risk section and the statements of the Managing Board as provided with the first-half figures in accordance with the requirements of the Dutch Financial Markets Supervision Act.

Enhancements to the risk management system

During 2013, the enhanced focus on risk controls in the safety area (Life Saving Rules) was continued. New and enhanced controls were introduced in the field of security through the launch of key security behaviors. The Corporate Requirements in the field of Research, Technology and Development were separated from those in the field of Innovation. For joint ventures the governance and risk management approach was reviewed and updated in line with DSM's interest in those partnerships.

Strategic developments within DSM were supported by risk management actions as follows:

- **High Growth Economies:** Enhancement of regional risk management capabilities with a focus in 2013 on India and Russia.
- **Sustainability:** Further implementation of the control framework for ECO+ solutions, implementation of actions defined in the sustainability risk assessment and start of the implementation of a framework for People+.
- **Innovation:** Improved risk assessment practices, including Monte Carlo business simulations and value engineering.
- **Acquisitions & Partnerships:** Creation of best practices for (risk) management in the integration and operation of acquisitions and joint ventures. Enhancement of regional risk management capabilities in high growth economies and in North America, where many newly acquired businesses are being integrated.

Statements of the Managing Board

On the basis of the above and in accordance with best practice II.1.5 of the Dutch corporate governance code of December 2008, and Article 5:25c of the Financial Markets Supervision Act, the Managing Board confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls functioned properly in the year under review and that there are no indications that they will not continue to do so. The financial statements fairly represent the company's financial condition and the results of the company's operations and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realization of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations.

In view of all of the above, the Managing Board confirms that, to the best of its knowledge, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report includes a fair review of the position at the balance sheet date and the development and performance of the business during the financial year together with a description of the principal risks and uncertainties that the company faces.

Heerlen, 24 February 2014

The Managing Board

Feike Sijbesma, CEO/Chairman of the Managing Board
Rolf-Dieter Schwalb, CFO
Stefan Doboczky
Stephan Tanda
Dimitri de Vreeze

Report by the Supervisory Board

Supervisory Board report

Introduction

The Supervisory Board is in charge of supervising and advising the Managing Board in setting and achieving the company's objectives, strategy, policies and succession planning. In 2013 an important part of this task was focused on reviewing the strategic progress, which, among other things resulted in an update of the 2015 targets as published at the Capital Markets Day held on 26 September 2013 and in this report on page 11, reflecting a transformed portfolio and market dynamics. The update included a new group EBITDA margin target of 14-15 percent with a ROCE target of 11-12 percent. In addition, strategic actions for DSM Pharmaceutical Products and Polymer Intermediates were discussed as well as the integration of the acquired companies to capture full synergies and to drive organic growth. Furthermore, the Supervisory Board discussed the top 5 risks as reported in the Integrated Annual Report.

In DSM's two-tier corporate structure under Dutch law, the Supervisory Board is a separate body operating fully independently of the Managing Board. Members of the Supervisory Board and the Managing Board are (re-)appointed by the General Meeting of Shareholders.

Composition of Supervisory Board

The composition of the DSM Supervisory Board is diverse in gender (4 male, 3 female), nationality (4 Dutch, 1 Swiss and 2 American), background, knowledge and experience. The Board's current members are Rob Routs (chair), Ewald Kist (deputy chair), Pierre Hochuli, Tom de Swaan, Pauline van der Meer Mohr, Victoria Haynes and Eileen Kennedy. For detailed information on their background, see the DSM website under Corporate Governance and page 136 of this report. The targeted profile of the Supervisory Board is reflected in its regulations, which are published on the DSM website under Corporate Governance. Within the Supervisory Board four committees have been established to cover four key areas in more detail, being auditing, nominations (of the Supervisory Board and Managing Board), remuneration (of the Supervisory Board and Managing Board) and corporate social responsibility. More information on these four areas is given below. The charters of the committees are published on the DSM website under Corporate Governance.

Composition of the Managing Board

The composition of the Managing Board is diverse in nationality (2 Dutch, 2 Austrian and 1 German), background, knowledge and experience, and provides a good foundation to support all clusters and business groups in achieving their targets contributing to the company strategy of driving focused growth. For detailed background information on all Managing Board members see the DSM website under Corporate Governance and page 137 of this report.

Meetings and business topics

In 2013 the Supervisory Board had six meetings and three conference calls with the Managing Board. On three occasions, one member was excused due to other commitments. In addition to the standard agenda items for the meetings, such as the development of the financials and the running business performance, including the benefits of the Profit Improvement Program, the Boards had in-depth discussions on the progress of the execution of DSM's strategy, an update of the 2015 targets to reflect the transformed portfolio and market dynamics, and the priorities for the coming two years.

For Nutrition the discussions were focused on the delivery of good organic growth and the integration of acquired companies such as Fortitech (global leader in food ingredient blends) and Tortuga (Brazilian market leader in organic trace minerals for animal nutrition and health), in such a way as to realize the full synergy potential. In addition, new acquisitions were discussed, such as the acquisition of Unitech (a New Zealand based producer of nutritional products for both human and animal markets) and the acquisition of a stake in Andre Pectin (headquartered in Yantai (China) and active in the manufacture and sale of apple and citrus pectin, a key food hydrocolloid providing texture, as well as in pectin related food products).

For Pharma, discussions were focused on potential partnerships for DSM Pharmaceutical Products. In the last quarter of 2013 this culminated in an approval to combine DSM Pharmaceutical Products with US-based company Patheon, which resulted in the announcement that DSM and private equity firm JLL Partners intend to combine Patheon and DSM Pharmaceutical Products into a new company that will be a leading global contract development and manufacturing organization for the pharmaceutical industry. This represents a key step in the strategic transformation of DSM's Pharma activities into partnerships.

Discussions on Materials Sciences were focused on improving the performance by upgrading the portfolio of Performance Materials and reducing the volatility of the results of Polymer Intermediates. Regarding Innovation, discussions were in particular focused on the innovation pipeline and on the Emerging Business Areas (EBAs). EBA discussions included progress made with the cellulosic bio-ethanol plant (a joint venture between DSM and POET), the integration of Kensey Nash, accelerating progress in Biomedical and Advanced Surfaces, and partnerships in Bio-based Products & Services. Sustainability discussions were focused on sustainability aspirations and the next steps to be taken in the company's positioning. It was established that the progress made was in line with the aspirations.

As High Growth Economies are also an important business growth driver for DSM, one of the meetings was held in China (Shanghai) as part of extensive site visits in the areas of Shanghai, Nanjing and Beijing. During these site visits the Supervisory Board learned about the progress made in the China based business activities in both Life Sciences and Materials Sciences. The visits included DSM's Shanghai R&D and Innovation Center, the new, second caprolactam line of DNCC (DSM Nanjing Chemical Company Ltd., the venture between DSM Fibre Intermediates and Sinopec) in Nanjing, a DSM Engineering Plastics customer and the new Animal Nutrition R&D Center near Beijing. During this China visit the Supervisory Board also met a number of external DSM relations from Chinese universities as well as people related to the Chinese government. In China and in the subsequent meeting with the Managing Board in the Netherlands, the Supervisory Board extensively discussed DSM's growth ambitions in China and the other high growth economies and the work that is being done to achieve these ambitions.

Financials and auditing

The Audit Committee met four times in 2013 and in addition had four conference calls to discuss financial developments and interim disclosures. On two occasions one member was excused. As of 3 May 2013 the following Supervisory Board members were a member of the Audit Committee: Tom de Swaan (chair), Pierre Hochuli and Victoria Haynes. All Supervisory Board members have a standing invitation to attend Audit Committee meetings, which they used on a regular basis. Besides the Supervisory Board members, the external auditor and the CFO and CEO participated in these meetings and whenever relevant, managers responsible for finance, internal audit, risk management and compliance were invited to explain their topics to the Audit Committee. All discussions were very open and constructive. The highlights and the minutes of all meetings were always shared with the full Supervisory Board in its meetings with the Managing Board. This feedback included advice and recommendations regarding topics to be approved by the full Supervisory Board.

The committee had in-depth discussions on the financials, the financing and guarantee plan, the capital expenditure plan, the dividend proposals, financial statements, accounting policy changes, internal risk management and control systems, all potential risks (including safety, health and environment and security risks), compliance with recommendations and observations made by internal and external auditors, and the role and functioning of the operational audit department, including the endorsement of its proposed audit plan.

The committee also discussed and evaluated cases submitted under DSM's whistleblower policy (DSM Alert), and mitigating actions to prevent recurrence.

In addition to the audit work, the external auditor of the company (EY) carried out non-audit work, to the extent allowed under applicable legislation (including new legislation in the Netherlands) and regulations and the internal procedures of the company. Important areas where non-audit services were provided by EY related to tax compliance work for certain foreign subsidiaries and expatriate tax services. All audit and non-audit work carried out by the external auditor for the company were performed in line with the conditions and instructions approved by the Supervisory Board on the recommendation of the Audit Committee and after consultation with the Managing Board. For work that is not within the scope of the audit of the consolidated financial statements individual assignments require pre-approval from the Audit Committee prior to execution. Fees and conditions of the external auditor for audit and non-audit work were approved by the Audit Committee.

With EY discussions were held about the financial statements for 2013. The Report by the Managing Board and the financial statements for 2013 were submitted by the Managing Board to the Supervisory Board, in accordance with the provisions of Article 30 of the Articles of Association, and subsequently approved by the Supervisory Board in its meeting on 25 February 2014. The financial statements were audited by EY, who issued an unqualified opinion (see the Independent Auditor's Report on the Financial Statements of this report). The Supervisory Board established that the external auditor was independent of DSM.

In accordance with the Dutch corporate governance code (V. 2.3), the Managing Board and the Audit Committee conducted a thorough assessment of the functioning of the external auditor following an extensive external review of the activities of the external auditor in 2012 and reported the outcome in the 2013 Annual General Meeting.

Based on a very positive outcome of the assessment of the external auditor in 2012, the audit services provided by EY were continued in 2013 under a revised contract. In view of new legislation in the Netherlands with regard to the independence of auditors (mandatory audit firm rotation by 2016 after eight consecutive financial years of audit services), as well as anticipated European legislation which may affect the audit profession in the coming years, in 2013 a process was started to select a new audit firm to provide audit services as of 2015.

Financial statements 2013

The Supervisory Board will submit the 2013 financial statements to the 2014 Annual General Meeting of Shareholders, and will propose that the shareholders adopt them and discharge the Managing Board from all liability in respect of its managerial activities and discharge the Supervisory Board from all liability in respect of its supervision of the Managing Board. The profit appropriation as approved by the Supervisory Board is presented in the Profit appropriation section of the 2013 Integrated Annual Report. The Supervisory Board wishes to express its sincere appreciation for the results achieved and would like to thank the employees and the Managing Board for their efforts.

Board nominations

In 2013 nomination discussions were focused on the succession planning of the Managing Board. The Board extensively discussed the further succession planning of the entire Managing and Supervisory Board. The succession of Nico Gerardu, who retired from the Managing Board on 1 September 2013, was discussed in particular. Dimitri de Vreeze was nominated on the basis of among other things his broad experience in Materials Sciences, as demonstrated in his successful tenure as Business Group Director DSM Resins & Functional Materials. As usual, the composition of the Managing Board was taken into account during the selection process, which therefore included an effort to find female candidates. In the end, the best candidate was nominated and appointed during the Annual General Meeting on 3 May 2013.

Further, the Nomination Committee discussed in 2013 the succession of Rolf-Dieter Schwalb (Managing Board member and CFO) whose second term as Managing Board member expires in 2014. In-depth discussions on the above were held within the Nomination Committee, which consists of Rob Routs (chair), Ewald Kist and Pauline van der Meer Mohr. Feike Sijbesma and Chris Van Steenbergen, Executive Vice President of the Corporate Human Resources department, were also involved in these discussions.

Further, taking into account the Supervisory Board profile as laid down in the Supervisory Board regulations, the Committee started discussions on the succession of Claudio Sonder, who retired from the Supervisory Board on 3 May 2013. It was decided to postpone the appointment of a successor till later, probably 2014. The Committee met three times in 2013; all members attended all meetings. Recommendations and the minutes of all Committee meetings were shared with the entire Supervisory Board. The reappointment of Rob Routs and Tom de Swaan as members of the Supervisory Board for another term of four years will be proposed to the Annual General Meeting of Shareholders to be held on 7 May 2014. A proposal for the succession of Mr. Schwalb as Managing Board Member and CFO will also be submitted for approval to the Annual General Meeting.

Board remuneration

The Remuneration Committee had three meetings and three conference calls in 2013. On one occasion, one member was absent. Ewald Kist (chair), Rob Routs and Tom de Swaan are members of this committee. Discussions were focused on the performance and the related remuneration of the members of the Managing Board and executives of DSM. Feike Sijbesma and Chris Van Steenbergen were fully involved in these discussions. Recommendations and minutes of the Remuneration Committee meetings were shared with the full Supervisory Board and used to determine the final remuneration of the members of the Managing Board.

Furthermore, to align the Managing Board remuneration even more with long-term stakeholder interests, the Supervisory Board submitted to the Annual General Meeting of Shareholders of 3 May 2013 an updated remuneration policy for the Managing Board, as advised by the Remuneration Committee (with support from an independent external global reward consultancy firm) and the DSM Corporate Human Resources department. The aim of the update was to align the remuneration policy even more with long-term stakeholder interests, and be in line with market practices and benchmarks. The Annual General Meeting approved the policy as proposed. This policy is published on the DSM website under Corporate Governance/Managing Board and on page 127 of this report.

Corporate Social Responsibility

The Corporate Social Responsibility (CSR) Committee met twice in 2013; on one occasion one member was excused. As of 3 May 2013 Pauline van der Meer Mohr (chair), Pierre Hochuli and Eileen Kennedy were members of this committee. The Chair of the Supervisory Board, who has a standing invitation, participated in all meetings. In the first meeting the Sustainability Information to be included in the Integrated Annual Report of 2012 including the auditors' findings was extensively discussed, partly in the presence of the external auditor. The second meeting focused on the follow-up of the management letter of the external auditor relating to the assurance on the Sustainability Information in the Integrated Annual Report and the progress made with the implementation of sustainability aspirations set by the company as part of its strategy. Details of the progress can be found on page 12 of this Integrated Annual Report. In addition, DSM's safety performance, an important focus area for the company, was discussed in the CSR Committee meeting. The committee's view that DSM is doing well when it comes to corporate social responsibility is supported by the fact that the company has been named among the leaders in the Dow Jones Sustainability World Index for several years in a row. The chair of the CSR Committee also participated in one of the meetings of DSM's external Sustainability Advisory Board, which acts as an external sounding board and meets with DSM's top management twice a year.

The CEO, the Managing Board member responsible for Corporate Operations & Responsible Care, the Executive Vice President Corporate Affairs, the Vice President Corporate Operations & Responsible Care and the Director Sustainable Development were present during both meetings of the CSR Committee. The recommendations and minutes of both meetings were shared and discussed with the entire Supervisory Board during its meetings with the Managing Board.

In view of the Board's supervision of corporate social responsibility issues relevant to the company, the sections 'DSM in motion: *driving focused growth',* 'Growth driver: Sustainability', 'Stakeholder Engagement', 'People in 2013' and 'Planet in 2013' (the Sustainability Information) in the Integrated Annual Report 2013 were reviewed and subsequently discussed by the full Supervisory Board in its meeting of 25 February 2014, based on the advice of the CSR Committee. Taking into consideration the Independent Assurance Report on the Sustainability Information by EY on page 213 of this Integrated Annual Report, the full Supervisory Board approved the reporting in these sections. The Sustainability Information is in compliance with the sustainability reporting guidelines of GRI (G3) and the internal reporting criteria of DSM included in this Integrated Annual Report.

Supervisory Board meetings and performance evaluation

As in previous years, an extensive Board evaluation was carried out in 2013 which this year was facilitated by an external consultant on the basis of written questionnaires and interviews. The review assessed the collective performance of the Board and its Committees and the performance of the Chairman. The consultant presented the results during the December meeting of the Supervisory Board. The overall feedback from the self-evaluation was that the Board is operating well and has acted on the outcomes of previous evaluations. The Board agreed on the recommendations to be followed up in 2014. The Board established that all of its members are committed to allocating sufficient time and attention to the Board's duties of supervising and advising the DSM Managing Board.

Remuneration policy for the Managing Board and the Supervisory Board

This chapter comprises two parts. The first part outlines the remuneration policy as approved by the Annual General Meeting of Shareholders. The second part contains details of the remuneration in 2013 and changes expected in 2014.

Remuneration policy

The objective of DSM's remuneration policy is to attract, motivate and retain qualified and expert individuals that the company needs in order to achieve its strategic and operational objectives, whilst acknowledging the societal context around remuneration and recognizing the interests of DSM's stakeholders. The following elements are taken into consideration:

- The remuneration policy reflects a balance between the interests of DSM's main stakeholders as well as a balance between the company's short-term and long-term strategy. As a result, the structure of the remuneration package for the Managing Board is designed to balance short-term operational performance with the medium and long-term objective of creating sustainable value within the company, while taking into account the interests of its stakeholders. DSM strives for a high performance in the field of sustainability and aims to maintain a good balance between economic gain, respect for people and concern for the environment in line with the DSM values and business principles as reflected in the DSM Code of Business Conduct.
- To ensure that highly skilled and qualified senior executives can be attracted and retained, DSM aims for a total remuneration level that is comparable to levels provided by other (Dutch and European) multinational companies that are similar to DSM in terms of size and complexity.
- The remuneration policies for the members of the Managing Board and for other senior executives of DSM are aligned.
- In designing and setting the levels of remuneration for the Managing Board, the Supervisory Board also takes into account the relevant statutory provisions and provisions of the Dutch corporate governance code, societal and market trends and the interests of stakeholders.
- DSM's policy is to offer the Managing Board a total direct compensation approaching the median of the labor-market peer group.

Adjustments to remuneration policy for the Managing Board

During 2011 and 2012 the Royal DSM Supervisory Board and its Remuneration Committee discussed and evaluated a number of adjustments to the remuneration policy for the Managing Board, supported by an external global reward consultancy firm and by DSM's Corporate Human Resources department.

During 2013 the Remuneration Committee discussed and further fine-tuned the adjustments, also based on the input of a number of external stakeholders. After due consideration, the Supervisory Board proposed to the Annual General Meeting of Shareholders to make a number of adjustments to the current remuneration policy for the Managing Board. These proposals were approved by the AGM on 3 May 2013.

The adjustments do not change the overall remuneration model (philosophy) for the Managing Board.

This model is based on providing fair compensation approaching the median, and consists of a base salary and a well-balanced mix of Short-Term and Long-Term Incentives.

Both the Short-Term Incentive (STI) and the Long-Term Incentive (LTI) consist of two equal parts, one of which is linked to financial targets and the other to sustainability and – for STI only – individual targets.

The aim of the adjustments is:

- to align the remuneration policy even more with long-term stakeholder interests, in line with DSM's stated philosophy of creating long-term value for all stakeholders;
- to update the policy in line with the most recent prevalent market practices and benchmarks for executive and board compensation; and
- to further strengthen pay for multi-dimensional, people-planet-profit driven performance within DSM.

The adjustments can be summarized as follows:

- Strengthen the link between the Short-Term Incentive (STI) and long-term value creation by requiring Managing Board members to invest in conditional DSM shares 25 percent on a mandatory basis and 25 percent (maximum) on a voluntary basis of their yearly actual earned STI payment. These shares are required to be held for at least three years. In return for this commitment, the Managing Board members can, at the discretion of the Supervisory Board, be granted on a one for one basis (as a maximum) shares matching the number of shares they have purchased, if over this three-year period a number of long-term (LTI) performance conditions are met. As a result, the annual STI outcome will be partly converted into a long-term (risk taking) performance plan.
- Establish as the main sustainability parameters in the STI the introduction of ECO+ products, Safety Performance and Employee Engagement, in addition to individual targets. The financial measures in the STI (EBITDA, gross free cash flow, organic net sales growth) remain unchanged. The financial

measures will amount to 50 percent of total STI and the non-financial (sustainability and individual) measures also to 50 percent.
- Add a new provision to the policy, stating that no STI payout will occur (regardless of the performance on all other measures) if the company's financial performance is below a certain threshold. This threshold is to be determined annually by the Supervisory Board.
- Introduce in the Long-Term Incentive (LTI) a second financial measure, being Return on Capital Employed (ROCE), in addition to total shareholder return (TSR), and introduce in the LTI a second long-term sustainability measure, being Energy Efficiency Improvement, in addition to the greenhouse-gas emissions reduction measure already incorporated in the LTI. Each measure will count for 25 percent.
- Align the Managing Board remuneration policy with current market practices by (1) moving to a new relative TSR vesting schedule that is based on relative ranking within the TSR peer group, and (2) increasing transparency by adopting the face value method to calculate the number of yearly LTI performance shares (100 percent of base salary when on target and 150 percent in the case of excellent performance), rather than the currently used discounted fair value method. With the introduction of the face value method, the actual number of shares granted will be kept at a similar level as today.
- Introduce minimum shareholding guidelines for Managing Board members: a shareholding equivalent to three times the base salary in the case of the CEO and a shareholding equivalent to one time the base salary for the other Managing Board members. These shareholdings can be built up over 5 years.

It should be noted that no adjustments to the base salary policy were made.

The Annual General Meeting approved these proposals on 3 May 2013, for application as per performance year 2013 (except for the introduction of face value calculations which will apply as of the 2014 LTI grant). However the new 3-year vesting schedule for LTI will only have impact as of vesting in 2016 related to the 2013 grant (under the new measures). For 2013 (and also 2014 and 2015) LTI vesting will still be based upon the previous measures and vesting schedules.

Adjusted Remuneration Policy for Managing Board

Labor-market peer group

In order to be able to recruit the right caliber of people for the Managing Board and to secure long-term retention of the current Board members, DSM will take external reference data into account in determining adequate remuneration levels. For this purpose, a specific labor-market peer group has been defined which consists of a number of Dutch and European companies that are more or less comparable to DSM in terms of size, international scope and business portfolio. The Supervisory Board regularly reviews the peer group to ensure that its composition is still appropriate.

The labor-market peer group currently consists of the following eleven companies:

Aegon	Nutreco
AkzoNobel	Solvay
Clariant	Syngenta
Heineken	TNT Express
KPN	Wolters Kluwer
LANXESS	

As part of its remuneration policy DSM will benchmark its remuneration package against the packages offered by the labor-market peer group once every three years. In addition, the company may apply a yearly increase to the base salary based on the 'general increase' (market movement) for DSM executives in the Netherlands. The remuneration policy was last benchmarked against the peer group in 2011.

Total Direct Compensation (TDC)

The total direct compensation of the Managing Board consists of the following components:

(I) Base salary
(II) Variable income
- Performance-related Short-Term Incentive (STI)
- Performance-related Long-Term Incentive (LTI)

In addition to this total direct compensation, the members of the Managing Board participate in the Dutch pension scheme for DSM employees in the Netherlands and are entitled to other benefits, such as a company car and representation allowance.

Value in percent of Total Direct Compensation (on target):

A: Base Salary	50%
B: Variable income (STI + LTI)[1]	50%
Total Direct Compensation (TDC)	100%

[1] LTI at discounted fair value

Base salary

On joining the Board, the Managing Board members receive a base salary that is comparable with the median of the labor market peer group. Every year, base salary levels are reviewed based on a three-year remuneration benchmark. Adjustment of the base salary is at the discretion of the Supervisory Board. In addition, the company will, when appropriate, apply a yearly increase to the base salary based on the 'general increase' (market movement) for DSM executives in the Netherlands.

Variable income

The variable income part of remuneration consists of the Short-Term and Long-Term Incentives. The distribution between Short-Term and Long-Term Incentives for (on target) performance aims to achieve a proper balance between short-term result and long-term value creation. The parameters relating to the various elements of the variable income part of the remuneration are established and where necessary adjusted by and at the discretion of the Supervisory Board, taking into account the general rules and principles of the remuneration policy itself.

Distribution of variable income (on target):

A: Short-Term Incentive (STI)	50%
B: Long-Term Incentive (LTI)[1]	50%
Total variable income as % of base salary	100%

[1] LTI at discounted fair value

Short-Term Incentive (STI)

Managing Board members are eligible to participate in a Short-Term Incentive (STI) scheme. The scheme is designed to reward short-term operational performance with the long-term objective of creating sustainable value, taking into account the interests of all stakeholders.

The Short-Term Incentive opportunity amounts to 50 percent of the annual base salary for on-target performance (100 percent in the case of excellent performance). The part of the STI that is related to financial targets accounts for 25 percent of base salary and the other 25 percent relates to sustainability and individual targets.

Target areas	Total	Shared	Individual
Financial	25%	25%	0%
Sustainability and individual	25%	15%	10%
Total	50%	40%	10%

Short-Term Incentive (STI) linked to financial targets

The part of the STI that is linked to financial targets (25 percent) includes elements related to operational performance, being EBITDA before exceptional items, gross free cash flow and net sales growth (organic), reflecting short-term financial results. The weighting given to the individual financial elements in the STI is as follows: EBITDA 10 percent, gross free cash flow 7.5 percent and organic net sales growth 7.5 percent of annual base salary for on-target performance.

Target areas	On-target pay-out (% of base salary)
Financial targets	
- EBITDA before exceptional items	10.0
- Gross free cash flow	7.5
- Organic net sales growth[1]	7.5
Total	25.0

[1] Excluding currency fluctuations, divestments and acquisitions

The three financial-target-related Short-Term Incentive elements can be derived from the financial statements.

Short-Term Incentive (STI) linked to sustainability and individual targets

The part of the STI that is linked to non-financial targets (25 percent) relates to sustainability and individual targets. On a regular basis, following proper evaluation, further refinement/adaptations of performance measures in the area of sustainability and their weight will take place.

As from 2013 the following shared measures linked to sustainability for the STI are applicable:

- ECO+: percentage of successful product launches that meet ECO+ criteria
- Employee Engagement Index: related to the High Performance Norm in industry
- Safety Performance (newly introduced in 2013)

The STI measures on sustainability are defined as follows:

- **ECO+ solutions**
  ECO+ solutions are products and services that, when considered over their whole life cycle, offer clear ecological benefits (in other words, a clearly lower eco-footprint) compared to the mainstream solutions they compete with. These ecological benefits can be created at any stage of the product life cycle – from raw material through manufacturing and use to potential re-use and end-of-life disposal. ECO+ solutions, in short, create more value with less environmental impact.
- **Employee Engagement Index**
  An Employee Engagement Survey is conducted annually, focusing on a combination of perceptions that have a consistent impact on behavior and create a sense of ownership. Research has consistently shown that the four key elements (satisfaction, commitment, pride and advocacy) define engagement and link engagement to business performance metrics.
- **Safety Performance**
  Defined as Frequency Index (FI) for recordable injuries.

In addition to shared sustainability targets (15 percent), a limited number of individual non-financial targets (10 percent) will apply.

Target area	On-target pay-out (% of base salary)
Non-financial targets	
- Sustainability	15
- Individual	10
Total	25

The targets are determined each year by the Supervisory Board, based on historical performance, the operational and strategic outlook of the company in the short term and expectations of the company's management and stakeholders, among other things. The targets contribute to the realization of the objective of long-term value creation.

The company does not disclose the actual targets, as they qualify as commercially sensitive information. However, full transparency will be given on target areas and definitions. Target setting and realization are audited by external auditors.

Mandatory and voluntary deferral of STI

In 2014 (STI pay-out over 2013 performance) a mandatory and a voluntary deferral of the yearly earned STI into DSM shares will be introduced with a three-year vesting period (see also page 132). This will be linked to a one-for-one matching award on the total deferred amount under the condition that predefined performance targets and measures are met over the three-year vesting period. The performance measures are equivalent to the measures under the Long-Term Incentive (LTI) Plan.

Long-Term Incentives (LTI)

The Managing Board members will be eligible to receive performance-related shares. Under the performance share plan, shares will conditionally be granted to Managing Board members. Vesting of these shares is conditional on the achievement of certain predetermined performance targets during a three-year period.

Prior to the 2013 grant, two performance measures were applied for the vesting of performance shares:

- Comparable Total Shareholder Return (TSR) performance versus a peer group
- Greenhouse-gas emissions (GHGE) reduction over volume-related revenue

As from the 2013 grant two new measures will apply in addition to TSR and GHGE:

- Return on Capital Employed (ROCE)
- Energy Efficiency Improvement (EEI)

As a result, as from the 2013 LTI grant, four measures will apply for the calculation of the vesting of the LTI performance shares. Each of these four will count for 25 percent of total, with 50 percent of total on financial measures and 50 percent of total on sustainability measures.

However, for the 2013 realization of the 2010 grant only TSR and GHGE will be taken into account, and this will also be the case (mutatis mutandis) for the 2014 and 2015 LTI realization (2011 and 2012 grant, respectively).

The LTI performance targets can be defined as follows:

- **Total Shareholder Return (TSR)**
  This is used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to shareholders. The relative TSR position reflects the market perception of overall performance relative to a reference group.
- **Return on Capital Employed (ROCE)**
  This is the operating profit as a percentage of weighted average capital employed.

- **Greenhouse-gas emissions (GHGE) reduction**
  The definition of greenhouse gases (GHG) according to the Kyoto Protocol includes carbon dioxide (CO_2), methane, nitrous oxide (N_2O), sulfur hexafluoride, hydrofluorocarbons and perfluorocarbons. The scope for calculation of GHGE reduction is as follows:

  (I) DSM's direct emissions (on site or from DSM assets) mainly comprise CO_2 and N_2O (scope 1).
  (II) DSM's indirect emissions (emissions created on behalf of DSM in the generation of electricity or the delivery of energy via hot water or steam) relate to electricity from the grid. DSM relies on local suppliers (scope 2).

- **Energy Efficiency Improvement (EEI)**
  This is the reduction of the amount of energy that is used per unit of product (known as energy efficiency) on a three-year rolling average basis.

In determining the number of shares to be conditionally granted, the Supervisory Board from the 2014 grant onwards takes into account the face value of the DSM share instead of the discounted value. This is in line with best practice and provides total transparency to shareholders. The policy for the value of the Long-Term Incentive is set as from 2014 at 100 percent of base salary when on target and 150 percent in the case of excellent performance. The number of conditionally granted shares is set by dividing the policy level at maximum (150 percent of base salary as from 2014) by a share price at the beginning of the year of the conditional grant. The annual grant level will fluctuate as a consequence of this mechanism. With the introduction of the face value method, the actual number of shares granted will be kept at a similar level as when calculated on the basis of the discounted fair value method.

Granting date
As of 2014 the grant date of the conditional performance shares will be the last working day of March.

TSR as a performance measure
DSM's TSR performance is compared to the average TSR performance of a set of predefined peer companies.

The TSR peer group currently consists of the following companies:

AkzoNobel	EMS Chemie Holding
Arkema	Kerry
BASF	LANXESS
Christian Hansen	Lonza Group
Clariant	Novozymes
DuPont	Solvay

The TSR peer group reflects the relevant market in which DSM competes for shareholder preference. It includes sector-specific competitors that the Supervisory Board considers to be suitable benchmarks for DSM.

The peer group is verified by the Supervisory Board each year based on market circumstances (such as mergers and acquisitions) that determine the appropriateness of the composition of the performance peer group. No changes were made to the TSR peer group for 2013.

GHGE reduction as a performance measure
GHGE reduction over volume-related revenues in percentage points (over a 3-year period) is used as a basis for the vesting of 25 percent of the performance shares (versus 50 percent for the 2011, 2012 and 2013 LTI vesting).

ROCE and EEI as a performance measure
ROCE and EEI, too, each count for the vesting of 25 percent of the performance shares.

Performance Incentive Zones
Up to and including the 2012 LTI grant, the number of shares that become unconditional after three years ('vesting') is determined on the basis of two equally weighted factors: DSM's performance relative to the average TSR performance of the peer group and DSM's GHGE reduction over volume-related revenue. As from the 2013 grant (vesting in 2016) the vesting will be based on four measures as outlined above.

TSR vesting scheme		GHGE vesting scheme	
Rank	% of shares that vest	DSM GHGE reduction over volume-related revenue in % points	% of shares that vest
1	100	5.27	100
2	89	4.68	89
3	78	4.09	78
4	67	3.50	67
5	56	2.91	56
6	45	2.32	45
7	34	1.73	34
8-13	0	<1.73	0

ROCE and EEI targets and vesting schemes are not being disclosed given their business-sensitive nature.

The retention period for performance shares expires five years after the three-year vesting period or at termination of employment if this occurs earlier. The final TSR performance of DSM versus its peers will be determined and validated by a bank and audited by the external auditor at the end of the vesting period.

Pensions

The members of the Managing Board are participants in the Dutch pension fund *Stichting Pensioenfonds DSM Nederland* (PDN). PDN operates similar pension plans for various DSM companies. The pension scheme for the Managing Board is equal to the pension scheme for the employees of DSM Executive Services B.V. and DSM employees in the Netherlands.

Employment contracts

Term of employment

The employment contracts of the members of the Managing Board appointed before 1 January 2005 have been entered into for an indefinite period of time. Members of the Managing Board appointed between 1 January 2005 and 1 January 2013 were also offered an employment contract for an indefinite period of time. Managing Board members appointed from outside the company and after 1 January 2013 do not have a contract for an indefinite period of time.

Term of appointment

Members of the Managing Board appointed before 1 January 2005 are appointed for an indefinite period of time. New members of the Managing Board (appointed after 1 January 2005) are appointed for a period of four years. Newly appointed members are eligible for reappointment by the General Meeting of Shareholders after a period of four years.

Notice period

Termination of employment by a member of the Managing Board is subject to three months' notice. A notice period of six months will for legal reasons be applicable in the case of termination by the company.

Severance arrangement

There are no specific contractual exit arrangements for the members of the Managing Board appointed before 1 January 2005. Should a situation arise in which a severance payment is appropriate for these Board members, the Remuneration Committee will recommend the terms and conditions. The Supervisory Board will decide upon this, taking into account usual practices for these types of situations, as well as applicable laws and corporate governance requirements.

The employment contracts of newly appointed members of the Managing Board (appointed after 1 January 2005) include an exit-arrangement provision which is in accordance with the Dutch corporate governance code (that is, a sum equivalent to the fixed annual salary, or if this is manifestly unreasonable in the case of dismissal during the first term of office, two times the fixed annual salary).

Claw-back / change-of-control

As of January 2014 new legislation has entered into force regarding the revision and claw-back of bonuses and profit-sharing arrangements of board members of Dutch listed companies. Part of this new legislation was already covered in comparable rules of the Dutch corporate governance code and consequently already included in the employment contracts of the members of the Managing Board. This regards in particular the possibility (1) to revise a bonus/incentive prior to payment, if unaltered payment of the bonus/incentive would be unreasonable and unfair, and (2) to claw back a bonus/incentive, if payment took place on the basis of incorrect information on the fulfilment of the bonus/incentive targets or the conditions for payment of the bonus/incentive. In addition, it is enacted that in the case of a change-of-control event a related increase in value of the securities that have been granted to a board member as part of his/her remuneration will be deducted from the remuneration to be paid to the board member at the time of selling these securities or when his/her board membership ends.

Share ownership

The Supervisory Board will encourage the Managing Board to hold shares in the company to emphasize their confidence in the strategy and the company.

As of 2013 minimum shareholding guidelines for the members of the Managing Board are applicable, equivalent to three times the base salary in the case of the CEO and one time the base salary for the other MB members. These shareholdings can be built up over five years.

Loans

DSM does not provide any loans to members of the Managing Board.

Scenario analysis

The amended Dutch corporate governance code requires that the Supervisory Board 'shall analyze possible outcomes of the variable income components and the effect on Managing Board remuneration'. Within DSM this analysis is conducted at least every three years.

Managing Board remuneration in 2013

As part of its remuneration policy for the Managing Board, DSM will benchmark its remuneration package against the packages offered by the labor-market peer group once every three years. Benchmarking of the Managing Board remuneration policy was conducted in Q1 2011 and clearly showed that the remuneration of the members of the Managing Board, particularly the variable part, was well below the median at target level of the peer group.

Base salary in 2013

In view of the above-mentioned market comparison and given the fact that the last salary increase dated from July 2011, the base salaries of the Managing Board members were increased with effect from 1 July 2013:
CEO: from € 840,000 to € 855,000 (+1.8 percent).
Other Managing Board members: from € 545,000 to € 560,000 (+2.8 percent).

Short-Term Incentives (STI) for 2013

STI targets are revised annually so as to ensure that they are stretching but realistic. Considerations regarding the performance targets are influenced by the operational and strategic course taken by the company and are directly linked to the company's ambitions. The targets are determined at the beginning of the year for each Board member.

Target STI level and pay-out

When they achieve all their targets, Managing Board members receive an incentive of 50 percent of their annual base salary. Outstanding performance can increase the STI level to 100 percent of the annual base salary.

The 2013 Integrated Annual Report presents the Short-Term Incentives that have been earned on the basis of results achieved in 2013. These Short-Term Incentives will be paid out in 2014.

The Supervisory Board has established the extent to which the targets for 2013 were achieved. The realization of the 2013 financial STI targets has been reviewed by EY. Furthermore, EY has reviewed the process with respect to the target realization of the non-financial STI targets. The average realization percentage was 55.5 percent of base salary.

See the next page for a tabular overview of the actual Short-Term Incentive pay-out per individual Board member in 2013.

Performance shares in 2013

Performance shares were granted to the Managing Board on 7 May 2013. The following table shows the number of performance shares granted to the individual Board members:

Number of stock incentives granted

	Performance shares	
	2013	2012
Feike Sijbesma	24,000	31,000
Stefan Doboczky	16,000	20,000
Nico Gerardu	16,000	20,000
Rolf-Dieter Schwalb	16,000	20,000
Stephan Tanda	16,000	20,000

For an overview of all granted and vested stock options and performance shares see page 209 and page 210.

Revision and claw-back of bonuses

In 2013 no revision or claw-back of bonuses occurred.

Pensions in 2013

The members of the Managing Board are participants in the Dutch pension fund *Stichting Pensioenfonds DSM Nederland* (PDN). PDN operates similar pension plans for various DSM companies. The pension scheme for the Managing Board is equal to the pension scheme for the employees of DSM Executive Services B.V. and DSM employees in the Netherlands.

As already mentioned in previous Integrated Annual Reports, a new pension plan for DSM in the Netherlands has been agreed with labor unions with effect from 1 January 2011. The plan, which also applies to the Managing Board, comprises the following elements:

- Career-average pay plan, with annual accrual of pension rights (old-age pension) over base salary exceeding € 13,227 (reviewed annually) at a rate of 2 percent.
- Retirement age 66 years for accrual from 2012 onwards. Until 2011 the accrual was linked to a pensionable age of 65 years.

- The scheme includes a partner pension as well as a disability pension.
- Employee's contribution of 3.5 percent of base salary up to € 59,235 and 7.5 percent of pensionable salary above this amount (reviewed annually).
- Collective defined contribution: indexation of pensions and pension rights, depending on PDN's coverage ratio.
- For participants who started participating before 2006, transitional arrangements related to the plan changes in 2006 apply as described in previous annual reports.

Purchasing shares

All members of the Managing Board have purchased shares in the company to emphasize their confidence in the strategy and the company. At 31 December 2013 the members of the Managing Board together held 147,296 shares in Koninklijke DSM N.V., compared to 139,012 at 31 December 2012. These shares were bought through private transactions with private funds, and obtained through vested performance shares.

Total remuneration

The remuneration and related costs of the Managing Board (including pension costs and costs relating to the Dutch 'crisis levy' of 16 percent imposed on employers for salary and bonus payments made in the year to employees whose salary exceeded € 150,000) amounted to € 9.6 million in 2013 (2012: € 6.6 million). The increase was mainly caused by costs in relation to the early retirement of Mr. Gerardu to facilitate succession planning for the Managing Board and the Dutch crisis levy.

Overview of remuneration awarded to the Managing Board in 2013

The tables below show the remuneration awarded to the Managing Board in 2013.

Fixed annual salary

in €	**1 July 2013**	1 July 2012
Feike Sijbesma	855,000	840,000
Stefan Doboczky	560,000	545,000
Nico Gerardu[1]	560,000	545,000
Rolf-Dieter Schwalb	560,000	545,000
Stephan Tanda	560,000	545,000
Dimitri de Vreeze[2]	492,500	-

[1] Retired as of 1 September 2013
[2] Board Member as of 1 September 2013

Short-Term Incentives

in €	**2013**[1]	2012[2]
Feike Sijbesma	480,938	231,000
Stefan Doboczky	315,000	117,175
Nico Gerardu[3]	309,400	128,075
Rolf-Dieter Schwalb	315,000	138,975
Stephan Tanda	298,200	163,500
Dimitri de Vreeze[4]	90,719	-

[1] Based on results achieved in 2013 and therefore payable in 2014
[2] Based on results achieved in 2012 and therefore payable in 2013
[3] Retired as of 1 September 2013
[4] Board Member as of 1 September 2013

Pensions

	Pension costs (employer)		Accrued pension[1]	
in €	**2013**	2012	**31 Dec. 2013**	31 Dec. 2012
Feike Sijbesma	124,169	124,123	449,658	433,123
Stefan Doboczky	81,394	81,348	27,889	17,253
Nico Gerardu[2]	137.394	81,348	357.494	346,858
Rolf-Dieter Schwalb	81,394	81,348	74,887	64,252
Stephan Tanda	81,394	81,348	92,879	82,244
Dimitri de Vreeze[3]	17,240	-	134,074	-

[1] Pensions built up in the Dutch Pension Plan. The accrual is linked to a retirement age of 66 years.
[2] Retired as of 1 September 2013
[3] Board Member as of 1 September 2013

Long-Term Incentives (LTI)

For 2014, the number of conditionally granted ordinary shares under the LTI program will be:
Chairman 24,000
Members 16,000

Loans

DSM did not provide any loans to members of the Managing Board in 2013.

Adjustments to remuneration policy Managing Board in 2014

For 2014 no other adjustments will be implemented except the introduction of the face value calculation method for the 2014 grant of performance shares.

Supervisory Board remuneration in 2013

The remuneration package for the Supervisory Board comprises an annual fixed fee and an annual committee-membership fee.

The fixed fee for the Chairman of the Supervisory Board is € 70,000. The other members of the Supervisory Board each receive a fixed fee of € 50,000. Audit Committee membership is awarded € 10,000 per member and € 12,500 for the Chairman. Nomination Committee, Corporate Social Responsibility Committee and Remuneration Committee membership is awarded € 5,000 per member and € 7,500 for the Chairman.

In addition, Supervisory Board members receive an intercontinental travel allowance of € 3,000 for each meeting that they attend outside their continent of residence.

Overview of remuneration awarded to the Supervisory Board in 2013

The following table provides an overview of the remuneration awarded to the Supervisory Board in 2013.

Annual Supervisory Board remuneration in 2013

Fee in €	Supervisory Board	Audit Committee	Corporate Social Responsibility Committee	Nomination Committee	Remuneration Committee	Total
Rob Routs, chairman	70,000	-	-	7,500	5,000	82,500
Ewald Kist, deputy chairman	50,000	-	-	5,000	7,500	62,500
Victoria Haynes	50,000	10,000	-	-	-	60,000
Pierre Hochuli	50,000	10,000	5,000	-	-	65,000
Eileen Kennedy	50,000	-	5,000	-	-	55,000
Pauline van der Meer Mohr	50,000	-	7,500	5,000	-	62,500
Claudio Sonder (retired 3 May 2013)[1]	50,000	10,000	5,000	-	-	65,000
Tom de Swaan	50,000	12,500	-	-	5,000	67,500
Total	**420,000**	**42,500**	**22,500**	**17,500**	**17,500**	**520,000**

[1] Remuneration paid to Mr. Sonder covered the period up to his resignation and is specified in Note 9 Remuneration of key personnel in the Parent company financial statements on page 208

Shares and loans Supervisory Board

If any shares in DSM are held by Supervisory Board members, they serve as a long-term investment in the company. At year-end 2013 two members of the Supervisory Board held shares in Koninklijke DSM N.V.: Pierre Hochuli (7,210) and Victoria Haynes (300). At year-end 2012 the members of the Supervisory Board held no shares in Koninklijke DSM N.V.

DSM does not provide any loans to its Supervisory Board members.

Heerlen, 25 February 2014

The Supervisory Board

Rob Routs, Chairman
Ewald Kist, Deputy Chairman
Victoria Haynes
Pierre Hochuli
Eileen Kennedy
Pauline van der Meer Mohr
Tom de Swaan

Supervisory Board and Managing Board

Supervisory Board

Rob Routs (1946, m), chairman

First appointed: 2010. End of current term: 2014. Position: retired; last position held: executive director Downstream and member of the Board of Royal Dutch Shell plc. Nationality: Dutch. Supervisory directorships and other positions held: chairman of the Supervisory Board of Aegon N.V., member of the Supervisory Board of Royal KPN N.V. (until April 2014), member of the Board of Directors of Aecom Technology Corporation, ATCO Group Ltd. and A.P. Moeller-Maersk Group.

Ewald Kist (1944, m), deputy chairman

First appointed: 2004. End of current term: 2016. Position: retired; last position held: chairman of the Managing Board of the ING Group. Nationality: Dutch. Supervisory directorships and other positions held: member of the Supervisory Boards of Royal Philips Electronics N.V., Stage Entertainment and Moody's Investor Services.

Victoria Haynes (1947, f)

First appointed: 2012. End of current term: 2016. Position: retired; last position held: President and CEO of the Research Triangle Institute International. Nationality: American. Supervisory directorships and other positions held: member of the Board of Directors of PPG, Nucor and, as of 2013, Axiall.

Pierre Hochuli (1947, m)

First appointed: 2005. End of current term: 2017. Position: retired; last position held: chairman of the Board of Directors of Devgen N.V. Nationality: Swiss. Supervisory directorships and other positions held: member of the Board of Directors of Domes of Silence Holdings Ltd.

Eileen Kennedy (1947, f)

First appointed: 2012. End of current term: 2016. Position: Professor of Nutrition Friedman School of Nutrition Science and Policy at Tufts University in Boston (USA). Nationality: American. Supervisory directorships and other positions held: Dean of Nutrition Friedman School of Nutrition Science and Policy at Tufts University in Boston (USA), Global Executive Director of the International Life Sciences Institute, Washington D.C. (USA), Deputy Under Secretary for Research, Education and Economics at the US Department of Agriculture.

Pauline van der Meer Mohr (1960, f)

First appointed: 2011. End of current term: 2015. Position: President of the Executive Board of Erasmus University Rotterdam. Nationality: Dutch. Supervisory directorships and other positions held: member of the Supervisory Board of ASML N.V., chair of the Supervisory Board of the Rotterdam School of Management, chair of the Board of the Fulbright Center, director of the Hollandsche Maatschappij van Wetenschappen, member of the Economic Development Board of Rotterdam and member of the Duisenberg School of Finance Board.

Tom de Swaan (1946, m)

First appointed: 2006. End of current term: 2014. Position: retired; last position held: member of the Managing Board and Chief Financial Officer / Chief Risk Officer ABN AMRO. Nationality: Dutch. Supervisory directorships and other positions held: non-executive director of the Board of GlaxoSmithKline plc, chairman of the Board of Zurich Insurance Group, chairman of the Supervisory Board of Van Lanschot Bankiers, chairman of the Board of Trustees of Netherlands Cancer Institute-Antoni van Leeuwenhoek Hospital and chairman Advisory Board Rotterdam School of Management.

Managing Board

Feike Sijbesma (1959, m), CEO/ chairman

Position: CEO/chairman of DSM's Managing Board since May 2007; member of DSM's Managing Board since July 2000.
Nationality: Dutch.
Supervisory directorships and other positions held: member of the Supervisory Board of De Nederlandsche Bank N.V. (Dutch Central Bank), board member of CEFIC (European Chemical Industry Council), member of the Supervisory Board of the Dutch cancer institute/hospital NKI/AVL, member of the CEO Council of the Chinese Association for Friendship with Foreign Countries
e-mail: feike.sijbesma@dsm.com

Rolf-Dieter Schwalb (1952, m), CFO

Position: member of DSM's Managing Board and CFO since October 2006. End of current term: 2014.
Nationality: German.
Supervisory directorships and other positions held: none.
e-mail: rolf-dieter.schwalb@dsm.com

Stefan Doboczky (1967, m)

Position: member of DSM's Managing Board since May 2011. End of current term: 2015.
Nationality: Austrian.
Supervisory directorships and other positions held: none.
e-mail: stefan.doboczky@dsm.com

Stephan Tanda (1965, m)

Position: member of DSM's Managing Board since May 2007. End of current term: 2015.
Nationality: Austrian.
Supervisory directorships and other positions held: board member of EuropaBio (European Biotechnology Industry Association), board member of scienceindustries (Swiss association for the chemical, pharmaceutical and biotech industries) and BIO (US Biotechnology Industry Organization).
e-mail: stephan.tanda@dsm.com

Dimitri de Vreeze (1967, m)

Position: member of DSM's Managing Board since September 2013. End of current term: 2017.
Nationality: Dutch.
Supervisory directorships and other positions held: board member of "Fonds voor de topsport" (NOC*NSF; Dutch Olympic Committee Fund for top sport).
e-mail: dimitri.vreeze-de@dsm.com

What still went wrong in 2013

While DSM strives to continuously improve its performance in all areas of its operations, sometimes things can still go wrong.

Despite its strong focus on Safety, Health and Environment (SHE) and on learning from incidents, the company did not succeed in lowering the number of serious incidents in 2013 compared to 2012. This emphasizes the need to continue paying the utmost attention to SHE. See also: Safety and health (page 51).

SHE incidents fall into five categories: safety, occupational health, environment, containment and process safety. For each category DSM has established detailed threshold criteria. Examples are incidents leading to a fatality, occupational health incidents leading to job transfer, incidents causing perceptible damage to ecosystems or any SHE incident resulting in damage of more than € 100,000.

The following overview summarizes the most important incidents in 2013, across the three dimensions of People, Planet and Profit. In line with DSM's reporting policy, the company includes in this overview some serious near-misses. These are incidents that did not result in an injury, illness or damage, but had the potential to do so and are therefore used as a learning opportunity.

For the first time, the overview includes occurrences that are not directly related to SHE but represent significant breaches of the DSM Code of Business Conduct. See also: DSM Code of Business Conduct (page 49).

People

- Despite DSM's efforts to prevent safety incidents resulting in serious hand injuries, five such incidents still occurred: at DSM Sinochem Pharmaceuticals in Yushu (China), at DSM Nutritional Products Animal Nutrition & Health Premix in North America, at DSM Nutritional Products in Village Neuf (France), at the newly acquired facilities of DSM Nutritional Products in Mairinque (Brazil), and at DSM Nutritional Products Fortitech (USA).
- At DSM Resins & Functional Materials in Filago (Italy), an employee suffered second and third degree burns on his right wrist, caused by hot resin.
- At DSM Pharmaceutical Products in Greenville (North Carolina, USA), a contractor performing demolition work moved a lift, which fell towards the glass wall of a building. No injuries resulted, but it was a near-miss.
- At DSM Resins & Functional Materials in Zhangbin (Taiwan), an explosion occurred inside a reactor during the first trial of a new recipe. Although none of the substances were new to the process, the change in the sequence of dosing into the reactor led to an unidentified hazardous combination. The disc was ruptured and the glass tube was broken, but fortunately there were no injuries.
- At DSM Fibre Intermediates in Nanjing (China), an employee was hit by a piece of steel falling from a height of 10 meters, but was not injured.
- At DSM Nutritional Products Fortitech Premix EMEA in Isando (South Africa), a contractor fell 8 meters from a concrete-slab roof during the construction of a new warehouse. The injuries were relatively minor, given the seriousness of the incident.
- At DSM Food Specialties in Germantown (Maryland, USA), a liquid nitrogen supplier who was conducting a bulk unload over-pressured the storage tank and piping, which caused a cloud of N_2 inside the manufacturing building. No injuries resulted.
- In 2013 two serious traffic incidents occurred. At DSM Nutritional Products Animal Nutrition & Health Sales in Latin America, an employee got involved in a traffic incident while returning from a business trip, resulting in injuries to his face, arms and eye. At DSM Food Specialties in Delft (Netherlands), an employee was involved in a road accident while returning from a business trip during winter conditions. Fortunately this incident did not lead to serious injuries.
- At DSM Sinochem Pharmaceuticals in Yushu (China), a dust explosion occurred in the packaging area of the site. Fortunately there were no injuries, but this incident has been classified as a serious near-miss.
- At DSM Ahead in Sittard-Geleen (Netherlands), an employee had his work restricted because his skin had been sensitized by the substances he had been working with.
- An employee in Asia was sanctioned for sexual harassment.

Planet

- At DSM Pharmaceutical Products in Linz (Austria), a tanker hit the rear of another truck, causing a fire and a spill of 6 tons of maleic anhydride onto the highway. The spill was cleaned up with no environmental consequences.
- At DSM Nutritional Products Manufacturing in Kingstree (South Carolina, USA) a corn syrup train did not stop on time, causing the last railcar to be pushed on top of the car stop. This incident was classified as a near-miss, taking into account the potential serious consequences.

Profit

- An employee who asked and accepted a personal loan from a supplier was sanctioned because he had a conflict of interest.
- DSM Sourcing procedures were not respected in the purchase of a company car.

- Three potential new hires in Asia turned out to have submitted falsified pay slips and other information about their previous employers, in order to get a higher salary.
- At DSM Dyneema in Laiwu (China), a fire occurred during a maintenance shutdown. The fire did not lead to injuries but resulted in financial damage.
- DSM Engineering Plastics was confronted with a new customer that did not pay for goods received. An on-site visit in Italy showed that the customer had disappeared. The money could not be recovered.
- At DSM Fibre Intermediates in Sittard-Geleen (Netherlands), a fire occurred due to leakage of a pump. Nobody was injured, but the fire resulted in financial damage.

Information about the DSM share

Shares and listings

Ordinary shares in Koninklijke DSM N.V. are listed on the NYSE Euronext stock exchange in Amsterdam, the Netherlands (Stock code 00982, ISIN code NL0000009827). Options on ordinary DSM shares are traded on the European Option Exchange in Amsterdam, the Netherlands (Euronext.liffe). In the US a sponsored unlisted American Depositary Receipts (ADR) program is offered by Deutsche Bank Trust Co. Americas (Cusip 780249108), with four ADRs representing the value of one ordinary DSM share.

Besides the ordinary shares, 44.04 million cumulative preference shares A (cumprefs A) are in issue, which are not listed on the stock exchange; these have been placed with institutional investors. The cumprefs A have the same voting rights as ordinary shares, as their nominal value of € 1.50 per share is equal to the nominal value of the ordinary shares. Transfer of the cumprefs A requires the approval of the Managing Board, unless the shareholder is obliged to transfer his shares to a previous shareholder by virtue of the law.

The average number of ordinary shares outstanding in 2013 was 172,183,369. All shares in issue are fully paid. On 31 December 2013 the company had 173,963,412 ordinary shares outstanding.

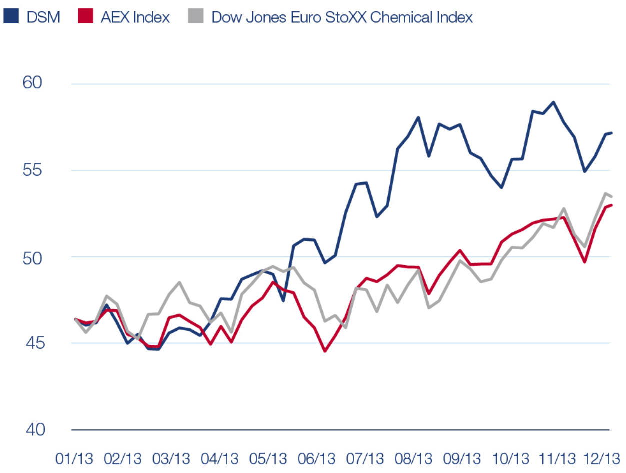
Development of the number of ordinary DSM shares

	2013			2012
	Issued	Repurchased	Outstanding	Outstanding
Balance at 1 January	181,425,000	12,740,912	168,684,088	163,257,388
Changes:				
Reissue of shares in connection with exercise of option rights	-	(4,300,163)	4,300,163	3,049,509
Repurchase of shares	-	1,266,945	(1,266,945)	-
Dividend in the form of ordinary shares	-	(2,246,106)	2,246,106	2,377,191
Balance at 31 December	181,425,000	7,461,588	173,963,412	168,684,088
DSM share prices on Euronext Amsterdam (€ per ordinary share):				
Highest closing price			59.75	46.29
Lowest closing price			43.93	36.33
At 31 December			57.16	45.79
Market capitalization at 31 December (€ million)[1]			10,370	8,307

[1] Source: Bloomberg

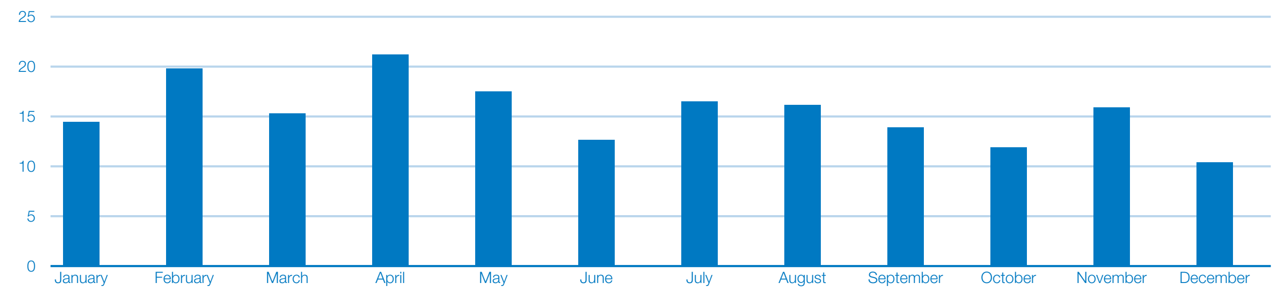
DSM share price development versus AEX and Dow Jones Euro StoXX Chemical Index, 2013

in €



Trading volume DSM shares 2013

x million shares as reported by NYSE Euronext



Geographical spread of DSM shares outstanding

in % (excl. cumprefs A)	2013	2012
Netherlands	21	23
United Kingdom	18	19
North America	26	19
Germany	7	8
Switzerland	5	6
France	9	9
Asia Pacific	5	5
Other countries	9	11

Dividend program for shareholders of Koninklijke DSM N.V.
DSM offers shareholders the opportunity to receive dividends in cash or in the form of ordinary shares.

DSM proposes to the Annual General Meeting of Shareholders for the total dividend for the financial year 2013 to be € 1.65 per ordinary share. An interim dividend of € 0.50 per ordinary share having been paid in August 2013, the final dividend would then amount to € 1.15 per ordinary share. The dividend will be payable in cash or in the form of ordinary shares, at the option of the shareholder. Dividend in cash will be paid after deduction of 15 percent Dutch dividend withholding tax. The ex-dividend date is 9 May 2014.

Managing Board holdings of DSM shares

	31 December 2013			31 December 2012		
Board member	Shares purchased with private money	Vested performance shares	Total holdings	Shares purchased with private money	Vested performance shares	Total holdings
Feike Sijbesma, CEO/chairman	38,600	35,900	74,500	33,000	24,500	57,500
Rolf-Dieter Schwalb, CFO	13,000	23,600	36,600	10,000	16,000	26,000
Stefan Doboczky	6,500	-	6,500	5,000	-	5,000
Nico Gerardu[1]	n.a.	n.a.	n.a.	8,556	20,000	28,556
Stephan Tanda	8,000	21,556	29,556	8,000	13,956	21,956
Dimitri de Vreeze[2]	140	-	140	-	-	-
Total holdings	**66,240**	**81,056**	**147,296**	**64,556**	**74,456**	**139,012**

1 Retired as of 1 September 2013
2 Board Member as of 1 September 2013

At year-end 2013 two members of the Supervisory Board , Pierre Hochuli (7,210) and Victoria Haynes (300) held shares in Koninklijke DSM N.V. At year-end 2012 the members of the Supervisory Board held no shares in Koninklijke DSM N.V.

Consolidated financial statements

Summary of significant accounting policies

Basis of preparation
DSM's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The accounting policies applied by DSM comply with IFRS and the pronouncements of the International Financial Reporting Interpretation Committee (IFRIC) effective at 31 December 2013.

Consolidation
The consolidated financial statements include Royal DSM and its subsidiaries as well as the proportion of DSM's ownership of joint ventures (together 'DSM' or 'group'). A subsidiary is an entity over which DSM has control. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial data of subsidiaries are fully consolidated. Non-controlling interests in the group's equity and profit and loss are stated separately. A joint venture is an entity in which DSM holds an interest and which is jointly controlled by DSM and one or more other venturers under a contractual arrangement. Joint ventures are included in the consolidated financial statements according to the method of proportionate consolidation.

Subsidiaries and joint ventures are consolidated from the acquisition date until the date on which DSM ceases to have control or joint control, respectively. From the acquisition date onwards, all intra-group balances and transactions and unrealized profits or losses from intra-group transactions are eliminated, with one exception: unrealized losses are not eliminated if there is evidence of an impairment of the asset transferred. In such cases a value adjustment for impairment of the asset is recognized.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, including liabilities incurred toward the former owners, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed.

As of the acquisition date identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree are recognized separately from goodwill. Identifiable assets acquired and the liabilities assumed are measured at acquisition date fair value. For each business combination, DSM elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Segmentation
Segment information is presented in respect of the group's operating segments about which separate financial information is available that is regularly evaluated by the chief operating decision maker. DSM has determined that the Nutrition, Pharma, Performance Materials, Polymer Intermediates and Innovation Center clusters represent reportable segments in addition to Corporate Activities. The Managing Board decides how to allocate resources and assesses the performance of the clusters. Cluster performance is reported and reviewed down to the level of operating profit before exceptional items. The clusters are organized based on the type of products produced and the nature of the markets served. The same accounting policies that are applied for these consolidated financial statements are also applied by the operating segments. Prices for transactions between segments are determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can reasonably and consistently be allocated. Selected information on a country and regional basis is provided in addition to the information about operating segments.

Foreign currency translation
The presentation currency of the group is the euro.

Each entity of the group records transactions and balance sheet items in its functional currency. Transactions denominated in currency other than the functional currency are recorded at the spot exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in a currency other than the functional currency of the entity are translated at the closing rates. Exchange differences resulting from the settlement of these transactions and from the translation of monetary items are recognized in the income statement.

Non-monetary assets denominated in a currency other than the functional currency continue to be translated against the rate at initial recognition and will not result in exchange differences.

On consolidation, the balance sheets of subsidiaries and joint ventures whose functional currency is not the euro are translated into euro at the closing rate. The income statements of these entities are translated into euro at the average rates for the relevant period. Goodwill paid on acquisition is recorded in the functional currency of the acquired entity. Exchange differences arising from the translation of the net investment in entities with a functional currency other than the euro are recorded in Other comprehensive income. The same applies to exchange differences arising from borrowings and other financial instruments in so far as they hedge the currency risk related to the net investment. On disposal of an entity with a functional currency other than the euro, the cumulative exchange differences relating to the translation of the net investment are recognized in the income statement.

Distinction between current and non-current

An asset (liability) is classified as current when it is expected to be realized (settled) within 12 months after the balance sheet date.

Intangible assets

Goodwill represents the excess of the cost of an acquisition over DSM's share in the net fair value of the identifiable assets and liabilities of an acquired subsidiary, joint venture or associate. Goodwill paid on acquisition of subsidiaries and joint ventures is included in intangible assets. Goodwill paid on acquisition of associates is included in the carrying amount of these associates. Goodwill is not amortized but tested for impairment annually and when there are indications that the carrying amount may exceed the recoverable amount. A gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Intangible assets acquired in a business combination are recognized at fair value on the date of acquisition and subsequently amortized over their expected useful lives, which vary from 4 to 20 years.

Acquired licenses, patents and application software are carried at historical cost less straight-line amortization and less any impairment losses. The expected useful lives vary from 4 to 15 years. Costs of software maintenance are expensed when incurred. Capital expenditure that is directly related to the development of application software is recognized as an intangible asset and amortized over its estimated useful life (5-8 years).

Research costs are expensed when incurred. Development expenditure is capitalized if the recognition criteria are met and if it is demonstrated that it is technically feasible to complete the asset, that the entity intends to complete the asset, that the entity is able to sell the asset, that the asset is capable of generating future economic benefits, that adequate resources are available to complete the asset and that the expenditure attributable to the asset can be reliably measured. Development expenditure is amortized over the asset's useful life.

Property, plant and equipment

Property, plant and equipment are measured at cost less depreciation calculated on a straight-line basis and less any impairment losses. Interest during construction is capitalized. Expenditures relating to major scheduled turnarounds are capitalized and depreciated over the period up to the next turnaround.

Property, plant and equipment are systematically depreciated over their estimated useful lives. The estimated remaining lives of assets are reviewed every year, taking account of commercial and technological obsolescence as well as normal wear and tear. The initially assumed expected useful lives are in principle as follows: for buildings 10-50 years, for plant and machinery 5-15 years, for other equipment 4-10 years. Land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use or the sale of the asset. Any gain or loss arising on derecognition of the asset is recorded in the income statement.

Leases

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. All other leases are operating leases.

Lease payments for finance leases are apportioned to finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in interest costs. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognized as an expense over the lease term.

Associates

An associate is an entity over which DSM has significant influence but no control, usually evidenced by a shareholding that entitles DSM to between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method, which involves recognition in the income statement of DSM's share of the associate's profit or loss for the year. DSM's interest in an associate is carried in the balance sheet at its share in the net assets of the associate together with goodwill paid on acquisition, less any impairment loss.

When DSM's share in the loss of an associate exceeds the carrying amount of the associate, including any other receivables, the carrying amount is reduced to zero. No further losses are recognized, unless DSM has responsibility for obligations relating to the associate.

Other financial assets

Other financial assets comprise other participations, other receivables and other deferred items.

Other participations comprise equity interests in entities in which DSM has no significant influence; they are accounted for as available-for-sale securities. These other participations are measured against fair value, with changes in fair value being recognized in Other comprehensive income (Fair value reserve). A significant or prolonged decline of the fair value of an equity interest below cost represents an impairment, which is recognized in the income statement. On disposal, the cumulative fair value adjustments of the related other participations are released from equity and included in the income statement. If a reliable fair value cannot be established, the other participations are recognized at cost. The proceeds from these other participations and the gain or loss upon their disposal are recognized in the income statement.

Loans and long-term receivables are measured at fair value upon initial recognition and subsequently at amortized cost, if necessary after deduction of a value adjustment for bad debts. The proceeds from these assets and the gain or loss upon their disposal are recognized in the income statement.

Impairment of assets

When there are indications that the carrying amount of a non-current asset (an intangible asset or an item of property, plant and equipment) may exceed the estimated recoverable amount (the higher of its value in use and fair value less costs to sell), the possible existence of an impairment loss is investigated. If an asset does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market interest rates and the risks specific to the asset.

When the recoverable amount of a non-current asset is less than its carrying amount, the carrying amount is impaired to its recoverable amount and an impairment charge is recognized in the income statement. An impairment loss is reversed when there has been a change in estimate that is relevant for the determination of the asset's recoverable amount since the last impairment loss was recognized.

All financial assets are reviewed for impairment. If there is objective evidence of impairment as a result of one or more events after initial recognition, an impairment loss is recognized in the income statement. Impairment losses for goodwill and other participations are never reversed.

Inventories

Inventories are stated at the lower of cost and net realizable value. The first in, first out (FIFO) method of valuation is used unless the nature of the inventories requires the use of a different cost formula, in which case the weighted average cost method is used. The cost of intermediates and finished goods includes directly attributable costs and related production overhead expenses. Net realizable value is determined as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Products whose manufacturing cost cannot be calculated because of joint cost components are stated at net realizable value after deduction of a margin for selling and distribution efforts.

Current receivables

Current receivables are measured at amortized cost, which generally corresponds to nominal value, less an adjustment for bad debts.

Current investments

Deposits held at call with banks with a remaining maturity between 3 and 12 months are classified as current investments. They are measured at amortized cost. Proceeds from these deposits are recognized in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits held at call with banks with a maturity of less than three months at inception. Bank overdrafts are included in current liabilities. Cash and cash equivalents are measured at nominal value.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups (assets and liabilities relating to an activity that is to be sold) are classified as 'held for sale' if their carrying amount is to be recovered principally through a sales transaction rather than through continuing use. The reclassification takes place when the assets are available for immediate sale and the sale is highly probable. These conditions are usually met as from the date on which a first draft of an agreement to sell is ready for discussion. Non-current assets held for sale and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortized. For the sake of clarity, non-current assets and disposal groups that will be contributed to joint ventures are reported separately from other assets and liabilities held for sale.

Discontinued operations

Discontinued operations comprise those activities that were disposed of during the period or which were classified as held for sale at the end of the period, and represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes.

Royal DSM Shareholders' equity

DSM's ordinary shares and cumulative preference shares are classified as Royal DSM Shareholders' equity. The price paid for repurchased DSM shares (treasury shares) is deducted from Royal DSM Shareholders' equity until the shares are cancelled or reissued. Dividend to be distributed to holders of cumulative preference shares is recognized as a liability when the Supervisory Board approves the proposal for profit distribution. Dividend to be distributed to holders of ordinary shares is recognized as a liability when the Annual General Meeting of Shareholders approves the profit appropriation.

Provisions

Provisions are recognized when all of the following conditions are met: 1) there is a present legal or constructive obligation as a result of past events; 2) it is probable that a transfer of economic benefits will settle the obligation; and 3) a reliable estimate can be made of the amount of the obligation.

The probable amount required to settle long-term obligations is discounted if the effect of discounting is material. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest costs. However, the interest costs relating to pension obligations are included in pension costs.

Borrowings

Borrowings are initially recognized at cost, being the fair value of the proceeds received, net of transaction costs. Subsequently, borrowings are stated at amortized cost using the effective interest method. Amortized cost is calculated taking into account any discount or premium. Interest expenses are accrued and recorded in the income statement for each period.

Where the interest rate risk relating to a long-term borrowing is hedged, and the hedge is regarded as effective, the carrying amount of the long-term loan is adjusted for changes in fair value of the interest component of the loan.

Other current liabilities

Other current liabilities are measured at amortized cost, which generally corresponds to the nominal value.

Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership are transferred to the buyer. Net sales represent the invoice value less estimated rebates and cash discounts, and excluding indirect taxes.

Royalty income is recognized in Other operating income or in Net sales on an accrual basis in accordance with the substance of the relevant agreements. Income that relates to the sale or out-licensing of technologies or technological expertise is recognized in profit or loss as of the effective date of the respective agreement if all rights relating to the technologies and all obligations resulting from them have been relinquished under the contract terms. However, if rights to the technologies continue to exist or obligations resulting from them have yet to be fulfilled, the payments received are deferred accordingly. Interest income is recognized on a time-proportion basis using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Government grants

Government grants are recognized at their fair value if there is reasonable assurance that the grant will be received and all related conditions will be complied with. Cost grants are recognized as income over the periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate. If the grant is an investment grant, its fair value is initially recognized as deferred income in Other non-current liabilities and then released to the income statement over the expected useful life of the relevant asset by equal annual amounts.

Share-based compensation

The costs of option plans are measured by reference to the fair value of the options on the date on which the options are granted. The fair value is determined using the Black-Scholes model, taking into account market conditions linked to the price of the DSM share. The costs of these options are recognized in the income statement (Employee benefits costs) during the vesting period, together with a corresponding increase in equity in the case of equity settled options or Other non-current liabilities in the case of cash-settled options (Share Appreciation Rights). No expense is recognized for options that do not ultimately vest, except for options whose vesting is conditional upon a market condition, which are treated as vesting, irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are met.

Performance shares are granted free of charge and vest after three years on the achievement of previously determined targets. The cost of performance shares is measured by reference to the fair value of the DSM shares on the date on which the performance shares were granted and is recognized in the income statement (Employee benefits costs) during the vesting period, together with a corresponding increase in equity.

Emission rights

DSM is subject to legislation encouraging reductions in greenhouse-gas emissions and has been awarded emission rights (principally CO_2 emission rights) in a number of jurisdictions. Emission rights are reserved for meeting delivery obligations and are recognized at cost (usually zero). Revenue is recognized when surplus emission rights are sold to third parties. When actual emissions exceed the emission rights available to DSM, a provision is recognized for the expected additional costs.

Exceptional items

Exceptional items relate to material non-recurring items of income and expense arising from circumstances such as:

- write-downs of inventories to net realizable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs
- acquisition costs incurred and integration costs in the first year after a business combination
- non-recurring inventory value adjustments related to business combinations
- restructurings of the activities of an entity
- releases of provisions
- disposals of property, plant and equipment
- disposals of associates or other financial assets
- book results on discontinued operations
- onerous contracts
- litigation settlements

To provide a better understanding of the underlying results of the period, exceptional items are reported separately if the aggregate amount of the event or project exceeds €10 million.

Income tax expense

Income tax expense is recognized in the income statement except to the extent that it relates to an item recognized directly within Other comprehensive income or Shareholders' equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect to previous years. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax assets and liabilities are measured at the tax rates and under the tax laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled. Deferred tax assets, including assets arising from losses carried forward, are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax assets and liabilities are stated at nominal value.

Deferred taxes are not provided for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset and presented net when there is a legally enforceable right to set off, and the assets and liabilities relate to income taxes levied by the same taxation authority.

Financial derivatives

The group uses financial derivatives such as foreign currency forward contracts and interest rate swaps to hedge risks associated with foreign currency and interest rate fluctuations. Financial derivatives are initially recognized in the balance sheet at fair value and subsequently measured at their fair value on each balance sheet date. Changes in fair value are recognized in the income statement unless cash flow hedge accounting or net investment hedge accounting is applied.

Changes in the fair value of financial derivatives designated and qualifying as cash flow hedges are recognized in Other comprehensive income (Hedging reserve) to the extent that the hedge is effective. Upon recognition of the related asset or liability the cumulative gain or loss is transferred from the Hedging reserve and included in the carrying amount of the hedged item if it is a non-financial asset or liability. If the hedged item is a financial asset or liability, the cumulative gain or loss is transferred to profit or loss. Changes in the fair value of financial derivatives designated and qualifying as net investment hedges are recognized in Other comprehensive income to the extent that the hedge is effective and the change in fair value is caused by changes in currency exchange rates. Accumulated gains and losses are released from Other comprehensive income and are included in the income statement when the net investment is disposed of. Changes in the fair value of financial derivatives designated and qualifying as fair value hedges are immediately recognized in the income statement, together with any changes in the fair value of the hedged assets or liabilities attributable to the hedged risk.

Pensions and other post-employment benefits

DSM has both defined contribution plans and defined benefit plans. In the case of defined contribution plans, obligations are limited to the payment of contributions which are recognized as Employee benefits costs. In the case of defined benefit plans, the aggregate of the value of the defined benefit obligation and the fair value of plan assets for each plan is recognized as a net defined benefit liability or asset. Defined benefit obligations are determined using the projected unit credit method. Plan assets are recognized at fair value. If the fair value of plan assets exceeds the present value of the defined benefit obligation, a net asset is only recognized to the extent that the asset is available for refunds to the employer or for reductions in future contributions to the plan. Defined benefit pension costs consist of three elements: service costs, net interest, and remeasurements. Service costs are part of Employee benefits costs and consist of current service costs, past service costs and results of plan settlements. Net interest is part of Other financial income and expense and is determined on the basis of the value of the net defined benefit asset or liability at the start of the year and the interest on high quality corporate bonds. Remeasurements are actuarial gains and losses, the return on plan assets excluding amounts included in net interest and changes in the effect of the asset ceiling. These remeasurements are recognized in Other comprehensive income as they occur and not recycled through profit or loss at a later stage.

Effect of new accounting standards

The International Accounting Standards Board (IASB) and IFRIC have issued new standards, amendments to existing standards and interpretations, some of which are not yet effective or have not yet been endorsed by the European Union. Those that are relevant for DSM are discussed below. DSM has introduced standards and interpretations that became effective in 2013.

The following new or amended standards became effective in 2013.

Amendments to IAS 1, 'Presentation of Items of Other Comprehensive Income', which changed the grouping of items presented in Other comprehensive income into items that will be reclassified (or 'recycled') to profit or loss at a future point in time and items that will never be reclassified. The amendment affects presentation only and had no impact on DSM's financial position or performance in 2013.

Amendments to IAS 19, 'Employee Benefits', which, among other things, resulted in the removal of the corridor mechanism and the termination of the application of the expected return on plan assets. The new requirements have been applied from 1 January 2013 onwards and had a limited impact on DSM's financial position and performance in 2013. Information on the related changes is provided in note 23: Post-employment benefits.

IFRS 13, 'Fair Value Measurement', became the single source of guidance in IFRS for all fair value measurements. The standard is effective from 1 January 2013. The impact of this standard on DSM's financial position and performance was not material because the standard principally clarified requirements that already existed.

The following amended standard was adopted early and applied in 2013.

Amendments to IAS 36, 'Impairment of assets', which remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which an impairment loss has been recognized or reversed during the period. These amendments affect disclosure only and had no impact on DSM's financial position or performance in 2013.

Effect of forthcoming accounting standards not yet applied

The following new standards are not yet being applied by DSM.

Amendments to IAS 32, 'Financial Instruments: Presentation' address the offsetting of financial assets and financial liabilities and clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The standard will be applied for annual periods beginning on 1 January 2014 and is not expected to have a material impact on DSM's financial position or performance.

IFRS 10, 'Consolidated Financial Statements', establishes a single control model that applies to all entities, including special purpose entities. DSM is in the process of verifying which entities meet the new criteria for control and therefore have to be consolidated. The standard will be applied for annual periods beginning on 1 January 2014 and is not expected to have a material impact on DSM's financial position or performance.

IFRS 11, 'Joint Arrangements', removes the option to apply proportionate consolidation for joint ventures and mandates the use of the equity method for jointly controlled entities that meet the new definition of a joint venture. The introduction of this new standard will change DSM's financial position and reported performance because the equity method will replace proportionate consolidation for these entities. Information on joint ventures that are affected is provided in note 27: Interests in joint ventures. The standard will be applied for annual periods beginning on 1 January 2014.

IFRS 12, 'Disclosure of Interests in Other Entities', provides disclosure requirements with respect to interests in subsidiaries, joint arrangements, associates and structured entities. It is the complement of the two new standards discussed in the preceding paragraphs and will be applied at the same time as these standards.

New IFRIC interpretations are not expected to have a material effect on the consolidated financial statements.

Consolidated statements

Consolidated income statement for the year ended 31 December 2013

x € million	Notes	Continuing operations			Discontinued	Total
		Before exceptional items	Exceptional items (note 6)	Total	operations	
Net sales	4	9,051	-	9,051	567	9,618
Cost of sales	4	(6,565)	(12)	(6,577)	(505)	(7,082)
Gross margin		**2,486**	**(12)**	**2,474**	**62**	**2,536**
Marketing and sales		(987)		(987)	(24)	(1,011)
Research and development		(351)	(18)	(369)	(162)	(531)
General and administrative		(458)	(74)	(532)	(25)	(557)
Other operating income		93	39	132	12	144
Other operating expense		(34)	(39)	(73)	(15)	(88)
	4	(1,737)	(92)	(1,829)	(214)	(2,043)
Operating profit		**749**	**(104)**	**645**	**(152)**	**493**
Interest costs	5	(126)	(4)	(130)	-	(130)
Other financial income and expense	5	(16)	-	(16)	-	(16)
Share of the profit of associates		(2)	-	(2)	-	(2)
Profit before income tax expense		605	(108)	497	(152)	345
Income tax expense	7	(108)	31	(77)	1	(76)
Profit for the year		**497**	**(77)**	**420**	**(151)**	**269**
Reclassification of the net result from activities disposed of		-	(160)	(160)	160	-
Total		497	(237)	260	9	269
Of which:						
- Profit attributable to non-controlling interests		(2)	-	(2)	-	(2)
- Net profit attributable to equity holders of Koninklijke DSM N.V.		499	(237)	262	9	271
Net profit attributable to equity holders of Koninklijke DSM N.V.		**499**	**(237)**	**262**	**9**	**271**
Dividend on cumulative preference shares		(10)	-	(10)	-	(10)
Net profit available to holders of ordinary shares		489	(237)	252	9	261
Earnings per share (in €) (see note 16 Earnings per ordinary share):						
- Basic				2.39		1.52
- Diluted				2.38		1.51

Consolidated income statement for the year ended 31 December 2012[1]

x € million	Notes	Continuing operations			Discontinued	Total
		Before exceptional items	Exceptional items (note 6)	Total	operations	
Net sales	4	8,588	-	8,588	543	9,131
Cost of sales	4	(6,220)	(21)	(6,241)	(507)	(6,748)
Gross margin		**2,368**	**(21)**	**2,347**	**36**	**2,383**
Marketing and sales		(924)	-	(924)	(28)	(952)
Research and development		(372)	(2)	(374)	(9)	(383)
General and administrative		(457)	(57)	(514)	(38)	(552)
Other operating income		68	3	71	12	83
Other operating expense		(32)	(94)	(126)	(12)	(138)
	4	(1,717)	(150)	(1,867)	(75)	(1,942)
Operating profit		**651**	**(171)**	**480**	**(39)**	**441**
Interest costs	5	(117)	-	(117)	-	(117)
Other financial income and expense	5	8	-	8	-	8
Share of the profit of associates		2	-	2	-	2
Profit before income tax expense		544	(171)	373	(39)	334
Income tax expense	7	(95)	38	(57)	11	(46)
Profit for the year		**449**	**(133)**	**316**	**(28)**	**288**
Reclassification of the net result from activities disposed of		-	(16)	(16)	16	-
Total		449	(149)	300	(12)	288
Of which:						
- Profit attributable to non-controlling interests		10	-	10	-	10
- Net profit attributable to equity holders of Koninklijke DSM N.V.		439	(149)	290	(12)	278
Net profit attributable to equity holders of Koninklijke DSM N.V.		**439**	**(149)**	**290**	**(12)**	**278**
Dividend on cumulative preference shares		(10)	-	(10)	-	(10)
Net profit available to holders of ordinary shares		429	(149)	280	(12)	268
Earnings per share (in €) (see note 16 Earnings per ordinary share):						
- Basic				1.79		1.62
- Diluted				1.77		1.61

[1] Restated due to retrospective application of amendments to IAS 19: 'Employee Benefits' which are explained in note 23: Post-employment benefits. This restatement also impacts the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity and the Consolidated cash flow statement for 2012 as well as the Parent company income statement for that year.

Consolidated statement of comprehensive income

in €million	2013	2012
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans	21	(123)
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
- Change for the year	(248)	(27)
- Reclassification adjustment to the income statement related to discontinued operations	16	-
Fair value reserve		
- Change for the year	9	(8)
- Reclassification adjustment to the income statement	-	-
Hedging reserve		
- Change for the year	69	(45)
- Reclassification adjustment to the income statement	(28)	23
- Reclassification adjustment to the shares in subsidiaries	(10)	-
Other comprehensive income, before tax	**(171)**	**(180)**
Income tax expense	(14)	47
Other comprehensive income, net of tax	**(185)**	**(133)**
Profit for the year	269	288
Total comprehensive income	**84**	**155**

Consolidated balance sheet as at 31 December

x € million	Notes	2013	2012
Assets			
Non-current assets			
Intangible assets	8	2,705	2,793
Property, plant and equipment	9	3,822	3,811
Deferred tax assets	7	369	340
Associates	10	67	40
Other financial assets	10	179	141
		7,142	**7,125**
Current assets			
Inventories	11	1,675	1,803
Trade receivables	12	1,526	1,569
Other current receivables	12	116	230
Financial derivatives	22	126	62
Current investments	13	19	12
Cash and cash equivalents	14	776	1,121
		4,238	4,797
Assets held for sale	2	637	44
		4,875	**4,841**
Total		**12,017**	**11,966**
Equity and liabilities			
Equity	15		
Shareholders' equity		5,908	5,874
Non-controlling interests		190	168
		6,098	**6,042**
Non-current liabilities			
Deferred tax liabilities	7	376	236
Employee benefits liabilities	23	326	388
Provisions	17	97	125
Borrowings	18	1,750	1,922
Other non-current liabilities	19	78	94
		2,627	**2,765**
Current liabilities			
Employee benefits liabilities	23	34	42
Provisions	17	66	81
Borrowings	18	843	642
Financial derivatives	22	190	299
Trade payables	20	1,328	1,453
Other current liabilities	20	601	628
		3,062	3,145
Liabilities held for sale	2	230	14
		3,292	**3,159**
Total		**12,017**	**11,966**

Consolidated statement of changes in equity (note 15)

x € million	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings: Actuarial gains and losses	Retained earnings: Other	Total	Non-controlling interests	Total equity
Balance at 1 January 2012	**338**	**489**	**(686)**	**274**	**88**	**5,281**	**5,784**	**190**	**5,974**
Dividend	-	-	-	-	-	(254)	(254)	(48)	(302)
Options / performance shares granted	-	-	-	18	-	-	18	-	18
Options / performance shares exercised / cancelled and SARs cancelled	-	-	-	(13)	-	13	-	-	-
Proceeds from reissued shares	-	-	207	-	-	(25)	182	-	182
Change in DSM's share in subsidiaries	-	-	-	-	-	-	-	15	15
Total comprehensive income	-	-	-	(44)	(90)	278	144	11	155
Balance at 31 December 2012	**338**	**489**	**(479)**	**235**	**(2)**	**5,293**	**5,874**	**168**	**6,042**
Dividend	-	-	-	-	-	(271)	(271)	(5)	(276)
Options / performance shares granted	-	-	-	20	-	-	20	-	20
Options / performance shares exercised / cancelled and SARs cancelled	-	-	-	(24)	-	24	-	-	-
Proceeds from reissued shares	-	-	258	-	-	10	268	-	268
Change in DSM's share in subsidiaries	-	-	-	-	-	-	-	33	33
Repurchase of shares	-	-	(73)	-	-	-	(73)	-	(73)
Total comprehensive income	-	-	-	(196)	15	271	90	(6)	84
Balance at 31 December 2013	**338**	**489**	**(294)**	**35**	**13**	**5,327**	**5,908**	**190**	**6,098**

Consolidated cash flow statement (note 25)[1]

x € million	2013		2012	
Operating activities				
Profit for the year		269		288
Income tax		76		46
Profit before income tax expense		345		334
Share of the profit of associates		2		(2)
Net finance costs		142		109
Exceptional items		270		194
Operating profit		759[2]		635
Depreciation, amortization and impairments		555		474
Earnings before interest, tax, depreciation and amortization (EBITDA)		1,314		1,109
Adjustments for:				
- (Gain) or loss from disposals	(18)		(13)	
- Restructuring and other costs	(45)		(56)	
- Change in provisions	(75)		(68)	
- Defined benefit plans	(21)		(28)	
	(159)		(165)	
Interest received	93		103	
Interest paid	(203)		(196)	
Income tax received	24		9	
Income tax paid	(89)		(79)	
Other	(4)		(34)	
Changes, excluding working capital		(338)		(362)
Operating cash flow before changes in working capital		**976**		**747**
Changes in operating working capital:				
- Inventories	(95)		(140)	
- Trade receivables	(13)		41	
- Trade payables	34		83	
	(74)		(16)	
Changes in other working capital	(13)		(1)	
Changes in working capital		(87)		(17)
Cash provided by operating activities		**889**		**730**

1 The presentation of the cash flow statement has been amended to better reflect the cash flow consequences of EBITDA and exceptional items reported in operating activities. This does not change the total cash provided by operating activities but the allocation of changes to individual line items. The presentation for the year 2012 has been aligned.
2 This consists of the operating profit from continuing operations before exceptional items (€ 749 million) and discontinued operations (€ 10 million; see also Assets and liabilities held for sale in note 2 Change in the scope of the consolidation).

Consolidated cash flow statement (note 25) continued

x € million	2013		2012	
Cash provided by operating activities		**889**		**730**
Investing activities				
Capital expenditure for:[1]				
- Intangible assets	(85)		(82)	
- Property, plant and equipment	(650)		(604)	
Proceeds from disposal of property, plant and equipment	4		36	
Acquisition of subsidiaries and associates	(509)		(1,262)	
Cash from net investment hedge	(30)		-	
Proceeds from disposal of subsidiaries and businesses	72		7	
Change in fixed-term deposits	18		77	
Other financial assets:				
- Capital payments and acquisitions	(9)		(12)	
- Change in loans granted	17		(19)	
- Proceeds from disposals	2		3	
Cash used in investing activities		**(1,170)**		**(1,856)**
Financing activities				
Capital payments from/to non-controlling interests	36		15	
Loans taken up	381		30	
Repayment of loans	(152)		(114)	
Change in debt to credit institutions	(89)		60	
Repayment / issue of commercial paper	(150)		300	
Dividend paid	(160)		(210)	
Proceeds from reissued shares	145		90	
Repurchase of shares	(73)		-	
Cash used in / from financing activities		**(62)**		**171**
Change in cash and cash equivalents		**(343)**		**(955)**
Cash and cash equivalents at 1 January		**1,121**		**2,058**
Exchange differences relating to cash held		(2)		18
Cash and cash equivalents at 31 December		**776**		**1,121**

[1] An amount of €37 million included in capital expenditure was funded by customers

Notes to the consolidated financial statements of Royal DSM

1 General information

Unless stated otherwise, all amounts are in € million.

In conformity with article 402, Book 2 of the Dutch Civil Code, a condensed income statement is included in the separate financial statements of the parent company.

A list of DSM participations has been filed with the Chamber of Commerce for Limburg (Netherlands) and is available from the company upon request. The list can also be downloaded from the company's website.

The preparation of financial statements requires estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. The policies that management considers to be the most important to the presentation of the financial condition and results of operations are discussed in the relevant notes. The same holds for the issues that require management judgments or estimates about matters that are inherently uncertain. Management cautions that future events often vary from forecasts and that estimates routinely require adjustment. Areas of judgment that have the most significant effect on the amounts recognized in the financial statements relate to the categorization of certain items as 'exceptional', the identification of cash generating units and the classification of activities as 'held for sale' and 'discontinued operations'.

Key assumptions and estimates that need to be made by management relate to the useful lives of non-current assets (notes 8 and 9), the establishment of provisions for retirement and other post-employment benefits (note 23), the recognition and measurement of income taxes (note 7) and the determination of fair values for financial instruments (note 22) and for share-based compensation (note 26). Estimates are based on historical quoted market prices, experience and assumptions that are considered reasonable under the circumstances.

Exchange rates

The currency exchange rates that were used in preparing the consolidated statements are listed below for the most important currencies.

1 euro =	Exchange rate at balance sheet date		Average exchange rate	
	2013	2012	**2013**	2012
US dollar	1.38	1.32	1.33	1.29
Swiss franc	1.23	1.21	1.23	1.21
Pound sterling	0.84	0.82	0.85	0.81
Brazilian real	3.22	2.69	2.87	2.51
Chinese renminbi	8.40	8.29	8.23	8.11

Presentation of consolidated income statement

DSM presents expenses in the consolidated income statement in accordance with their function. This allows the presentation of gross margin on the face of the income statement, which is a widely used performance measure in the industry. The composition of the costs allocated to the individual functions is explained below.

Cost of sales encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in net sales. They are measured at their actual cost based on FIFO, or weighted average cost.

Marketing and sales relates to the selling and marketing of goods and services, and also includes all costs that are directly related to the sale of goods, but that are not originated by the manufacturing of the goods (e.g. freight).

Research and development consists of:

- research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding;
- development, which is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

General and administrative relates to the strategic and governance role of the general management of the company as well as the representation of DSM as a whole in the financial, political or business community. It also relates to business support activities of staff departments that are not directly related to the other functional areas.

2 Change in the scope of the consolidation

Acquisitions

2013

On 5 April 2013 DSM obtained control of Tortuga Companhia Zootécnica Agrária Z.A. (Tortuga) by acquiring 100% of the shares in an all cash transaction. From that date onwards the financial statements of Tortuga have been consolidated by DSM and reported in the Nutrition segment. The acquisition will strengthen and complement DSM's position in nutritional supplements for animal nutrition. Tortuga is a Brazilian company with a leading position in nutritional supplements with a focus on pasture raised beef and dairy cattle. Tortuga has annual sales of approximately € 385 million and employs about 1,050 people. In accordance with IFRS 3 the purchase price of Tortuga needs to be allocated to identifiable assets and liabilities acquired. Goodwill paid for the acquisition of Tortuga amounted to € 152 million. The goodwill primarily resulted from buyer specific synergies due to DSM's unique value chain proposition in animal nutrition and from the skills and knowledge of the workforce.

On 1 July 2013 DSM obtained control of Unitech Industries Limited (Unitech), by acquiring 100% of the shares in an all cash transaction. From that date onwards the financial statements of Unitech have been consolidated by DSM and reported in the Nutrition segment. Unitech, based in Auckland (New Zealand), was founded in 1970 and focuses primarily on the manufacture and sale of micronutrient premixes and macronutrient blends for the rapidly growing Asian human nutrition and health markets. The acquisition of Unitech helps DSM to expand its value chain presence, geographical reach and customer base in Asia. Unitech has annual sales of approximately € 30 million and employs about 100 people. In accordance with IFRS 3 the purchase price of Unitech needs to be allocated to identifiable assets and liabilities acquired. Goodwill paid for the acquisition of Unitech amounted to € 16 million. The goodwill primarily resulted from buyer specific synergies due to DSM's broad portfolio of micronutrients, science-based expertise, and customer relationships with multinational and regional infant nutrition and food customers.

Up to one year from the acquisition date the initial accounting for business combinations needs to be adjusted to reflect additional information that has been received about facts and circumstances that existed at the acquisition date and would have affected the measurement of amounts recognized as of that date. As a result of such adjustments the values of assets and liabilities recognized may change in the one year period from the acquisition date.

On 18 December 2012 DSM obtained control of Fortitech, Inc. In 2013 the purchase price allocation for Fortitech was completed. The value of assets and liabilities was adjusted to fair value and the final goodwill was established at € 265 million.

The impact of all acquisitions made in 2013, including adjustments to the initial accounting for Fortitech, on DSM's consolidated balance sheet, at the date of acquisition, is summarized in the following table.

2013	**Tortuga**		**Unitech**		**Fortitech (final PPA)**[1]			**Other acquisitions**		**Total**
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Change in fair value	Book value	Fair value	Fair value
Assets										
Intangible assets	1	94	-	11	1	201	200	2	15	320
Property, plant and equipment	80	107	2	3	53	59	6	1	-	116
Other non-current assets	12	12	-	-	6	6	2	26	26	40
Inventories	34	45	4	4	37	40	2	-	-	51
Receivables	94	94	4	4	28	28	(1)	-	1	98
Cash and cash equivalents	3	3	1	1	8	8	-	-	-	4
Total assets	**224**	**355**	**11**	**23**	**133**	**342**	**209**	**29**	**42**	**629**
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Liabilities										
Non-current liabilities	12	27	-	3	7	84	79	1	2	111
Current liabilities	130	130	7	7	48	49	(10)	1	2	129
Total non-controlling interests and liabilities	**142**	**157**	**7**	**10**	**55**	**133**	**69**	**2**	**4**	**240**
Net assets	**82**	**198**	**4**	**13**	**78**	**209**	**140**	**27**	**38**	**389**
Acquisition price (in cash)		350		29		474	-		42	421
Acquisition price (payable)		-		-		-	(1)		4	3
Consideration		**350**		**29**		**474**	**(1)**		**46**	**424**
Goodwill		**152**		**16**		**265**	**(141)**		**8**	**35**
Goodwill available for tax purposes (included in the above)		152		-		-	-		-	152
Acquisition costs recognized in exceptional items[2]		1		1		1	-		2	4
Contingent liabilities included in fair value		-		-		-	-		-	-

[1] Due to the fact that Fortitech was acquired just before the end of the year in 2012, the unadjusted balance sheet of Fortitech in accordance with local GAAP was consolidated at the end of 2012. Sales and profit or loss between the acquisition date and the end of 2012 were immaterial. In 2013 the purchase price allocation for Fortitech was performed and fair values were allocated to the acquired assets and liabilities. The required changes are presented in the table above. These changes resulted in a € 141 million reduction in goodwill, which was the net effect of additions to other intangible assets for an amount of € 200 million, to property plant and equipment for € 6 million, to other assets for € 3 million and to deferred tax liabilities for € 79 million, and a reduction in current liabilities of € 11 million. These changes were recognized at the beginning of 2013 and the closing balance sheet of 2012 was not restated because the changes were deemed not material.

[2] Included in General and administrative: other costs

The acquisition of Tortuga contributed € 242 million to net sales in 2013. If the acquisition had occurred on 1 January 2013, additional net sales would have been approximately € 325 million. The acquisition contributed € 42 million to EBITDA; this would have been approximately € 55 million if the acquisition had occurred on 1 January 2013. Tortuga related exceptional items amounted to € 17 million before tax (see note 6: Exceptional items).

The acquisition of Unitech contributed € 13 million to net sales in 2013. If the acquisition had occurred on 1 January 2013, additional net sales would have been approximately € 26 million. The acquisition did not yet contribute to EBITDA; this would have been approximately € 2 million if the acquisition had occurred on 1 January 2013. Unitech related exceptional items amounted to € 1 million before tax (see note 6: Exceptional items).

Other acquisitions comprise the Bayer vitamin premix business in China and the Philippines and SolarExcel (Netherlands).

Together, the acquisitions in 2013 contributed € 255 million to net sales. If all acquisitions had occurred on 1 January 2013, additional net sales would have been approximately € 351 million. The acquisitions in 2013 contributed € 42 million to EBITDA; this would have been approximately € 62 million if they had all occurred on 1 January 2013.

2012

On 22 June 2012 DSM obtained control of Kensey Nash Corporation by acquiring 100% of the shares. From that date onwards the financial statements of Kensey Nash have been consolidated by DSM and reported in the segment Innovation Center. The acquisition has strengthened and complemented DSM's biomedical business, one of the Emerging Business Areas of DSM. Kensey Nash is a US based, technology-driven biomedical company, primarily focused on regenerative medicine utilizing its proprietary collagen and synthetic polymer technology. Kensey Nash has annual sales of approximately USD 90 million and employs about 325 people. In accordance with IFRS 3 the purchase price of Kensey Nash needs to be allocated to identifiable assets and liabilities acquired. Goodwill paid for the acquisition of Kensey Nash amounted to € 128 million. The goodwill primarily resulted from the skills and knowledge of the workforce, sales synergies in relation to the opportunities for cross-selling and certain fixed cost synergies that are unique to DSM.

On 18 July 2012 DSM obtained control of Ocean Nutrition Canada (ONC) by acquiring 100% of the shares. From that date onwards the financial statements of ONC have been consolidated by DSM and reported in the Nutrition segment. The acquisition has expanded DSM's Nutritional Lipids growth platform. ONC is a leader in fish-oil derived omega-3 fatty acids for dietary supplements, highly complementary to DSM's acquisition of Martek in 2011. ONC has annual sales of approximately CAD 190 million and employs about 415 people. In accordance with IFRS 3 the purchase price of ONC needs to be allocated to identifiable assets and liabilities acquired. Goodwill paid for the acquisition of ONC amounted to € 238 million. The goodwill primarily resulted from the skills and knowledge of the workforce, sales synergies in relation to the opportunities for cross-selling and certain operating and variable cost synergies that are unique to DSM.

On 18 December 2012 DSM obtained control of Fortitech, Inc. by acquiring 100% of the shares. From that date onwards the financial statements of Fortitech have been consolidated by DSM and reported in the Nutrition segment. The acquisition has strengthened DSM's Human Nutrition & Health business, by expanding the company's value chain presence and adding additional capabilities. Fortitech has annual sales of approximately USD 270 million and employs about 520 people. The purchase price allocation was completed in 2013.

The impact of all acquisitions made in 2012 on DSM's consolidated balance sheet, at the date of acquisition, is summarized in the following table.

2012	Kensey Nash		Ocean Nutrition Canada		Fortitech, Inc.		Other acquisitions		Total
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Fair value
Assets									
Intangible assets	18	136	-	114	1	1	-	35	286
Property, plant and equipment	45	55	57	63	53	53	30	33	204
Other non-current assets	3	2	-	-	4	4	-	-	6
Inventories	12	16	35	47	38	38	14	16	117
Receivables	25	12	41	49	29	29	8	8	98
Cash and cash equivalents	29	29	10	10	8	8	-	-	47
Total assets	**132**	**250**	**143**	**283**	**133**	**133**	**52**	**92**	**758**
Non-controlling interests	-	-	-	-	-	-	-	-	-
Liabilities									
Non-current liabilities	5	39	5	48	5	5	-	1	93
Current liabilities	71	72	84	84	46	46	5	5	207
Total non-controlling interests and liabilities	**76**	**111**	**89**	**132**	**51**	**51**	**5**	**6**	**300**
Net assets	**56**	**139**	**54**	**151**	**82**	**82**	**47**	**86**	**458**
Acquisition price (in cash)		216		390		474		120	1,200
Acquisition price (payable)		51		(1)		13		2	65
Consideration		**267**		**389**		**487**		**122**	**1,265**
Goodwill		**128**		**238**		**405**		**36**	**807**
Goodwill available for tax purposes (included in the above)		-		-		-		32	32
Acquisition costs recognized in exceptional items		3		2		1		2	8
Contingent liabilities included in fair value		-		-		-		-	-

The acquisition of Kensey Nash contributed € 35 million to net sales in 2012. If the acquisition had occurred on 1 January 2012, additional net sales would have been approximately € 67 million. The acquisition contributed € 14 million to EBITDA. Kensey Nash related exceptional items amounted to € 8 million (see note 6: Exceptional items).

The acquisition of ONC contributed € 60 million to net sales in 2012. If the acquisition had occurred on 1 January 2012, additional net sales would have been approximately € 131 million. The acquisition contributed € 15 million to EBITDA. ONC related exceptional items amounted to € 20 million before tax (see note 6: Exceptional items).

Other acquisitions comprise Verenium, Cilpaz & Laba, the Cultures and Enzymes business of Cargill and Oatwell.

Together, the acquisitions in 2012 contributed € 103 million to net sales. If all acquisitions had occurred on 1 January 2012, additional net sales would have been approximately € 253 million (excluding Fortitech). The acquisitions in 2012 contributed € 26 million to EBITDA; this would have been approximately € 53 million (excluding Fortitech) if they had all occurred on 1 January 2012.

Disposals

2013

In the first quarter of 2013 DSM completed the sale of DSM's share in DEXPlastomers V.o.F. to Borealis for € 55 million on a cash and debt-free basis. Furthermore the Euroresins business in Germany, Austria, Switzerland, Poland and the Baltic states was sold. In view of the limited importance of the activities they are not presented as discontinued operations. These activities were reported under Corporate Activities and DSM Resins & Functional Materials prior to disposal. The impact of the deconsolidation of these activities on the DSM financial statements is presented in the following table:

x € million	DEX Plastomers	Compact Solution Technology	Euroresins	Other	Total
Assets					
Intangible assets	-	-	-	(8)	(8)
Property, plant and equipment	(7)	-	-	-	(7)
Other non-current assets	-	-	(3)	-	(3)
Inventories	(26)	-	(2)	-	(28)
Receivables	(8)	-	(2)	-	(10)
Cash and cash equivalents	(4)	-	(2)	-	(6)
Total assets	**(45)**	**-**	**(9)**	**(8)**	**(62)**
Non-controlling interests	-	-	(4)	-	(4)
Liabilities					
Provisions	-	-	(1)	-	(1)
Non-current liabilities	-	-	-	-	-
Current liabilities	(13)	-	(5)	-	(18)
Total non-controlling interests and liabilities	**(13)**	**-**	**(10)**	**-**	**(23)**
Net assets	**(32)**	**-**	**1**	**(8)**	**(39)**
Consideration (net of selling costs, translation differences and net debt)	55	5	8	11	79
Book result	**23**	**5**	**9**	**3**	**40**
Income tax	-	-	-	-	-
Net book result	**23**	**5**	**9**	**3**	**40**

2012

There were no material disposals in 2012.

Deconsolidation and other changes

In 2013 there were no material deconsolidations or material changes in the percentage of ownership of subsidiaries (same as in 2012).

Assets and liabilities held for sale

2013

In view of the contribution of DSM Pharmaceutical Products to a new entity that will be majority owned by private equity company JLL Partners, the related assets and liabilities of the business have been classified as held for sale. DPP constitutes a major line of business for DSM and is therefore presented as discontinued operation upon held for sale classification. After completion of the transaction that is anticipated for the first half of 2014, DSM will account for its interest in the new entity in accordance with the equity method. Upon reclassification, the business was valued at fair value less costs to sell. This represents the recoverable amount of the cash generating unit (CGU) and is the basis for the determination of the book loss on the transaction which is charged against the Catalytica goodwill that is now reported in discontinued operations. After impairment, the remaining value of the Catalytica goodwill is €7 million. The fair value is based on the price that was agreed between DSM and JLL Partners in an arms' length transactions that was publicly announced on 19 November 2013. The final amount of the impairment loss will only be known when the transaction is closed and the final net asset value can be established. The impact of the reclassification of these activities on the DSM financial statements is presented in the following table:

x € million	DSM Pharmaceutical Products
Assets	
Intangible assets	(197)
Property, plant and equipment	(297)
Other non-current assets	(14)
Inventories	(196)
Receivables	(85)
Cash and cash equivalents	-
Total assets	**(789)**[1]
Liabilities	
Provisions	(8)
Non-current liabilities	(55)
Current liabilities	(167)
Total liabilities	**(230)**
Net assets	**(559)**
Fair value	412
Transaction costs	(5)
Fair value less costs to sell	**407**
Impairment of intangible assets (against goodwill Catalytica)	**(152)**

[1] Assets held for sale in the balance sheet amount to €637 million, which includes the impairment of intangible assets of €152 million

The impact of the business that has been reclassified to held for sale on the cash flow statement is presented in the following table:

	2013	2012
Net cash provided by/used in:		
- Operating activities	33	159
- Investing activities	247	(52)
- Financing activities	11	(111)
Net change in cash and cash equivalents	**291**	**(4)**

The impact of the business that has been reclassified as held for sale on the income statement (before exceptional items), is presented in the following table:

	2013	2012
Net sales	567	542
Cost of sales	506	498
Gross margin	61	44
Marketing and sales	24	28
Research and development	10	9
General and administrative	21	35
Other operating income	(4)	(12)
	51	60
Operating profit	**10**	**(16)**
EBITDA	**51**	**36**

2012

DSM stopped actively trying to dispose of the Maleic Anhydride and Derivatives business of DSM Pharmaceutical Products in Linz (Austria) in 2012 and this business is no longer classified as 'assets/liabilities held for sale'. The activities were re-integrated into the Pharma cluster and reported in that segment from the first quarter of 2012 onwards. The activities are included in assets and liabilities held for sale in 2013 because they are part of DSM Pharmaceutical Products.

In view of the agreements reached regarding the sale of DEXPlastomers and parts of Euroresins, these businesses were reclassified as held for sale. Before reclassification these activities were reported under Corporate Activities and DSM Resins & Functional Materials, respectively.

3 Segment information

Business segments[1]

2013	Continuing operations								Discon-tinued opera-tions	Elimina-tions	Total
	Nutrition	Pharma	Perform-ance Materials	Polymer Interme-diates	Inno-vation Center	Corpo-[2] rate Activities	Elimina-tions	Total			
Financial performance											
Net sales	4,195	184	2,746	1,579	149	198	-	9,051	567	-	9,618
Supplies to other clusters	106	6	22	450	3	-	(577)	10	28	(38)	-
Supplies	**4,301**	**190**	**2,768**	**2,029**	**152**	**198**	**(577)**	**9,061**	**595**	**(38)**	**9,618**
EBITDA	914	3	324	113	(17)	(74)	-	1,263	51	-	1,314
Operating profit	679	(8)	185	71	(53)	(125)	-	749	10	-	759
Exceptional items (within operating profit)	(71)	11	(21)	(10)	1	(14)	-	(104)	(162)	-	(266)
Operating profit including exceptional items	**608**	**3**	**164**	**61**	**(52)**	**(139)**	**-**	**645**	**(152)**	**-**	**493**
Depreciation and amortization	232	11	135	38	36	50	-	502	40	-	542
Impairments	3	-	4	4	-	1	-	12	1	-	13
Impairments in exceptional items	22	(4)[5]	-	-	-	-	-	18	150[5]	-	168
Additions to provisions	23	31	17	5	-	2	-	78	-	-	78
Share of the profit of associates	-	-	-	-	-	2	-	2	-	-	2
R&D costs[3]	133	4	100	10	72	32	-	351	10	-	361
Wages, salaries and social security costs	743	19	317	73	64	329	-	1,545	175	-	1,720
Financial position											
Total assets	5,501	329	1,976	1,082	673	1,819	-	11,380	637	-	12,017
Total liabilities	1,344	131	604	482	103	3,025	-	5,689	230	-	5,919
Capital employed at year-end	4,494	146	1,910	570	561	183	-	7,864	439	-	8,303
Capital expenditure	255	11	56	235	108	87	-	752	41	-	793
Share in equity of associates	2	-	2	9	5	36	-	54	-	-	54
EBITDA / net sales (in %)	21.8	1.6	11.8	7.2				14.0			13.7
Workforce[4]											
Average in fte	10,376	851	5,076	1,450	697	3,120	-	21,570	2,462	-	24,032
Year-end (headcount)	10,548	857	5,128	1,456	664	3,204	-	21,857	2,492	-	24,349

1 For a description of the types of products and services of each segment please refer to the Review of business in the Report by the Managing Board. Supplies from DSM Polymer Intermediates to DSM Engineering Plastics were executed at cost. Transfers between other segments were fairly limited and were generally executed at market-based prices.
2 Corporate Activities also includes costs for regional holdings, corporate overhead and share-based compensation.
3 R&D costs relate to the functional area Research and development and exclude R&D cost included in the functional areas Cost of sales and Marketing and sales as well as R&D expenditure capitalized.
4 The workforces of joint ventures have been included on a proportionate basis.
5 Including the reversal of previously recognized impairment losses of €6 million at DSM Sinochem Pharmaceuticals and €2 million at DSM Pharmaceutical Products

Business segments[1]

2012	Continuing operations								Discontinued operations	Eliminations	Total
	Nutrition	Pharma	Performance Materials	Polymer Intermediates	Innovation Center	Corporate[2] Activities	Eliminations	Total			
Financial performance											
Net sales	3,667	183	2,772	1,596	102	268	-	8,588	543	-	9,131
Supplies to other clusters	85	6	25	448	3	1	(550)	18	38	(56)	-
Supplies	**3,752**	**189**	**2,797**	**2,044**	**105**	**269**	**(550)**	**8,606**	**581**	**(56)**	**9,131**
EBITDA	793	3	280	129	(38)	(94)	-	1,073	36	-	1,109
Operating profit	613	(3)	146	97	(63)	(139)	-	651	(16)	-	635
Exceptional items	(85)	4	(40)	(11)	-	(39)	-	(171)	(23)	-	(194)
Operating profit including exceptional items	**528**	**1**	**106**	**86**	**(63)**	**(178)**	**-**	**480**	**(39)**	**-**	**441**
Depreciation and amortization	177	6	128	30	24	43	-	408	43	-	451
Impairments	3	-	6	2	1	2	-	14	9	-	23
Impairments in exceptional items	23	(6)[5]	1	-	-	-	-	18	8	-	26
Additions to provisions	30	25	24	-	3	40	-	122	-	-	122
Share of the profit of associates	1	-	-	1	-	-	-	2	-	-	2
R&D costs[3]	151	3	105	12	66	35	-	372	9	-	381
Wages, salaries and social security costs	657	18	338	75	53	327	-	1,468	168	-	1,636
Financial position											
Total assets	5,157	295	2,174	964	559	2,061	-	11,210	756	-	11,966
Total liabilities	1,324	135	666	446	75	3,079	-	5,725	199	-	5,924
Capital employed at year-end	4,122	162	2,026	447	507	216	-	7,480	604	-	8,084
Capital expenditure	195	22	109	214	36	89	-	665	50	-	715
Share in equity of associates	3	-	2	10	2	10	-	27	-	-	27
EBITDA / net sales (in %)	21.6	1.6	10.1	8.1				12.5			12.1
Workforce[4]											
Average in fte	9,208	871	5,359	1,444	622	3,012	-	20,516	2,410	-	22,926
Year-end (headcount)	9,489	851	5,354	1,474	668	3,199	-	21,035	2,463	-	23,498

1 For a description of the types of products and services of each segment please refer to the Review of business in the Report by the Managing Board. Supplies from DSM Polymer Intermediates to DSM Engineering Plastics were executed at cost. Transfers between other segments were fairly limited and were generally executed at market-based prices.
2 Corporate Activities also includes costs for regional holdings, corporate overhead and share-based compensation.
3 R&D costs relate to the functional area Research and development and exclude R&D costs included in the functional areas Cost of sales and Marketing and sales as well as R&D expenditure capitalized.
4 The workforces of joint ventures have been included on a proportionate basis.
5 Including the reversal of previously recognized impairment losses of € 12 million at DSM Sinochem Pharmaceuticals.

Geographical information

2012	Continuing operations										
	The Nether-lands	Rest of Western Europe	Eastern Europe	North America	Latin America	China	India	Japan	Rest of Asia	Rest of the world	Total
Net sales by origin											
In € million	3,001	2,317	119	1,468	309	939	95	118	172	50	8,588
In %	35	27	1	17	4	11	1	1	2	1	100
Net sales by destination											
In € million	582	2,430	535	1,607	659	1,317	157	295	780	226	8,588
In %	7	28	6	19	8	15	2	3	9	3	100
Workforce at year-end[1]	5,756	5,127	438	3,714	978	3,449	541	145	746	141	21,035
Intangible assets and Property, plant and equipment											
Capital expenditure	220	105	2	117	6	174	3	2	33	3	665
Carrying amount	1,527	1,251	30	2,373	53	672	18	36	119	14	6,093
Total assets (total DSM)	3,613	2,556	109	3,554	347	1,187	90	134	310	66	11,966
2013											
Net sales by origin											
In € million	2,943	2,257	122	1,707	581	1,033	77	52	237	42	9,051
In %	33	25	1	19	6	11	1	1	3	-	100
Net sales by destination											
In € million	644	2,444	520	1,777	932	1,291	166	234	821	222	9,051
In %	7	27	6	20	10	14	2	3	9	2	100
Workforce at year-end[1]	5,484	5,068	388	3,684	1,948	3,376	633	153	884	239	21,857
Intangible assets and Property, plant and equipment											
Capital expenditure	251	137	2	148	12	183	6	1	10	2	752
Carrying amount	1,654	1,212	36	2,257	346	812	18	30	138	24	6,527
Total assets (total DSM)	3,438	2,528	114	3,209	776	1,337	93	96	328	98	12,017

[1] The workforces of joint ventures have been included on a proportionate basis

DSM has no single external customer that represents 10 percent or more of revenues and therefore information about major customers is not provided.

4 Net sales and costs

Net sales

	2013	2012
Continuing operations before exceptional items		
Goods sold	8,713	8,306
Services rendered	305	270
Royalties from ordinary activities	33	12
Total	**9,051**	**8,588**

Total costs

In 2013 total operating costs of continuing operations before exceptional items amounted to € 8.3 billion, € 0.4 billion higher than in 2012, when these costs stood at € 7.9 billion. Total operating costs in 2013 included Cost of sales to an amount of € 6.6 billion (2012: € 6.2 billion); gross margin in % of net sales stood at 27% (2012: 28%).

Employee benefits costs

	2013	2012
Continuing operations before exceptional items		
Wages and salaries	1,320	1,256
Social security costs	202	187
Pension costs (see also note 23)	116	114
Share-based compensation (see also note 26)	23	25
Total	**1,661**	**1,582**

Depreciation, amortization and impairments

	2013	2012
Continuing operations before exceptional items		
Amortization of intangible assets	150	105
Depreciation of property, plant and equipment	352	303
Impairment losses	12	14
Total	**514**	**422**

The increase in amortization and depreciation in 2013 is mainly due to acquisitions. These contributed € 38 million to Amortization of intangible assets and € 19 million to Depreciation of property, plant and equipment.

Other operating income

	2013	2012
Continuing operations before exceptional items		
Release of provisions	16	-
Gain on sale of assets and activities	18	13
Gain on scrap, waste material, emission rights, royalties and licenses sold	30	13
Insurance benefits	11	8
Claims	-	11
Earn-out payments	-	5
Sundry	18	18
Total	**93**	**68**

Other operating expense

	2013	2012
Continuing operations before exceptional items		
Additions to provisions	2	1
Loss from the disposal or closure of assets and activities	2	1
Exchange differences	6	7
Costs of financial instruments	3	7
Earn-out payments	-	5
Damages	13	9
Sundry	8	2
Total	**34**	**32**

5 Net finance costs

	2013	2012
Continuing operations before exceptional items		
Interest costs		
Interest expense	122	107
Interest relating to defined benefit plans	12	15
Capitalized interest during construction	(9)	(6)
Interest charge on discounted provisions	1	1
Total	**126**	**117**
Other financial income and expense		
Interest income	(2)	(12)
Exchange differences	6	4
Result from other securities	9	1
Sundry	3	(1)
Total	**16**	**(8)**
Net finance costs	**142**	**109**

In 2013 the interest rate applied in the capitalization of interest during construction was 5% (2012: 5%).

6 Exceptional items

	2013	2012
Cost of sales:		
- Impairments of property, plant and equipment and business activities	3	(25)
- Other costs	(14)	(4)
	(11)	(29)
Research and development:		
- Impairment of intangible assets	(170)	-
- Other costs	-	(2)
	(170)	(2)
General and administrative:		
- Impairment of property, plant and equipment	(1)	(1)
- Other costs	(78)	(59)
	(79)	(60)
Other operating income:		
- Release of provisions	18	3
- Book gain on disposals	24	-
- Other income	5	-
	47	3
Other operating expense:		
- Additions to provisions	(53)	(106)
- Other costs	-	-
	(53)	(106)
Operating profit	**(266)**	**(194)**
Other financial income and expense	(4)	-
Total, before income tax expense	**(270)**	**(194)**
Income tax expense	33	45
Net result from exceptional items	**(237)**	**(149)**

2013

The exceptional items in 2013 are listed below:

- The impairments of property, plant and equipment and business activities within Cost of sales relate to DSM Nutritional Products for an amount of € 4 million. Also included are the reversals of an impairment at DSM Sinochem Pharmaceuticals of € 5 million and of an impairment at DSM Pharmaceutical Products of € 2 million. For further information see note 9 Property, plant and equipment.
- The other costs in Cost of sales mainly relate to the inventory step up of the acquisitions.
- The impairment in Research and development mainly relates to the impairment of the goodwill in DSM Pharmaceutical Products of € 152 million (for details see Assets and liabilities held for sale in note 2 Changes in the scope of the consolidation). Furthermore an impairment of development costs in DSM Nutritional Products of € 18 million has been included. For further information see note 8 Intangible assets.
- Other costs in General and administrative relate to restructuring costs (€ 50 million) and acquisition, integration and divestment costs (€ 27 million).
- The release of provisions in Other operating income relates to restructuring provisions (€ 12 million) and other Provisions (€ 6 million). For further information see note 17 Provisions.
- The book gain on disposals in Other operating income relates to the disposal of DEXPlastomers. For further information see note 2 Change in the scope of consolidation.
- Additions to provisions relate to restructuring provisions (€ 41 million) and other provisions (€ 12 million).
- Other financial income and expense mainly relates to the waiver of a loan.

2012

The exceptional items in 2012 are listed below:

- The impairments of property, plant and equipment and business activities in Cost of sales mainly relate to DSM Nutritional Products, DSM Pharmaceutical Products and DSM Sinochem Pharmaceuticals. Also included is the reversal of an impairment at DSM Sinochem Pharmaceuticals of € 12 million. For further information see note 9 Property, plant and equipment.
- Other costs in Cost of sales mainly relate to restructuring costs.
- Other costs in General and administrative relate to acquisition and integration costs (€ 34 million) and restructuring costs (€ 25 million).
- Additions to provisions relate to the costs of restructuring as part of the Profit Improvement Program (€ 95 million) and to legal costs (€ 11 million). For further information see note 17 Provisions.

7 Income tax

The income tax expense on the total result was € 76 million, which represents an effective income tax rate of 21.9% (2012: € 46 million, representing an effective income tax rate of 13.8%) and can be broken down as follows:

	2013	2012
Current tax expense:		
- Current year	(74)	(87)
- Prior-year adjustments	-	5
	(74)	**(82)**
Deferred tax expense:		
- Originating from temporary differences and their reversal	12	(5)
- Prior-year adjustments	7	11
- Change in tax rate	1	6
- Change in tax losses and tax credits recognized	(22)	24
	(2)	**36**
Total	**(76)**	**(46)**
Of which related to:		
- The result from continuing operations before exceptional items	(108)	(95)
- The result from exceptional items, continuing operations	31	38
- The result from discontinued operations	1	11

The effective income tax rate on the result from continuing operations before exceptional items was 17.9% in 2013 (2012: 17.5%). The tax rate for continuing operations for 2014 will be about 18%. The relationship between the income tax rate in the Netherlands and the effective tax rate on the result from continuing operations is as follows:

Effective tax rate

in %	2013	2012
Domestic income tax rate	25.0	25.0
Tax effects of:		
- Deviating rates	(1.2)	(3.8)
- Tax-exempt income and non-deductible expense	(5.5)	(5.6)
- Other effects	(0.4)	1.9
Effective tax rate continuing operations	**17.9**	**17.5**
Discontinued operations	(0.2)	(0.3)
Exceptional items	4.2	(3.4)
Total effective tax rate	**21.9**	**13.8**

The balance of deferred tax assets and deferred tax liabilities decreased by € 111 million owing to the changes presented in the table below:

Deferred tax assets and liabilities

	2013	2012
Balance at 1 January		
Deferred tax assets	340	292
Deferred tax liabilities	(236)	(192)
Total	**104**	**100**
Changes:		
- Income tax expense in income statement	(2)	31
- Income tax expense in other comprehensive income	(17)	47
- Acquisitions and disposals	(96)	(78)
- Exchange differences	17	4
- Reclassification to held for sale	(13)	-
Balance at 31 December	**(7)**	**104**
Of which:		
- Deferred tax assets	369	340
- Deferred tax liabilities	(376)	(236)

In various countries DSM has taken standpoints regarding its tax position which may at any time be challenged, or have already been challenged, by the tax authorities because the authorities in question interpret the law differently. In determining the probability of realization of deferred tax assets and liabilities these uncertainties are taken into account.

The deferred tax assets and liabilities relate to the following balance sheet items:

Deferred tax assets and liabilities by balance sheet item

	2013		2012	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	26	(218)	30	(170)
Property, plant and equipment	26	(267)	22	(266)
Financial assets	4	(3)	2	(2)
Inventories	49	(37)	56	(34)
Receivables	17	(9)	10	(18)
Equity	-	(1)	-	-
Other non-current liabilities	43	(1)	46	(2)
Non-current provisions	68	(5)	81	(5)
Non-current borrowings	1	-	-	-
Other current liabilities	42	(7)	73	(5)
	276	**(548)**	**320**	**(502)**
Tax losses carried forward	265	-	286	-
Set-off	(172)	172	(266)	266
Total	**369**	**(376)**	**340**	**(236)**

No deferred tax assets were recognized for loss carryforwards amounting to €111 million (2012: €91 million). Unrecognized loss carryforwards amounting to €32 million will expire in the years up to and including 2018, (2012: €32 million up to and including 2017), €42 million between 2019 and 2023 (2012: €29 million between 2018 and 2022) and the remaining €37 million between 2024 and 2028 (2012: €30 million between 2023 and 2027).

The valuation of deferred tax assets depends on the probability of the reversal of temporary differences and the utilization of tax loss carryforwards. Deferred tax assets are recognized for future tax benefits arising from temporary differences and for tax loss carryforwards to the extent that the tax benefits are likely to be realized. In the Netherlands tax losses may be carried forward for 9 years. For the entities in the Dutch tax consolidation, losses will start to expire in 2019. DSM has to assess the likelihood that deferred tax assets will be recovered from future taxable profits. Deferred tax assets are reduced if, and to the extent that, it is not probable that all or some portion of the deferred tax assets will be realized. In the event that actual future results differ from estimates, and depending on tax strategies that DSM may be able to implement, changes to the measurement of deferred taxes could be required, which could impact on the company's financial position and profit for the year.

8 Intangible assets

	Goodwill	Licenses and patents	Under construction	Development projects	Other	Total
Balance at 1 January 2012						
Cost	1,281	134	115	22	841	2,393
Amortization and impairment losses	169	71	-	4	363	607
Carrying amount	**1,112**	**63**	**115**	**18**	**478**	**1,786**
Changes in carrying amount:						
- Capital expenditure	-	1	76	-	5	82
- Put into operation	-	32	(59)	1	26	-
- Acquisitions	807	1	-	7	278	1,093
- Amortization	-	(11)	-	(1)	(99)	(111)
- Impairment losses	(1)	(4)	(9)	-	(5)	(19)
- Exchange differences	(31)	(1)	-	(1)	(11)	(44)
- Other reclassifications	1	18	1	-	(14)	6
	776	**36**	**9**	**6**	**180**	**1,007**
Balance at 31 December 2012						
Cost	2,052	185	131	28	1,123	3,519
Amortization and impairment losses	164	86	7	4	465	726
Carrying amount	**1,888**	**99**	**124**	**24**	**658**	**2,793**
Changes in carrying amount:						
- Capital expenditure	-	2	75	7	1	85
- Put into operation	-	4	(85)	21	60	-
- Acquisitions	35	29	-	6	285	355
- Amortization	-	(12)	-	(1)	(142)	(155)
- Impairment losses	(152)	(3)	-	(18)	(4)	(177)
- Exchange differences	(104)	(7)	(1)	-	(43)	(155)
- Reclassification to held for sale	(7)	(28)	(2)	-	(8)	(45)
- Other reclassifications	-	-	-	(2)	6	4
	(228)	**(15)**	**(13)**	**13**	**155**	**(88)**
Balance at 31 December 2013						
Cost	1,660	164	111	59	1,356	3,350
Amortization and impairment losses	-	80	-	22	543	645
Carrying amount	**1,660**	**84**	**111**	**37**	**813**	**2,705**

In 2013 an impairment on Intangible assets of € 177 million was recognized. This mainly related to an impairment of € 152 million at DSM Pharmaceutical Products against goodwill relating to Catalytica (for details see Assets and liabilities held for sale in note 2 Changes in the scope of the consolidation). Furthermore an impairment of development costs in DSM Nutritional Products of € 18 million has been included where certain new production techniques that had been developed were not been taken into operation.

Over the past few years DSM has acquired several entities in business combinations that have been accounted for by the acquisition method, resulting in recognition of goodwill and other intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consults independent, qualified appraisers if appropriate. A change in assumptions and estimates could change the values allocated to certain assets and their estimated useful lives, which could affect the amount or timing of charges to the income statement, such as amortization of intangible assets.

The breakdown of the carrying amount of goodwill at year-end 2013 is as follows:

Goodwill

Acquisition	2013	2012	Cash generating unit	Functional currency	Year of acquisition
NeoResins	358	358	DSM Resins & Functional Materials	EUR	2005
Martek	337	352	DSM Nutritional Products	USD	2011
Fortitech[1]	252	405	DSM Nutritional Products	USD	2012
Ocean Nutrition, Canada	202	227	DSM Nutritional Products	CAD	2012
Tortuga[2]	121	-	DSM Nutritional Products	BRL	2013
Kensey Nash	117	123	DSM Biomedical	USD	2012
The Polymer Technology Group	63	66	DSM Biomedical	USD	2008
Pentapharm	31	32	DSM Nutritional Products	CHF	2007
Cargill Culture and enzymes business	27	23	DSM Food Specialties	EUR/USD	2012
Shandong ICD	23	23	DSM Dyneema	CNY	2011
Unitech[2]	16	-	DSM Nutritional Products	NZD	2013
AGI Corporation	15	17	DSM Resins & Functional Materials	TWD	2011
Novamid	12	15	DSM Engineering Plastics	JPY	2010
Syntech Far East	10	10	DSM Resins & Functional Materials	HKD	2005
Zhejiang Zhongken Biotechnology	9	10	DSM Food Specialties	CNY	2010
C5 Yeast Company	9	9	DSM Bio-based Products & Services	EUR	2011
Verenium	8	9	DSM Food Specialties	USD	2012
Crina	8	8	DSM Nutritional Products	CHF	2006
DSM Japan Engineering Plastics	6	6	DSM Engineering Plastics	EUR	2003
Fatrom	5	5	DSM Nutritional Products	RON	2011
Catalytica	7	166	DSM Pharmaceuticals, Inc.	USD	2001
Other acquisitions	31	24			
	1,667	**1,888**			
Included under Assets held for sale					
Catalytica	(7)				
Total	**1,660**	**1,888**			

[1] Including adjustment to Purchase Price Allocation of -€ 141 million (see also note 2 Change in the scope of the consolidation)
[2] Goodwill related to the acquisition of Tortuga and Unitech is a provisional amount

The cash generating unit DSM Pharmaceutical Products including the goodwill relating to Catalytica has been reclassified to assets held for sale and is discussed in note 2.

The annual impairment tests of goodwill are performed in the fourth quarter. The recoverable amount of the cash generating units concerned is based on a value-in-use calculation. The cash flow projections for the first five years are derived from DSM's business plan (Corporate Strategy Dialogue) as adopted by the Managing Board. Cash flow projections beyond the five year planning period are extrapolated taking into account the growth rates that have been determined to apply for the specific cash generating unit in the Annual Strategic Review. The key assumptions in the cash flow projections relate to the market growth for the cash generating units and the related revenue projections. DSM Nutritional Products, DSM Resins & Functional Materials and DSM Biomedical are three cash generating units to which significant amounts of goodwill are allocated. The growth assumptions for these cash generating units are based on the growth of the global food and feed markets, the demand for advanced coating resins that is influenced by growth in the building and construction markets and the growth of the market for medical devices. Growth rates generally are between 0 and 5 % (same as previous year) with the exception of DSM Biomedical where about 10 % growth is expected.The terminal value for the period after ten years is determined with the assumption of no growth in all cases. The pre-tax discount rate is between 8.5% and 11.5% (2012: between 7.5% and 11.5%) depending on the risk profile of the cash generating unit.

A stress test was performed on the impairment tests of the cash generating units. This showed that the conclusions of these tests would not have been different if reasonably possible adverse changes in key parameters had been assumed. The value-in-use of cash generating units with significant amounts of goodwill clearly exceeded their carrying amount. The market capitalization of DSM at 31 December 2013 amounted to € 10,370 million (31 December 2012: € 8,307 million) and was clearly above the carrying amount of net assets, providing an additional indication that goodwill was not impaired.

The other intangible assets are listed in the following table:

Other intangible assets

				2013	2012
	Cost	Amortization	Carrying amount	Of which acquisition-related	Of which acquisition-related
Application software	191	(133)	58	15	10
Marketing-related	72	(14)	58	58	50
Customer-related	437	(96)	341	328	245
Technology-based	564	(291)	273	235	236
Other	92	(9)	83	56	25
Total	**1,356**	**(543)**	**813**	**692**	**566**
Total 2012	1,123	(465)	658	566	

9 Property, plant and equipment

	Land and buildings	Plant and machinery	Other equip-ment	Under construc-tion	Not used for operating activities	Total
Balance at 1 January 2012						
Cost	1,943	4,867	221	593	27	7,651
Depreciation and impairment losses	883	3,182	159	1	21	4,246
Carrying amount	**1,060**	**1,685**	**62**	**592**	**6**	**3,405**
Changes in carrying amount:						
- Capital expenditure	21	34	5	573	-	633
- Put into operation	136	423	34	(593)	-	-
- Acquisitions	97	92	1	14	-	204
- Disposals	(20)	(3)	-	-	-	(23)
- Depreciation	(68)	(256)	(16)	-	-	(340)
- Impairment losses	(10)	(29)	(1)	(2)	-	(42)
- Impairment reversals	-	12	-	-	-	12
- Exchange differences	(8)	(13)	-	(4)	-	(25)
- Reclassification to held for sale	(1)	(3)	-	(3)	-	(7)
- Other reclassifications	1	3	(3)	(6)	-	(5)
- Other changes	-	2	-	(3)	-	(1)
	148	**262**	**20**	**(24)**	**-**	**406**
Balance at 31 December 2012						
Cost	2,155	5,271	252	570	17	8,265
Depreciation and impairment losses	947	3,324	170	2	11	4,454
Carrying amount	**1,208**	**1,947**	**82**	**568**	**6**	**3,811**
Changes in carrying amount:						
- Capital expenditure	8	65	3	632	-	708
- Put into operation	94	186	23	(303)	-	-
- Acquisitions	90	21	5	-	-	116
- Disposals	(2)	(2)	-	-	-	(4)
- Depreciation	(75)	(292)	(20)	-	-	(387)
- Impairment losses	(3)	(8)	(1)	-	-	(12)
- Impairment reversals	-	8	-	-	-	8
- Exchange differences	(45)	(46)	(3)	(21)	-	(115)
- Reclassification to held for sale	(69)	(169)	(10)	(49)	-	(297)
- Other reclassifications	-	6	(1)	(9)	-	(4)
- Other changes	(1)	2	-	(3)	-	(2)
	(3)	**(229)**	**(4)**	**247**	**-**	**11**
Balance at 31 December 2013						
Cost	2,063	4,650	222	818	19	7,772
Depreciation and impairment losses	858	2,932	144	3	13	3,950
Carrying amount	**1,205**	**1,718**	**78**	**815**	**6**	**3,822**

Property, plant and equipment includes assets acquired under finance lease agreements with a carrying amount of € 17 million (31 December 2012: € 4 million). The related commitments are included under Borrowings and amount to € 17 million (31 December 2012: € 4 million). The total of the minimum lease payments at the balance sheet date amounts to € 17 million (31 December 2012: € 4 million) and their present values to € 15 million (31 December 2012: € 3 million).

Overview of minimum lease payments in time:

	2013	2012
2013	-	1
2014	2	3
2015-2018	5	-
After 2018	10	-
Total	**17**	**4**

In 2013 impairment losses on Property, plant & equipment of € 12 million were recognized. This mainly related to impairments of € 6 million at DSM Nutritional Products and impairments of € 3 million at DSM Fibre Intermediates. Furthermore an impairment of € 1 million was recognized in a cash generating unit of DSM Sinochem Pharmaceuticals, which was more than offset by a reversal of a previous impairment in another cash generating unit of DSM Sinochem Pharmaceuticals of € 6 million. In all cases the recoverable amount was determined on the basis of the value in use of the assets or cash generating units.

In 2012 an impairment on Property, plant & equipment of € 42 million was recognized. This mainly related to an impairment of € 18 million at DSM Nutritional Products and an impairment of € 7 million at DSM Pharmaceutical Products. Furthermore an impairment of € 6 million was recognized in a cash generating unit of DSM Sinochem Pharmaceuticals, which was more than offset by reversals of previous impairments in three other cash generating units of € 12 million. In all cases the recoverable amount was determined on the basis of the value in use of the assets or cash generating units.

10 Associates and other financial assets

	Associates	Other participations	Other receivables	Other deferred items	Total
Balance at 1 January 2012	**35**	**47**	**70**	**18**	**170**
Changes:					
- Share of profits	2	-	-	-	2
- Charged to the income statement	-	(3)	(3)	(7)	(13)
- Acquisitions	-	2	-	-	2
- Capital payments	4	8	-	-	12
- Disposals	-	(3)	-	-	(3)
- Loans granted	-	-	9	-	9
- Repayments	-	-	(1)	-	(1)
- Exchange differences	-	-	(1)	(2)	(3)
- Transfers	-	-	(17)	35	18
- Changes in fair value	-	(8)	-	-	(8)
- Dividend received	(1)	-	-	-	(1)
- Other changes	-	(1)	(3)	1	(3)
Balance at 31 December 2012	**40**	**42**	**54**	**45**	**181**
Changes:					
- Share of profits	(2)	-	-	-	(2)
- Charged to the income statement	-	(10)	3	(3)	(10)
- Acquisitions	26	-	9	-	35
- Capital payments	5	4	-	-	9
- Disposals	-	(2)	-	-	(2)
- Loans granted	-	-	17	-	17
- Repayments	-	-	(2)	-	(2)
- Exchange differences	(1)	-	(3)	(1)	(5)
- Transfers	-	-	24	(6)	18
- Changes in fair value	-	9	-	-	9
- Dividend received	(1)	-	-	-	(1)
- Other changes	-	3	(4)	-	(1)
Balance at 31 December 2013	**67**	**46**	**98**	**35**	**246**

DSM's share in its most important associates and the financial information on all associates on a 100% basis are disclosed in note 28: Interests in associates.

Other participations relate to equity instruments in companies whose activities support DSM’s business and which can be quoted or unquoted. In Other participations an amount of € 29 million is included that relates to equity instruments whose fair value cannot be measured reliably (2012: € 31 million). These instruments are therefore measured at cost.

Other receivables include a deferred receivable of € 39 million excluding accrued interest of € 1 million from Sinochem Group (the joint venture partner in DSM Sinochem Pharmaceuticals) that is due when the new Yushu factory is ready for full commercial production. In 2012 this receivable was included under Other current receivables. The receivable has been reclassified to non-current assets in view of the fact that it is not expected that the Yushu factory will be ready for full commercial production in 2014. DSM has received confirmation from the counterparty that the amount is owed and is confident that technical specifications will be met in due course.

11 Inventories

	2013	2012
Raw materials and consumables	346	533
Intermediates and finished goods	1,379	1,320
	1,725	**1,853**
Adjustments to lower net realizable value	(50)	(50)
Total	**1,675**	**1,803**

The carrying amount of inventories adjusted to net realizable value (before reclassification to held for sale) was € 186 million (2012: € 161 million).

The carrying amount of inventories before reclassification to held for sale was € 1,871 million.

Changes in the adjustment to net realizable value

	2013	2012
Balance at 1 January	**(50)**	**(43)**
Additions charged to income statement	(48)	(57)
Utilization / reversals	35	50
Exchange differences	1	-
Reclassification to held for sale	13	-
Acquisitions	(1)	-
Balance at 31 December	**(50)**	**(50)**

12 Current receivables

	2013	2012
Trade receivables		
Trade accounts receivable	1,502	1,544
Deferred items	26	26
Receivables from associates	18	22
	1,546	**1,592**
Adjustment for bad debts	(20)	(23)
Total Trade receivables	**1,526**	**1,569**
Other current receivables		
Income taxes receivable	25	42
Other taxes and social security contributions	10	18
Government grants	22	21
Loans	25	41
Receivables from joint venture partners	-	54
Interest	2	20
Other receivables	26	29
Deferred items	6	5
Total Other current receivables	**116**	**230**

Deferred items comprise € 32 million (2012: € 31 million) in prepaid expenses that will impact profit or loss in future periods.

In 2012, receivables from joint venture partners included a deferred receivable of € 39 million excluding accrued interest from Sinochem Group (the joint venture partner in DSM Sinochem Pharmaceuticals) that is due when the new Yushu factory is ready for full commercial production. In 2013 this receivable was included under Other financial assets.

With respect to trade accounts receivable that are neither impaired nor past due, there are no indications that the debtors will not meet their payment obligations. An aging overview of trade receivables related to commercial transactions amounting to € 1,379 million (2012: € 1,372 million) is provided below. The remaining balance reported as trade receivables amounting to € 123 million (2012: € 172 million) is excluded from this analysis because it principally concerns reclaimable VAT and accruals that are not related to the payment behavior of customers.

Aging overview

in %	2013	2012
Neither past due nor impaired	85	84
1-29 days overdue	10	12
30-89 days overdue	3	2
90 days or more overdue	2	2

The changes in the allowance for doubtful accounts receivable are as follows:

	2013	2012
Balance at 1 January	(23)	(20)
Additions charged to income statement	(8)	(11)
Deductions	13	8
Acquisitions	(3)	-
Exchange differences	1	-
Balance at 31 December	(20)	(23)

13 Current investments

	2013	2012
Fixed term deposits	19	12
Total	**19**	**12**

14 Cash and cash equivalents

	2013	2012
Deposits	73	75
Cash at bank and in hand	673	1,034
Payments in transit	20	4
Bills of exchange	10	8
Total	**776**	**1,121**

Cash at year-end 2013 was not being used as collateral (same as in 2012). It was restricted for an amount of € 5 million (in 2012: € 5 million).

15 Equity

	2013	2012
Balance at 1 January	**6,042**	**5,974**
Net profit	269	288
Net exchange differences	(232)	(26)
Net actuarial gains/(losses) on defined benefit obligations	15	(90)
Dividend	(276)	(302)
Proceeds from reissue of ordinary shares	268	182
Repurchase of shares	(73)	-
Other changes	85	16
Balance at 31 December	**6,098**	**6,042**

After the balance sheet date the following dividends were declared by the Managing Board:

Dividend

	2013	2012
Per cumulative preference share A: €0.23 (2012: €0.23)	10	10
Per ordinary share: € 1.65 (2012: € 1.50)	287	253
Total	**297**	**263**

The proposed final dividend on ordinary shares is subject to approval by the Annual General Meeting of Shareholders and has not been deducted from Equity. Shareholders will be provided with the opportunity to receive dividends in cash or in the form of ordinary shares.

For a description of the rules of profit appropriation and of the statutory rights attached to preference shares B, see page 214.

Share capital

On 31 December 2013 the authorized capital amounted to € 1,125 million (2012: € 1,125 million), distributed over 330,960,000 ordinary shares, 44,040,000 cumulative preference shares A and 375,000,000 cumulative preference shares B. All shares have a nominal value of € 1.50 each.

The changes in the number of issued and outstanding shares in 2012 and 2013 are shown in the following table.

Overview shares

	Issued shares		Treasury shares
	Ordinary	Cumprefs A	Ordinary
Balance at 1 January 2012	**181,425,000**	**44,040,000**	18,167,612
Reissue of shares in connection with share-based payments			(3,049,509)
Repurchase of shares			-
Dividend in the form of ordinary shares			(2,377,191)
Balance at 31 December 2012	181,425,000	44,040,000	12,740,912
Number of treasury shares at 31 December 2012	(12,740,912)	-	
Number of shares outstanding at 31 December 2012	**168,684,088**	**44,040,000**	
Balance at 1 January 2013	**181,425,000**	**44,040,000**	12,740,912
Reissue of shares in connection with share-based payments			(4,300,163)
Repurchase of shares			1,266,945
Dividend in the form of ordinary shares			(2,246,106)
Balance at 31 December 2013	181,425,000	44,040,000	7,461,588
Number of treasury shares at 31 December 2013	(7,461,588)	-	
Number of shares outstanding at 31 December 2013	**173,963,412**	**44,040,000**	

The average number of ordinary shares outstanding in 2013 was 172,183,369 (2012: 165,543,091). All shares issued are fully paid.

The cumulative preference shares A have been classified as equity because there is no mandatory redemption and distributions to the shareholders are at the discretion of DSM.

On 31 December 2013 no cumulative preference shares B were outstanding.

Share premium

Of the total share premium of €489 million (2012: €489 million), an amount of €110 million (2012: €112 million) can be regarded as entirely free of tax.

Treasury shares

On 31 December 2012 DSM possessed 12,740,912 ordinary shares (nominal value €19 million, 5.7% of the share capital). The average purchase price of the ordinary treasury shares was €37.61. As at 31 December 2012, 3,869,841 of the total number of treasury shares outstanding were held for servicing management and personnel share-option rights. The remainder, 8,871,071 shares, is the balance of shares that were purchased under the company's share buy-back program in 2007 and 2008 and shares that were reissued as stock dividend in 2011 and 2012.

On 31 December 2013 DSM possessed 7,461,588 ordinary shares (nominal value €11 million, 3.3% of the share capital). The average purchase price of the ordinary treasury shares was €39.43. As at 31 December 2013, 836,623 of the total number of treasury shares outstanding were held for servicing management and personnel share-option rights. The remainder, 6,624,965 shares, is the balance of shares that were purchased under the company's share buy-back program in 2007 and 2008 and shares that were reissued as stock dividend in 2011, 2012 and 2013.

Other reserves in Shareholder's equity

	Translation reserve	Hedging reserve	Reserve for share-based compensation	Fair value reserve	Total
Balance at 1 January 2012	**271**	**(21)**	**40**	**(16)**	**274**
Changes:					
Fair-value changes of derivatives	-	(44)	-	-	(44)
Release to income statement	-	22	-	-	22
Fair-value changes of other financial assets	-	-	-	(8)	(8)
Exchange differences	(28)	-	-	-	(28)
Options and performance shares granted	-	-	18	-	18
Options and performance shares exercised/cancelled	-	-	(13)	-	(13)
Income tax	1	13	-	-	14
Total changes	(27)	(9)	5	(8)	(39)
Balance at 31 December 2012	**244**	**(30)**	**45**	**(24)**	**235**
Changes:					
Fair-value changes of derivatives	-	68	-	-	68
Release to income statement	-	(27)	-	-	(27)
Release to shares of subsidiaries (acquisition)	-	(10)	-	-	(10)
Fair-value changes of other financial assets	-	-	-	9	9
Exchange differences	(228)	-	-	-	(228)
Options and performance shares granted	-	-	20	-	20
Options and performance shares exercised/cancelled	-	-	(24)	-	(24)
Income tax	-	(8)	-	-	(8)
Total changes	(228)	23	(4)	9	(200)
Balance at 31 December 2013	**16**	**(7)**	**41**	**(15)**	**35**

The significant reduction in the translation reserve in 2013 amounting to €228 million is the result of the strengthening of the Euro in 2013. As a consequence the value of the US and Brazilian subsidiaries of DSM decreased which is the main cause of the negative exchange difference.

16 Earnings per ordinary share

in €	Continuing operations			Discontinued operations	Total
	Before exceptional items	Exceptional items	Total		
2012					
Net profit available to holders of ordinary shares (in € million)[1]	**429**	**(149)**	**280**	**(12)**	**268**
- Basic earnings	**2.59**	**(0.80)**	**1.79**	**(0.17)**	**1.62**
- Impact of reclassification of net result from activities disposed of	-	(0.10)	(0.10)	0.10	-
- Basic earnings after reclassification of net result from discontinued operations to exceptional items	2.59	(0.90)	1.69	(0.07)	1.62
- Diluted earnings	**2.57**	**(0.80)**	**1.77**	**(0.16)**	**1.61**
- Impact of reclassification of net result from activities disposed of	-	(0.10)	(0.10)	0.10	-
- Diluted earnings after reclassification of net result from discontinued operations to exceptional items	2.57	(0.90)	1.67	(0.06)	1.61
- Dividend distributed in the period (including stock dividend)					1.48
- Dividend for the year					1.50
- Average number of ordinary shares outstanding (x 1000)					165,543
- Effect of dilution due to share options (x 1000)					1,345
- Adjusted average number of ordinary shares (x 1000)					166,888
2013					
Net profit available to holders of ordinary shares (in € million)[1]	**489**	**(237)**	**252**	**9**	**261**
- Basic earnings	**2.84**	**(0.45)**	**2.39**	**(0.87)**	**1.52**
- Impact of reclassification of net result from activities disposed of	-	(0.93)	(0.93)	0.93	-
- Basic earnings after reclassification of net result from discontinued operations to exceptional items	2.84	(1.38)	1.46	0.06	1.52
- Diluted earnings	**2.82**	**(0.44)**	**2.38**	**(0.87)**	**1.51**
- Impact of reclassification of net result from activities disposed of	-	(0.92)	(0.92)	0.92	-
- Diluted earnings after reclassification of net result from discontinued operations to exceptional items	2.82	(1.36)	1.46	0.05	1.51
- Dividend distributed in the period (including stock dividend)					1.52
- Dividend for the year					1.65
- Average number of ordinary shares outstanding (x 1000)					172,183
- Effect of dilution due to share options (x 1000)					1,200
- Adjusted average number of ordinary shares (x 1000)					173,383

[1] Reconciliation to profit for the year is provided in the consolidated income statement

17 Provisions

The total of non-current and current provisions decreased by € 43 million. This is the balance of the following changes:

	Restructuring costs and termination benefits	Environmental costs	Other long-term employee benefits	Other provisions	Total
Balance at 1 January 2012	**42**	**34**	**42**	**41**	**159**
Of which current	16	4	4	19	43
Changes in 2012:					
- Additions	99	1	10	12	122
- Releases	(2)	-	-	(1)	(3)
- Uses	(51)	(5)	(3)	(23)	(82)
- Acquisitions	-	-	-	1	1
- Exchange differences	1	-	-	-	1
- Reclassifications from/to held for sale	-	-	-	-	-
- Other Reclassifications	5	3	-	-	8
Total changes	52	(1)	7	(11)	47
Balance at 1 January 2013	**94**	**33**	**49**	**30**	**206**
Of which current	62	6	4	9	81
Changes in 2013:					
- Additions	53	3	6	16	78
- Releases	(26)	(1)	-	(6)	(33)
- Uses	(54)	(3)	(4)	(22)	(83)
- Acquisitions	-	-	-	7	7
- Exchange differences	(1)	(1)	-	(2)	(4)
- Reclassifications from/to held for sale	-	-	(8)	-	(8)
- Other Reclassifications	-	-	-	-	-
Total changes	(28)	(2)	(6)	(7)	(43)
Balance at 31 December 2013	**66**	**31**	**43**	**23**	**163**
Of which current	50	5	4	7	66

In cases where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used is based on swap rates for various terms, increased by 57 to 100 basis points depending on those terms. The balance of provisions measured at present value increased by € 1 million in 2013 in view of the passage of time and decreased by € 2 million due to the change in the discount rate.

The provisions for restructuring costs and termination benefits mainly relate to the costs of redundancy schemes connected to the dismissal and transfer of employees and costs of termination of contracts. These provisions have an average life of 1 to 3 years.

The provisions for environmental costs relate to soil clean-up obligations, among other things. These provisions have an average life of more than 10 years.

The provisions for other long-term employee benefits mainly relate to length-of-service and end-of-service payments.

Several items have been combined under Other provisions, for example onerous contracts and legal settlements. These provisions have an average life of 1 to 3 years.

The additions to the provisions for restructuring costs and termination benefits in 2013 mainly relate to the restructuring projects in connection with the Profit Improvement Program.

18 Borrowings

	2013		2012	
	Total	Of which current	Total	Of which current
Debenture loans	2,040	500	1,734	-
Private loans	245	50	320	135
Finance lease liabilities	17	2	4	1
Credit institutions / commercial paper	291	291	506	506
Total	**2,593**	**843**	**2,564**	**642**

In agreements governing loans with a residual amount at year-end 2013 of €2,149 million, of which €500 million of a short-term nature (31 December 2012: €1,962 million, of which USD 150 million of a short-term nature), clauses have been included which restrict the provision of security. The documentation of the €300 million bond issued in November 2005 (which was increased by €200 million in September 2008), the documentation of the €750 million bond issued in October 2007, the documentation of the €500 million bond issued in March 2009 and the documentation of the €300 million bond issued in November 2013 include a change-of-control clause. This clause allows the bond investors to request repayment at par if 50% or more of the DSM shares are controlled by a third party and if the company is downgraded below investment grade (< BBB-). In November 2013 Moody's confirmed their A3 credit rating for DSM with a positive outlook. Standard & Poor's reconfirmed DSM's credit rating in 2013, being A with a stable outlook.

At 31 December 2013, there were €307 million in borrowings outstanding with a remaining term of more than five years (at 31 December 2012 there were no borrowings outstanding with a remaining term of more than five years).

The schedule of repayment of borrowings (excluding debt to credit institutions and commercial paper) is as follows:

Borrowings by maturity

	2013	2012
2013	-	136
2014	552	544
2015	655	618
2016	9	9
2017 and 2018	779	751
After 2018	307	-
Total	**2,302**	**2,058**

A breakdown of the borrowings by currency (excluding debt to credit institutions and commercial paper) is given in the following table:

Borrowings by currency

	2013	2012
EUR	2,072	1,753
USD	132	231
CNY	56	48
Other	42	26
Total	**2,302**	**2,058**

On balance, total borrowings increased by € 29 million owing to the following changes:

Movements borrowings

	2013	2012
Balance at 1 January	2,564	2,189
Loans taken up	386	35
Repayments	(152)	(114)
Acquisitions/disposals	52	103
Changes in debt to credit institutions/commercial paper	(239)	361
Exchange differences	(18)	(10)
Balance at 31 December	2,593	2,564

The average effective interest rate on the portfolio of borrowings outstanding in 2013, including hedge instruments related to these borrowings, amounted to 4.2% (2012: 4.3%).

A breakdown of debenture loans is given below:

Debenture loans

			2013	2012
EUR loan	4.00%	2005-2015	494	490
EUR loan	5.25%	2007-2017	746	745
EUR loan	5.75%	2009-2014	500	499
EUR loan	1.75%	2013-2019	300	-
Total			**2,040**	**1,734**

All debenture loans have a fixed interest rate.

The original amount of € 300 million of the 4% EUR loan 2005-2015 was swapped into CHF to hedge the currency risk of net investments in CHF-denominated subsidiaries. This original amount of the loan was pre-hedged (cash flow hedge) in 2005 by means of a forward starting swap, which led to a lower effective fixed interest rate of 3.66%. The loan increase of € 194 million (after discount and fair value adjustments), was swapped to floating rates in August 2009 by means of an interest rate swap (fair value hedge). In August 2011 the swap to floating was unwound and an interest advantage of 1.54% per annum was locked in for the remaining life time. The effective interest rate for the increase now amounts to 3.67%.

At the end of 2013 an amount of € 300 million (year-end 2012: € 325 million) of the 5.25% EUR loan 2007-2017 was swapped into CHF to hedge the currency risk of net investments in CHF-denominated subsidiaries. In 2006 and 2007 the loan had been partly pre-hedged (cash flow hedge) by means of forward starting swaps, leading to a lower effective fixed interest rate of 4.89% for the full loan.

Of the € 500 million 5.75% EUR loan 2009-2014, € 300 million was swapped to floating rates in September 2009 by means of an interest rate swap (fair value hedge). In August 2011 the swap to floating was unwound and an interest advantage of 1.31% per annum was locked in for the remaining life time. The effective interest now amounts to 5.1% for the whole loan.

In November 2013 a new 1.75% EUR bond of € 300 million was issued. The full amount of this bond has been swapped to USD.

In November 2010 pre-hedge contracts were concluded for an intended refinancing in 2014 of the 5.75% EUR loan 2009-2014 at a 10 year interest rate of 3.42% excluding DSM spread.

In November 2011 pre-hedge contracts were concluded for an intended refinancing in 2015 of the 4% EUR loan 2005-2015 at a 10 year interest rate of 3.20% excluding DSM spread. At year-end 2013 the fair value of the pre-hedge contracts amounted to € 77 million negative (year-end 2012: € 112 million negative), which is recognized in the hedging reserve.

A breakdown of private loans is given below:

Private loans

			2013	2012
TWD loan	floating (1 month)	2013-2018	32	-
CNY loan	floating (12 months)	2008-2014	37	36
USD loan	5.51%	2003-2013	-	114
USD loan	5.61%	2003-2015	109	114
Other loans			67	56
Total			**245**	**320**

The fixed interest rate of the 5.51% USD loan 2003-2013 was swapped into a floating rate by means of an interest rate swap (fair value hedge). During 2005 this interest rate swap was unwound. The gain from this transaction is recognized in income over the remaining life of the bond, leading to an effective fixed USD interest rate of 4.29% for the loan. This 5.51% USD loan was assigned as a net investment hedge to hedge the currency risk of net investments in USD-denominated subsidiaries until June 2013.

The currency component of the 5.61% USD loan 2003-2015 was swapped into euros (cash flow hedge). The resulting EUR liability was swapped into CHF to hedge the currency risk of net investments in CHF-denominated subsidiaries (net-investment hedge).

DSM's policy regarding financial-risk management is described in note 22.

19 Other non-current liabilities

	2013	2012
Investment grants	45	49
Deferred items	24	40
Other non-current liabilities	9	5
Total	**78**	**94**

The decrease in deferred items mainly relates to the reclassification to held for sale.

20 Current liabilities

	2013	2012
Trade payables		
Received in advance	12	41
Trade accounts payable	1,269	1,374
Notes and cheques due	21	19
Owing to associates	26	19
Total Trade payables	**1,328**	**1,453**
Other current liabilities		
Income taxes payable	41	55
Other taxes and social security contributions	44	54
Interest	37	51
Pensions	5	5
Investment creditors	172	141
Employee related liabilities	286	290
Other liabilities	15	28
Deferred items	1	4
Total Other current liabilities	**601**	**628**

21 Contingent liabilities and other financial obligations

The contingent liabilities and other financial obligations in the following table are not recognized in the balance sheet.

	2013	2012
Operating leases and rents	61	76
Guarantee obligations on behalf of associates and third parties	151	158
Outstanding orders for projects under construction	11	15
Other	33	10
Total	**256**	**259**

Guarantee obligations are principally related to value added tax and duties on the one hand and to financing obligations of associates on the other. Most of the outstanding orders for projects under construction will be completed in 2014. Property, plant and equipment under operating leases primarily concerns catalysts, buildings and various equipment items.

The commitments for operating leases and rents are spread as follows:

Operating leases and rents

	2013	2012
2013	-	16
2014	12	12
2015	11	11
2016	10	10
2017 and 2018	3	3
After 2018	25	24
Total	**61**	**76**

Litigation

DSM has a process in place to monitor legal claims periodically and systematically.

DSM is involved in several legal proceedings, most of which are related to the ordinary course of business. DSM does not expect these proceedings to result in liabilities that have a material effect on the company's financial position. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized in the financial statements and disclosed in note 17 Provisions.

22 Financial instruments and risks

Policies on financial risks

General

The main financial risks faced by DSM relate to liquidity risk and market risk (comprising interest rate risk, currency risk, price risk and credit risk). DSM's financial policy is aimed at minimizing the effects of fluctuations in currency-exchange and interest rates on its results in the short term and following market rates in the long term. DSM uses financial derivatives to manage financial risks relating to business operations and does not enter into speculative derivative positions. DSM does not hold financial instruments with embedded derivatives. DSM's financial policy, including policies and processes for managing capital, is discussed more extensively on page 110 of the Report by the Managing Board.

Liquidity risk

DSM has two committed credit facilities: one of € 500 million maturing in April 2018 and one of € 500 million refinanced in September 2011 and maturing in September 2016. The latter had an extension option in 2012, which was utilized, bringing the maturity to September 2017. In 2013 the second extension option was executed (to extend the final maturity by another year), which was accepted by all banks but one, i.e. the facility amount in the last year will be € 445 million. Together, the facilities amount to a total of € 1,000 million (2012: € 900 million). Furthermore, DSM has a commercial-paper program amounting to € 1,500 million (2012: € 1,500 million). The company will use the commercial-paper program to a total of not more than € 1,000 million (2012: € 900 million). The agreements for the committed credit facilities neither have financial covenants nor material adverse changes clauses. At year-end 2013 no loans had been taken up under the committed credit facilities. DSM has no derivative contracts to manage currency risk or interest rate risk outstanding under which margin calls by the counterparty would be permitted.

Floating-rate and fixed-rate borrowings and short-term monetary liabilities analyzed by maturity are summarized in the following table. Borrowings excluding credit institutions are shown after taking into account related interest rate derivatives in designated hedging relationships. DSM manages financial liabilities and related derivative contracts on the basis of the remaining contractual maturities of these instruments. Therefore the remaining maturities presented in the following table provide an appropriate understanding of the timing of the cash flows related to these instruments, and amounts are not expected to differ from those reported. Financial assets are not linked to financial liabilities in order to meet cash outflows on these liabilities.

Borrowings and short-term monetary liabilities by maturity

2012	Fixed-rate borrowings	Floating-rate borrowings	Short-term monetary liabilities	Subtotal	Interest payments	Cash at[1] redemption	Total cash out
Within 1 year	121	16	2,587	2,724	95	-	2,819
Within 1 to 2 years	505	38	-	543	69	2	614
Within 2 to 3 years	618	-	-	618	57	9	684
Within 3 to 4 years	1	8	-	9	37	-	46
Within 4 to 5 years	751	-	-	751	30	5	786
After 5 years	-	-	-	-	-	-	-
Total	**1,996**	**62**	**2,587**	**4,645**	**288**	**16**	**4,949**
2013							
Within 1 year	508	44	2,220	2,772	78	-	2,850
Within 1 to 2 years	612	43	-	655	67	6	728
Within 2 to 3 years	3	6	-	9	46	-	55
Within 3 to 4 years	762	6	-	768	39	4	811
Within 4 to 5 years	8	3	-	11	8	-	19
After 5 years	307	-	-	307	7	-	314
Total	**2,200**	**102**	**2,220**	**4,522**	**245**	**10**	**4,777**

[1] Difference between nominal redemption and amortized costs

Interest rate risk

DSM's interest rate risk policy is aimed at minimizing the interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. This policy translates into a certain desired profile of fixed-interest and floating-interest positions, including cash and cash equivalents, with the floating-interest position in principle not exceeding 60% of net debt.

On 31 December 2013, DSM had no outstanding fixed-floating interest rate swaps other than the pre-hedges for refinancing in 2014 and 2015, respectively (see note 18).

The following analysis of the sensitivity of borrowings and related financial derivatives to interest rate movements assumes an instantaneous 1% change in interest rates for all currencies and maturities from their level on 31 December 2013, with all other variables held constant. A 1% reduction in interest rates would result in a €4 million pre-tax loss in the income statement on the basis of the composition of financial instruments on 31 December 2013 as floating-rate borrowings are more than compensated for by floating-rate assets (mainly cash). The opposite applies in the case of a 1% increase in interest rates. The sensitivity of the fair value of financial instruments on 31 December 2013 to changes in interest rates is set out in the following table.

Sensitivity of fair value to change in interest rate

	2013				2012			
	Carrying amount	Fair value	Sensitivity of fair value to change in interest of:		Carrying amount	Fair value	Sensitivity of fair value to change in interest of:	
			+1%	(1%)			+1%	(1%)
Current investments	19	19	-	-	12	12	-	-
Cash and cash equivalents	776	776	-	-	1,121	1,121	-	-
Short-term borrowings	(843)	(849)	1	(1)	(642)	(646)	1	(1)
Long-term borrowings	(1,750)	(1,927)	61	(64)	(1,922)	(2,142)	63	(66)
Interest rate swaps (fixed to floating and pre-hedges)	(77)	(77)	87	(99)	(112)	(112)	90	(104)

Currency risk

It is DSM's policy to hedge 100% of the currency risks resulting from sales and purchases at the moment of recognition of the trade receivables and trade payables. In addition, operating companies may – under strict conditions – opt for hedging currency risks from firm commitments and forecasted transactions. The currencies giving rise to these risks are primarily USD, GBP and JPY. The risks arising from currency exposures are regularly reviewed and hedged when appropriate. DSM uses average-rate currency forward contracts, currency forward contracts, spot contracts, and average-rate currency options to hedge the exposure to fluctuations in foreign exchange rates. At year-end, these instruments had remaining maturities of less than one year.

To hedge intercompany loans, receivables and payables denominated in currencies other than the functional currency of the subsidiaries, DSM uses currency swaps or forward contracts. Only for some larger internal loans with a total notional amount of €1,414 million, hedge accounting is applied for these instruments. On 31 December 2013, the notional amount of the currency forward contracts was €3,713 million (2012: €3,458 million).

In 2013 DSM hedged USD 707 million (2012: USD 919 million) of its projected net cash flow in USD in 2014, of which USD 257 million against EUR and USD 450 million against CHF by means of average-rate currency forward contracts at an average exchange rate of USD 1.33 per euro and CHF 0.93 per US dollar, respectively, for the four quarters of 2014. In 2013 DSM also hedged JPY 5,100 million (2012: JPY 5,100 million) of its projected net cash flow in JPY in 2014, of which JPY 4,000 million against Swiss franc and JPY 1,100 million against the euro by means of average-rate currency forward contracts at an average exchange rate of JPY 104 per Swiss franc and JPY 128 per euro, respectively, for the four quarters of 2014. DSM also continued the hedge of projected GBP cash obligations against CHF: GBP 50 million at an average exchange rate of CHF 1.42 per British pound. These hedges have fixed the exchange rate for part of the USD and JPY receipts and GBP payments in 2014. Cash flow hedge accounting is applied for these hedges. As a result of similar hedges concluded in 2012 for the year 2013, in 2013 €24 million positive (2012: €25 million negative) was recognized in the operating income of the segments involved in accordance with the realization of the expected cash flows. There was no material ineffectiveness in relation to these hedges.

The currency risk associated with the translation of DSM's net investment in entities denominated in currencies other than the euro was partially hedged at year-end 2013. CHF-denominated net assets have been partially hedged by currency swaps (2013: CHF 994 million; 2012: CHF 1,061 million). With the redemption of the USD loan 2003-2013 USD-denominated net assets are no longer being hedged (2012: USD 150 million). There was no material ineffectiveness in relation to these hedges.

The following analysis of the sensitivity of net borrowings and derivative financial instruments to currency movements against the euro assumes a 10% change in all foreign currency rates against the euro from their level on 31 December, with all other variables held constant. A +10% change indicates a strengthening of the foreign currencies against the euro. A -10% change represents a weakening of the foreign currencies against the euro.

In 2013 no gains or losses relating to fair value hedges were included in Other financial income and expense (2012: no gains or losses).

Sensitivity of fair value to change in exchange rate

	2013				2012			
	Carrying amount	Fair value	Sensitivity of fair value to change in all exchange rates of:		Carrying amount	Fair value	Sensitivity of fair value to change in all exchange rates of:	
			+10%	(10%)			+10%	(10%)
Current investments	19	19	-	-	12	12	-	-
Cash and cash equivalents	776	776	38	(38)	1,121	1,121	56	(56)
Short-term borrowings	(843)	(849)	(12)	12	(642)	(646)	(24)	24
Long-term borrowings	(1,750)	(1,927)	(20)	20	(1,922)	(2,142)	(20)	20
Interest rate swaps	(77)	(77)	-	-	(112)	(112)	-	-
Cross currency swaps	58	58	(236)	236	(53)	(53)	(216)	216
Currency forward contracts	-	-	13	(13)	14	14	29	(29)
Cross currency swaps related to net investments in foreign entities[1]	(73)	(73)	(89)	89	(113)	(113)	(92)	92
Average-rate forwards used for economic hedging[2]	28	28	(17)	17	27	27	(28)	28

[1] Fair-value change reported in Translation reserve
[2] Fair-value change reported in Hedging reserve

Fair-value changes on these positions will generally be recognized in profit or loss, with the exception of the instruments for which cash flow hedge accounting or net-investment hedge accounting is applied. Cash flow hedge accounting is applied for the average rate forwards and average-rate currency options used for economic hedging; the fair value changes of these derivatives are recognized in the Hedging reserve in equity until recognition of the related cash flows. Net-investment hedge accounting is applied for the cross currency swaps used to protect net investments in foreign entities; the fair-value changes of these derivatives are recognized in the Translation reserve in equity until the net investment is disposed of, to the extent that the changes in fair value are caused by changes in currency-exchange rates.

Price risk

Financial instruments that are subject to changes in stock exchange prices or indexes are subject to a price risk. At year-end 2013 price risks related to investments in securities were limited.

Credit risk

DSM manages the credit risk to which it is exposed by applying credit limits per institution and by dealing exclusively with institutions having a high credit rating.

At the balance sheet date there were no significant concentrations of credit risk.

With regard to treasury activities it is ensured that financial transactions are only concluded with counterparties that have at least a Moody's credit rating of A3 for long-term instruments. At business group level, outstanding receivables are continuously monitored by the management of the operating companies. Appropriate allowances are made for any credit risks that have been identified (as listed in note 12). It is therefore unlikely that significant losses will arise in relation to receivables that have not been provided for.

The maximum exposure to credit risk is represented by the carrying amounts of financial assets that are recognized in the balance sheet, including derivative financial instruments. No significant agreements or financial instruments were available at the reporting date that would reduce the maximum exposure to credit risk. Information about financial assets is presented in note 10 Associates and Other financial assets, note 12 Current receivables, note 13 Current investments, note 14 Cash and cash equivalents and note 22 Financial instruments and risks.

Fair value of financial instruments

In the following table the carrying amounts and the estimated fair values of financial instruments are disclosed:

	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Other participations	46	46	42	42
Other non-current receivables	98	98	54	54
Current receivables	1,642	1,642	1,799	1,799
Financial derivatives	126	126	62	62
Current investments	19	19	12	12
Cash and cash equivalents	776	776	1,121	1,121
Liabilities				
Non-current borrowings	1,750	1,927	1,922	2,142
Other non-current liabilities	78	78	94	94
Current borrowings	843	849	642	646
Financial derivatives	190	190	299	299
Other current liabilities	1,929	1,929	2,081	2,081

The following methods and assumptions were used to determine the fair value of financial instruments: cash, current investments, current receivables, current borrowings and other current liabilities are stated at carrying amount, which approximates fair value in view of the short maturity of these instruments. The fair values of financial derivatives and long-term instruments are based on calculations, quoted market prices or quotes obtained from intermediaries.

The portfolio of derivatives consists of average rate forward contracts that are valued against average foreign exchange forward rates obtained from Bloomberg and other derivatives that are valued using a discounted cash flow model, applicable market yield curves and foreign exchange spot rates. All inputs for the fair value calculations represent observable market data that are obtained from external sources that are deemed to be independent and reliable.

DSM uses the following hierarchy for determining the fair value of financial instruments measured at fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the fair value that are not based on observable market data.

The following table shows the carrying amounts of the financial derivatives recognized, broken down by type and purpose:

Carrying amounts financial derivatives

	Fair value hierarchy	Assets	Liabilities	Total
Interest rate swaps	Level 2	-	(112)	(112)
Currency swaps	Level 2	16	(182)	(166)
Total financial derivatives related to borrowings		**16**	**(294)**	**(278)**
Currency forward contracts	Level 2	46	(5)	41
Balance at 31 December 2012		**62**	**(299)**	**(237)**
Interest rate swaps	Level 2	-	(77)	(77)
Currency swaps	Level 2	91	(106)	(15)
Total financial derivatives related to borrowings		**91**	**(183)**	**(92)**
Currency forward contracts	Level 2	35	(7)	28
Balance at 31 December 2013		**126**	**(190)**	**(64)**

During the year there were no transfers between individual levels of the fair value hierarchy.

23 Post-employment benefits

The group operates a number of defined benefit plans and defined contribution plans throughout the world, the assets of which are generally held in separately administered funds. The pension plans are generally funded by payments from employees and from the relevant group companies. The group also provides certain additional healthcare benefits to retired employees in the US.

Post-employment benefits relate to obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of post-employment benefits over the employee's approximate service period, based on the terms of the plans and the investment and funding. The accounting requires management to make assumptions regarding variables such as discount rate, future salary increases, life expectancy, and future healthcare costs. Management consults with external actuaries regarding these assumptions at least annually for significant plans.

Changes in these key assumptions can have a significant impact on the projected defined benefit obligations, funding requirements and periodic costs incurred.

The charges for pension costs recognized in the income statement (note 4) relate to the following:

Pension costs

	2013	2012
Defined benefit plans:		
- Pension plans included in operating profit	22	17
- Healthcare plans	1	2
- Other post-employment benefits	1	2
Defined contribution plans	92	93
Total continuing operations	**116**	**114**
Discontinued operations	9	11
Pension plans included in financial income and expense	12	15
Total	**137**	**140**

On 1 January 2013 accounting for defined benefit pension plans changed as a result of the introduction of the revised IAS 19, 'Employee Benefits'. The changes have been applied retroactively and 2012 was restated in accordance with the amended standard. The impact of the restatement on the opening balance of the previous year is immaterial and therefore

not disclosed. Three important changes were introduced by IAS 19R.

- The application of the corridor mechanism was abolished, which means that all actuarial gains and losses had to be recognized in other comprehensive income immediately. This change will not impact DSM because immediate recognition of actuarial gains and losses has already been applied since 2006.
- The expected returns on pension assets were no longer used for the determination of annual pension costs. Instead, interest costs or benefits were calculated on the net balance of pension assets and liabilities. Because the expected return on plan assets was usually higher than the discount rate, this change has increased the annual defined benefit pension costs.
- Net interest expense which used to be presented in operating profit is now reported in financial income and expense. As a consequence € 12 million was included in financial income and expense in 2013 (2012: € 15 million) which was previously reported in operating profit.

For 2014, costs for the defined benefit plans relating to pensions and healthcare will be € 46 million (2013: € 36 million).

Changes in Employee benefits liabilities recognized in the balance sheet are disclosed in the following overview:

Employment benefits liabilities

	2013	2012
Balance at 1 January	**(430)**	**(328)**
Changes:		
- Balance of actuarial gains/(losses)	21	(133)
- Employee benefits costs	(39)	(24)
- Contributions by employer	47	53
- Exchange differences	4	1
- Reclassification from/to held for sale	37	(2)
- Other changes	-	3
Total changes	**70**	**(102)**
Balance at 31 December	**(360)**	**(430)**

The Employee benefits liabilities of € 360 million (2012: € 430 million) consist of € 322 million (2012: € 386 million) related to pensions, € 25 million (2012: € 31 million) related to healthcare and other costs and € 13 million (2012: € 13 million) related to other post-employment benefits.

Pensions

The DSM group companies have various pension plans, which are geared to the local regulations and practices in the countries in which they operate. As these plans are designed to comply with the statutory framework, tax legislation, local customs and economic situation of the countries concerned, it follows that the nature of the plans varies from country to country. The plans are based on local legal and contractual obligations.

Defined benefit plans are applicable to certain employees in Germany, the UK, Switzerland and the US. The rights that can be derived from these plans are based primarily on length of service and the majority of the plans are based on final salary. The majority of the obligations are funded and have been transferred to independent pension funds and life-insurance companies.

The most important unfunded plans are in Germany. They amount to € 252 million (2012: € 250 million).

The changes in the present value of the defined benefit obligations and in the fair value of plan assets of the major plans are listed below:

Present value of defined benefit obligations

	2013	2012
Balance at 1 January	**1,317**	**1,105**
Changes:		
- Service costs	31	27
- Interest costs	36	42
- Contributions by employees	12	12
- Actuarial (gains)/losses	(9)	183
- Past service costs	(6)	(8)
- Curtailments	-	(1)
- Exchange differences	(23)	2
- Benefits paid	(42)	(45)
Balance at 31 December	**1,316**	**1,317**

Fair value of plan assets

	2013	2012
Balance at 1 January	**931**	**817**
Changes:		
- Interest income on plan assets	23	40
- Actuarial gains/(losses)	7	54
Actual return on plan assets	**30**	**94**
- Contributions by employer	46	50
- Contributions by employees	13	12
- Exchange differences	(20)	3
- Benefits paid	(42)	(45)
Balance at 31 December	**958**	**931**

The amounts recognized of these major plans in the balance sheet are as follows:

	2013	2012
Present value of funded obligations	(1,031)	(1,036)
Fair value of plan assets	958	931
	(73)	**(105)**
Present value of unfunded obligations	(285)	(281)
Funded status	**(358)**	**(386)**
Effect of asset ceiling	-	-
Net liabilities / net assets	**(358)**	**(386)**
Of which:		
- Liabilities (Employee benefits liabilities)	(358)	(386)
- Assets (Prepaid pension costs)	-	-

The changes in the net assets / liabilities recognized in the balance sheet are as follows:

	2013	2012
Balance at 1 January	**(386)**	**(288)**
Expense recognized in the income statement	(37)	(20)
Actuarial gains/(losses) recognized directly in Other comprehensive income during the year	16	(129)
Contributions by employer	46	50
Exchange differences	3	1
Balance at 31 December	**(358)**	**(386)**

In 2014 DSM is expected to contribute € 44 million (actual 2013: € 47 million) to its defined benefit plans.

The major categories of pension-plan assets as a percentage of total plan assets are as follows:

Pension-plan assets by category

	2013	2012
Bonds	54%	59%
Equities	34%	27%
Property	7%	7%
Other	5%	7%

The pension-plan assets include neither ordinary DSM shares nor property occupied by DSM.

The total expense recognized in the income statement is as follows:

Costs major defined benefit plans

	2013	2012
Current service costs	29	26
Net interest costs	12	15
Past service costs	(7)	(8)
(Gains)/losses on curtailments	-	(1)
Costs related to defined benefit plans	**34**	**32**

The main actuarial assumptions for the year (weighted averages) are:

Actuarial assumptions

	2013	2012
	Plans outside the[1] Netherlands	Plans outside the[1] Netherlands
Discount rate	3.14%	2.80%
Price inflation	1.92%	1.82%
Salary increase	2.72%	2.69%
Pension increase	2,25-2,6%	2.13%

[1] In the Netherlands there is only one defined benefit plan which is immaterial for the group

Year-end amounts for the current and previous periods are as follows:

Major defined benefit plans per year

	2013	2012	2011	2010	2009
Defined benefit obligations	(1,316)	(1,317)	(1,105)	(5,543)	(4,942)
Plan assets	958	931	817	5,440	4,876
Funded status of asset/(liability)	**(358)**	**(386)**	**(288)**	**(103)**	**(66)**
Experience adjustments on plan assets, gain/(loss)	7	55	(18)	245	485
Experience adjustments on plan liabilities, gain/(loss)	16	(27)	(8)	35	(40)
Gain/(loss) on liabilities due to changes in assumptions	(25)	(157)	(12)	(466)	(336)

Sensitivities of significant actuarial assumptions

The discount rate, the future increase in wages and salaries and the pension increase rate were identified as significant actuarial assumptions. The following impacts on the defined benefit obligation are to be expected:

- A 0.25% increase/decrease in the discount rate would lead to a decrease/increase of 3.1% in the defined benefit obligation.
- A 0.25% increase/decrease in the expected increase in salaries/wages would lead to an increase/decrease of 0.6% in the defined benefit obligation.
- A 0.25% increase/decrease in the expected increase in the rate of pension increase would lead to an increase/decrease of less than 0.9% in the defined benefit obligation.

The sensitivity analysis is based on realistically possible changes as of the end of the reporting year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

Healthcare and other costs

In some countries, particularly in the US, group companies provide retired employees and their surviving dependants with post-employment benefits other than pensions, mainly allowances for healthcare expenses and life-insurance premiums. Some of these are unfunded; in these cases, approved expense claims are reimbursed out of the financial resources of the group companies concerned. These plans are not sufficiently material to warrant the individual disclosures required by IAS 19.

24 Net debt

The development of the components of net debt is as follows:

x € million	Cash and cash equivalents	Current investments	Non-current borrowings	Current borrowings	Credit institutions	Derivatives	Total
Balance at 1 January 2012	**2,058**	**89**	**(2,030)**	**(15)**	**(145)**	**(276)**	**(319)**
Change from operating activities	730	-	-	-	-	28	758
Change from investing activities	(1,856)	(77)	(4)	(99)	-	6	(2,030)
Change from financing activities							
Transfers	276	-	114	(29)	(361)	-	-
Dividend	(210)	-	-	-	-	-	(210)
Proceeds from reissued shares	90	-	-	-	-	-	90
Capital payments of non-controlling interests	15	-	-	-	-	-	15
Derivatives	-	-	-	-	-	5	5
Other	-	-	(2)	-	-	-	(2)
Change from financing activities	171	-	112	(29)	(361)	5	(102)
Exchange differences	18	-	-	7	-	-	25
Total changes	(937)	(77)	108	(121)	(361)	39	(1,349)
Balance at 31 December 2012	**1,121**	**12**	**(1,922)**	**(136)**	**(506)**	**(237)**	**(1,668)**
Change from operating activities	889	-	-	-	-	30	919
Change from investing activities	(1,170)	7	-	(24)	(28)	36	(1,179)
Change from financing activities							
Reclassification from non-current to current	-	-	539	(539)	-	-	-
Transfers	(10)	-	(369)	140	239	-	-
Dividend	(160)	-	-	-	-	-	(160)
Proceeds from reissued shares	145	-	-	-	-	-	145
Repurchase of shares	(73)	-	-	-	-	-	(73)
Capital payments of non-controlling interests	36	-	-	-	-	-	36
Derivatives	-	-	-	-	-	107	107
Other	-	-	(5)	-	-	-	(5)
Change from financing activities	(62)	-	165	(399)	239	107	50
Exchange differences	(2)	-	7	7	4	-	16
Total changes	(345)	7	172	(416)	215	173	(194)
Balance at 31 December 2013	**776**	**19**	**(1,750)**	**(552)**	**(291)**	**(64)**	**(1,862)**

25 Notes to the cash flow statement

The cash flow statement provides an explanation of the changes in cash and cash equivalents. It is prepared on the basis of a comparison of the balance sheets as at 1 January and 31 December. Changes that do not involve cash flows, such as changes in exchange rates, amortization, depreciation, impairment losses and transfers to other balance sheet items, are eliminated.

Changes in working capital due to the acquisition or disposal of consolidated companies are included under Investing activities.

Most of the changes in the cash flow statement can be traced back to the detailed statements of changes for the balance sheet items concerned. For those balance sheet items for which no detailed statement of changes is included, the table below shows the link between the change according to the balance sheet and the change according to the cash flow statement:

Change in operating working capital

	2013	2012
Operating working capital		
Balance at 1 January	1,919	1,776
Balance at 31 December	1,873	1,919
Balance sheet change	**(46)**	**143**
Adjustments:		
- Exchange differences	81	20
- Changes in consolidation (including acquisitions and disposals)	(84)	(169)
- Reclassification from / to held for sale	117	(2)
- Transfers / non cash value adjustments	6	24
Total change in operating working capital according to the cash flow statement	**74**	**16**

In 2013 the operating working capital of continuing operations, was € 1,873 million, which amounts to 21.1% of annualized fourth quarter net sales (2012: 20.7%). Besides the business impact this increase was due to acquisitions, disposals and an exchange rate effect.

26 Share-based compensation

Under the DSM Stock Incentive Plan, performance-based and non-performance-based stock options or Share Appreciation Rights (SARs) are granted to senior management. Such a grant takes place on the first day on which the DSM stock is quoted ex-dividend following the Annual General Meeting of Shareholders. The opening price of the DSM stock on that day is the exercise price of the stock options and SARs.

Since 2011 only stock options have been granted, and Share Appreciation Rights are no longer used as share-based compensation.

Stock Options and SARs have a term of eight years and are subject to a vesting period of three years. After this three-year period one third of the stock options and SARs (non-performance-related) will vest and two thirds of the stock options and SARs that are performance based will become exercisable in whole, in part, or not at all, depending on the total shareholder return (TSR) achieved by DSM in comparison with a peer group. Non-vested performance based stock options and SARs will be forfeited. If employment is terminated prior to the vesting date, specific rules regarding vesting and forfeitures apply. The exercise of stock incentives is regulated.

Since 2010 only performance shares have been granted to the members of the Managing Board (no longer stock options). Performance shares vest after three years upon the realization of a predefined performance measure. The performance schedule is the same as that for stock options.

All stock options and performance shares are settled by physical delivery of DSM shares, while SARs are settled in cash.

Overview of stock options and Share Appreciation Rights for management

Year of issue	Outstanding at 31 Dec. 2012	In 2013 Granted	Exercised	Average price (€)	Forfeited/ expired	Outstanding at 31 Dec. 2013	Fair value on grant date (€)	Exercise price (€)	Expiry date
2005	32,400	-	(32,400)	45.65	-	-	6.15	29.05	8 Apr. 2013
2006	384,900	-	(339,675)	50.44	-	45,225	8.95	38.30	31 Mar. 2014
2007	693,751	-	(534,313)	51.23	-	159,438	7.69	33.60	30 Mar. 2015
2008	866,601	-	(493,322)	50.57	-	373,279	5.73	29.79	28 Mar. 2016
2009	896,075	-	(510,375)	50.87	(13,500)	372,200	2.83	21.10	27 Mar. 2017
2010[1,2]	2,599,438	-	(1,139,500)	50.39	(844,813)[3]	615,125	6.07	33.10	6 Apr. 2018
2011[1]	3,018,438	-	(205,200)	52.24	(251,125)[3]	2,562,113	9.60	46.20	2 May 2019
2012[1]	3,280,813	-	(84,250)	53.15	(278,500)[3]	2,918,063	6.88	40.90	15 May 2020
2013[1]	-	3,442,563	(24,000)	57.77	(110,500)[3]	3,308,063	9.23	48.91	7 May 2021
2013 Total	**11,772,416**	**3,442,563**	**(3,363,035)**		**(1,498,438)**	**10,353,506**			
Of which vested	3,382,177					1,823,017			
	at 31 Dec. 2011					at 31 Dec. 2012			
2012 Total	**12,546,766**	**3,304,813**	**(2,786,326)**	**43.23**	**(1,292,837)**	**11,772,416**			
Of which vested	4,104,602					3,382,177			

1 Stock options will partly vest, and may therefore be immediately exercised, upon termination of employment in connection with retirement or early retirement. The remaining term to exercise stock options or SARs after their vesting as a result of retirement or early retirement is limited to three years (the remaining term to exercise in the case of regular vesting is five years).
2 Based on TSR performance, the stock incentives tied to performance granted in 2010 did only partially vest; the remaining part has been forfeited.
3 Number of forfeited options: 844,813 (2010), 243,625 (2011), 267,250 (2012) and 99,250 (2013).

Certain employees in the Netherlands are entitled to employee stock options that are granted on the first day on which the DSM stock is quoted ex-dividend following the Annual General Meeting of Shareholders. The opening price of the DSM stock on that day is the exercise price of the stock options. Employee stock options can immediately be exercised and have a term of 5 years.

Overview of stock options for employees

Year of issue[1]	Outstanding at 31 Dec. 2012	In 2013 Granted	Exercised	Average price (€)	Forfeited/ expired	Outstanding at 31 Dec. 2013	Fair value on grant date (€)	Exercise price (€)	Exercise period until
2008	78,804	-	(69,741)	45.68	(9,063)	-	3.27	29.79	Mar. 2013
2009	105,449	-	(63,397)	50.95	(130)	41,922	2.31	21.10	Mar. 2014
2011	574,010	-	(301,185)	53.11	(18,380)	254,445	10.35	46.20	May 2016
2012	579,805	-	(360,835)	51.39	(6,890)	212,080	6.79	40.90	May 2017
2013	-	284,935	(81,770)	56.05	(3,225)	199,940	6.51	48.91	May 2018
2013 Total	**1,338,068**	**284,935**	**(876,928)**	**51.93**	**(37,688)**	**708,387**			
2012 Total	1,015,276	636,810	(246,183)	43.18	(67,835)	1,338,068			

[1] Based on the 2009 result, no employee option rights were granted in 2010.

Measurement of fair value

The costs of option plans are measured by reference to the fair value of the options at the date at which the options are granted. The fair value is determined using the Black-Scholes model, taking into account market conditions linked to the price of the DSM share. Stock-price volatility is determined on the basis of historical volatilities of the DSM share price measured each month over a period equal to the expected option life. The costs of these options are recognized in the income statement (Employee benefits costs).

The following assumptions were used in the Black-Scholes model to determine the fair value at grant date:

	2013	2012
Management options		
Risk-free rate	0.56%	0.80%
Expected option life in years	6	6
Nominal option life in years	8	8
Share price	48.91	40.90
Exercise price	48.91	40.90
Volatility	29%	28%
Expected dividend	3.07%	3.55%
Fair value of option granted	9.23	6.88
Employee options		
Risk-free rate	0.13%	0.25%
Expected option life in years	2.5	2.5
Nominal option life in years	5	5
Share price	48.91	40.90
Exercise price	48.91	40.90
Volatility	27.5%	34%
Expected dividend	3.07%	3.55%
Fair value of option granted	6.51	6.79

In the costs for wages and salaries an amount of €23 million is included for share-based compensation (2012: €25 million). In the following table the share-based compensation is specified:

Share-based compensation

	2013	2012
Stock options	17	17
Share appreciation rights	4	7
Performance shares	2	1
Total expense	**23**	**25**

27 Interests in joint ventures

DSM's share in its most important joint ventures (joint ventures with a net asset value higher than €25 million on a 100% basis) is disclosed below:

Company	DSM interest 2013	DSM interest 2012
DSM Sinochem Pharmaceuticals, Ltd. (Hong Kong, China)	50%	50%
DEXPlastomers V.o.F. (Heerlen, Netherlands)[1]	-	50%
POET-DSM Advanced Biofuels LLC (Sioux Falls, US)	50%	50%

[1] The stake in this joint venture was divested on 1 March 2013.

The financial data of all joint ventures are included in the consolidated financial statements according to the method of proportionate consolidation. DSM's interests in the assets and liabilities, income and expense of all these joint ventures, are disclosed below (on a proportionate basis):

Joint ventures (proportionate basis)

	2013	2012
Non-current assets	243	168
Current assets	161	233
Non-current liabilities	(42)	(31)
Current liabilities	(161)	(183)
Net assets	**201**	**187**
Net sales	211	256
Expenses	(222)	(266)
Net profit	**(11)**	**(10)**

From 2014 onwards proportionate consolidation for joint ventures will be terminated and replaced by the equity method. DSM's interest in the net assets of the joint ventures will be reported on the line Associates and DSM's interest in profit and loss will be reported in Share of the profit of associates. Comparative information presented in 2014 will be adjusted accordingly.

28 Interests in associates

DSM's share in its most important associates (associates with a net asset value higher than €25 million on a 100% basis) is disclosed below:

Company	DSM interest 2013	DSM interest 2012
Xinhui Meida - DSM Nylon Chips Co., Ltd. (Guangzhou, China)	25%	25%
Yantai André Pectin Co., Ltd. (Yantai City, China)	29%	-

Investments in associates are accounted for by the equity method. The following table provides summarized financial information on all associates on a 100% basis.

Associates (100% basis)

	2013	2012
Non-current assets	169	79
Current assets	128	145
Non-current liabilities	(19)	(48)
Current liabilities	(108)	(123)
Net assets	**170**	**53**
Net sales	420	460
Net result	3	-

29 Related parties

Koninklijke DSM N.V. is the group holding company that is listed on the NYSE Euronext stock exchange in Amsterdam. The financial statements of the company are included in the chapter Parent company financial statements.

In the ordinary course of business, DSM buys and sells goods and services to various related parties in which DSM has significant influence. Transactions are conducted under terms and conditions that are equivalent to those that apply to arm's length transactions.

Transactions and relationships with related parties are reported in the table below.

Transactions with related parties

	2013[1]	2012[1]
Sales to related parties	170	147
Purchases from related parties	244	266
Loans to related parties	12	33
Receivables from related parties	22	32
Payables to related parties	39	40

[1] Relates to continuing operations.

DSM has provided guarantees to third parties for debts of associates for an amount of €82 million (2012: €85 million).

Other related-parties disclosure relates entirely to the key management of DSM, being represented by the company's Managing Board and Supervisory Board.

The total remuneration and related costs (including pension expenditures, other commitments, short-term and long-term incentives) of the current members of the Managing Board amounted to €9.6 million (2012: €6.6 million). The increase was mainly caused by costs in relation to the early retirement of Mr. Gerardu to facilitate succession planning for the Managing Board and the Dutch crisis levy. Total remuneration and related costs includes fixed annual salary including other items to the amount of €3.9 million (2012: €3.3 million), short-term incentives to the amount of €1.8 million (2012: €0.8 million), pension expenditure amounting to €0.5 million (2012: €0.5 million) and long-term incentives amounting to €2.2 million (2012: €1.3 million). In 2013 the costs included an amount of € 1.2 million in respect of the Dutch crisis levy (2012: €0.7 million). For further information about the remuneration of the members of the Managing Board see note 9 to the Parent company financial statements.

Members of the Supervisory Board received a fixed remuneration (included in General and administrative) totaling €0.5 million (2012: €0.5 million).

Further information about the remuneration of Managing Board members and Supervisory Board members and their share option rights is given in the report by the Supervisory Board, from page 122 onwards.

30 Service fees paid to external auditors

The service fees recognized in the financial statements 2013 for the service of EY amounted to €8.0 million (2012: €7.9 million). The amounts per service category are shown in the following table.

	Total service fee		Of which Ernst & Young Accountants LLP (Netherlands)	
	2013	2012	**2013**	2012
Audit of the Group financial statements	4.1	4.8	2.2	2.2
Audit of other (statutory) financial statements	1.6	-	0.8	-
Other assurance services	0.3	0.5	0.1	0.5
Total assurance services	6.0	5.3	3.1	2.7
Tax services	2.0	2.1	-	-
Sundry services	-	0.5	-	-
Total	**8.0**	**7.9**	**3.1**	**2.7**

Parent company financial statements

Balance sheet at 31 December of Koninklijke DSM N.V.

x € million	Notes	2013	2012
Assets			
Non-current assets			
Intangible assets	2	432	424
Property, plant and equipment	3	18	18
Financial assets	4	9,980	12,335
Deferred tax assets		129	114
Other non-current assets		7	2
		10,566	**12,893**
Current assets			
Receivables	5	14	131
Cash and cash equivalents		15	41
		29	**172**
Total		**10,595**	**13,065**
Shareholders' equity and liabilities			
Shareholders' equity	6		
Share capital		338	338
Share premium		489	489
Treasury shares		(294)	(479)
Other reserves		36	439
Retained earnings		5,068	4,809
Profit for the year		271	278
		5,908	**5,874**
Non-current liabilities			
Borrowings	7	1,649	1,848
		1,649	**1,848**
Current liabilities			
Borrowings	7	650	414
Financial derivatives		185	262
Other current liabilities	8	2,203	4,667
		3,038	**5,343**
Total		**10,595**	**13,065**

Income statement

x € million	2013	2012
Share in results of subsidiaries, joint ventures and associates (after income tax expense)	319	405
Other income and expense	(48)	(127)
Net profit attributable to equity holders of Koninklijke DSM N.V.	**271**	**278**

Notes to the parent company financial statements

1 General

Unless stated otherwise, all amounts are in € million.

The Parent company financial statements are the financial statements of Koninklijke DSM N.V., which have been prepared in accordance with accounting principles generally accepted in the Netherlands.

The accounting policies used are the same as those used in the consolidated financial statements, in accordance with the provisions of article 362-8 of Book 2 of the Dutch Civil Code. In these separate financial statements investments in subsidiaries are accounted for using the net asset value. The balance sheet presentation is aligned with the consolidated financial statements in order to enhance transparency and facilitate understanding. In conformity with article 402, Book 2 of the Dutch Civil Code, a condensed income statement is included in the separate financial statements of the parent company.

A list of DSM participations has been filed with the Chamber of Commerce for Limburg (Netherlands) and is available from the company upon request. The list can also be downloaded from the company's website.

Information on the use of financial instruments and on related risks for the group is provided in the Notes to the consolidated financial statements of Royal DSM.

2 Intangible assets

The carrying amount of intangible assets mainly comprises goodwill on the acquisition of NeoResins in 2005 (€ 358 million), Crina in 2006 (€ 8 million) and Pentapharm in 2007 (€ 31 million). For further information on these assets including the discussion of the related impairment tests please refer to note 8: Intangible assets in the Consolidated financial statements.

3 Property, plant and equipment

This item mainly relates to land and buildings and corporate IT projects. Capital expenditure in 2013 was € 2 million (2012: € 9 million), while the depreciation charge in 2013 was € 2 million (2012: € 1 million). The historical cost of property, plant and equipment as at 31 December 2013 was € 59 million (2012: € 57 million); accumulated depreciation amounted to € 41 million (2012: € 39 million).

4 Financial assets

	Subsidiaries		Other loans	Total
	Share in equity	Loans		
Balance at 1 January 2012	**11,794**	**315**	**9**	**12,118**
Changes:				
- Share in profit	405	-	-	405
- Dividend received	(557)	-	-	(557)
- Capital payments	442	-	-	442
- Net actuarial gains/(losses)	(100)	-	-	(100)
- Change in Fair value reserve	(7)	-	-	(7)
- Change in Hedging reserve	62	-	-	62
- Exchange differences	(23)	-	-	(23)
- New loans	-	-	1	1
- Transfers	-	-	(6)	(6)
Balance at 31 December 2012	**12,016**	**315**	**4**	**12,335**
- Changes:				
- Share in profit	319	-	-	319
- Dividend received	(2,901)	-	-	(2,901)
- Capital payments	1,854	-	-	1,854
- Net actuarial gains/(losses)	15	-	-	15
- Change in Fair value reserve	9	-	-	9
- Exchange differences	(231)	-	-	(231)
- New loans	-	-	1	1
- Transfers	(1,461)	-	40	(1,421)
Balance at 31 December 2013	**9,620**	**315**	**45**	**9,980**

Transfers and the main part of dividend received and capital payments relate to the restructuring of the legal set-up of financing companies (Corporate Treasury) within DSM.

5 Receivables

	2013	2012
Receivable from subsidiaries	4	113
Other receivables / deferred items	10	18
Total	**14**	**131**

6 Shareholders' equity

	2013	2012
Balance at 1 January	5,874	5,784
Net profit	271	278
Exchange differences, net of income tax	(228)	(27)
Net actuarial gains/(losses) on defined benefit obligations	15	(90)
Dividend	(271)	(254)
Repurchase of shares	(73)	-
Proceeds from reissue of ordinary shares	268	182
Other changes	52	1
Balance at 31 December	5,908	5,874

For details see the consolidated statement of changes in equity (note 15).

Legal reserve

Since the profits retained in Koninklijke DSM N.V.'s subsidiaries can be distributed, and received in the Netherlands, no legal reserve for retained profits is required. Profits attributable to joint ventures and associates are not material and therefore any related legal reserve is also not material. In Shareholders' equity an amount of € 16 million (2012: € 244 million) is included for Translation reserve, -€ 7 million (2012: -€ 30million) for Hedging reserve and -€ 15 million (2012: -€ 24 million) for Fair value reserve.

7 Borrowings

	2013		2012	
	Total	Of which current	Total	Of which current
Debenture loans	2,040	500	1,734	-
Private loans	109	-	228	114
Commercial paper	150	150	300	300
Total	**2,299**	**650**	**2,262**	**414**

At 31 December 2013, there was one debenture loan (€ 300 million, maturing in 2019) with a remaining term of more than 5 years (none at 31 December 2012).

The repayment schedule for borrowings (excluding commercial paper) is as follows:

Borrowings by maturity

	2013	2012
2013	-	114
2014	500	499
2015	603	604
2016	-	-
2017 and 2018	746	745
2019 through 2023	300	-
Total	**2,149**	**1,962**

In agreements governing loans with a residual amount at year-end 2013 of € 2,149 million, of which € 500 million of a current nature (31 December 2012: € 1,962 million, of which € 114 million of a current nature), clauses have been included which restrict the provision of security. More information on borrowings is provided in note 18 (Borrowings) to the consolidated financial statements.

8 Other current liabilities

	2013	2012
Owing to subsidiaries	2,133	4,585
Other liabilities	34	38
Deferred items	36	44
Total	**2,203**	**4,667**

The decrease of current liabilities, owing to subsidiaries, is mainly caused by the restructuring of the legal set-up of financing companies. See also note 4 Financial assets.

Contingent liabilities

Guarantee obligations on behalf of affiliated companies and third parties amounted to € 164 million (31 December 2012: € 199 million). Koninklijke DSM N.V. has declared in writing that it accepts several liabilities for debts arising from acts in law of a number of consolidated companies. These debts are included in the consolidated balance sheet.

9 Remuneration of key personnel

Remuneration Managing Board

The remuneration of the members of the Managing Board is determined by the Supervisory Board within the framework of the remuneration policy as approved by the Annual General Meeting of Shareholders. More details about the remuneration policy are included in the Report by the Supervisory Board from page 122 onwards.

The remuneration and related costs (including pension expenditure and other commitments and costs related to long term incentives) of the current members of the Managing Board amounted to €9.6 million (2012: €6.6 million). The remuneration of the individual members of the Managing Board was as follows:

Remuneration Managing Board

x € thousand	Salary including other[1] items		Short-term incentive		Pension expenditure		Long-term incentives		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Feike Sijbesma	931	990[2]	481	231	124	124	458	388	1,994	1,733
Stefan Doboczky	639	586	315	117	81	81	281	166	1,316	950
Nico Gerardu	961[3]	583	309	128	137	81	852[4]	258	2,259	1,050
Rolf-Dieter Schwalb	587	579	315	139	81	81	302	258	1,285	1,057
Stephan Tanda	589	583	298	164	81	81	302	258	1,270	1,086
Dimitri de Vreeze[5]	177	-	91	-	17	-	-	-	285	-
Subtotal	**3,884**	**3,321**	**1,809**	**779**	**521**	**448**	**2,195**	**1,328**	**8,409**	**5,876**
Crisis levy									1,215	698
Total									**9,624**	**6,574**

1 Other items include company cars and expense allowance
2 Including a one-time payment in 2012 with respect to 25 years of service
3 Includes a payment of one year fixed salary to Nico Gerardu as a compensation for his willingness to retire early to facilitate succession planning for the Managing Board
4 Includes the impact of early vesting of performance shares
5 As of 1 September 2013

Outstanding and exercised stock incentives

The following table shows the stock incentives of the individual members of the Managing Board and the rights exercised.

Overview of stock options

	Year of issue	Outstanding at 31 Dec. 2012	In 2013 Granted	In 2013 Exercised	In 2013 Forfeited/ expired	Outstanding at 31 Dec. 2013	Average share price at exercise (€)	Exercise price (€)	Expiry date
Feike Sijbesma	2006	15,000	-	(15,000)	-	-	45.73	38.30	31 Mar 2014
	2007	22,500	-	(22,500)	-	-	57.84	33.60	30 Mar 2015
	2008	28,125	-	-	-	28,125		29.79	28 Mar 2016
	2009	18,750	-	-	-	18,750		21.10	27 Mar 2017
	Total	**84,375**	**-**	**(37,500)**	**-**	**46,875**			
Of which vested		84,375				46,875			
Stefan Doboczky	2010	36,000	-	(24,000)	(12,000)	-	50.73	33.10	6 Apr 2018
	Total	**36,000**	-	(24,000)	**(12,000)**	**-**			
Of which vested		-				-			
Nico Gerardu	2006	15,000	-	(15,000)	-	-	48.72	38.30	31 Mar 2014
	2007	22,500	-	(22,500)	-	-	53.24	33.60	30 Mar 2015
	2008	22,500	-	(22,500)	-	-	57.16	29.79	28 Mar 2016
	2009	15,000	-	-	-	15,000		21.10	27 Mar 2017
	Total	**75,000**	**-**	**(60,000)**	**-**	**15,000**			
Of which vested		75,000				15,000			
Rolf-Dieter Schwalb	2007	22,500	-	(22,500)	-	-	55.95	33.60	30 Mar 2015
	2008	22,500	-	-	-	22,500		29.79	28 Mar 2016
	2009	15,000	-	-	-	15,000		21.10	27 Mar 2017
	Total	**60,000**	**-**	**(22,500)**	**-**	**37,500**			
Of which vested		60,000				37,500			
Stephan Tanda	2007	22,500	-	(22,500)	-	-	55.98	33.60	30 Mar 2015
	2008	22,500	-	-	-	22,500		29.79	28 Mar 2016
	2009	15,000	-	-	-	15,000		21.10	27 Mar 2017
	Total	**60,000**	**-**	**(22,500)**	**-**	**37,500**			
Of which vested		60,000				37,500			
Dimitri de Vreeze	2007	15,000	-	(15,000)	-	-	56.03	33.60	30 Mar 2015
	2008	22,500	-	-	-	22,500		29.79	28 Mar 2016
	2009	18,000	-	-	-	18,000		21.10	27 Mar 2017
	2010	27,000	-	-	(9,000)	18,000		33.10	6 Apr 2018
	2011	36,000	-	-	-	36,000		46.20	2 May 2019
	2012	36,000	-	-	-	36,000		40.90	15 May2020
	2013	-	36,000	-	-	36,000		48.91	7 May 2021
	Total	**154,500**	**36,000**	**(15,000)**	**(9,000)**	**166,500**			
Of which vested		55,500				58,500			

Since 2010 the Managing Board has been granted performance shares instead of stock options.

Overview of performance shares

	Year of issue	Outstanding at 31 Dec. 2012	In 2013 Granted	In 2013 Exercised	In 2013 Forfeited / expired	Outstanding at 31 Dec. 2013	Vested as of 31 Dec. 2013	Year of vesting	Share price at date of grant (€)
Feike Sijbesma	< 2010	24,500	-	-	-	24,500	24,500	< 2013	
	2010	28,500	-	-	(17,100)	11,400	11,400	2013	33.10
	2011	24,000	-	-	-	24,000	-		46.20
	2012	31,000	-	-	-	31,000	-		40.90
	2013	-	24,000	-	-	24,000	-		48.91
	Total	**108,000**	**24,000**	**-**	**(17,100)**	**114,900**	**35,900**		
Stefan Doboczky	2011	16,000	-	-	-	16,000	-		46.20
	2012	20,000	-	-	-	20,000	-		40.90
	2013	-	16,000	-	-	16,000	-		48.91
	Total	**36,000**	**16,000**	**-**	**-**	**52,000**	**-**		
Nico Gerardu	< 2010	20,000	-	-	-	20,000	20,000	< 2013	
	2010	19,000	-	-	(11,400)	7,600	7,600	2013	33.10
	2011	16,000	-	-	(8,000)	8,000	8,000	2013	46.20
	2012	20,000	-	-	(10,000)	10,000	10,000	2013	40.90
	2013	-	16,000	-	(8,000)	8,000	8,000	2013	48.91
	Total	**75,000**	**16,000**	**-**	**(37,400)**	**53,600**	**53,600**		
Rolf-Dieter Schwalb	< 2010	16,000	-	-	-	16,000	16,000	< 2013	
	2010	19,000	-	-	(11,400)	7,600	7,600	2013	33.10
	2011	16,000	-	-	-	16,000	-		46.20
	2012	20,000	-	-	-	20,000	-		40.90
	2013	-	16,000	-	-	16,000	-		48.91
	Total	**71,000**	**16,000**	**-**	**(11,400)**	**75,600**	**23,600**		
Stephan Tanda	< 2010	13,956	-	-	-	13,956	13,956	< 2013	
	2010	19,000	-	-	(11,400)	7,600	7,600	2013	33.10
	2011	16,000	-	-	-	16,000	-		46.20
	2012	20,000	-	-	-	20,000	-		40.90
	2013	-	16,000	-	-	16,000	-		48.91
	Total	**68,956**	**16,000**	**-**	**(11,400)**	**73,556**	**21,556**		

Shares
In addition to the performance shares granted under the DSM Stock Incentive Plan, the current members of the Managing Board have themselves invested in DSM shares. At year-end 2013 the current members of the Managing Board together held 66,240 shares (year-end 2012: 64,556) in Koninklijke DSM N.V., excluding vested performance shares.

Loans
The company does not provide any loans to members of the Managing Board.

Remuneration of the members of the Supervisory Board

The total remuneration (annual fixed fee and annual committee membership fee) of the members of the Supervisory Board amounted to €0.5 million (2012: €0.5 million).

The remuneration of the individual members of the Supervisory Board was as follows:

in €	Annual fixed fee	Committee fee	Other costs	Total 2013	Total 2012
Rob Routs, chairman	70,000	12,500	4,250	86,750	78,185
Ewald Kist, deputy chairman	50,000	12,500	8,191	70,691	63,538
Victoria Haynes (from 11 May 2012)	50,000	10,000	16,250	76,250	48,527
Pierre Hochuli	50,000	15,000	4,250	69,250	61,151
Eileen Kennedy (from 11 May 2012)	50,000	5,000	16,250	71,250	45,194
Pauline van der Meer Mohr	50,000	12,500	8,191	70,691	63,538
Claudio Sonder (retired on 3 May 2013)	17,308	5,000	6,625	28,933	67,151
Tom de Swaan	50,000	17,500	8,191	75,691	67,372
Total	**387,308**	**90,000**	**72,198**	**549,506**	**494,656**
Total 2012	360,453	90,165	44,038	494,656	

Heerlen, 24 February 2014

Managing Board,

Feike Sijbesma, CEO/Chairman
Rolf-Dieter Schwalb, CFO
Stefan Doboczky
Stephan Tanda
Dimitri de Vreeze

Heerlen, 25 February 2014

Supervisory Board,

Rob Routs, Chairman
Ewald Kist, Deputy Chairman
Victoria Haynes
Pierre Hochuli
Eileen Kennedy
Pauline van der Meer Mohr
Tom de Swaan

Other information

Independent Auditor's Report on the Financial Statements

To the Shareholders and the Supervisory Board of Royal DSM

Report on the financial statements

We have audited the accompanying financial statements 2013 of Koninklijke DSM N.V. (hereafter: Royal DSM), Heerlen. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The parent company financial statements comprise the company balance sheet as at 31 December 2013, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report by the Managing Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Royal DSM as at 31 December 2013, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Royal DSM as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report by the Managing Board as set out on page 10 to page 122, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report by the Managing Board as set out on page 10 to page 122, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, 25 February 2014

Signed by G.A.M. Aarnink, Ernst & Young Accountants LLP

Independent Assurance Report on Sustainability Information

To the Supervisory Board and shareholders of Royal DSM

Engagement

We have reviewed the Sustainability Information in the accompanying Integrated Annual Report 2013 of Koninklijke DSM N.V. (hereafter Royal DSM). The Sustainability Information comprises the following sections DSM in motion: *driving focused growth*, Growth driver: Sustainability, Stakeholder engagement, People in 2013 and Planet in 2013 (hereafter 'the Sustainability Information'), as included in the Report by the Managing Board on page 10 to page 122 in the Integrated Annual Report 2013.

The sustainability information contains forward-looking information in the form of ambitions, strategy, plans, forecasts and estimates. The fulfilment of such informaton is inherently uncertain. For that reason, we do not provide assurance in respect of the assumptions and the achievement of forward-looking information.

Responsibility

The Managing Board of Royal DSM is responsible for the preparation of the Sustainability Information, stakeholder engagement and the selection of material topics in accordance with the criteria applied. The decisions made by management in respect of the scope of the Integrated Report and the internal reporting guidelines are set forth in the section entitled Reporting policy in the Integrated report from page 110. Our responsibility is to provide limited assurance that the Sustainability Information is correctly presented in accordance with the criteria applied.

Criteria applied

Royal DSM applies the G3 guidelines of the Global Reporting Initiative supported with the internal reporting guidelines as described in the Reporting Policy from page 110. It is important to view the performance data in the context of these criteria. We believe that these criteria are suitable in the view of the purpose of our assurance engagement.

Procedures performed

We conducted our engagement in accordance with Dutch law, including the Dutch Standards 3410N, Assurance Engagements with respect to Sustainability Reports. This requires that we comply with ethical requirements and plan and perform procedures to obtain sufficient and appropriate evidence to substantiate our conclusion. Procedures to obtain limited level of assurance are less extensive in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks, than those for a reasonable level of assurance and therefore less assurance is provided.

The main procedures that we have performed with respect to the Sustainability Information are:

- assessing the suitability of the reporting principles used and its consistent application;
- reviewing the design and existence of systems and processes for information management, internal control and processing of the qualitative and quantitative data in the Sustainability Information, at corporate level;
- interviews of relevant staff at corporate level responsible for the reported information on specific issues including sustainability strategy, employee engagement survey, ECO+ and safety;
- reviewing, on a test basis, whether the qualitative information is supported by sufficient evidence;
- reviewing the environmental data submitted by all sites for central aggregation, together with an assessment of the quality of the data validation process at corporate level;
- reviewing the people data submitted by all Business Groups for central aggregation, together with an assessment of the quality of the data validation process at corporate level;
- reviewing the results of procedures performed as part of the Operational Audits at key Royal DSM sites in 2013 with respect to Sustainability Information carried out by the Corporate Operational Audit department of Royal DSM;
- reviews on the results of people and environmental data trends and the explanations provided in the Sustainability Information and discussed these with management at corporate level;
- media and internet searches on environmental, safety and social issues relating to Royal DSM, to obtain information on relevant sustainability issues in the reporting period;
- evaluating the overall view presented in the Sustainability Information and reviewing it against the GRI application level declared by Royal DSM in the letter of the Chairman from page 6.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our assurance procedures performed to obtain limited assurance on the Sustainability Information, nothing came to our attention that causes us to believe that the Sustainability Information is not, in all material respects, correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the internal reporting criteria as described from page 110

Other

We also report, to the extent of our competence, that information on sustainability in other sections of the Integrated Annual Report is consistent with the Sustainability Information.

Eindhoven, 25 February 2014

Signed by G.A.M. Aarnink, Ernst & Young Accountants LLP

Profit appropriation

According to article 32 of the Articles of Association of Koninklijke DSM N.V. and with the approval of the Supervisory Board, every year the Managing Board determines the portion of the net profit to be appropriated to the reserves. For the year 2013 it has been determined that no amount of the net profit of € 271 million will be appropriated to the reserves. From the profit of € 271 million, dividend is first distributed on the cumulative preference shares B. At the end of 2013 no cumprefs B were in issue. Subsequently, a 4.348% dividend is distributed on the cumulative preference shares A, based on a share price of € 5.29 per cumulative preference share A. For 2013 this distribution amounts to € 0.23 per share, which is € 10 million in total. An interim dividend of € 0.08 per cumulative preference share A having been paid in August 2013, the final dividend will then amount to € 0.15 per cumulative preference share A.

The profit remaining after distribution of these dividends on the cumulative preference shares A (€ 261 million) will be put at the disposal of the Annual General Meeting of Shareholders in accordance with the provisions of Article 32, section 5 of the Articles of Association.

The Managing Board proposes a dividend on ordinary shares outstanding for the year 2013 of € 1.65 per share to be paid from the profit remaining after distribution (€ 261 million) and from the distributable reserves in accordance with the provisions of Article 33, section 4 of the Articles of Association (€ 26 million).
With a total dividend of € 1.65 per ordinary share and an interim dividend of € 0.50 per ordinary share having been paid in August 2013, the final dividend would then amount to € 1.15 per ordinary share.

If the Annual General Meeting of Shareholders makes a decision in accordance with the proposal, the net profit will be appropriated as follows:

in € million	**2013**	2012
Net profit	271	288
Profit appropriation:		
- To be paid from / added to the reserves	(26)	25
- Dividend on cumprefs A	10	10
- Interim dividend on ordinary shares	87	80
- Final dividend distributable on ordinary shares	200	173

Special statutory rights

DSM Preference Shares Foundation

The DSM Preference Shares Foundation was established in 1989.

By virtue of DSM's Articles of Association, 375,000,000 cumulative preference shares B can be issued. The listing prospectus of 1989 stated that if, without the approval of the Managing Board and Supervisory Board, either a bid is made for the ordinary shares or a significant participation in ordinary shares is built up, or such an event is likely to occur, then these preference shares B may be issued, which shares shall have the same voting rights as the ordinary shares.

Under an agreement entered into in 1999, and subsequently amended, between the DSM Preference Shares Foundation and DSM, the Foundation has the right to acquire such preference shares (call option) to a maximum corresponding to 100% of the capital issued in any form other than preference shares B, less one.

The objective of the Foundation is to promote the interest of DSM, and the enterprise maintained by DSM and all parties connected therewith, whereby influences that would threaten the continuity, independence or identity, contrary to the aforementioned interests, are resisted to the maximum extent possible.

The purpose of the agreement with the Foundation is, among other things, for the Foundation to allow DSM the opportunity to determine its position, for example with regard to a possible bidder for DSM shares or a party or parties tempting to obtain (de facto) control, to examine any plans in detail and, to the extent applicable, to look for (better) alternatives. Preference shares B will not be outstanding longer than necessary. As soon as there are no longer any reasons for the preference shares B to remain outstanding, the Managing Board will convene a General Meeting of Shareholders and recommend the cancellation of the preference shares B that are still outstanding.

The Foundation acquired no preference shares B in 2013.

The DSM Preference Shares Foundation is an independent legal entity within the meaning of article 5:71, first paragraph, under c of the Dutch Act on Financial Supervision *(Wet op het financieel toezicht).*

On 31 December 2013 the board of the Foundation was composed as follows:

Gerard Kleisterlee, chairman
Cees Maas, vice-chairman
Mick den Boogert

Important dates

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders is to be held at the DSM head office in Heerlen (Netherlands) on Wednesday, 7 May 2014 at 14.00 hours.

Important dates

Publication of first-quarter results	Tuesday, 6 May 2014
Ex-dividend quotation	Friday, 9 May 2014
Publication of second-quarter results	Tuesday, 5 August 2014
Publication of third-quarter results	Tuesday, 4 November 2014
Full year results 2014	Wednesday, 11 February 2015

DSM figures: five-year summary

Balance sheet

x € million	2013	2012	2011	2010	2009
Assets					
Intangible assets	2,705	2,793	1,786	1,070	1,053
Property, plant and equipment	3,822	3,811	3,405	2,943	3,477
Deferred tax assets	369	340	292	326	322
Prepaid pension costs	-	-	-	1	282
Associates	67	40	35	25	18
Other financial assets	179	141	135	270	233
Non-current assets	**7,142**	**7,125**	**5,653**	**4,635**	**5,385**
Inventories	1,675	1,803	1,573	1,340	1,359
Receivables	1,642	1,799	1,704	1,477	1,410
Financial derivatives	126	62	50	134	88
Current investments	19	12	89	837	7
Cash and cash equivalents	776	1,121	2,058	1,453	1,340
	4,238	4,797	5,474	5,241	4,204
Assets to be contributed to joint ventures	-	-	-	317	-
Other assets held for sale	637	44	30	287	25
Current assets	**4,875**	**4,841**	**5,504**	**5,845**	**4,229**
Total assets	**12,017**	**11,966**	**11,157**	**10,480**	**9,614**
Equity and liabilities					
Shareholders' equity	5,908	5,874	5,784	5,481	4,949
Non-controlling interests	190	168	190	96	62
Equity	**6,098**	**6,042**	**5,974**	**5,577**	**5,011**
Deferred tax liabilities	376	236	192	155	115
Employee benefits liabilities	326	388	322	297	298
Provisions	97	125	116	93	103
Borrowings	1,750	1,922	2,029	1,992	2,066
Other non-current liabilities	78	94	69	33	49
Non-current liabilities	**2,627**	**2,765**	**2,728**	**2,570**	**2,631**
Employee benefits liabilities	34	42	6	24	26
Provisions	66	81	43	33	102
Borrowings	843	642	160	105	138
Financial derivatives	190	299	326	219	61
Current liabilities	1,929	2,081	1,905	1,789	1,638
	3,062	3,145	2,440	2,170	1,965
Liabilities to be contributed to joint ventures	-	-	-	104	-
Other liabilities held for sale	230	14	15	59	7
Current liabilities	**3,292**	**3,159**	**2,455**	**2,333**	**1,972**
Total equity and liabilities	**12,017**	**11,966**	**11,157**	**10,480**	**9,614**

Income statement

x € million	**2013**	2012	2011	2010	2009
Net sales	9,618	9,131	9,193	9,050	7,866
Operating profit plus depreciation and amortization (EBITDA)	1,314	1,109	1,325	1,278	917
Operating profit (EBIT)	759	635	895	838	443
Net finance costs	(142)	(109)	(82)	(93)	(113)
Income tax expense	(109)	(91)	(155)	(185)	(83)
Share of the profit of associates	(2)	2	3	5	(4)
Net profit before exceptional items	**506**	**437**	**661**	**565**	**243**
Net profit from exceptional items	(237)	(149)	199	(40)	93
Profit for the year	**269**	**288**	**860**	**525**	**336**
Profit attributable to non-controlling interests	2	(10)	(46)	(18)	1
Net profit attributable to equity holders of Koninklijke DSM N.V.	**271**	**278**	**814**	**507**	**337**
Dividend on cumulative preference shares	(10)	(10)	(10)	(10)	(10)
Net profit available to holders of ordinary shares	**261**	**268**	**804**	**497**	**327**
Key figures and ratios					
Capital employed[1]	8,303	8,084	6,581	5,468	5,673
Capital expenditure:					
- Intangible assets and Property, plant and equipment	793	715	528	427	472
- Acquisitions	424	1,265	974	49	(5)
Disposals	78	46	742	377	287
Depreciation, amortization and impairments	555	474	430	440	474
Net debt	(1,862)	(1,668)	(318)	108	(830)
Dividend	297	263	247	234	205
Workforce at 31 December, headcount	24,349	23,498	22,224	21,911	22,738
Employee benefits costs (x € million)	1,845	1,761	1,655	1,566	1,532
Ratios[1]					
- ROCE in %	9.2	8.9	14.3	15.0	7.2
- Net sales / average capital employed	1.16	1.29	1.53	1.62	1.29
- Current assets / current liabilities	1.48	1.53	2.24	2.42	2.14
- Equity / total assets	0.51	0.50	0.54	0.53	0.52
- Gearing (net debt / equity plus net debt)	0.23	0.22	0.05	(0.02)	0.14
- EBIT / net sales in %	7.9	7.0	9.7	9.3	5.6
- Net profit / average Shareholders' equity available to holders of ordinary shares in %	4.4	4.8	14.9	10.0	7.2
- EBITDA / net finance costs	9.3	10.2	16.2	13.7	8.1

[1] Before reclassification to held for sale

Information about ordinary DSM shares

per ordinary share in €	**2013**	2012	2011	2010	2009
Core earnings	3.24	2.72	3.66	2.97	1.52
Net profit before exceptional items	2.89	2.52	3.66	3.27	1.44
Net profit	1.52	1.62	4.86	3.03	2.01
Cash flow	5.83	4.82	7.89	5.62	6.05
Dividend:	1.65[1]	1.50	1.45	1.35	1.20
- Interim dividend	0.50	0.48	0.45	0.40	0.40
- Final dividend	1.15	1.02	1.00	0.95	0.80
Pay-out including dividend on cumulative preference shares as % of net profit before exceptional items	59	60	37	41	84
Dividend yield (dividend as % of average price of an ordinary DSM share)	3.2	3.7	3.6	3.8	4.8
Share prices on NYSE Euronext Amsterdam (closing price):					
- Highest price	59.75	46.29	46.82	42.85	34.84
- Lowest price	43.93	36.33	30.54	30.43	16.93
- At 31 December	57.16	45.79	35.85	42.61	34.46
(x 1000)					
Number of ordinary shares outstanding:					
- At 31 December	173,963	168,684	163,257	166,468	163,037
- Average	172,183	165,543	165,567	164,047	162,364
Daily trading volumes on NYSE Euronext Amsterdam:					
- Average	728	823	1,028	995	1,270
- Lowest	95	225	191	85	75
- Highest	3,049	2,720	3,512	3,629	4,376

[1] Subject to approval by the Annual General Meeting of Shareholders

Explanation of some concepts and ratios

PEOPLE

Absenteeism

Absenteeism at DSM is determined by calculating the total absence due to illness in hours as a percentage of the total number of available working hours. The total number of available working hours is calculated by multiplying the average actual workforce in FTEs for the period in question by the number of hours corresponding to one FTE (52 weeks multiplied by the 'normal' number of hours per week, not taking into account leave of absence and holidays).

Eubiotics

Eubiotics is the science of hygienic and healthy living. The term is used in the feed industry where it refers to a healthy balance of the micro-flora in the gastrointestinal tract.

FI

Frequency Index: a way to measure safety performance. The number of accidents of a particular category per 100 employees per year.

LWC-rate DSM own

The LWC-rate DSM own is the number of lost workday cases per 100 DSM employees in the past 12 months:
LWC-rate = 100 * (number of LWCs (past 12 months) / average effective manpower (past 12 months)).

People+

DSM's People+ strategy will deliver measurably better solutions to improve the lives of people. The company has defined a new People+ framework based on broad stakeholder analyses. The dimensions of health, comfort and well-being, working conditions and community development have been identified as distinct and instrumental categories to measure People+ impact at product level. Based upon the stakeholder input DSM has designed a measurement tool, which will be further developed in collaboration with The Sustainability Consortium, customers and other stakeholders.

REC-rate DSM all

The REC-rate DSM all is the number of recordable injuries per 100 DSM employees and contractor employees in the past 12 months:
REC-rate = 100 * (number of RECs (past 12 months) / average effective manpower including contractor employees (past 12 months)).

SHE

Safety, Health and Environment.

United Nations Global Compact

A strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

United Nations' Universal Declaration of Human Rights

On 10 December 1948, the General Assembly of the United Nations adopted and proclaimed the Universal Declaration of Human Rights. Following this historic act, the Assembly called upon all Member countries to publicize the text of the Declaration and 'to cause it to be disseminated, displayed, read and expounded principally in schools and other educational institutions, without distinction based on the political status of countries or territories'.

Zero SHE assessment

A zero SHE assessment is a step in the integration process of newly acquired units or new joint ventures. A team led by a corporate SHE manager visits the unit and identifies and assesses the main SHE risks and compliance gaps with the DSM corporate requirements, standards and practices. The team provides recommendations to minimize and control these risks and also identifies good practices that can be of use in other DSM units. During the zero SHE assessment the team elucidates the DSM SHE requirements and supports the unit in formulating and prioritizing the actions in the SHE integration and compliance plan.

PLANET

Biofuel

A fuel which is derived from renewable organic resources, as distinct from one which is derived from non-renewable resources such as oil and natural gas.

Carbon footprint

The impact of a certain activity in terms of the emission of non-renewable CO_2 to the atmosphere.

Circular economy

Circular economy refers to an economy that is restorative and in which materials flows are of two types: biological nutrients, designed to reenter the biosphere safely, and technical nutrients, which are designed to circulate at high quality without entering the biosphere throughout their entire lifecycle.

CO_2

Carbon dioxide, a gas that naturally occurs in the atmosphere. It is part of the natural carbon cycle through photosynthesis and respiration. It is also generated as a by-product of combustion. Carbon dioxide is a greenhouse gas.

Chemical Oxygen Demand (COD)
COD is an indicator of the degree of pollution of wastewater by organic substances.

ECO+
ECO+ solutions are products and services that, when considered over their whole life cycle, offer clear ecological benefits (in other words, a clearly lower eco-footprint) compared to the mainstream solutions they compete with. These ecological benefits can be created at any stage of the product life cycle – from raw material through manufacturing and use to potential re-use and end-of-life disposal. ECO+ solutions, in short, create more value with less environmental impact. The qualification ECO+ is based upon internal expert opinions where various impact categories are evaluated. For a growing number of products these expert opinions are supported by Life Cycle Assessments.

Eco-efficiency
Eco-efficiency is a concept (created in 1992 by WBCSD) that refers to the creation of more goods and services while using less resources and creating less waste and pollution throughout their entire life cycle. DSM applies the concept to its ECO+ program. In the context of DSM's SHE targets, eco-efficiency relates specifically to the reduction of emissions and energy and water consumption, relative to the production volumes of DSM's plants.

Greenhouse-gas emissions (GHGE) reduction over volume related revenue (VRR)
The GHGE definition is according to the Kyoto Protocol and includes carbon dioxide (CO_2), methane, nitrous oxide (N_2O), sulfur hexafluoride, hydrofluorocarbons and perfluorocarbons. VRR is net sales adjusted for changes in selling prices, exchange rates and the impact of acquisitions and divestments. GHGE/VRR is one of the ratios in the Long-Term Incentive part of the Managing Board remuneration and relates to a three-year period.

GRI
The Global Reporting Initiative (GRI) has developed Sustainability Reporting Guidelines that strive to increase the transparency and accountability of economic, environmental, and social performance. The GRI was established in 1997 in partnership with the United Nations' Environment Programme. It is an international, multi-stakeholder and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organizations for reporting on the economic, environmental, and social dimensions of their activities, products, and services.

LCA
Life Cycle Assessment (LCA) identifies the material, energy and waste flows associated with a product or process over its entire life cycle to determine environmental impacts and potential improvements; this full life cycle approach is also referred to as 'Cradle to Grave'. It is also possible to assess a partial life cycle of a product or process with the most common type being 'Cradle to Gate' which assesses the environmental impacts of a manufacturing process without accounting for use phase or end of life impacts. There are many different environmental impact categories that can be assessed using LCA; at DSM the standard approach is to evaluate the carbon footprint and eco-footprint.

N
Nitrogen. A mostly inert gas constituting 78% of the earth's atmosphere, nitrogen is present in all living organisms.

N_2O
Nitrous oxide. A gas that is formed during combustion. When emitted to the environment, it contributes to global warming.

NO_x
Nitrogen oxides. These gases are released mainly during combustion and cause acidification.

Renewable resources
A natural resource which is replenished by natural processes at a rate comparable to, or faster than, its rate of consumption by humans or other users. The term covers perpetual resources such as solar radiation, tides, winds and hydroelectricity as well as fuels derived from organic matter (bio-based fuels).

SO_2
Sulfur dioxide. This gas is formed during the combustion of fossil fuels and cause acidification.

VOC
Volatile organic compounds. The term covers a wide range of chemical compounds, such as organic solvents, some of which can be harmful.

PROFIT

General
In calculating financial profitability ratios, use is made of the average of the opening and closing values of balance sheet items in the year under review.

The financial indicators per ordinary share are calculated on the basis of the average number of ordinary shares outstanding (average daily number). In calculating Shareholders' equity per ordinary share, however, the number of shares outstanding at year-end is used.

In calculating the figures per ordinary share and the 'net profit as a percentage of average Shareholders' equity available to holders of ordinary shares', the amounts available to the holders of cumulative preference shares are deducted from the profits and from Shareholders' equity.

Capital employed
The total of the carrying amount of intangible assets and property, plant and equipment, inventories, trade receivables and other receivables, less trade payables and other current liabilities.

Capital expenditure
This includes all investments in intangible assets and property, plant and equipment as well as the acquisition of subsidiaries and associates and related cash flows.

Cash flow
Cash flow is net profit plus depreciation, amortization and impairments.

Core earnings
Core earnings represent profit or loss from continuing operations excluding exceptional items and excluding amortization of intangible assets recognized from the application of purchase accounting for business combinations.

Disposals
This includes the disposal of intangible assets and property, plant and equipment as well as the disposal of participating interests and other securities.

Earnings before interest, tax, depreciation and amortization (EBITDA)
EBITDA is the sum total of operating profit plus depreciation and amortization.

Earnings per ordinary share
Net profit attributable to equity holders of Koninklijke DSM N.V. minus dividend on cumulative preference shares, divided by the average number of ordinary shares outstanding.

Operating working capital
The total of inventories and trade receivables, less trade payables.

Return on capital employed (ROCE)
Operating profit as a percentage of weighted average capital employed.

Total shareholder return (TSR)
Total shareholder return is capital gain plus dividend paid.

List of abbreviations

ADR	American Depositary Receipts
AFM	Netherlands Authority for the Financial Markets
ANH	Animal Nutrition & Health
API	Active pharmaceutical ingredients
BIO	Biotechnology Industry Organization
BMI	Body mass index
BRIC	Brazil, Russia, India and China
CEFIC	Conseil Européen des Fédérations de l'Industrie Chimique (European Chemical Industry Council)
cGMP	Current Good Manufacturing Practice
CMO	Contract manufacturing organization
CMP	Corporate Multi-year Plan Responsible Care
COA	Corporate Operational Auditing department
COD	Chemical oxygen demand
CRA	Corporate Risk Assessment
CSR	Corporate Social Responsibility
DAI	DSM Anti-Infectives
DEP	DSM Engineering Plastics
DFI	DSM Fibre Intermediates
DFS	DSM Food Specialties
DNCC	DSM Nanjing Chemical Co., Ltd.
DNP	DSM Nutritional Products
DPC	DSM Pharma Chemicals
DPP	DSM Pharmaceutical Products
DSP	DSM Sinochem Pharmaceuticals
EBA	Emerging Business Area
EBIT	Earnings before interest and taxes (Operating Profit)
EBITDA	Earnings before interest, taxes, depreciation and amortization
FDA	The US Food and Drug Administration
FIFO	First in, first out
FTE	Full-time equivalent
GAIN	Global Alliance for Improved Nutrition
GDP	Gross domestic product
GHG	Greenhouse gas
GHGE	Greenhouse-gas emissions
GHS	Globally Harmonized System
GMM	Genetically Modified (Micro-)organisms
GMP	Good Manufacturing Practice
GPS	Global Product Strategy
GRI	Global Reporting Initiative
HNH	Human Nutrition & Health
HPO	Hydroxylamine phosphate oxime
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ILO	International Labor Organization
IOF	International Osteoporosis Foundation
IP	Intellectual property
IUCN	International Union for the Conservation of Nature
KPI	Key performance indicator
LCA	Life cycle assessment
LMRA	Last Minute Risk Assessment
LTI	Long-Term Incentive
LWC	Lost workday case
NGO	Non-governmental organization
NIP	DSM's Nutrition Improvement Program
NPS	Net Promoter Score
NYSE	New York Stock Exchange
OECD	Organization for Economic Cooperation and Development
PDN	Stichting Pensioenfonds DSM Nederland
PJ	Petajoule
PSI	Process safety incident
PUFA	Polyunsatured fatty acid
R&D	Research & development
REACH	Registration, Evaluation, Authorization and Restriction of Chemical substances
ROCE	Return on capital employed
SAM	Sustainable Asset Management
SAR	Share appreciation rights
SHE	Safety, Health and Environment
SSC	Semi-synthetic cephalosporins
SSP	Supplier Sustainability Program
STI	Short-Term Incentive
TDC	Total direct compensation
TSR	Total shareholder return
UHMwPE	Ultra high molecular weight polyethylene
VNCI	Association of the Dutch Chemical Industry
VOC	Volatile organic compound
WBCSD	World Business Council for Sustainable Development
WEF	World Economic Forum
WFP	United Nations World Food Programme

Royal DSM - Bright Science. Brighter Living.

DSM has transformed itself into a leading Life Sciences and Materials Sciences company that is active in health, nutrition and materials and creates value for its customers by helping them provide solutions to the world's great challenges. DSM uses its bright science to create brighter lives for people today and generations to come by providing the ingredients to develop innovative, more sustainable, healthier, more nutritious and better performing products.

DSM is committed to realizing its ambitious targets as set in its strategy DSM in Motion: *driving focused growth*, all based on its strong global market position (with close to 40 percent of its total sales of € 10 billion coming from high growth economies), its unique technological knowledge as a basis for innovation, its strong track record in sustainability, its very solid balance sheet, and the experience and expertise of its 24,500 people.

DSM believes that its continued success will be driven by creating shared value for all stakeholders, now and in the future. It creates shared value by innovating in ways that allow its customers to provide better People, Planet and Profit solutions to the challenges facing society, the environment and end-users. In this way, DSM's customers derive value from being able to offer end-users improved products. Society and the planet derive value from the impact of more sustainable, longer-lasting, safer, healthier and more nutritious alternatives. DSM and its shareholders derive value from stronger growth and profitability.

What's more, DSM's employees feel engaged and motivated through the contribution they make to a better world and the success this creates for the company in which they work. In short, DSM is a multi-stakeholder-oriented company with a triple bottom line (People-Planet-Profit) creating value for its customers, shareholders and employees as well as society at large.

As a global company, DSM is actively engaged in addressing the same key trends that face all its stakeholders: meeting changing demands arising from global shifts in demographics and technology, mitigating the impact of climate change while searching for new forms of energy and trying not just to nourish but also to improve the health of a growing population.

In DSM's Life Sciences markets, these trends manifest themselves through the related impacts of increasing personal wealth, urbanization and expanding life expectancy.

Urbanization drives the consumption of processed foods and the need for a more efficient food chain, while rising wealth translates into increased demand for proteins from meat, fish, eggs and milk – in turn driving demand for DSM's food and feed products. Food security (access to nutritious food for all people at all times) is one of the main themes to which DSM is contributing.

At the same time, a focus on healthy and active aging is driving demand for fortified foods and supplements. And finally, an aging population means increased healthcare spending, which DSM addresses through its engagement in preventive health and services to pharmaceutical companies.

Performance and sustainability are key drivers impacting demand in DSM's Materials Sciences markets, where the company is accelerating the transformation toward the production and use of materials that are lighter, healthier, safer, stronger and more durable and that have lower environmental footprints throughout their value chains than traditional materials.

Bringing DSM's Life Sciences and Materials Sciences competences together offers new opportunities allowing further advances. This is managed through DSM's Emerging Business Areas. A thorough understanding of how advanced materials can be used in the human body to strengthen or replace body parts and accurately deliver medicines is driving DSM's biomedical materials business. By merging its broad biotechnology capability with its materials businesses, DSM is able to find renewable solutions for the post fossil age by creating bio-based materials and building blocks and by actively working to create commercially viable cellulosic biofuels that do not compete with the food value chain.

While DSM continues to meet the needs of customers in the mature markets of North America and Western Europe – which remain central to its core business – the company's investment focus is increasingly on the high growth economies such as Asia, Central and Eastern Europe, and Latin America. DSM consequently is becoming steadily more international, enabling it to bring a global perspective to the challenges of all its customers. In addition to achieving sustainable, innovative organic growth, DSM will continue to take advantage of opportunities to acquire exciting businesses and to partner with others to the benefit of all its stakeholders. And finally, the company will continue to improve its shareholder returns, supported by its solid dividend policy.

In short, after having transformed itself into a Life Sciences and Materials Sciences company, DSM now focuses on further growing the company through an integrated strategy, using four growth drivers: High Growth Economies, Innovation, Sustainability and Acquisitions & Partnerships.

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