HEALTH · NUTRITION · MATERIALS

Royal DSM integrated Annual Report 2014

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.

DSM – Bright Science. Brighter Living.™

Royal DSM is a global science-based company active in health, nutrition and materials. By connecting its unique competences in Life Sciences and Materials Sciences DSM is driving economic prosperity, environmental progress and social advances to create sustainable value for all stakeholders simultaneously. DSM delivers innovative solutions that nourish, protect and improve performance in global markets such as food and dietary supplements, personal care, feed, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials. DSM has around 21,000 employees and delivers annual net sales of more than €9 billion. The company is listed on Euronext Amsterdam. More information can be found at www.dsm.com.

Key data for 2014

Net sales, total DSM (x million)	€ 9,283
Operating profit plus depreciation and amortization, total DSM[1] (x million)	€ 1,166
Net profit, total DSM (x million)	€ 145
Capital expenditure (cash based), total DSM (x million)	€ 628
Cash provided by operating activities, total DSM (x million)	€ 808
Core earnings per ordinary share, continuing operations[2]	€ 2.85
Dividend per ordinary share[3]	€ 1.65
ROCE, continuing operations (in %)	7.8
Workforce (at year-end)	21,351
Number of nationalities (at year-end)	89
Employee engagement - favorable score (in %)	70
Frequency Index of recordable injuries (per 100 DSM employees and contractor employees)	0.47
Greenhouse-gas emissions, total DSM (x million tons)	4.2
Energy use, total DSM (in petajoules)	39
Water use, total DSM (in million m^3)	118
ECO+ solutions as % of running business, total DSM	49
ECO+ solutions as % of innovation pipeline, total DSM	95
Innovation sales as % of total sales	18
China sales, continuing operations (x USD million)	1,956
Sales to High Growth Economies as % of total sales	43

[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. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the 'Risk Management' chapter.

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

	2014[1]	2013R[2]
People		
Workforce at 31 December (headcount)	21,351	23,485
Female/male ratio	27/73	26/74
Total employee benefits costs in € million	1,713	1,822
Frequency Index of recordable injuries (per 100 DSM employees and contractor employees)	0.47	0.38
Employee engagement - favorable score (in %)	70	71
Planet		
Energy use (in petajoules)	39	41
Water use (in million m^3)	118	150
Greenhouse-gas emissions in CO_2 equivalents (x million tons)	4.2	4.2
Emission of volatile organic compounds (x 1000 tons)	4.2	4.3
COD (Chemical Oxygen Demand) discharges (x 1000 tons)	3.9	4.8
ECO+ solutions as % of innovation pipeline[3]	95	95
ECO+ solutions as % of running business	49	45
Profit (in € million, unless otherwise indicated)		
Net sales, continuing operations	9,181	8,858
China sales in USD million, continuing operations	1,956	1,693
Operating profit plus depreciation and amortization, continuing operations (EBITDA)[4]	1,168	1,261
Operating profit, continuing operations (EBIT)[4]	619	761
Net profit attributable to equity holders of Koninklijke DSM N.V.	145	271
Cash provided by operating activities	808	998
Dividend for DSM shareholders	296	297
Capital expenditure, cash-based	628	629
Net debt	2,420	1,841
Shareholders' equity	5,723	5,908
Total assets	12,126	11,899
Capital employed, continuing operations	8,105	7,643
Market capitalization at 31 December[5]	9,187	10,370
Per ordinary share in €		
Core earnings, continuing operations	2.85	3.19
Dividend	1.65[6]	1.65
Ratios (%)		
Sales to high growth economies / net sales	43	41
Innovation sales / net sales	18	17
EBITDA / net sales (continuing operations)	12.7	14.2
Operating working capital / annualized fourth quarter net sales (continuing operations)	20.7	21.2
ROCE (continuing operations)	7.8	10.1
Gearing (net debt / equity plus net debt)	29.0	23.2
Equity / total assets	49.0	51.2
Cash provided by operating activities / net sales	8.7	10.6

1 Key data presented relate to total DSM (= continuing operations + discontinued operations), unless explicitly stated otherwise
2 Restated due to retrospective application of amendments to IFRS 10: 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements' that came into effect from 1 January 2014
3 For a definition of ECO+ see page 213
4 Before exceptional items
5 Source: Bloomberg
6 Subject to approval by the Annual General Meeting of Shareholders

DSM at a glance

Highlights of the year

In 2014 the 21,351 employees of DSM have worked hard to create brighter lives for people today and generations to come. Here are some of the highlights of the year.

North America: 3,583 employees

DSM Biomedical has over 25 years experience in working closely with medical device companies to help increase performance and contribute to lower healthcare costs. DSM Biomedical has achieved attractive EBITDA margins of around 25 percent.

DSM Bio-based Products & Services started a joint venture in 2012 with POET for clean energy from corn crop residue. It opened Project Liberty, its first commercial cellulosic ethanol plant in Emmetsburg (Iowa, USA) in 2014. It produces a cost-competitive fuel that cuts emissions, creates jobs and improves energy security.

Latin America: 1,891 employees

In 2014 DSM concluded the integration of its acquisition of Tortuga, the Brazilian market leader in trace minerals for animal nutrition and health with a focus on pasture-raised beef and dairy cattle.

DSM opened its new center for research and development of high-performance materials in the Netherlands. Over 400 people are employed at the center, which combines important technological skills and expertise for use in applications the world over.

Europe: 10,663 employees

Asia: 4,974 employees

Africa:
73 employees

Oceania:
167 employees

DSM announced its intention to acquire Aland, one of the leading vitamin C producers in China, to further strengthen its position. With Aland, DSM will increase its global footprint in vitamins for human nutrition, animal nutrition and personal care.

DSM inaugurated its new premix plant for human nutrition & health in Vadodara (India). It supplies food, beverage and pharmaceutical manufacturers looking for fortification to differentiate their products from the competition.

Life Sciences

DSM Nutritional Products is one of the world's leading suppliers of essential nutrients such as vitamins, carotenoids, nutritional lipids and other ingredients to the feed, food, pharmaceutical and personal care industries. Among its customers are the world's largest food and beverage companies. DSM is uniquely positioned thanks to the combination of its broad portfolio of active ingredients; maximum differentiation through formulation; local presence; a global premix network; and a strong focus on innovation. DSM Nutritional Products consists of the following business units:

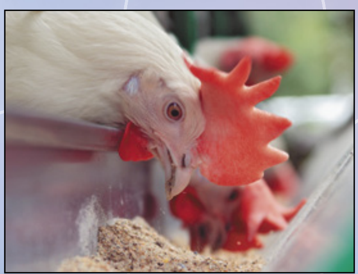
- **Animal Nutrition & Health** addresses the nutritional additives segment of the global feed ingredients market. DSM is active in vitamins, feed enzymes, carotenoids, minerals and eubiotics.
- **Human Nutrition & Health** primarily addresses the nutritional ingredients markets, but is also active in coloration and preservation in the global food ingredients market.
- **Personal Care** focuses on the active and performance ingredients such as vitamins, UV-filters and bio-actives for the skin care, sun care and hair care market segments.

DSM Food Specialties is a leading global supplier of food enzymes, cultures, yeast extracts, savory flavors and other specialty ingredients for the food and beverage industries. DSM Food Specialties' advanced ingredients make a considerable contribution to the success of the world's favorite brands for the dairy, baking, beverages and savory segments.

DSM's i-Health business is committed to improving the lives of consumers through innovative and effective consumer health products including Estroven® sold among others in supermarkets and drugstores across North America.

Stevia is a non-artificial, high-intensity sweetener, answering consumer demand for natural sweetness without the calories. DSM's fermentation-based stevia innovation platform addresses health, sustainability and quality concerns.

Everyone knows the importance of UV protection from the sun. As one of the leading ingredient suppliers to the cosmetics industry, DSM has developed filters that deliver highly effective UV protection for skin and hair.



To educate farmers about the benefits to the health and growth of animals when adding micronutrients to feed, and to offer access to premix products, DSM has established a network of more than 150 franchisers of small distributors in rural areas, selling to local farmers in China.

Materials Sciences

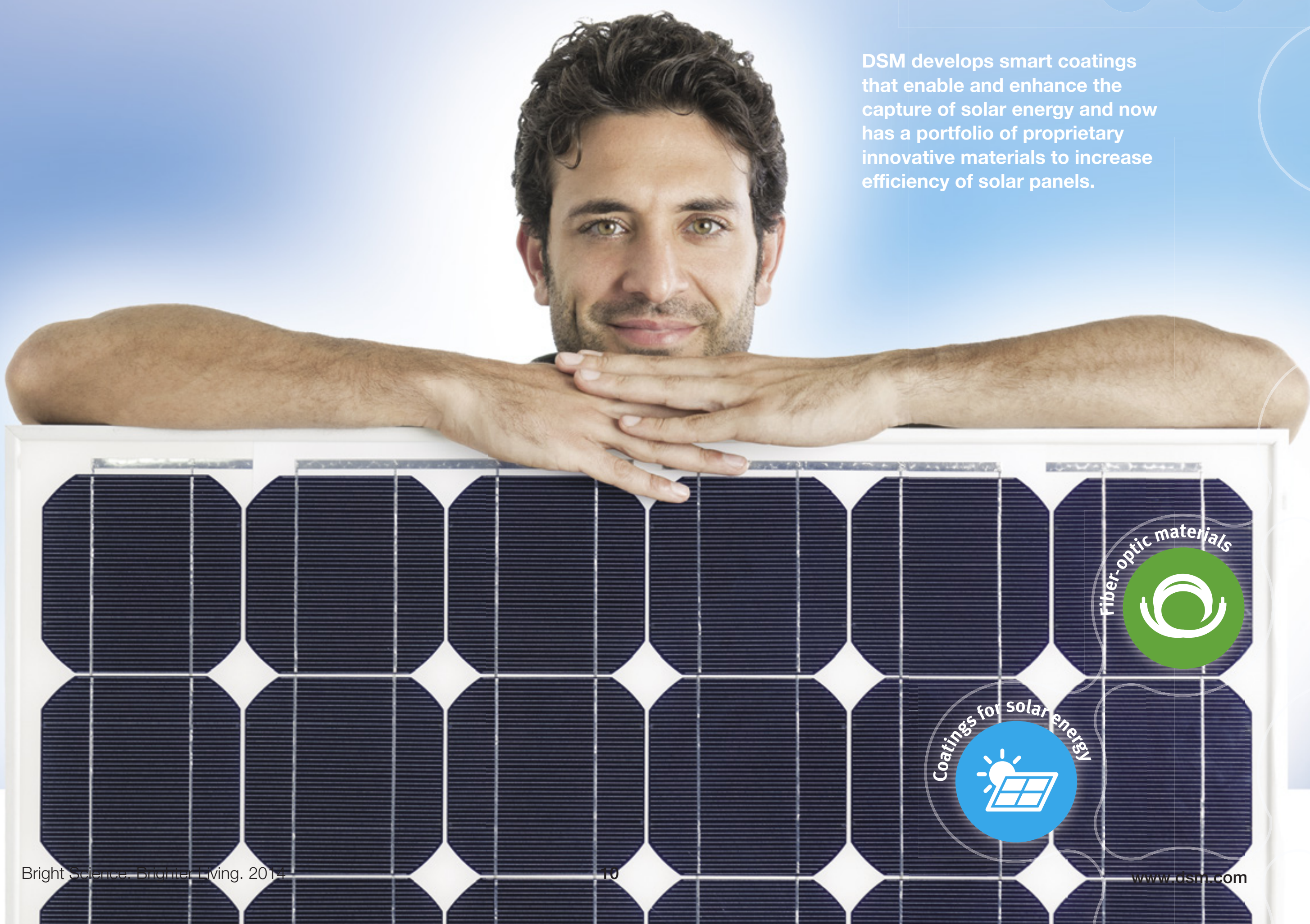
The **Performance Materials** cluster consists of DSM Engineering Plastics, DSM Dyneema and DSM Resins & Functional Materials. These business groups are active in technologically sophisticated high-quality products and offer specialized value propositions.

- **DSM Engineering Plastics** is a global player in developing, manufacturing and marketing specialty plastics used in components for the electrical and electronics, automotive, flexible food packaging and consumer goods industries.

- **DSM Dyneema** is the inventor, manufacturer and marketer of Dyneema®, the world's strongest fiber™. This product, based on ultra high molecular weight polyethylene is produced by means of DSM's proprietary processes. The Dyneema® brand enjoys very high recognition in the value chains served.

- **DSM Resins & Functional Materials** is a global player in developing, manufacturing and marketing high-quality resins solutions for paints and coatings, composites and fiber-optic coatings. DSM Resins & Functional Materials generates value with and for its global customer base through continuous innovation so that they meet regulatory needs and respond better to consumer demands for more sustainable materials.

The **Polymer Intermediates** cluster comprises DSM Fibre Intermediates, the global market and technology leader in caprolactam and the leading acrylonitrile supplier in Europe.



DSM develops smart coatings that enable and enhance the capture of solar energy and now has a portfolio of proprietary innovative materials to increase efficiency of solar panels.

With Arnitel® VT, DSM has developed high-performance membranes for outdoor clothing. Containing no perfluorinated chemicals, it is waterproof in all circumstances despite being only a few microns thick. It is highly breathable and 100 percent recyclable.

Cut-resistant gloves made with DSM's Dyneema® fiber are light, comfortable and cool to the touch, adapting to the body's heat. It provides 50 times greater cut-resistance than alternative materials.

Nearly half of all paint is based on traditional oil-derived solvents. Consumers are increasingly concerned about possible health risks of these solvent-based paints. DSM offers an alternative with waterborne coating resins.

Stanyl® is DSM's high-performance polyamide 46 used in automotive, electronics and other applications. Even at temperatures above 200°C it keeps its properties, allowing for instance its use in car engines and phone chargers.

Innovation Center

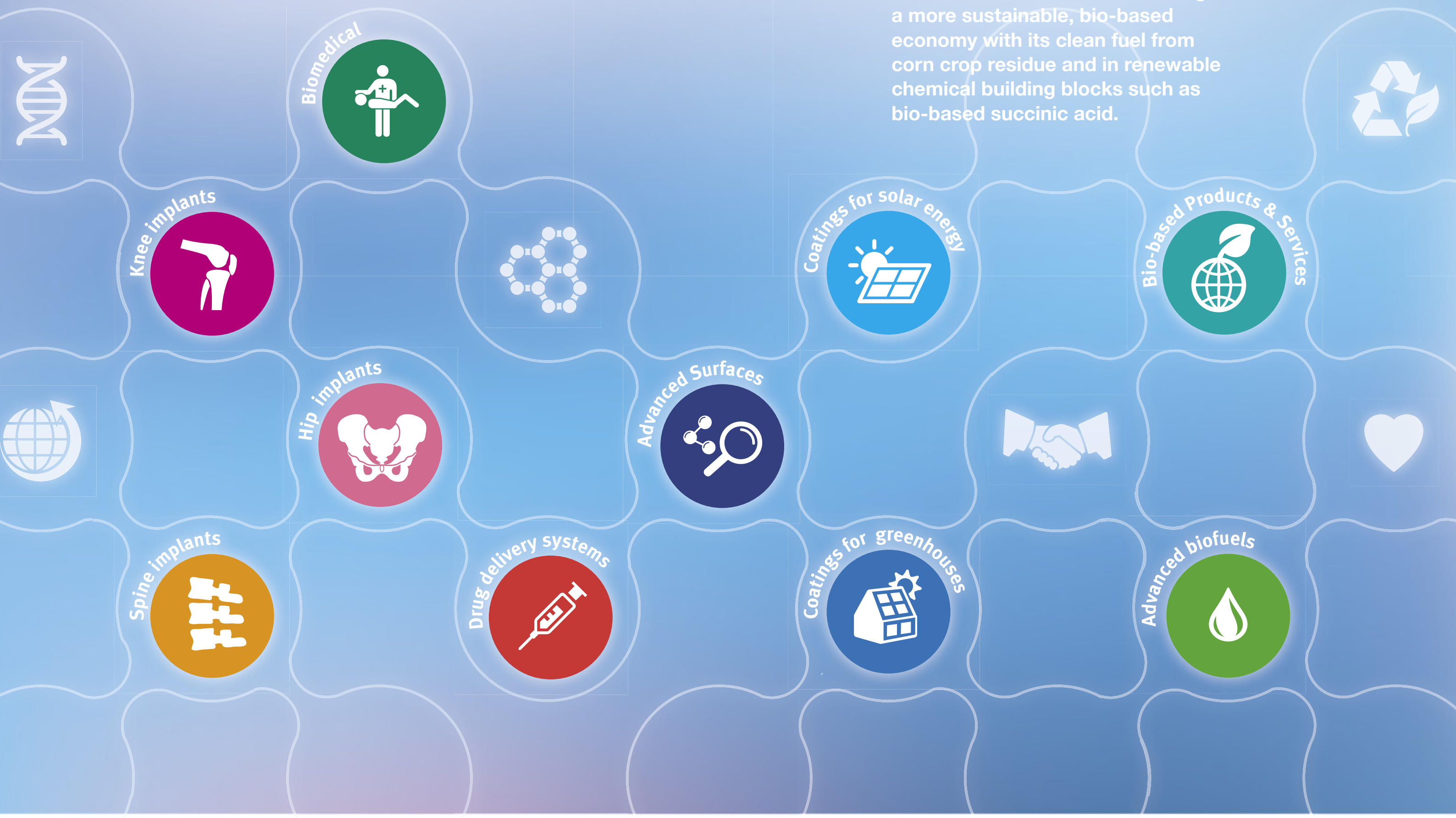
The **DSM Innovation Center** serves as an enabler and accelerator of innovation within DSM. With its Emerging Business Areas, the Business Incubator and DSM Venturing & Licensing, the DSM Innovation Center has a general business development role, focusing on areas outside the current scope of the business groups.

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 (solar materials)

DSM has designed innovative biomedical materials that enable medical device manufacturers to make more minimally invasive devices. These can speed up recovery, shorten hospital stays and minimize reoperations, lowering health costs and helping people to lead longer, healthier and more active lives.

DSM is at the forefront of building a more sustainable, bio-based economy with its clean fuel from corn crop residue and in renewable chemical building blocks such as bio-based succinic acid.



Pharma Partnerships

DPx Holdings (DPx) is a global leader in contract development and manufacturing services with customers across the pharmaceutical industry, sales of around USD 2 billion and more than 8,000 employees spread over 24 locations across North America, Europe, Latin America and Australia.

DSM Sinochem Pharmaceuticals (DSP) is the global market leader in beta-lactam active pharmaceutical ingredients (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. DSP, 50 percent owned by DSM, manufactures nearly all its beta-lactam APIs and the related intermediates using proprietary biotechnology.

Since March 2014, DSM owns 49 percent of DPx, a joint venture with JLL Partners that provides pharmaceutical companies a unique breadth of offerings from finished dosage to active substances with a wide range of technologies.

Letter from the Chairman

Dear reader,

The year 2014 was characterized by volatile macro-economic developments. European economies barely grew and continued to struggle with their competitiveness. Growth slowed down in several emerging or high growth economies. The US showed remarkable resilience and growth, thanks in part to its competitive energy position. Adding to the uncertainty were lower oil prices in the second half of the year, volatility in some of the world's most important currencies and increasing geopolitical tensions. On top of these challenges, our world continued to face unprecedented environmental and social pressures. It is clear that the tried and tested formulas of yesterday must make way for newer and more sustainable solutions as a matter of urgency.

In this context, DSM stands significantly transformed and uniquely positioned to demonstrate resilience through the portfolio we have developed over the years. We are able to benefit from the contributions our company makes to help address the challenges unfolding around us, including climate change and access to nutrition. That is not to say that DSM is immune to the repercussions of economic volatility in the short term, as our results of 2014 show.

In the long term, the megatrends that drive our business are more significant than ever before. They are: Global Shifts, which account for the large-scale demographic changes such as population growth, urbanization and increased wealth of the middle class in high growth economies; Climate and Energy, which refers to the rising pressures on our planet, the scarcity of resources and the need for alternative energy sources; and Health and Wellness, which points to dietary and nutritional concerns and opportunities, as well as the effects that rapidly aging populations with greater healthcare and dietary needs are having on our end-markets.

The reported year 2014 was the fourth year of our DSM in motion: *driving focused growth* strategy that has transformed our company since 2010. Where necessary, we have sought to sharpen and refine this roadmap to meet the needs of changing global circumstances. As we enter the fifth year of implementation, we will continue to create sustainable value by making progress against the growth drivers of High Growth Economies, Innovation, Sustainability, and Acquisitions & Partnerships.

In 2014 we achieved more than € 9 billion sales and an EBITDA of nearly € 1.2 billion. This is a decrease in EBITDA compared to 2013 of seven percent. This decline was driven by a negative currency effect and tough market conditions in Nutrition and caprolactam. The organic growth in 2014 was three percent.

Our current strategy of focusing on high growth economies has continued to pay off with approximately 43 percent of our sales coming from these countries in 2014. Although growth in several of these countries slowed down in the year, it is clear that their expanding populations and growing urban middle classes will continue to drive growth in the long term.

At DSM, we are well positioned to capture that growth and we have continued to expand our reach in these countries, not only in sales but also in terms of our own organization and members of our top management. Interestingly, some of the world's strongest economic growth in 2014 was seen in the US, DSM's largest market, where we have expanded significantly in recent years, amongst others through acquisitions and partnerships.

Our focus on innovation resulted in almost 18 percent of our sales in 2014 coming from newly introduced, higher margin products. In addition, we made steady progress in the development of our three Emerging Business Areas: Biomedical, Bio-based Products & Services and Advanced Surfaces.

Biomedical now delivers around € 140 million in sales and strong EBITDA margins, with highly innovative products in the fast-growing global medical devices market. These include biomedical materials, technologies and capabilities in orthopedics, sports medicine, ophthalmology, general surgery and cardiology.

In Bio-based Products & Services, which includes clean energy from corn crop residue, and bio-chemicals (such as bio-succinic acid), we are proud to have opened the first second-generation cellulosic bio-ethanol factory in North America, located in Emmetsburg (Iowa, USA), with our partner POET. Also in other parts in the world, including Brazil, we are looking at opportunities. Our revolutionary technology produces a fuel made from corn crop residues, which has 85-95 percent lower CO_2 emissions than conventional gasoline measured over the value chain, and promises to further reduce North America's reliance on fossil fuels. The plant's grand opening took place in September, and was attended by Willem-Alexander, King of the Netherlands, and the US Secretaries of Agriculture and Energy as well as the Governor of Iowa, among other dignitaries.

In Advanced Surfaces, our anti-reflective coating KhepriCoat® is making inroads into the solar market, while we are also a first mover in 'light trapping' film technology, both of which enhance the yield of solar panels. We believe that these new businesses have the potential to create substantial value.

Sustainability, a key value and area of responsibility for the company, has become a strong business driver. ECO+ solutions, which offer our customers more value with less environmental impact than mainstream alternatives, now account for close to 50 percent of our sales and 95 percent of our innovation pipeline. We are applying a similar approach with People+, where we are at the forefront of developing a new methodology to measure the impact of a product on people's lives throughout its entire life-cycle. Today, our ECO+ sales are growing faster than non-ECO+ sales and with higher margins, demonstrating the good growth opportunities that sustainable innovations can offer our company.

DSM has an active approach to portfolio management with the aim of reducing volatility and cyclicality and focusing on higher margin businesses. In the second half of 2014, we stated our intention to pursue strategic actions for our caprolactam, acrylonitrile and composite resins businesses, which will enable us to further sharpen our company's focus. Combined, these businesses account for more than 20 percent of DSM's sales, but represent a substantially lower proportion of our profit.

Next to pursuing these strategic actions, we are fully focused on integrating and reaping the synergies of the value-contributing acquisitions we have made in recent years, while refraining from large acquisitions for the moment. Since 2010, we have allocated more than €2.8 billion to acquisitions, primarily in Nutrition in high growth economies and in North America.

In Nutrition, the underlying fundamentals remain strong. In the long term, the business is driven by population growth, urbanization, rising standards of living and the desire for health and convenience by an increasingly aging population. Notwithstanding these drivers, we were confronted with several headwinds in the year. These included a sluggish Western food and beverage market, decreases in the US market for dietary supplements containing our ingredients, continued price pressures in vitamin E, which is mainly used in our animal nutrition business, and the negative impact of a strong euro for a large part of the year compared to other currencies.

We have developed specific responses to these headwinds, which we have communicated to the market. We remain focused on operational improvements and working capital reductions. These actions should enable us to grow our business, also by protecting and gaining market share in our nutrition business, as we have done in recent years, while generating quality earnings. In 2014, organic growth for the cluster was 2 percent and the EBITDA margin was just below 20 percent.

In Nutrition we are well positioned for the medium and long term, with an expanded presence across the value chain, operating globally with a broad portfolio of products across diverse end-markets, driven by strong structural growth drivers.

Our Performance Materials business is continuing to upgrade its product portfolio towards more sustainable and higher-margin products and solutions. Despite currency weaknesses and volatility across a number of sectors, the business saw gradual margin improvements and found new opportunities to leverage its operations and assets. This resulted in 2014 in an organic growth for the cluster of 2 percent and the EBITDA margin was just above 12 percent.

Our joint venture with Sinochem, DSM Sinochem Pharmaceuticals (DSP), was deconsolidated following new accounting rules for joint ventures. DSP improved its performance thanks to solid organic growth. We also formed DPx in partnership with JLL, combining DSM Pharmaceutical Products and Patheon into a leading pharma services company. DSM owns 49 percent of this joint venture. We are pleased to report that the integration of DPx progressed well and we expect the strong value generation of the company to continue next year.

To support the integration of our acquisitions we have continued to implement the ONE DSM Culture Agenda in conjunction with our Leadership Model. This will support our ability to align with the world around us, while creating a common language and a stronger performance culture across our organization. We introduced the initiative in late 2012 and have since rolled it out across the company, finding different ways of applying its themes in our everyday work.

We held our seventh worldwide Employee Engagement Survey in the year, with over 85 percent of our employees and contractors completing the questionnaire, which is considered an excellent response rate. The Employee Engagement Index, at 70 percent, is high and comparable to previous years. We will move this survey into a two-year cycle in order to have more time to follow up on actions, with the next full survey in 2016.

In Safety and Health, we regret that we cannot report an improvement. The Frequency Index of Recordable Injuries increased to 0.47, compared to 0.38 in 2013. This is due in part to the shift in our portfolio, which has seen newly acquired units phased in and more mature units phased out. Safety and Health is of primary importance to us, so we work very hard to bring newer units up to our standard in the months and years ahead, coming closer to our goal of having an injury and incident-free working environment.

We continued to make good 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 11 percent to 12 percent in 2014, and we also saw further growth in non-European executives. A number of senior appointments in 2014 significantly improved our diversity ratio in top management, which included our first female board member/CFO.

Regarding the reduction in greenhouse-gas emissions and improvement in energy efficiencies, we are pleased to report that we remain on track to achieve our long-term goals. We are very proud that in 2014 we were once again named among the leaders in the Dow Jones Sustainability World Index. We are also proud that we have continued to receive a great deal of external recognition, including awards, for our achievements in our integrated sustainability approach. Our integrated reporting, which is based on the guidelines of the Global Reporting Initiative, also developed in the year with the implementation of G4, the fourth generation of sustainability reporting guidelines. We remain committed to aligning our strategy and operations with the principles of the United Nations Global Compact.

We are already taking steps to address the challenging external environment. Our key short-term priority is to take strategic actions regarding non-core businesses and to continue to focus on operational performance of our Nutrition and Performance Materials businesses. This will be complemented by accelerated actions to improve efficiency and reduce costs, specifically in Nutrition and across all functions of the company, including ICT, HR, Finance and Purchasing. In 2015 we will update our company strategy. Among other things we will address our steering of our businesses, functions and regions, and we will define new long-term targets for our core businesses.

In March, we announced the retirement of Rolf-Dieter Schwalb as CFO and member of the Managing Board, who stepped down in December but has remained involved with DSM until the completion of this report. I would like to take this opportunity to thank him for his significant contribution to DSM and his role in the transformation of our company over several years. I am very pleased that Geraldine Matchett has joined us as a member of the Managing Board per 1 August 2014 and as our CFO per 1 December 2014. During her short time with the company, she has already demonstrated her value for DSM.

It is a tribute to the enormous efforts – not only of our employees, but of the many people we cooperate with, including shareholders, customers, suppliers, civil society at large and local communities specifically – that we have so many reasons to be confident about our future. It is to all of them who have contributed to DSM's success that we extend our most sincere thanks and appreciation and with whom we look forward to working in the years ahead.

Today we can proudly say that DSM has become a truly global organization, with significant operations in most regions where there are growth opportunities. We are using innovation to develop a younger and more sustainable product portfolio, while unlocking the potential of new platforms that will drive growth and margins in the years ahead. Our emphasis remains on driving performance through operational improvements and ongoing portfolio management for shareholder value creation. Our ability to leverage unique opportunities in our businesses for the benefit of People, Planet and Profit, enables us to deliver on our mission of creating brighter lives for people today and for generations to come.

Feike Sijbesma
CEO/Chairman Managing Board Royal DSM

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Report by the Managing Board

DSM in motion: *driving focused growth*

In 2014, DSM completed the fourth year of its strategy DSM in motion: *driving focused growth*. This strategy has provided the company with a framework to drive sustainable and profitable growth in the company's core activities. Launched in 2010, it marked the shift from a period of intensive portfolio management to a strategy of maximizing this growth as a global leader in health, nutrition and materials.

This transformation is strengthened by DSM's determined efforts to cultivate organic growth across the company, while tapping the synergy potential of acquisitions and partnerships. These steps have been taken alongside integration efforts and culture change initiatives that have made DSM a company with increased global reach and a stronger presence in high growth economies. Today, the company enjoys greater resilience in the face of macro-economic challenges and higher quality and stability in its earnings. DSM also aims to deliver value creation through its sustainable innovations, new business platforms (Emerging Business Areas, EBAs) and its established pharmaceutical partnerships.

Through its focused strategy and attractive portfolio with more resilient Nutrition and Performance Materials businesses, DSM has the right growth profile to create long-term value for its stakeholders and to deliver on its mission of creating brighter lives for people today and for generations to come.

DSM in motion: *driving focused growth* will be evaluated in 2015 and an updated strategy and accompanying targets will be announced towards the end of the year.

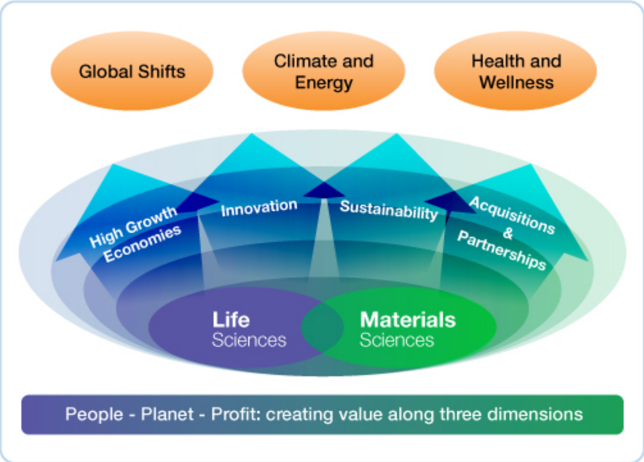
Strategic focus

In light of current market conditions, DSM's focus is on improving the operational performance of its Nutrition and Performance Materials businesses, while continuing to pursue strategic actions for Polymer Intermediates and Composite Resins.

Since announcing its strategy in 2010, DSM has significantly expanded its global reach. North America now represents 19 percent of sales (2010: 15 percent) and the high growth economies account for 43 percent of sales (2010: 32 percent). The strategy is supported by a stakeholder engagement process and a risk and issue assessment that enables the company to determine how it can best help meet the world's most pressing needs.

Many of the world's social, environmental and economic challenges stem from its rapidly expanding population, which is expected to reach nine billion by 2050. At the same time, societies are experiencing fundamental demographic changes as people become older, more urbanized and wealthier. DSM addresses the following three megatrends through its innovative and sustainable solutions, and benefits from the increased attention they receive on a global scale.

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



Global Shifts
An accelerated shift of wealth and population growth is underway, most notably in high growth economies. This is rapidly creating a more urban, prosperous and connected world, but also one that faces huge resource and cultural challenges.

These changes are greatly influencing global demand, the way people live and how they interact with each other. Urbanization and prosperity are promoting dietary changes and increased spending on housing, transport, lifestyles and energy. Technological change is also having a major impact on societies and their behavior.

Climate and Energy
The rapid pace of climate change is translating into increased efforts to reduce fossil fuel dependencies and bring down levels of greenhouse-gas emissions. This is accelerating the adoption of renewable energy sources and the use of chemicals and materials that have less environmental impact.

These actions will help reduce the use of non-renewable resources and create increased attention for the circular economy concept. Efficiency is an important part of this focus, as customers look to create more sustainable value chains through higher yields, less waste and pollution and lower energy use.

Health and Wellness
A growing, aging and increasingly urban and more prosperous population seeks to improve its well-being and to increase longevity. By contrast, people from the most impoverished areas of the world face a daily struggle for adequate nutrition.

There is a growing focus on health issues, whether in relation to nutrition, medicines or lifestyle improvements, especially in high growth economies. In the West, healthcare costs are rising and access to good quality nutrition is growing in importance. There is also a growing demand for safer and healthier solutions.

Strategic progress and aspirations

DSM will leverage its unique position in Life Sciences and Materials Sciences to capitalize on the key global megatrends that are more significant than ever. By creating value along the four growth drivers of High Growth Economies, Innovation, Sustainability and Acquisitions & Partnerships, the company maximizes their potential, so that they reinforce each other and generate further business opportunities and synergies. Through its regional organizations, functional excellence groups and shared services, DSM is also able to enhance the performance of its business groups.

Following the rapid expansion of its global portfolio, DSM is now focused on operational performance, organic growth and improved profitability.

During the current strategy period, DSM has set itself ambitious targets for accelerated sales growth that are above GDP growth levels, and for increased profitability. These have been formulated based on an assessment of opportunities in each of the growth drivers.

Financial targets
DSM's organic sales growth amounted to 3 percent in 2014 compared to 2 percent in 2013. Negative foreign exchange effects and tough market conditions in Nutrition and caprolactam resulted in a decline of EBITDA from € 1,261 million to € 1,168 million. The EBITDA margin amounted to 12.7 percent compared to 14.2 percent in 2013. Return on Capital Employed (ROCE) was 7.8 percent compared to 10.1 percent in 2013.

Sales in High Growth Economies reached 43 percent of total sales in 2014. Innovation sales, which are measured as sales from products and applications introduced within the last five years, reached 18 percent of total net sales in 2014.

There has been steady progress in the three Emerging Business Areas (EBAs), DSM Biomedical, DSM Bio-based Products & Services, and DSM Advanced Surfaces. All three areas provide significant value creation potential for DSM. The 2020 aspiration 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 (RobecoSAM 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 RobecoSAM sector leader
2 See page 213 for a definition of ECO+
3 The High Performance Norm (over 80% favorable) is the composite of the top 25% employee responses of the selected external benchmark organizations
4 See also the chapter People in 2014 on page 43

Sustainability aspirations

Sustainability remains a core value for the business as well as a key growth driver that enables DSM to deliver higher margin products. DSM is on track with its sustainability target to make ECO+ solutions account for around 50 percent of its running business in 2015. ECO+ products are those that offer greater quantifiable environmental advantages over mainstream alternatives on the market. In 2014, ECO+ sales accounted for 49 percent of all sales, which puts the company on track towards its 2015 aspiration.

ECO+ solutions also accounted for 95 percent of the innovation pipeline, which is already above DSM's 2015 aspiration of at least 80 percent. In 2014, approximately 40 percent of ECO+ innovation launches were supported by comparative Life Cycle Assessments (LCAs).

In 2014, DSM took important steps towards the finalization of its People+ strategy, which aims to deliver products that have a measurable positive impact on people. DSM is part of a group of European industry leaders that announced the publication of the 'Handbook for Product Social Impact Assessment', which is the first practical and broadly accepted methodology for assessing a product's social impact throughout its life cycle.

For the seventh time, DSM held its worldwide Employee Engagement Survey. This survey measures engagement levels, determining how employees score on a combination of the following attributes: commitment, pride, advocacy and satisfaction. In 2014, the Employee Engagement Index was measured at 70 percent (2013: 71). This is in line with the global standard of 70 percent. DSM aims to be part of an external benchmark of high performing companies with index scores of over 80 percent favorable. The survey will now be run on a two-year cycle that will help DSM focus its efforts on follow-up improvements.

Organization and culture

DSM has continued to implement its ONE DSM Culture Agenda in 2014, to promote greater cohesion and a stronger company culture. The agenda centers on four themes that are applied across the company's daily operations: External Orientation, Accountability for Performance (and learning), Collaboration with Speed, and Inclusion & Diversity.

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

The business groups and regional organizations are supported and optimized through shared services, which aim to provide efficient, high-quality services in designated areas, and functional excellence groups that offer functional expertise and implementation capabilities. The corporate staff departments are responsible for supporting the Managing Board in running the company.

Throughout 2014, the regional organizations were given a strong 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 being truly global

As a key element of its strategy, DSM has successfully transformed its international presence to capture global growth opportunities in High Growth Economies. Due to its strong global presence, DSM’s share of sales in High Growth Economies as a proportion of total sales has continued to increase significantly in recent years.

In 2014, sales to High Growth Economies accounted for around 43 percent of total sales, compared to 32 percent at the start of the strategic period in 2010. While some of the High Growth Economies grew below historical averages in 2014, this is not considered a structural slowdown for the end-markets relevant to DSM and its customers. DSM expanded its sales significantly in China and India with double-digit growth rates. Latin America and Eastern Europe showed mid-single-digit growth.

High Growth Economies will clearly be growth engines for the world economy in the future with their rapidly expanding urban populations and increasing domestic consumption. DSM will continue to actively expand its presence in High Growth Economies, including Africa, in the coming years, in the same way its customers are also doing. It will drive growth with locally tailored products and services; and an expanded local presence in research, innovation, production, and marketing and sales.

It is notable that in the past year, the US, a mature economy of the developed world, has seen stronger growth than several High Growth Economies. This too has benefitted DSM because of its strong position in the country. North America is DSM’s largest market, accounting for 19 percent of total sales.

In China, where GDP growth is estimated at around seven percent, policy makers are increasingly focused on sustainable growth levels and on domestic consumption. The country’s leadership appears determined to tackle some of the nation’s most pressing problems such as environmental degradation and corruption. The focus on sustainability, clean energy and food safety and security is favorable for DSM in China and offers good growth opportunities. Sales in China reached USD 2.0 billion compared to USD 1.7 billion in 2013.

In India, DSM has seen a fast expansion of its business. It has invested in its Nutrition, Engineering Plastics and Innovation Center businesses locally, and created a Global Service Delivery center. It also recently opened the company's first solar technology demonstration center at its plant in Pune. DSM is now focused on introducing more locally made products for markets in India.

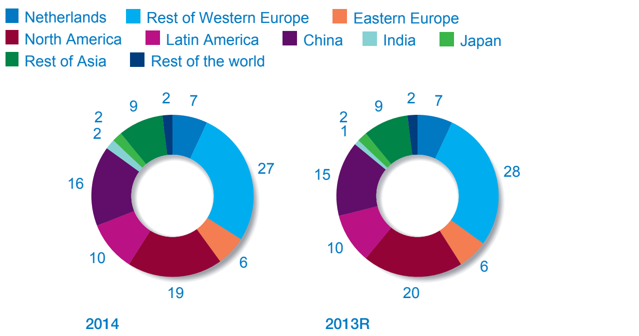
In Latin America, DSM has established a solid platform for its Animal Nutrition & Health business, especially in Brazil, Argentina, Uruguay and Colombia, with good growth in exports. There is now a growing trend towards greater food security that favors DSM’s Human Nutrition & Health business in the long term. The region also presents an exciting opportunity for clean energy, which links to DSM's ambition to expand in sustainable technologies. Mexico and Colombia are looking to attract investment in renewable energy through public incentives.

In Russia, the geopolitical tensions and stagnating economy have created a difficult business climate. Notwithstanding, DSM's business in Russia, which accounts for around one percent of total sales, continued to grow in 2014, among others via its joint venture in Tatarstan. This contributed to Russia’s goal of reaching higher self-sufficiency in animal protein production and supply through better animal nutrition.

As DSM transitions from being a highly European-based enterprise to becoming a truly global company, it is also seeing a dramatic shift in its operations. Over 60 executive positions are no longer in the Netherlands but in other parts of the world. Furthermore, regional innovation centers have been established in India and China, while at Managing Board level there is clear accountability for regional performance.

From 'reaching out' to being truly global

Net sales by destination in %

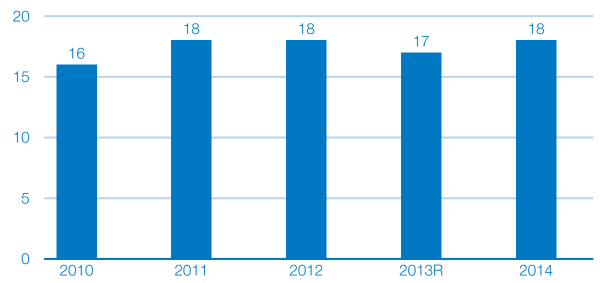


Growth Driver: Innovation

From building the machine to doubling the output

At DSM, innovation turns ‘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 that meet market needs and create profitable growth and future value.

Innovation sales
as % of total sales



DSM's target is that by 2015 innovative products and solutions will account for 20 percent of its total sales. Innovation sales are defined as sales of products and applications that have been introduced over the last five years. The company is well on track to deliver on its target as these products accounted for 18 percent of total sales in 2014. They have strongly contributed to DSM’s sales and EBITDA growth with margins higher than the average of its running business. In Nutrition, innovation sales accounted for 17 percent of the total, while in Performance Materials they accounted for 24 percent.

DSM works to foster and sustain its innovative practices on an ongoing basis. It does this throughout its established businesses in Nutrition and Performance Materials. At the same time, the Innovation Center, with its Emerging Business Areas (EBAs), is focusing on developing new growth platforms outside of the current scope of the company’s business groups.

One of these is DSM Biomedical, which is achieving attractive EBITDA margins around 25 percent on 2014 sales of € 138 million. Another EBA with significant value potential is DSM Bio-based Products & Services, which focuses on clean energy from crop residues as well as bio-chemicals. Its key value drivers are the licensing of intellectual property (IP) and the commercialization of enzymes and yeast. The business is developed through partnerships. DSM’s third EBA, DSM Advanced Surfaces, aims to accelerate the uptake of solar energy production through smart coatings and surface technologies.

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

x € million	2014	2013R
Nutrition	206	209
Performance Materials	143	132
Polymer Intermediates	16	17
Innovation Center	82	74
Corporate Activities	28	29
Total	**475**	**461**
Total as % of net sales	5.2	5.2
Staff employed in R&D activities	2,208	2,240

Research & Development

DSM has established best practices in innovation and manages its major innovation activities at a platform level. The platforms are selected from specific areas that are known as Science and Innovation themes. These are: Food and Nutrition Security, Health, Sustainable Manufacturing and Energy Security.

Directed by the team of the Chief Technology Officer, this structure provides the basis for an effective management of company-wide competence-building programs in Research & Development (R&D). 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.

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. In addition, DSM also has a Corporate Research Program that helps build and strengthen technological competences across the company.

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, with over 30 laboratories, and consists of approximately 2,200 DSM 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, including the Dutch Polymer Institute and the Bio-based Industries Consortium.

Open innovation is an important element of DSM's approach to innovation and a business enabler. 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. See also Stakeholder engagement on page 28.

Patents
DSM filed more than 400 patents in 2014 (2013: >400).

Value creation through best practices
DSM continued its Excellence in Innovation program in 2014. Established in 2006, this program aims to optimize DSM's innovation infrastructure by working to improve key innovation behaviors, including leadership and teamwork skills, in order to foster a stronger innovation culture across the business. The company will continue the Excellence in Innovation program in order to maintain its leading position as an innovator 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 assists the business groups and EBAs with the initiation and management of collaboration in patents, trademarks and know-how.

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

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 responsibilities toward society, it has successfully developed sustainability as a strategic growth driver. For DSM, achieving sustainability means pursuing activities that create value in the areas of People, Planet and Profit. These must meet the needs of the present generation, without compromising the ability of future generations to meet their own needs.

Sustainability is a key differentiator and a driver of value in DSM's markets. The company is uniquely positioned to create and capture the many opportunities that these challenges present across its value chains. It is therefore vital that sustainability guides the activities of DSM's global business groups, as well as its operations, strategic actions and decisions. By continuously developing innovative science-based products and solutions that contribute to a brighter future for people everywhere, DSM is also creating a more sustainable and profitable future for itself.

Sustainability aspirations 2011-2015	Realization 2014
Dow Jones Sustainability Index	
Top ranking (RobecoSAM Gold Class)	Gold Class[1]
ECO+ (innovation)	
At least 80% of pipeline is ECO+[2]	95%
ECO+ (running business)	
From approximately 34% towards 50%	49%
Energy efficiency	
20% improvement in 2020, compared to 2008	17%
Greenhouse-gas emissions	
25% reduction (absolute) by 2020, compared to 2008	2% reduction[3]
Employee Engagement Survey	
Towards High Performance Norm[4]	70% favorable
Diversity[5]	
Women in executive positions	12%
BRIC+ nationals in executive positions	12%
People+[5]	
DSM People LCA	On track

1 DSM returned to Silver Class for 2015
2 See page 213 for a definition of ECO+
3 Total reduction: in the calculation that accounts for changes in production volume, DSM's GHG emissions decreased by 16% in 2014 compared to 2008
4 The High Performance Norm (over 80% favorable) is the composite of the top 25% employee responses of the selected external benchmark organizations
5 See People+ and Inclusion & Diversity in the chapter People in 2014 on page 43

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 lower than competing mainstream products that fulfill the same function. When considered over their entire life cycle, ECO+ solutions offer superior performance with 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 (LCAs) and/or expert opinions to determine whether a solution should be considered ECO+.

Since the start of its ECO+ program, DSM has looked to harmonize performance metrics in its industries. To this end, the company has chaired the work of the World Business Council for Sustainable Development (WBCSD) in its initiative for the chemicals sector in the area of product life cycle metrics. In 2014, in collaboration with nine industry peers, DSM published a key guidance for the consistent application of environmental LCAs. This guidance is an important step for all participants in the value chain and provides clear benefits to consumers.

ECO+ solutions can be found across all of DSM's business groups with many more under development. They now account for 49 percent of total sales. With an average annual growth rate of around ten percent, ECO+ sales are on track to achieve DSM's target of towards 50 percent of the running business by 2015. Across DSM's Life Sciences and Materials Sciences businesses, ECO+ sales have higher margins compared to non-ECO+ sales.

An example of an ECO+ product in the Life Sciences business is MaxiBright®. This enzyme is used to remove cheese coloring components from whey protein, making it suitable for use in high-value food and beverage applications. At the same time, the application of MaxiBright®, compared to competing products on the market, uses ten times less hydrogen peroxide, thereby reducing the carbon footprint of these processes by over 80 percent.

In 2014 DSM announced the DSM-Niaga joint venture, in which Niaga's carpet fiber binding technology is combined with DSM's engineered polyester lamination adhesives. This enables the carpet industry to manufacture mono-material (polyester) carpet systems or duo (polyester-polyamide) systems that are fully recyclable, thereby contributing to a circular economy.

ECO+ Life Cycle Assessment

People+

People+ is DSM's program to develop solutions that measurably improve the lives of consumers, employees and communities across the value chains. People+, in combination with ECO+, makes DSM's 'Bright Science, Brighter Living' mission more tangible.

In 2014, DSM, together with a group of 12 European industry leaders, launched the 'Handbook for Product Social Impact Assessment'. This is the first practical and broadly accepted methodology for assessing a product's social impact throughout its life cycle and has been formulated and tested based on input from international standards and consultations with researchers, industry hubs, development organizations and NGOs (non-governmental organizations). This LCA methodology provides a clear framework through which companies, including DSM, can analyze life-cycle data and calculate the impact products have on human health, development and well-being.

People+ enables DSM to identify new levers for innovation, to develop value propositions and engage with partners in the value chain. By concentrating on the impact that its products have on the lives of people involved in making and using the product, the People+ program is an incentive for innovation and research and development across the company.

An example of a People+ product is OatWell®, which is made of oat and added to cereals and porridge. Research shows that the consumption of just three grams of oat beta-glucan per day can reduce the risk of cardiovascular diseases. OatWell® also has clinically proven health benefits in the areas of blood glucose control and general gastrointestinal health. At the same time, the oats that are used for OatWell® create benefits for communities in the Nordic countries from where they are sourced, which contributes to local employment and prosperity.

Another example of a People+ innovation are synthetic chains used in harbors made of Dyneema® fiber. Synthetic chains made with Dyneema® are much safer and more comfortable to use, as they are up to eight times lighter than steel, feel more comfortable and are 70 times less noisy. Compared to using steel chains, the harbor workers suffer less from back pain and injuries and experience less noise. These features contribute to the well-being of the harbor workers. See also People in 2014 on page 43.

People+ Life Cycle Assessment

Growth Driver: Acquisitions & Partnerships

From portfolio transformation to growth

Accelerating growth through acquisitions and partnerships has been a fundamental element of the DSM in motion: *driving focused growth* strategy. DSM has successfully invested € 2.8 billion in the acquisition of new businesses since 2010, creating an unmatched value chain presence in Nutrition, and radically transforming its portfolio. It has also completed a number of value-enhancing partnerships.

All acquisitions and partnerships have been based on stringent strategic and financial criteria that have remained unchanged since 2010. 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 market leadership position and create value for DSM in terms of technological and/or market competences.

DSM has an active approach to portfolio management that aims to capture opportunities from global megatrends. Over the years, it has made more precise and sharper distinctions between those parts of its portfolio that have the best overall fit for the business. To reduce volatility in the Materials Sciences business and to ensure a better strategic fit, strategic actions are being pursued for Polymer Intermediates (caprolactam and acrylonitrile) and Composite Resins.

The company is currently not planning any large acquisitions and is focused on integrating the acquisitions completed in recent years. It will harvest the full synergy potential of these businesses in terms of growth and profitability, and by further enhancing operational performance.

Acquisitions since 2010

Acquisitions have been the main vehicle for adding new growth platforms, especially in high growth economies and North America. Considering the largest four businesses acquired – Martek in 2011, Ocean Nutrition Canada in 2012, Fortitech in 2012 and Tortuga in 2013 – DSM’s own estimates show that all have contributed significantly to DSM’s value creation. Ocean Nutrition Canada has not met the initial performance expectations as it has faced unexpected weakness in the US fish oil-based omega-3 dietary supplements market.

Acquisitions & Partnerships in 2014

In 2014, DSM formed new partnerships that serve clear strategic objectives, in addition to its regular contractual arrangements with suppliers and customers, which may involve long-term supply agreements that are material to DSM's business performance.

The combination of DSM Pharmaceutical Products and Patheon in DPx Holdings in March has resulted in a leading pharma services company in the Contract Development and Manufacturing Organization (CDMO) market. DSM owns 49 percent of DPx. The integration has progressed quickly, with pro-forma sales for the fiscal year ending 31 October 2014 of around € 1.6 billion.

In July 2014, DSM announced its intention to acquire Aland, a Hong Kong-based company producing vitamin C in China. This transaction, expected to close in the first half of 2015, will allow DSM to further strengthen its position in vitamin C.

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 its stakeholders – customers, investors, employees, companies, governments, academia and civil society – 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. By working together, DSM and its stakeholders can create shared value and contribute to a more sustainable world.

In its more than 110 years of existence, DSM has always been able to transform itself in response to societal changes, with a focus on innovation and the long-term perspective, acknowledging stakeholder needs. For this reason, DSM focuses on four growth drivers that are important in supporting and accelerating the transition towards more sustainable economic development.

As a large multinational, DSM has many stakeholders from different backgrounds and cultures with a variety of interests. These may sometimes differ and create dilemmas. It is in the interest of the company to find the right balance between business interests and the demands that stakeholders make on the company. In this chapter, DSM's stakeholder dialogue is the starting point to explain its focus on the 20 materialities relevant to the company.

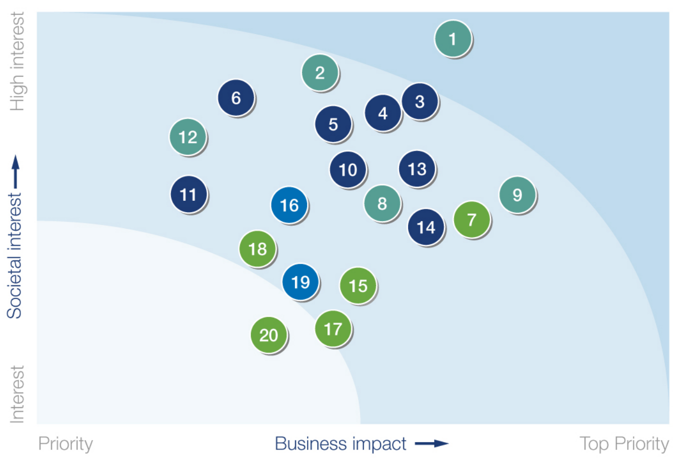
Materiality

Beyond the economic wealth that corporations help to create, they have a responsibility to serve society, listen to their stakeholders and be accountable for their activities. DSM values its stakeholder engagement and maintains open discussions with several parties on the topics related to its business activities and its role in society.

A stakeholder dialogue is a continuous process in order to refresh the material topics as required. Since 2013, when the stakeholder engagement process formally began, DSM has continued to assess whether major changes to its materialities are needed. Some stakeholders provided updates on their priorities in the year. At the same time, DSM kept abreast of societal debates and topics discussed by international business groups and other stakeholders. Research and media analyses are also an important part of these efforts. On this basis, DSM assessed whether changes were necessary to its materialities in 2014.

DSM's materiality matrix in 2014 represents the material topics and their positioning as seen by the company's stakeholders in the year. There was no need to update the material topics, although corporate income tax has become a stronger societal concern and therewith a higher priority area for DSM, which it expects will continue in 2015.

Materiality matrix



Societal Shifts

1 Health and wellness
2 Malnutrition
8 Food safety and security
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 Tax
19 Bioethics

The 20 issues have been clustered into four categories: Societal Shifts, Eco Limits, Business Enablers and Trust & Accountability. These are described by category and in relation to their relevance to People, Planet or Profit. All materialities and their location in this report are listed below.

Materiality	Where in this report?
1 Health and wellness	page 43, page 66, page 82
2 Malnutrition	page 36, page 67, page 70
3 Sustainable value chains	page 33, page 55, page 76
4 Bio-based and circular economy	page 53, page 83
5 Climate change	page 51, page 75
6 Water management	page 54
7 Open innovation	page 24, page 29, page 84
8 Food safety and security	page 38, page 66, page 76
9 High growth economies	page 22
10 Resource constraints	page 53
11 Biodiversity	page 55
12 Human rights	page 40, page 49
13 Renewable energy and GHG emissions	page 51, page 55, page 84
14 Sustainable animal protein	page 29, page 69
15 Careers and employment	page 46
16 Tax	page 29, page 88
17 Advocacy	page 30
18 Social media	page 30
19 Bioethics	page 30
20 Trade barriers	page 30

Open innovation

An important element of DSM's approach to innovation is open innovation, which seeks to combine internal and external ideas and capabilities. By combining DSM's 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.

Open innovation is therefore a business enabler. 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. The fourth reason is that the demands of society are such that companies often have no choice but to work together to address them. DSM is well aware of these developments and is working to find the right balance between open and closed innovation.

DSM seeks to continuously improve the quality of its open innovation practices. 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. In this way, it can broaden and further strengthen its technological competence base.

Tax

Fair share tax contribution has become a prominent issue as some multinational companies were subject to criticism by civil society, the media and politicians because they have minimized their tax contributions. The planning of DSM’s tax position is consistent with its business operations, reflects the corporate strategy and takes into account relevant initiatives, such as the initiatives of the Organization for Economic Co-operation and Development and other governments' advisory groups in relation to the fair share of taxes.

DSM’s contribution to society includes the provision of employment to more than 21,000 people around the world. In addition to corporate income taxes, DSM pays many other taxes including payroll taxes and social security contributions on the wages of its employees, value added taxes, customs duties, property taxes, etc. All these taxes are a significant source of funding of public services by governmental institutions at several levels worldwide. DSM sees it as its responsibility to contribute to this.

A responsible tax approach is essential for DSM's sustainability mission. That is why DSM regularly reviews and publishes its tax principles, with specific references to the aspects that are the subject of current interest and discussions. See DSM's tax principles at www.dsm.com.

Sustainable animal protein

Population growth, combined with urbanization and growing wealth, is resulting in increasing demand for animal protein, especially in high growth economies. To meet this demand, more food must be produced, while constraints in the use of natural resources such as water and soil must be addressed.

With its product portfolio of vitamins, minerals, carotenoids, eubiotics and feed enzymes for the global feed industry, DSM is able to provide solutions for many types of species and animal farming systems with a view to making them more resource efficient and mitigating their environmental impact. 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. See DSM's position paper on sustainable animal protein at www.dsm.com.

Advocacy

The term advocacy refers to the efforts made by companies, associations or individuals to increase awareness around policies or causes. For DSM, advocacy also means increasing awareness beyond governments and other policy makers. This plays an important role in getting topics onto the agendas of (non-)governmental organizations (NGOs). Malnutrition and stunting are issues in which DSM aims to take a leading role by bringing them to the attention of a broader audience. The company 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.

Social media

DSM considers social media to be an essential instrument for stakeholder engagement, reputation management and brand building. The company uses social media to stimulate a dialogue with its stakeholders and aims to increase the number of key stakeholders acting as ambassadors for the company. The company's primary focus is on customers, governments, NGOs, scientific institutions, local communities, potential employees and its own employees. DSM tailors its conversations to appeal to specific stakeholder groups and channels.

The company interacts with its stakeholders on social media using a strategic combination of owned, earned and paid media. The most important owned platforms the company uses include corporate, regional and market-focused DSM channels on Twitter, Facebook, YouTube, LinkedIn, Google+ and Weibo.

Earned platforms involve the company publishing editorial opinions on relevant and influential sustainability subject areas. Opinion leaders may provide platforms or join online Twitter conversations and other public online debates with key influencers on relevant societal themes.

Social media platform

	Followers year-end 2014
Facebook	37,611
Twitter	67,046
LinkedIn	61,104
Weibo	20,801

In terms of paid media, DSM has focused on increasing engagement and influence by running targeted social media campaigns on specific themes such as the bio-based and circular economy, renewable energy, climate change, product social impact assessment, malnutrition and hidden hunger.

Social media fosters collaboration and external orientation at DSM. Consequently, the company actively supports and encourages its workforce to join the conversation. To facilitate this, at the end of 2014, DSM embarked on a program to help make its workforce savvy about social media. DSM aims to actively manage the level of engagement.

Trade barriers

DSM is aware of trade restrictions worldwide and has systems in place to prevent illegal dealings with sanctioned parties and/or embargoed countries. DSM is impacted by the sanctions on Russia, particularly in its Performance Materials cluster. Sales to Russia account for around one percent of total sales. The company is aware of new European legislation to prevent the misuse of chemicals for explosive precursors. During 2014, new corporate requirements to ensure trade controls compliance have been approved by the Managing Board; these are applicable as from 1 January 2015.

Bioethics

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 with genetic material that has been altered via biotechnological means. DSM's latest consultations with stakeholders show that the debate now focuses on the role GMMs can play in nourishing the world's population by 2050. New or unfamiliar technologies like genetic modification often raise concerns in society about their possible implications for public health or the environment, and may trigger ethical discussions.

DSM is aware that consumer acceptance of new technologies cannot be taken for granted, and so it makes safety and other concerns a top priority. It engages in an open dialogue on the benefits and risks with its stakeholders, including the scientific community, industry, NGOs, governments and the general public. The company adheres to applicable regulations and legislation and applies the highest standards. It is transparent about its practices and uses science-based safety assessments, thus enabling the competent authorities to assess and approve its use of innovative strain development technologies and the resulting GMMs. DSM believes biotechnology can offer unique solutions to global challenges related to a growing and aging population and the depletion of fossil resources. See DSM's position paper on biotechnology on www.dsm.com.

Stakeholders

DSM is committed to creating value for its broad range of stakeholders by leveraging unique opportunities in Life Sciences and Materials Sciences for people today and generations to come. It recognizes that in this ever more complex world, companies, governments, academia, civil society and international institutions must work together to solve the big global issues of today. These include the question of how to deal with major global demographic changes, and the rise of new economies and an aging population. They also relate to climate change and the development of alternative energy, and how to secure health and well-being by resolving food and nutrition security and water issues.

Stakeholders

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 this, DSM is using the Net Promoter Score® (NPS), a customer interaction cycle that has become the lead performance indicator for loyalty and advocacy tracking. NPS equips the company with the processes, tools, and expertise needed to drive customer centricity across the business and to achieve optimum results. In the chemical industry DSM is a frontrunner in using the NPS methodology. 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 focused on enhancing the use of NPS as the lead performance indicator of customer centricity in the organization. A full DSM baseline has been developed, with an overall score for DSM of 36 percent, putting it amongst the leading companies in its sector. Furthermore, an e-learning tool was introduced to train all relevant employees on the basics of NPS.

A customer sponsorship program was launched linking senior executives to key DSM accounts to ensure commitment and support to customer centricity throughout the organization. Furthermore, DSM revisited its key account management program and took important steps forward in its business development approach with existing customers. This included a selection of customers with whom DSM jointly builds strategic plans for the future. This joint approach resulted in an innovation award from DSM's strategic customer Bayer (consumer healthcare division) in 2014. DSM also formed a strategic partnership with Merck & Cie to bring folate vitamins to the market. This allowed Merck & Cie to widen its target markets and bring this innovative product to a larger number of people than before.

A crucial part of DSM's customer business development approach is that the company focuses on working with the entire value system, which includes partners within and across its value chains. This way of collaborating is an effective way to drive sustainability and to come up with innovative solutions that benefit business and society. An example of this are the trawls made from Dyneema® which help to reduce the environmental impact of pelagic fishing and were developed in close partnership with fishing companies.

DSM is also increasingly focusing on end-users to create more value in its B2B activities. This is leading to a stronger focus on the 'human' stories behind the product, rather than its technical properties. This wider relevance creates stronger bonds with customers and consumers.

One of DSM's key performance indicators is the customer complaint rate. In 2014, this rate fell to an all-time low due to DSM's integrated complaint management process, which stimulates relevant continuous improvements in products, processes and services for the benefit of customers.

An example of this is the handling of a complaint from a Japanese customer about a small amount of foreign particles in one of DSM Nutritional Products' vitamin batches. A technical expert group conducted an immediate investigation to determine the root cause. The particles appeared through the abrasion of parts of the equipment in the manufacturing process. At no point were the customer or the final consumer put at risk. The customer appreciated DSM's fast and accurate response.

Another example is an Indian customer manufacturing coated packaging films, who filed a complaint about the stability of a batch of resins. A thorough investigation at DSM laboratories in the Netherlands revealed that the complaint was not related to the resin itself but to the mixing process during the customer's formulation. A technical expert traveled to India to support the customer in resolving the issue. The handling of this complaint strengthened the customer relationship and contributed to the growth of the business.

Employees

Every day, DSM's employees work in diverse areas of health, nutrition and materials, creating value for customers by helping them provide solutions to some of the world's greatest challenges. DSM encourages people to plan their career paths and helps them to keep on developing their skills and knowledge. It requires people who find different ways to add value and contribute.

On 22 April, various DSM locations hosted the first DSM Earth Day event to encourage employee action and awareness on sustainability topics. With nearly 5,000 commitments to sustainability made by employees at more than 80 sites and online, supported by senior management, Earth Day was a great success for employee engagement and awareness on environmental challenges.

Since 2008, DSM has been measuring employee engagement each year. This Employee Engagement Survey helps DSM to manage and develop its human capital and stimulate growth through people. The survey is an important external benchmark to establish if DSM continues to be among high performing companies that are attractive for talented people and are able to keep employees energized and inspired. For a full description of the survey and the index see People in 2014 on page 46.

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 2014, 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 2014, DSM engaged with responsible investors and traditional investors with a keen interest in the company's environmental, social and governance performance and filled in general and specialized sustainability questionnaires.

All relevant information was made publicly available via press releases and on the DSM Investor Relations website and IR app, ensuring that such information was equally and simultaneously provided and accessible to all interested parties. For more information see www.dsm.com.

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, thus supporting business success. DSM encourages legislators to promote competitiveness and innovation.

DSM is committed to acting responsibly and transparently when it comes to sharing its expertise with policymakers and government authorities in all markets. The company is registered in the European Commission's voluntary register of lobbyists. It engages with policymakers worldwide on various topics, including nutrition, energy and industrial biotechnology. It also supports public-private collaboration as an essential part of its engagement. This engagement involves both (semi-) governmental organizations as well as NGOs. See also Public-Private Partnerships on page 36.

Civil society

A company cannot be successful in a society that fails, which means that working together with other organizations can be a step towards finding solutions to societal challenges. DSM has engaged with various NGOs during the year on topics like malnutrition and stunting, food security, renewable energy, bio-based solutions and the role of business in society. In November, Kumi Naidoo, Executive Director at Greenpeace International, was invited by Feike Sijbesma to talk to DSM employees in the Netherlands.

Science Institutes

DSM works closely with the academic sector. It has long-standing relationships with many academic institutions while others are project-based. Partners in nutrition science research include: the Swiss Federal Research Institute ETH (Zurich, Switzerland); the London School of Hygiene & Tropical Medicine (London, UK); the Johns Hopkins Bloomberg School of Public Health, Baltimore (Maryland, USA); the University of California (California, USA); North-West University (Potchefstroom, South Africa); and Wageningen University and Research Centre (Wageningen, Netherlands).

Through the public-private partnership with the Dutch Polymer Institute (DPI), DSM works together with more than 50 science institutes worldwide, among which Delft University of Technology (Netherlands), ESCPE-Lyon (France), Imperial College London (UK), Japan Advanced Institute of Science and Technology (Nomi, Japan) and Max-Planck Institute for Polymer Forschung (Mainz, Germany). Founded in 1997, this partnership is between polymer producing and processing industries and knowledge institutes involved in polymer research.

DSM is also actively involved with the Bio-based Industries Consortium, which has partnerships with Aalborg University (Copenhagen, Denmark), Karlsruhe Institute for Technology (Germany) and Chalmers University of Technology (Gotenburg, Sweden).

Suppliers

With more than 40,000 suppliers, DSM looks to support efficient engagement efforts. Following its inception in 2006, the DSM Supplier Sustainability Program (SSP) has been implemented via an annual plan that is approved by the DSM Purchasing Leadership Team. Progress towards targets is shared on a monthly basis within the purchasing community and quarterly reports are shared with the Managing Board. The program consists of two main parts: compliance and supplier solutions.

To further improve the maturity level of the SSP, it has been important to benchmark against the practices of industry peers. In 2014, an assessment of DSM’s maturity level on supplier sustainability was made on four dimensions: Strategy/Plan; Supply Risk & Opportunity; People, Infrastructure & Measurements; and Processes. The maturity assessment was used as a tool to assess where DSM is, and to define the ambition level for the SSP.

Standard sustainability trainings are run every year and have been incorporated into the overall purchasing training curriculum. In 2014, 156 colleagues were trained. This means that by the end of the year, over 90 percent of the purchasing community had been trained. Customized training and workshops for business group purchasing teams are also organized to facilitate specific topics. The training not only illustrates why sustainability matters for DSM, but also provides ideas and practical tools on how to make sustainability an integral part of daily work. DSM also established the Strategic Sourcing Awards and Supplier Innovation Awards to recognize its cross-functional purchasing teams. Of the eight finalists, five of the projects showed clear sustainability benefits.

Externally, DSM was active in industry collaboration. In 2014, the company joined the Together for Sustainability (TfS) initiative, which becomes operational in 2015, with the aim of acquiring broader knowledge of, and insight into its supplier base. The TfS initiative was founded in 2011 by the Chief Procurement Officers of six multinational chemical companies. The purpose of the initiative is to develop and implement a global assessment and audit program to assess and improve sustainability practices within the supply chains of the chemical industry.

DSM was also a member of a group of companies organizing the International Supply Management Congress in Amsterdam, (Netherlands). The congress focused on sustainability in supply chains. In 2014, DSM contributed to the theme of 'partnerships in the supply chain' in a keynote by Managing Board member Stephan Tanda. Around 750 participants from a wide range of companies and NGOs joined the conference.

DSM is a member of the Roundtable for Sustainable Palm Oil (RSPO), and has made a public commitment to being transparent about how much palm oil is being used by the company, and to increase its use of Certified Sustainable Palm Oil. In the last two years, GreenPalm certificates under the 'Book & Claim' scheme were used to cover almost all of the material purchased at DSM Nutritional Products. DSM aims to progress to full RSPO mass balanced certification.

Supplier compliance

In 2014, DSM continued with its three-step approach for its SSP compliance program: Supplier Code of Conduct (SCoC); questionnaires for self-assessment; and supplier audits. DSM focuses on the performance of 1,200 so-called critical suppliers. Critical suppliers are defined by each business group, taking into consideration both business risks and sustainability risks. Included in that definition are suppliers who are providing DSM with critical components; are located in potentially high risk countries; are non-substitutable or high volume suppliers; or have potential for creating shared value in the areas of innovation and sustainability.

In the year, 94 percent of spend was covered by the SCoC. The outcomes of self-assessments and audits continued to provide input for the improvement programs agreed to and followed up with suppliers. Another focus for 2014 was the integration of sustainability compliance into the standard Supply Risk Management approach and the new supplier onboarding process. In the new spend management system for indirect sourcing, sustainability assessments became a mandatory step when onboarding new suppliers. This gives a clear message that DSM wants to do business with suppliers that share similar sustainability values.

With the adoption of TfS, DSM will move from its current self-assessment and audit practices, to standardize and simplify the inspection of its suppliers. This will be made possible by the sharing of supplier sustainability assessments and audit data for a common pool of suppliers through the TfS framework. Resources can be employed more effectively to initiate continuous improvements of sustainability standards in DSM's global supply chains, while the increased transparency on sustainability standards will provide a sound basis for business decisions.

Solutions

DSM Purchasing engages in a proactive dialogue with suppliers to create joint value and to engage in areas related to ECO+ and People+, as part of the supplier solutions projects.

In the context of its Purchasing Vision 'Beyond Savings', DSM has made steady progress in connecting supplier solutions to customer needs. Each business within DSM has to focus on those specific elements and challenges that need to be addressed in order to create sustainable business. DSM Purchasing aligns as much as possible with the relevant topics in the DSM materiality matrix: Sustainable value chains; Bio-based and circular economy; Resource constraints; and Human rights. In the supplier sustainability plan 2015, DSM Purchasing will also address KPIs related to the relevant topics in the materiality matrix.

Supplier sustainability program

	2014	2013	2012
Spend coverage SCoC	94%	95%	93%
Sustainability audits	42	40	40
Quality audits[1]	294	299	-
LCA/Supplier solution projects	30	31	22

[1] Reporting on a corporate level started in 2013

China Triple P project

In 2013, DSM initiated the 'China Triple P Supplier Engagement and Capability Building' project. It aimed to use the People, Planet and Profit (Triple P) approach to engage suppliers in a more committed business collaboration and jointly create a more sustainable supply chain in China. DSM Purchasing launched this project through its partnership with Solidaridad, a global non-governmental organization specialized in sustainability audits. In May 2014, phase I of the project closed successfully. Each € 1,000 investment from DSM triggered initiatives that brought in approximately € 8,000 in efficiency improvements at the suppliers' side.

In July 2014, the roll-out of the Triple P project continued with phase II. During the year, senior and experienced sustainability, productivity and external human rights experts organized workshops and offered rounds of in-house technical support to factories interested in making genuine environmental, social and economic improvements. On-site baseline assessments and final evaluations were carried out to measure potential impact and progress in performance. The project helped to identify and create benefits related to DSM's ECO+ and People+ programs at suppliers' facilities. The project supported suppliers to benefit from energy efficiency improvements and footprint reductions (ECO+), Safety, Health and Environment (SHE) improvements, and communication between employees and management (People+).

Special trainings were offered to the staff of the six participating Chinese suppliers to improve awareness on energy-efficiency practices and in SHE management. In addition, DSM helped suppliers include sustainability considerations and criteria in their own supply chain management, providing them with the knowledge and tools to set up their own supplier sustainability programs.

ECO+ supplier solutions

DSM continued to engage in conversations with suppliers on initiatives and solutions projects that have environmental benefits. A significant number of initiatives are currently running in, amongst others, packaging, logistics, recycling materials, and carbon footprint reduction.

In 2014, 27 Supplier Projects were carried out in the area of ECO+. The Renewable Energy Movement (REMove) project looked into DSM's energy portfolio with the aim of increasing the company's use of renewable energy. Impact is expected to be achieved via larger country projects and site-specific projects.

The solar field at the Belvidere (New Jersey, USA) plant was one such project that demonstrated significant ECO+ and economic benefits. This project was in response to the Energy Master Plan of the State of New Jersey, which has set itself the goal of having 20 percent of the energy used in the state coming from renewable sources by the year 2025. The project entailed the construction of a six Megawatt peak solar field on DSM property, consisting of 19,954 solar panels, all coated with DSM's anti-reflective coating KhepriCoat®. This coating increases the energy output of each panel by up to four percent. The field will deliver approximately 30-40 percent of DSM Belvidere's electricity needs at peak sunshine, and provide over five percent of the plant's total power demand on an annual basis. The solar field is built, owned and run by partners, from whom DSM purchases the renewable energy generated. DSM anticipates cost savings of more than €250,000 annually in transmission and distribution charges.

DSM is also actively looking into reducing its footprint in scope 3 greenhouse-gas emissions (see page 51). The CO_2 emission reduction initiative by the DSM Physical Distribution (PD) team looks into supplier footprints in road and marine transportation as well as packaging to explore opportunities for improvement. The project is a continuation of the Green Tender initiative that began in 2012, with the goal of steering supplier selection to achieve a 20 percent reduction in emissions associated with logistics and packaging. So far, over 23 percent of global PD spend has been covered by Green Tender. The cumulative CO_2 emission reduction, compared to 2010, has already reached ten percent.

People+ supplier solutions

DSM actively engages suppliers to improve their practices in the People+ area by building supplier capabilities. The main focus of People+ in the supply chain is on working conditions and safety improvements. These elements are, for instance, an integral part of the China Triple P project. In addition, the initiative 'Picking up the gauntlet', which started in 2013, targets training in and the enforcement of DSM's 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, so that only people with the right safety knowledge and attitudes can enter DSM sites. This 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 executing extensive know-how and best practice sharing workshops.

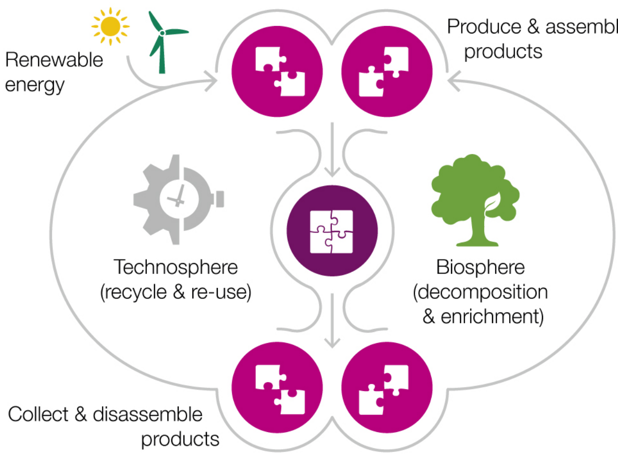
In another case, the DSM Physical Distribution team looked for alternative logistics solutions to ship ammonia sulfate for DSM Fibre Intermediates in China. They decided to use bulk shipment to replace old manual ways of shipping packaged material. The use of machines instead of manual labor to deliver and unload approximately 450,000 bags on an annual basis has led to a reduced risk of SHE accidents. This resulted in better working conditions, improved efficiency and reductions of up to 60 percent on packaging and logistics costs.

Collaboration with peers

Collaboration is an important characteristic of sustainable development. Working together with NGOs, governments, suppliers and customers to find solutions for societal needs and environmental challenges is a well-established practice. In 2014, DSM also collaborated with like-minded peers from other sectors, not necessarily suppliers or customers, to create social and environmental measuring and performance standards. Together with cross-sector companies and business organizations, DSM has been an advocate on urgent themes like climate change, nutrition and the pricing of externalities.

World Economic Forum (WEF)
DSM expanded its collaboration with the World Economic Forum to a strategic partnership. As a strategic partner, DSM is involved in both the chemicals and the consumer industries as well as a number of other initiatives, including the New Vision on Agriculture platform. At the Annual Meeting of the World Economic Forum in Davos in 2014, DSM sponsored the UN World Food Programme tent, and organized events and discussions on hunger, malnutrition and climate change. It was also represented at various regional meetings, including the Annual Meeting of the New Champions in Tianjin (China).

Circular economy



CE100
DSM supports and embraces the concept of the circular economy, where products and systems are designed in such a way that they can be returned and the materials recycled, re-used or remanufactured. A circular economy is also about a shift from fossil fuels to the use of cleaner energy, the eradication of waste and the role of biodiversity as a characteristic of resilient and productive systems. DSM is a member of the Ellen MacArthur Foundation CE100, a group of companies working together to create solutions for the circular economy. DSM's

CEO/Chairman of the Managing Board Feike Sijbesma is a member of the steering committee of Project Mainstream, an initiative of the Ellen MacArthur Foundation and WEF aimed at accelerating cross-sector engagement for a circular economy.

World Business Council for Sustainable Development (WBCSD)
DSM is a member of the WBCSD and is involved in the Action2020 project, a platform for business to contribute solutions to environmental and social challenges. DSM has a leading role in Action2020 on the topics of sustainable lifestyle, safe and sustainable materials and social impact.

Leaders for Nature
DSM supports the movement towards greater transparency through valuing environmental and social impacts. In 2014, DSM signed the Green Deal with the Dutch Government, which is a collaboration on transparency of natural and social capital. An initiative of the nature conservation organization IUCN Netherlands, MVO Nederland and True Price, its purpose is to share and develop knowledge on valuing natural and social capital in 2014 and 2015. In line with this commitment, the DSM Leaders for Nature team (a group of young professionals at DSM) has been exploring the valuation of sustainability at a product level over the past two years. In 2014, they extended their study to valuing social impacts, with a product from the nutrition sector. The benefits for the business and potential customer engagement are also being explored by the team.

Dutch Sustainable Growth Coalition (DSGC)
The DSGC brings together a group of large Dutch multinational enterprises: AkzoNobel, DSM, Friesland Campina, KLM, Philips, Shell and Unilever. They are recognized for their leading role in sustainable business development and seek to develop innovative strategies, business models and products that overcome societal challenges. In December, the DSGC published its third report, which focused on innovations that bring a sustainable economy closer. DSM contributed with its anti-reflective coating KhepriCoat® and rice fortification. KLM also showcased its lightweight air cargo nets made with DSM's Dyneema® fiber.

Public-private partnerships

As a leading micronutrient provider, DSM develops innovative solutions for improved nutrition. In order for these solutions to have the broadest outreach, DSM works with partner organizations that have a direct reach to beneficiaries. DSM’s nutrition partnerships focus on the following objectives: wider base of scientific evidence and endorsement; increased market for nutrition products; and improved employee engagement.

Organization	Partnership activities
United Nations World Food Programme	The DSM–United Nations World Food Programme (WFP) partnership 'Improving Nutrition, Improving Lives' aims to improve the nutritional value of the food that the WFP distributes to its most vulnerable beneficiaries. The partnership reaches over 20 million people and delivers improved nutrition. DSM and WFP jointly advocate an increase in awareness and funding to help eradicate malnutrition.
UNICEF	DSM and UNICEF collaborated to support micronutrient programs in two sub-Saharan African countries. The achievements during the first year of the partnership included an evaluation of a market-based model for micronutrient powders in Madagascar and support for the development of a public-sector model for the same purpose in Nigeria.
GAIN (Global Alliance for Improved Nutrition)	GAIN supports public-private partnerships that help to increase access to missing nutrients that are necessary for people, communities and economies to be stronger and healthier. DSM collaborates with GAIN on several multi-stakeholder projects in Kenya and Ethiopia under the Amsterdam Initiative against Malnutrition. DSM Managing Board member Stephan Tanda is a member of GAIN's Partnership Council.
Partners in Food Solutions	Partners in Food Solutions is a non-profit organization that links the technical and business expertise of volunteer employees from General Mills, Cargill, DSM and Bühler to small food processors and millers in the developing world. DSM contributes management time, technical assistance and volunteers to this multi-stakeholder partnership.
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. A key focus of its work is in the field of implementation science and leadership capacity development.
SUN (Scaling Up Nutrition) Business Network	DSM's CEO Feike Sijbesma co-chairs the Advisory Group of the SUN Business Network. The 107 participating companies are asked to map their competences and indicate where and how they can support global projects and actions to end malnutrition and stop hidden hunger.
World Vision International	The DSM-World Vision International (WVI) partnership aims to contribute to the reduction of the 165 million children under five across the globe who are stunted. The partners launched a flagship project 'Millers' Pride' that assists millers in Dar es Salaam (Tanzania).
Vitamin Angels	Vitamin Angels helps at-risk populations in need: mainly pregnant women, new mothers, and children under five. Together with DSM, it helps them to gain access to vitamins and minerals by providing contributions of vitamin A capsules and multi-vitamin premix for chewable tablets.
Zero Hunger Challenge Initiative	At the United Nations Zero Hunger event in September, DSM reconfirmed its commitment to help in the global fight against malnutrition and hunger. The UN Secretary-General encouraged all partners of the initiative to turn the vision of an end to hunger into reality.
Every Woman, Every Child commitment	Multiple micronutrient supplements (MMS) have a major impact on maternal and child health and are critical to breaking the cycle of malnutrition and poverty. DSM piloted MMS distribution during the annual Maternal Newborn and Child Health Week in Nigeria.

Philanthropy and sponsorships

DSM supports causes and initiatives that relate to its mission of using bright science to create brighter living. It does so by providing products, expertise and funding. In 2014, DSM donated more than € 3 million to a range of initiatives. DSM makes no political donations, as outlined in its Code of Business Conduct. See www.dsm.com.

DSM China

As a global partner of the WFP, DSM China has been taking part in the Walk the World fundraising event since 2007. With a theme of 'Hunger is Solvable: Bright Experience', the event in September attracted more than 2,000 DSM employees and their families, as well as partners from 14 sites in 10 Chinese cities. The money collected at the event was donated to the WFP's School Feeding Programmes worldwide and the China Foundation for Poverty Alleviation. The latter will use the money for the school meal program it conducts in poor areas of China. The approximately € 11,000 collected will provide 45,000 school meals.

DSM North America

DSM's North American organization partnered with Global Health Corps (GHC), an organization co-founded by Barbara Bush, the daughter of former US President George W. Bush, to address nutritional challenges facing the population of the US. The partnership specifically focuses on Newark (New Jersey, USA). The issue of malnutrition, a recognized challenge in the developing world, also exists in the US where a majority of the population is vitamin and mineral deficient. These deficiencies have long-term consequences with physical and cognitive under-development, and lifestyle diseases, which increase healthcare costs, lower productivity and create issues of health and economic equity.

Global Compact

In 2007, DSM signed up to the United Nations Global Compact, joining thousands of companies from all regions of the world as well as international labor and civil society organizations to advance ten universal principles in the areas of human rights, labor, the environment and anti-corruption. DSM's Code of Business Conduct, its sustainability and SHE policies, and its Supplier Sustainability Program are the foundations on which DSM applies the standards of the Global Compact. These activities are monitored and reported (see table below). This Integrated Annual Report 2014 is also DSM's annual Communication on Progress (COP) submitted 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 2014
Principle 1	Support of human rights	page 34, page 40, page 49
Principle 2	Exclusion of human rights violation	page 40, page 49
Principle 3	Observance of the right to freedom of association	page 40, page 49
Principle 4	Abolition of all forms of forced labor	page 40, page 49
Principle 5	Abolition of child labor	page 40, page 49
Principle 6	Elimination of discrimination	page 40, page 42, page 46, page 48
Principle 7	Precautionary environmental protection	page 50 to page 56
Principle 8	Specific commitment to environmental protection	page 50 to page 56
Principle 9	Diffusion of environmentally friendly technologies	page 23 to page 26, page 50 to page 56, page 62 to page 84
Principle 10	Measures to fight corruption	page 41, page 42, page 49, page 95, page 99

[1] In 2014 DSM once again renewed its commitment to the UN Global Compact's CEO Water Mandate; see Planet in 2014 on page 54

External recognition

People at DSM are proud when DSM's sustainability and innovation efforts, either as a company or individual products and solutions, are recognized by the outside world. Here follow some of the awards and other forms of recognition that DSM received from non-governmental and trade organizations, customers, suppliers and the academic world in 2014.

Innovation

DSM's advanced cellulosic yeast product was named the 'Breakthrough Technology of the Year' at Green Power's Sustainable Bio Awards, presented during the World Bio

Markets 2014 Conference in March. The award recognizes a “technology that resets the goal for bio-based production”. DSM’s advanced cellulosic yeast product recently achieved successful scale-up in an industrial production-sized trial at DONG Energy’s Inbicon demonstration plant in Kalundborg (Denmark).

At Frost & Sullivan's Best Practices Awards Banquet in May, DSM's Maxipro HSP, a unique protease able to extract valuable protein from existing animal by-products, was recognized with an Innovation of the Year award by the organizers. This is the second such award given recently to Maxipro HSP.

In November, DSM received the Society of Plastics Engineers Automotive Division Innovation Award in recognition of the numerous environmental and economic advantages of the new crankshaft cover in Volkswagen Group diesel engines manufactured with DSM’s bio-based polymer, EcoPaXX®.

In late November, at the ITMA Future Materials Awards, DSM's Dyneema® was recognized with three awards based on its Dyneema® Force Multiplier Technology platform; Best Innovation – Industrial Textiles, Most Innovative Large Company and Launch of the Year.

Sustainability
In February, DSM’s novel composite system for making wind turbine blades based on the company's Beyone™ styrene-free, cobalt-free and 40 percent bio-based resin, was announced as the winner of the Sustainability category of the JEC Europe 2014 Innovation Awards. As well as being more environmentally friendly, the new composite system offers simple processing, superior strength and improved fatigue resistance. It is currently being evaluated by Siemens Wind Power for its next generation wind turbine blades.

DSM was recognized in October with a Singapore Sustainability Award in the prestigious Sustainable Business category. The award showcases the most innovative and impactful sustainable practices and green solutions among organizations in the country. DSM Singapore has been recognized for efforts in creating shared value for customers, employees, society and shareholders.

In December, DSM Engineering Plastics India won the CII-ITC Sustainability Award 2014 by the CII-ITC Centre for Excellence for Sustainable Development in India, recognizing and honoring innovative initiatives in the field of sustainability.

Marketing and sales
In early 2014, DSM was presented with the Netherlands Institute of Marketing’s (NIMA) Marketing Award 2013 for best Marketing Company in the Netherlands. This is the first time a B2B company has received this recognition. According to the jury “DSM has successfully transformed itself from a chemical giant to a specialized multinational that translates technology into value propositions in the areas of health, nutrition and materials”.

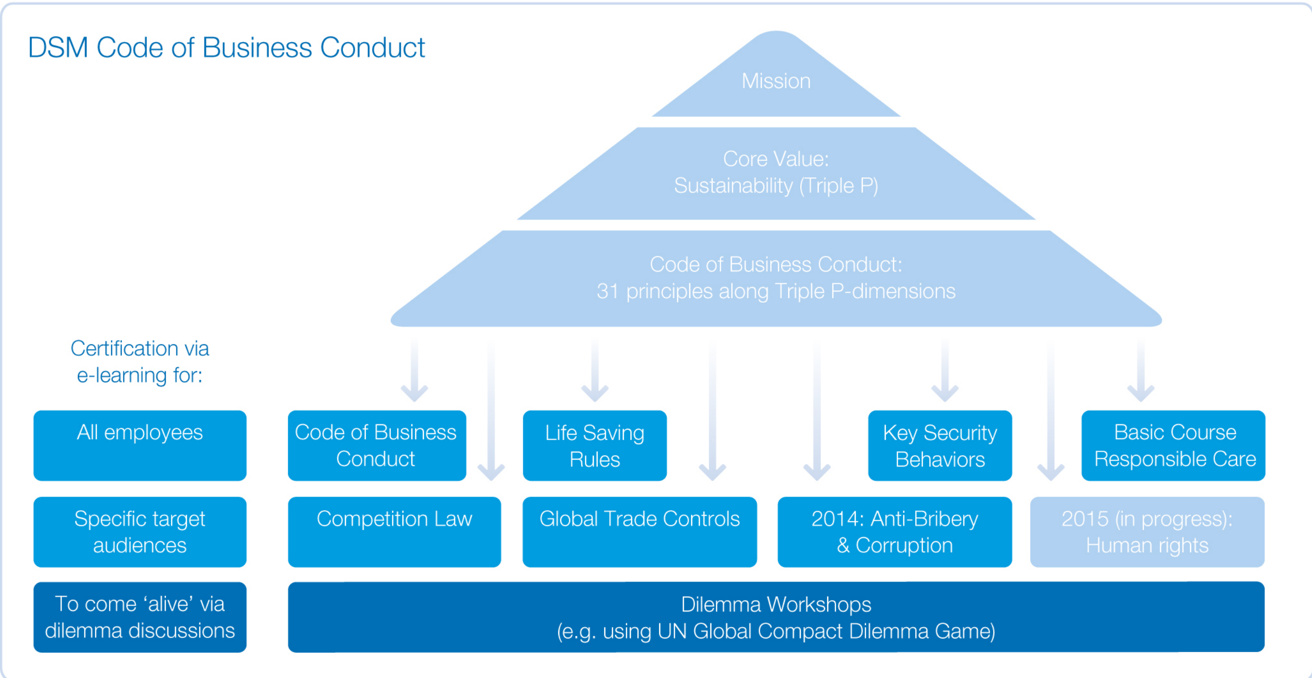
In June, DSM received the 2014 Europe Frost & Sullivan Award for Customer Value Leadership for its work in enhancing value for Tier 1 suppliers of passenger car steering systems, by establishing a new benchmark in weight reduction.

Social media
DSM was presented with the EVMI Dutch Food Top 100’s Social Media Award in May. DSM was praised for its consistency across all channels, the integration with its websites, the use of local channels and responsiveness.

DSM Code of Business Conduct

Business principles

The DSM Code of Business Conduct ('the Code'), as introduced and rolled out from 2010, 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 across its 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. The Code is available to employees in 17 languages and the full text of the Code can be found on the company's website www.dsm.com.



Umbrella function

The Code serves as an umbrella for several other DSM regulations, 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: 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.

In 2014 the Human Rights project was initiated to further elaborate the business principles on diversity and non-discrimination, forced labor and child labor, fair remuneration and standards of business partners. Its first aim is to develop an overarching Human Rights Policy for DSM, in which existing human rights-related policies and procedures are brought together. See also Human Rights on page 49.

Planet: The basic course on Responsible Care addresses the elements of the Responsible Care Program: Safety, Health, Environment, Product Stewardship, Security and Sustainability. Because of the importance of the Responsible Care principles for all functions and roles within the company, this course is mandatory for all DSM employees, as well as for selected contractor employees.

Profit: DSM uses the e-learning trainings Global Trade Controls and Global Competition Law Principles and Practices. Compliance with these subjects is structurally embedded in DSM's systems and processes.

As part of the global trade controls compliance process, DSM master data is screened to check customers and suppliers against embargoes and lists of sanctioned parties.

The DSM Anti-Bribery and Corruption (ABC) Policy and Compliance Manual, which was developed in 2013, has been communicated to targeted employees in commercial and business roles in 2014. It is supported by a classroom training and an ABC e-learning, which was launched in 2014.

In 2014, DSM rolled-out a new comprehensive Security e-learning, covering all key security topics relevant to DSM's business, including DSM's seven Key Security Behaviors. This training replaces the previously used 'For Your Eyes Only' training. To complete the e-learning, participants are required to read and sign-off on the DSM Code of Conduct for Information Security. For locations that do not have access to e-learning facilities, a classroom version of the training is available.

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 relevant DSM employees, including the members of the Managing Board and the Supervisory Board.

Training and awareness

DSM employees must refresh their training on the Code every two years. The implementation of this training program proceeded well in 2014: at year-end more than 90 percent of all DSM employees had completed (or refreshed) their training, excluding employees of some of the newly acquired businesses. The training program is also offered by the business units to selected contractor employees as well as to employees in DSM's joint ventures.

The implementation of the ABC program also proceeded well. Employees belonging to the ABC target group have been identified and invited to complete the ABC e-learning. Of this target group, 71 percent completed the training within the first half year after the roll-out.

Those employees who are most exposed to competition laws must 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. In 2014, no breaches were reported and DSM was not subject to any investigation by competition authorities related to potential anti-competitive behavior.

Dilemmas

Living the Code can sometimes result in dilemmas that do not have a quick or clear answer. To prepare for these cases Dilemma Workshops are held, 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. These discussions are used to calibrate 'what is right' and 'what is wrong' in order to continuously improve business integrity in daily operations. In 2014, a Dilemma App was developed, which is currently being piloted.

Consequence management

DSM applies zero-tolerance consequence management to violations of the Code. Most Code incidents are reported to, and dealt with by, local line management. If reporting to line management is not considered possible, the whistleblower procedure (DSM Alert) is used. Complaints received by DSM Alert are dealt with via the DSM Alert Officer. In all cases, consequence management practices are in place (e.g. official warning, temporary suspension, dismissal) to support compliance with the Code.

The DSM Alert Officer 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 Code can also contact the DSM Alert Officer via www.dsm.com. In 2014, two external reports of potential violations were received.

The table on the next page gives an overview of all reported Code of Business Conduct violations, with a breakdown per Triple P dimension and per region. Proven serious violations of the Code can result in dismissal. In line with this policy, 62 employees were dismissed in 2014, as a result of breaches of the Code or other legal or local company regulations. In addition, 76 cases were reported that have led to other kinds of consequence management (official warning or suspension). Overall, this is a significant increase compared to 2013, which can be explained by increased awareness of the Code, particularly in the Americas and the Asia-Pacific region. As a result, the reporting of violations has also improved. The decrease in the number of employees in Europe in 2014 explains the decrease of cases in Europe & Africa.

People: Most of the cases in the People dimension are related to violations of the Life Saving Rules or inappropriate behavior. The first category is most often directly reported to and resolved by operational line management. The second category is more often dealt with by the DSM Alert Officer. One of the lessons learned is that the growing globalization of DSM's workforce demands more attention be given to cultural differences. This subject has been discussed in the Code Review Team, and the corporate ownership of this subject has been assigned to the DSM North America regional president.

Therefore, in 2014, DSM introduced an additional online training module to further emphasize the importance of the cultural, diversity and non-discrimination aspects of the Code. This module focused on effective employee relations, communications, and non-discriminatory practices in the workplace.

Planet: There were only a few violations of the Code in the Planet dimension. Investigations of serious environmental incidents have shown that hardly any of these occurred due to seriously negligent or irresponsible behavior by employees. More details on serious environmental incidents are provided in the chapter What still went wrong in 2014 on page 116.

Profit: In the Profit dimension most cases are related to unauthorized absence from work, inappropriate behavior in relation to commission payments, and fraud or theft.

Code of Business Conduct	2014	2013
Training and awareness e-learning:		
% of targeted employees trained		
General		
- Code of Business Conduct	91%	93%
Profit		
- Anti-Bribery and Corruption (introduced 2014)	71%	-
DSM Competition Law:		
% of targeted employees signed-off		
- DSM Competition Law Compliance annual statement	100%	100%
Violations of the Code:		
Number of dismissals/other consequence management		
Triple P breakdown		
- People	32/64	26/66
- Planet	3/2	0/1
- Profit	27/10	7/9
Regional breakdown		
- Europe & Africa	10/38	14/49
- Americas	30/26	15/24
- Asia-Pacific	22/12	4/3
Total	**62/76**	**33/76**
Alert cases (whistleblower procedure):		
Number substantiated/not substantiated/under investigation		
Triple P breakdown		
- People	6/11/1	4/15/0
- Planet	-	-
- Profit	0/1/4	2/4/0
Regional breakdown		
- Europe & Africa	2/5/1	2/4/0
- Americas	2/5/2	2/7/0
- Asia-Pacific	2/2/2	2/8/0
Total	**6/12/5**	**6/19/0**

People in 2014

DSM encourages its people to develop and build their careers by broadening their skills and knowledge. It seeks to attract people who can add value and contribute in different ways. Most importantly, DSM wants original thinkers and doers who can stretch and move the company forward, in line with the organizational needs. This means employees are encouraged to do everything they can to nurture and realize their bright ideas, in a working environment that promotes health, personal initiative, an entrepreneurial mindset and inspirational leadership.

With 89 nationalities, more than 200 sites and offices in over 50 countries, it is important to create a shared culture that embraces differences. DSM aims to grow collaboration to harness the power of its global workforce.

DSM's human resources strategy contributes to the development of inspiring and collaborative leaders. It 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 and focused business growth. The approach is supported by the ONE DSM Culture Agenda, which is explained further below in this chapter.

DSM aims to become more international, in order to bring its business closer to its key markets and customers and make it stronger. To this end, it seeks to stimulate inclusion, diversity and innovation. It also combines a strong regional infrastructure with clear Managing Board-level accountability for regional performance. The company’s human resources strategy supports DSM's internationalization goals.

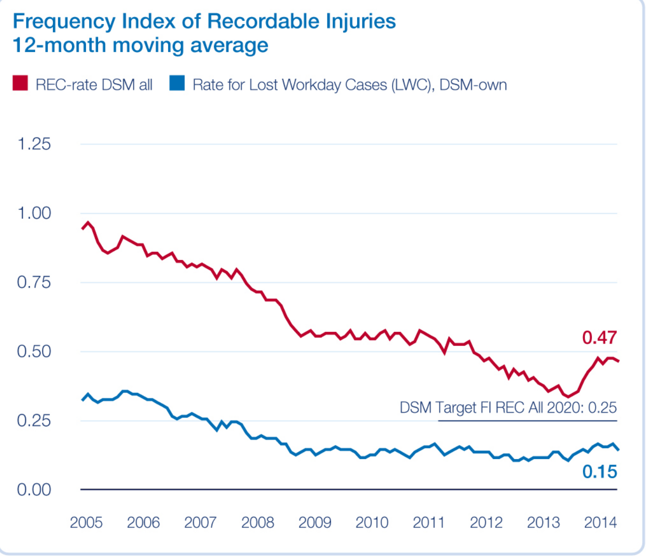
This chapter outlines the general internal elements of DSM's people approach, which is embodied in the company's safety and health and human resources policies, as well as the external components contained in its People+ strategy and policies on human rights. The performance elements of this strategy are included in the Sustainability statements section of this report. See also Growth Driver: Sustainability on page 25 and Stakeholder engagement on page 28.

Safety and health

Occupational safety

DSM has been free of fatal accidents for several years, and has made steady progress in this area. However, improvements in safety performance did not continue in 2014. The Frequency Index of Recordable Injuries for 2013 was 0.38 and in 2014 it was 0.47.

The Frequency Index measures Lost Workday Cases, Restricted Workday Cases, Medical Treatment Cases and/or fatalities. For a full description of the Index see the Explanation of some concepts and ratios on page 212. The Frequency Index of Lost Workday Cases for DSM employees was 0.15 (2013: 0.14).



To a large extent, the result in 2014 can be explained by the shift in DSM's portfolio of reporting units in 2014. Units from DSM Sinochem Pharmaceuticals and DSM Pharmaceutical Products were phased out and newly acquired units were phased into the statistics. Although the newly acquired units have improved their safety records, they are not yet at the level of those sites that have belonged to DSM for a longer time; it takes longer than just a few months for DSM's rigorous worldwide approach to Safety, Health and Environment (SHE) to be completely assimilated and for the full effect to be seen. This shift has therefore had a significant impact. Of the total of 138 recordables, 56 (40 percent) are in units that have been with DSM for less than four years. These units account for 17 percent of all working hours.

No fatalities occurred in the year, which means that DSM has been fatality-free for three years in a row. Nevertheless, the incidents that did occur and the severity of their consequences remain a cause for concern for the company. It is DSM's goal to have an injury and incident-free working environment. The company 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. DSM aims for an index score that is less than or equal to 0.25 by 2020, compared to the 0.57 achieved in 2010. A further goal is that by 2020 the number of serious safety incidents will be at least 65 percent lower than in 2010, when there were 15 such incidents. In 2014 there were seven such incidents reported. The weaker SHE performance in 2014 increases DSM's focus on achieving this target.

The focus on preventing serious accidents and any potential fatalities that was renewed with the introduction of DSM's Life Saving Rules, has resulted in a significant improvement in safety performance in recent years. To create an even stronger focus on preventing incidents that can result in severe injury, the Serious Injury and Fatalities (SIF) concept was introduced in 2014. This concept utilizes a decision tree approach to identify all incidents and near misses with the potential for severe injury, so that improvement efforts can be concentrated on the prevention of such incidents. After the pilot phase in 2014, the concept is expected to be fully rolled out in 2015.

The incidents that still occurred and the results of the audits done by the Corporate Operational Audit (COA) department demonstrated that the introduction of the mandatory 'lockout-tagout' and 'confined space entry' procedures were successful. These practices improved the already existing requirements and led to a renewed focus on the flawless execution of these 'higher-hazard' activities.

A third mandatory practice on 'permit-to-work systems' detailing was developed in 2014 and will be implemented in 2015. This new practice focuses on improving the existing work permit requirements within DSM by fostering better cooperation between DSM and contractors in the execution of work. This is in line with the initiative to improve contractor safety that was reported last year. Furthermore, the initiative to introduce an improved Last Minute Risk Assessment (LMRA) methodology at the Sittard-Geleen (Netherlands) site will be introduced at all DSM sites in 2015. The LMRA is the final check to see whether a job is safe to start and everybody knows what to do.

Also in 2014, traces of asbestos were found at the DSM site in Delft (Netherlands). DSM has asbestos control protocols in place for each of the buildings concerned and conducts regular asbestos measurements. The asbestos traces were discovered in a number of rooms, which were immediately vacated and subject to air sampling. No asbestos was detected in the air samples taken and a multidisciplinary task force was set up to relocate the employees involved.

Contractors

The number of contractor incidents showed the same trend as the incidents involving DSM employees. 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 partly be explained by the fact that contractors sometimes carry out more hazardous activities. For this reason, DSM pays 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. See also What still went wrong in 2014 on page 116.

SHE integration of new sites

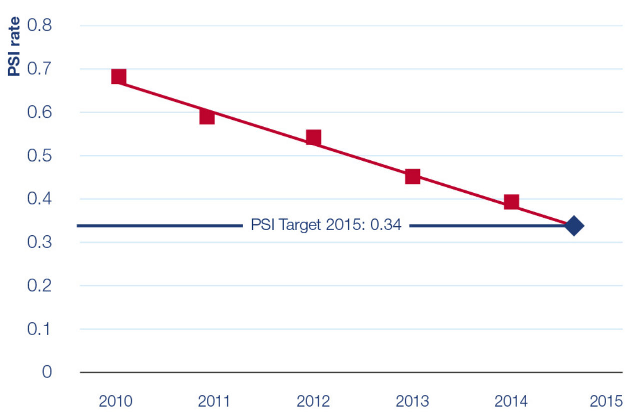
In recent years, DSM has acquired a number of new companies with sites located in different countries. It is a high priority for the company that they implement the worldwide DSM approach to SHE as quickly as possible, as part of the integration process. A total of 31 new sites were added to DSM as a 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 DSM SHE requirements. In 2014, the sites that were acquired in 2012 finalized the integration program and were audited by COA, as the final step in the integration process.

Process safety

DSM follows the European Chemical Industry Council (CEFIC) guidance in defining which incidents qualify as Process Safety Incidents (PSI). The total number of Process Safety Incidents reported in 2014 was 118 (2013: 144).

Translated into a Frequency Index, PSIs totaled 0.40 in the year (2013: 0.46), compared to a targeted reduction to 0.34 in 2015 and 0.17 in 2020. These represent improvements of 50 and 75 percent respectively, compared to a PSI Frequency Index of 0.68 in 2010.

Frequency Index of Process Safety Incidents



As a result of improvement actions in operations, design and maintenance, the number of Process Safety Incidents has started to come down consistently. Several business groups are already performing ahead of the 2015 target. The focus for 2015 will be to ensure the continuous improvement of the units that are already performing well and to further leverage actions in businesses where improved performance cannot be demonstrated yet.

A strategic review of process safety was conducted in 2014 to support DSM's ambitions in this area. The result will be a broad and renewed program of activities for the years to come regarding the key elements of process safety management: competence management, requirements and standards, and performance monitoring.

SHE leadership development

DSM continuously focuses on the development of leadership skills in SHE. In 2014, in addition to the dedicated SHE leadership training programs, a global SHE Conference 'Living our legacy, the journey continues' was organized for DSM's leadership development. The conference drew attendance from a very diverse group of more than 140 DSM colleagues from all over the world. Speakers included peers, customers and leading speakers in the areas of leadership, collaboration and health, as well as a member of the DSM Managing Board. The main themes on the agenda were: Incident and Injury-free DSM; health and human performance solutions; and planet ambitions and initiatives.

Employee health management

DSM provides healthy working conditions for its employees. This ranges from controlling workplace risks (prevention) to health promotion activities. For example, dedicated training programs were organized in China to ensure sufficient competence in industrial hygiene and ergonomics. Furthermore, health-related impacts due to social and demographic trends (e.g. aging workforce) are specifically addressed in the Health module of DSM's SHE Leadership programs.

DSM aims to foster a sustainable culture of health among its employees. Vitality@DSM is a global health management program that provides employees with insights into their own lifestyle profile and explains the consequences of unhealthy lifestyle habits. It also stimulates them to take responsibility for changing their habits.

Over the years, some 10,700 employees have participated in the Vitality@DSM program. Last year, DSM boosted the program through its DSM Health network initiative. In 2014 alone, more than 1,000 employees participated in Asia and Europe.

Employee self-reported figures show that stress is still the largest lifestyle risk factor (49 percent) among DSM employees.

Comparing the results in three DSM regions shows that the stress risk in Asia is significantly higher (73 percent) than in Europe (43 percent) and in the US (58 percent). Another high risk in Asia is lack of exercise (67 percent). In North America, results reflect concerns about weight and obesity (46 percent). On the positive side, employees are willing to take action to improve their health. It is therefore important to continue generating such results so that management can work on action plans to create a healthier work environment and help employees make improvements. In 2015, some groups will be participating for the second time, which will give insights into progress.

Results of Vitality@DSM up to 2014 have continued to demonstrate a positive trend. The total rise in productivity that resulted, based on self-reported changes in lifestyle health risk factors (alcohol consumption, eating habits, lack of exercise, smoking, stress and obesity) reached more than USD 1 million for around 600 employees in Europe, North America and Asia.

Occupational health cases

In 2014, a total of 11 (2013: 6) occupational health cases were reported.

ONE DSM Culture Agenda

The ONE DSM Culture Agenda was designed in conjunction with DSM’s Leadership Model, and aims to support the company’s strategic alignment with the needs of an ever-changing world. It seeks to create a common language across the organization, building greater cohesion and enhancing DSM’s culture. Through its implementation, DSM aims to become a high performance organization and achieve its business objectives.

Introduced to executives in late 2012 and to the larger employee base in 2013, the focus in 2014 was on fostering different ways of working by applying its four themes across the company’s daily operations. Influenced by the results of the Employee Engagement Survey in 2013, the 2014 approach sought to address three main audience segments:

- Line managers and their ability to role model and champion newly expected behaviors around External Orientation, Accountability for Performance, Collaboration with Speed, and Inclusion & Diversity;
- Employees and their ability to embed the four themes into daily operations, thereby making the new behaviors their own; and
- Growing the Circles of Thoughts through highly active and enthusiastic communities to create a bottom-up drive and energy around the four themes.

Among the highlights in 2014 was the growth of the Circles of Thoughts, which went from 50 to nearly 900 members. These regionally organized groups initiated a number of thought-provoking and creative activities that led to a further embracing of the themes, as well as quarterly conversations with managers. This resulted in more visible role modeling, coaching and guidance for their teams in the adoption of the four themes. It also enabled employees to see the benefits of working differently, and celebrating the champions among them.

Frequent references to the four themes in daily communications across all regions, and in the initiatives owned and led by the regions and business groups, encouraged their adoption, even while more remains to be done. This was particularly true for DSM's Inclusion & Diversity efforts. In 2015, DSM will continue to emphasize the segmented approach to the three audiences, transferring further ownership to regions and business groups, and focusing also on an increased empowerment of the Circles of Thoughts.

ONE DSM Culture Agenda themes

External Orientation

DSM recognizes 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, and to 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 create the high-performance organization it requires as a truly global company. A more balanced DSM leadership group in terms of gender and nationality is part of these efforts and will improve decision-making processes and the implementation of its strategy.

DSM Employee Engagement Survey

An engaged workforce is critical for DSM to realize its ambitions. The DSM Employee Engagement Survey is an effective tool for understanding the requirements of employees. Its goal is to create a company in which employees feel proud to work, and where they feel they can excel.

In 2014, DSM held its seventh worldwide Employee Engagement Survey. A total of 17,684 employees, including 408 contractor employees, completed the questionnaire, which was distributed online and on paper in 18 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, which is the percentage of employees scoring favorably on a combination of the four attributes: commitment, pride, advocacy and satisfaction.

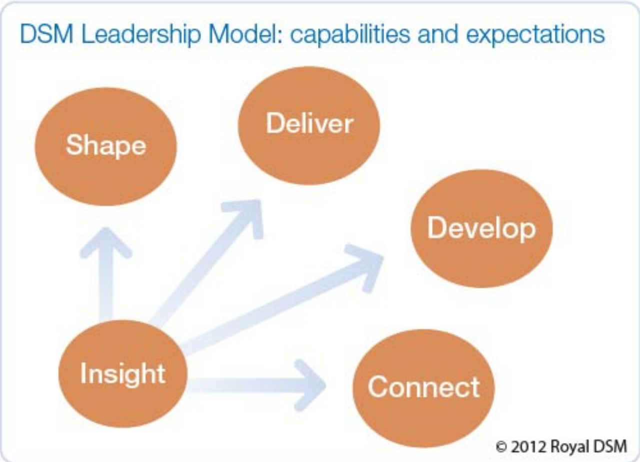
The Employee Engagement Index measured in 2014 was 70 percent (2013: 71 percent). This is in line with the overall global norm of 70 percent. For the highest performing companies around the globe, the benchmark number is 81 percent. This is the league DSM aspires to be part of. The neutral responses came to 21 percent.

DSM has conducted its Employee Engagement Survey each year since 2007 and will continue to use it to guide its ONE DSM Culture Agenda to become a high performing company. DSM will move this survey into a two-year cycle with a full survey in one year and a pulse survey the next so that it has more time to follow up on results and actions, with the next full survey in 2016. The shortened survey to be held in 2015 requires less time from respondents and is easier to manage and follow up on. The pulse survey will be set up as a short questionnaire for all employees to have the opportunity to express their opinions. At the same time, all business groups will have insights into the engagement progress.

Talent management

DSM Leadership Model

The DSM Leadership Model specifies the characteristics expected from leaders now and in the future in a simple, understandable and compelling way. It provides a common vision and language regarding the leadership that DSM requires to succeed. The model sets out the expectation for leaders to be role models and developers of a sustainable and successful organization for the future. It is the basis for high quality processes to hire people, grow and develop talent and build high-performing teams.



In 2014, DSM made significant progress on the implementation of the model. By the end of 2014 almost 90 percent of the executive population had participated in DSM Leadership Model awareness workshops around the globe, which resulted in very positive evaluations. The Leadership Model is now embedded in executive recruitment, appointments and promotions, and the Executive Leadership Programs. In addition, in 2014, all executives were assessed in their annual Performance and Development Review on the five Leadership elements, with a clear focus on strengths and development areas. The executive leadership assessments and 360° feedback tool have also been developed and are being implemented.

Evaluations performed in 2014 show that the model supports a common vision regarding the type of leadership that DSM requires. It was embraced by DSM executives as a common language and a lens for talent discussions and decisions.

DSM decided to roll out the Leadership Model further across the organization in 2014 to all managers and employees in senior management roles. For this enlarged target group, DSM will use the Leadership Model as a development framework. A group of over 100 internal facilitators were trained across the globe to support the workshops for this roll-out.

The DSM Leadership Model plays an important part in the recruitment process. It gives the organization a guideline for the profile it strives to hire and retain, through competency-based interviewing techniques that increase objectivity and effectiveness. To this end, a practical guide for interviewing and selection has been introduced that is based on this model.

Mentoring

Regional mentoring programs have been rolled out in the US, Asia and the Netherlands. The programs include a matching process, and provide training for both mentors and mentees. A regional intranet environment was created for each program, providing practical support and guidance.

Programs included events and were followed up with evaluations for both parties. The US has implemented the longest running program. The Asia Connect program started in 2012 and the overall satisfaction rate in 2014 was 88 percent. In the Netherlands, 2014 was a pilot year. Based on its success, follow-up programs will take place in 2015 for all three regions.

Participants Regional Mentoring Programs

	Mentees	Mentors
US	139	113
Asia	140	39
Netherlands[1]	30	15

[1] Pilot started in 2014

Organizational learning

To fulfill its mission of creating brighter lives for people today and generations to come, DSM nurtures a culture of continuous learning, discovery and improvement. It also strongly believes in the need to invest in the knowledge, skills and experience of its people to ensure their long-term employability.

Learning and development is key for the high-performance culture that DSM requires in order to achieve its strategic objectives, and gives people the chance to build their capabilities, develop their careers and reach their full professional potential. It is also vital for strengthening the talent pipeline and for developing inspiring and collaborative leaders of the future.

At DSM, learning goes beyond the classroom. The most valuable lessons are often learned by employees on the job, from other colleagues or from mentors and coaches. Learning together allows DSM to create communities across the breadth of the organization, bringing people together, fostering collaboration and promoting an inclusive working environment in which everyone's contribution is recognized, valued and rewarded.

The DSM Learning Architecture consists of four program clusters: executive programs, management programs, functional programs and e-learning programs. These are designed and delivered in close collaboration with leading international business schools and global training providers (IMD, Wharton School of the University of Pennsylvania, Babson College, Erasmus University Rotterdam) and are supported by a diverse internal faculty, primarily consisting of DSM's top management.

In 2014, DSM saw a further roll-out across the globe of its Bright Talent Program, specifically designed for DSM's high and top potentials, as well as a number of key workshops geared towards the implementation of the DSM Leadership Model and ONE DSM Culture Agenda.

In addition, in order to better serve regional learning and development needs, and in line with DSM's geographical footprint, four new distinctive regional Centers of Excellent Learning and Development were established: Europe, Asia, North America and Latin America.

Program portfolio

	Available programs 2014	Available programs 2013
Executive programs	11	10
Management programs	66	64
Functional programs	60	58
e-Learning programs	14	14
Total	**151**	**146**

Inclusion & Diversity

In order to better reflect the company's footprint, DSM continues to engage in a targeted Inclusion & Diversity strategy.

As for Diversity, the immediate focus is to increase the number of women and under-represented nationalities in DSM's executive positions. The number of female executives increased from 11 percent in 2013 to 12 percent in 2014. In 2014, four women were appointed to the DSM Leadership Team.

The current composition of the Supervisory Board of Koninklijke DSM N.V. is in line with Dutch legislation. Of the seven members, three are female and four are male. Moreover, in the Supervisory Board of DSM Nederland B.V., a subsidiary of Koninklijke DSM N.V., one third of the members is female.

Gender balance will continue to require attention going forward. In addition to recruiting female executives from external talent pools, DSM also focuses on developing female executives from its internal pool of candidates, and engages in various activities that foster new ways of working and changes in mindsets.

The expansion of the executive population from DSM's high growth regions equally demands continued attention. The number of BRIC+ nationals in executive positions as a percentage of the total number of executive positions increased from 10 to 12 percent in 2014. This is consistent with DSM's aim to reflect the world in which it operates.

The number of North American executives decreased by 1 percent to 13 percent. The number of 'other nationals' in the executive population amounted to 26 percent, and the number of Dutch executives decreased from 50 percent to 49 percent of the executive population in 2014. See also Sustainability statements on page 114.

DSM's Inclusion efforts are reflected in an improving Inclusion Index, which has continued to increase year on year, reaching 70 percent in 2014 (2013: 69 percent). The consistent development of this index suggests that sustained progress is being made in creating and maintaining inclusive environments across the company.

Going forward, DSM continues to address the geographical distribution of executives and other key functions, with a keen eye on gender and nationality balance, as these remain, at this stage, the key diversity aspects to foster.

To accelerate progress, new targets have been set for 2015 and 2016. In these two years, DSM aspires to an incremental growth of between two and four percent for both gender and under-represented nationalities. The introduction of an Inclusion & Diversity program will provide the necessary support for the business and service groups to accomplish this. See also Sustainability statements on page 114.

The role of the DSM Inclusion & Diversity Council, chaired by DSM's CEO Feike Sijbesma, is to facilitate Inclusion & Diversity at DSM and to support all DSM businesses in creating a sustainable inclusive environment, in which diversity is fully embraced.

People outside DSM

DSM is committed to improving people's lives through its products and its partnerships. It is important, for instance, that the private sector plays a crucial role in addressing the problem of malnutrition and hidden hunger in both the developed and the developing world through new business models and nutritious food and food supplements, tailored to the specific needs of particular population groups.

DSM's People+ program is an example of how DSM strives to have a positive social impact. The four dimensions of People+ focus on people outside DSM:

- Health Condition assesses how a particular product contributes to maintaining, improving and regenerating people's health. For example, vitamin D is vital to bone health and muscle strength, and can reduce the risk of fractures linked to osteoporosis.
- An example of Comfort & Well-being could be a product that smoothens the skin or reduces perspiration.
- Working Conditions are applicable to DSM's own employees, and also to the employees of the companies in its supply chain.
- Community Development determines whether a product contributes to local prosperity, within the boundaries of the Anti-Bribery and Corruption Policy and Compliance Manual. Helping to improve education, creating jobs and purchasing locally are examples of community benefits that are measured as part of a People+ product assessment. See also People+ on page 26.

Human rights

Respecting human rights is fundamental to all of DSM's activities, and the company has a longstanding commitment to the United Nations Universal Declaration of Human Rights. DSM is a signatory to the United Nations Global Compact and recognizes the OECD (Organization for Economic Co-operation and Development) Guidelines for Multinational Enterprises. Furthermore, DSM supports the United Nations Framework and Guiding Principles on Business and Human Rights (the Ruggie Framework), as well as 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 respectful manner.

In support of DSM's codes of conduct and its commitment to the international treaties and guidelines related to business behavior and human rights, DSM has found it necessary to begin developing a comprehensive human rights policy with the support of an external human rights expert. The policy will form the basis for embedding the responsibility to respect human rights in all business functions. Furthermore, it underlines DSM's commitment to being a responsible corporate citizen and provides stakeholders with more transparency to assess DSM's human rights performance. Together with 20 other multinationals, DSM also contributed to a WBCSD issue brief on a series of barriers and solutions to operationalizing the UN Guiding Principles for Business and Human Rights. These principles aim at authoritative global standards on the respective roles of businesses and governments in helping to ensure that companies respect human rights in their own operations and through their business relationships.

Planet in 2014

DSM recognizes the environmental impact of its business operations and is committed to taking comprehensive measures to protect the planet for future generations. Within the Planet dimension of its Triple P (People, Planet and Profit) approach, DSM delivers activities, solutions and innovations that improve the environmental footprint of its business and that of its external stakeholders in the value chains. This chapter describes the material environmental issues and themes that have been identified through DSM's stakeholder consultation, as well as other topics DSM considers to be relevant and important in this area.

This chapter addresses the following topics: Climate Change; Bio-based and Circular Economy, and Sustainable Value Chains. These headings are consistent with the top three environmental materialities identified by the stakeholder engagement process. The DSM materiality matrix on page 28 shows the ranking of all 20 material issues.

Targets

In the framework of its corporate strategy, DSM has defined long-term sustainability aspirations, which include targets to improve the eco-efficiency of its operations. These targets are translated into plans and activities within a corporate multi-year plan. The plan provides the necessary guidance to each of the business groups.

The eco-efficiency targets for the period 2010-2015 are based on the ambition that by the end of 2015, all DSM sites in the world must meet minimum standards applied within the European Union or the US, via the use of Best Available Techniques. All new plants and major plant modifications must meet these requirements from the start, while existing plants have until the end of 2015 to comply.

All of DSM's environmental targets, except for greenhouse-gas (GHG) emissions, are efficiency targets in which performance is related to production volumes. The target for GHG 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 for the overall energy target, is 2008. The divested units DSM Agro, DSM Melamine, DSM Elastomers, Citrique Belge and DSM Special Products were excluded from this 2008 base year, but the impact of all other acquisitions and divestments is reflected in the total GHG emissions (scopes 1 and 2) reported by DSM.

In 2014, DSM adapted its methodology for consolidating performance data to include the performance of newly acquired units. The new methodology also includes the performance of units divested during the target period. All improvements and deteriorations of deconsolidated units, such as DSM Pharmaceutical Products (DPP) and DSM Sinochem Pharmaceuticals (DSP), are also taken into account for as long as they have been part of DSM.

DSM has compared the results of this new methodology to the result of the previous one used, by applying a parallel process in 2013 and in the first half of 2014. This has shown a significant difference in two target areas. The first of these is landfilling of non-hazardous waste, in which the new methodology accounts for the improvements made at the newly acquired site in Kingstree (South Carolina, USA). The second area is volatile organic compound (VOC) emissions, where improvements in Laiwu (China) also led to a better performance.

The new methodology also reduced the difference between the progress on relative targets and absolute totals as shown in the Sustainability Statements on page 114. The performance on all other targets was not significantly impacted by the introduction of the new methodology. For more information on the new methodology see www.dsm.com.

Key environmental indicators, total DSM

	2014	2013R
Energy use in petajoules (PJ)	39.1	41.1
Greenhouse-gas emissions in CO_2 equivalents (x million tons)	4.2	4.2
Emission of volatile organic compounds (VOC) (x 1000 tons)	4.2	4.3
Emission of NO_x (x 1000 tons)	1.5	1.6
Emission of SO_2 (x 1000 tons)	0.08	0.07
Chemical Oxygen Demand discharges to surface waters (x 1000 tons)	3.9	4.8
Water use (x million m^3)	118	150
Landfilling non-hazardous waste (x 1000 tons)	18.2	22.7

Progress made in 2014 towards environmental reduction targets

		% Reduction realized compared to reference year[1]	Target	
		2014	2010-2015	2008-2020
Climate change	Energy efficiency	17%		20%
	Greenhouse gases	2%[2]		25%
Emissions to air	VOC	36%	40%	
	SO_2	90%	70%	
	NO_x	42%	30%	
Discharges to water	COD	20%	20%	
Water availability and use	Total water consumption	(3)%[1]	15%	
Waste	Landfilling non-hazardous waste	51%	15%	

1 Numbers between brackets represent a negative number, i.e. a deterioration in performance
2 In the calculation that accounts for changes in production volume, DSM's GHG emissions decrease by 16% in 2014 compared to 2008

DSM publishes detailed information on the environmental performance of all its production sites on www.dsm.com.

Climate change

DSM's approach to addressing climate change involves quantifying and tracking GHG emissions, as well as monitoring its energy consumption. Where possible, projects are initiated that benefit the environment, and also have other positive consequences, such as internal cost savings.

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. The company aims to be a front-runner in combatting global warming and resource depletion. To this end, it seeks to develop and promote products and solutions that help reduce GHG emissions and energy usage across its value chain.

The company's current strategy includes a long-term target to increase energy efficiency by 20 percent by 2020 compared to 2008. To determine energy efficiency, DSM measures its energy consumption in relation to the production volume of each production site. In 2013, DSM published a paper outlining its perspective on renewable energy, and in 2014 it announced its support for strengthening energy, GHG and renewable energy targets across the European Union.

DSM has also undertaken an advocacy role to cooperate with energy suppliers, co-leaders in industry and regulatory bodies, to enable the necessary shift in the purchased energy mix towards more renewable energy.

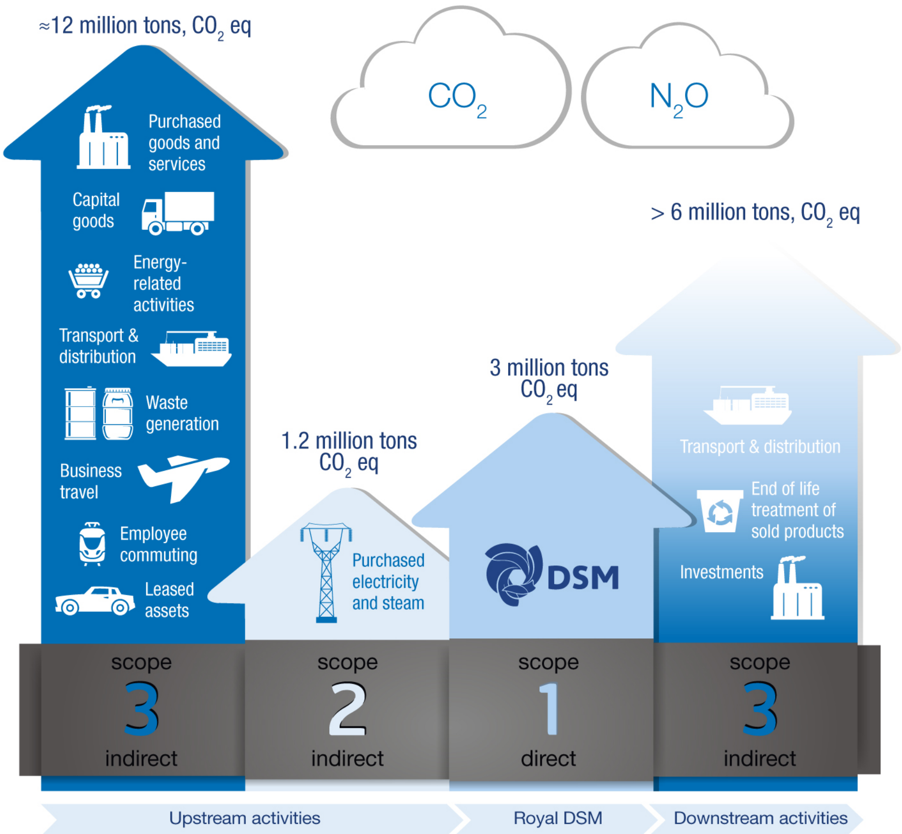
In 2014, DSM's energy efficiency performance reached 17 percent and total energy consumption decreased from 41.1 to 39.1 PJ. The main improvements took place at the DSM Fibre Intermediates plant in Nanjing (China), where the second caprolactam line is far more energy efficient than the first, leading to significant improvements in overall efficiency. Other structural improvements were also achieved, for example, at DSM Dyneema in Greenville (North Carolina, USA) where there were cost savings of €340,000. Improvements were also made at DSM Nutritional Products in Kingstree, although these were relatively minor. Energy efficiency was stable at other locations, due to stable production volumes. See also DSM's energy perspective on www.dsm.com.

Greenhouse-gas emissions
There is scientific consensus that certain gases (e.g. carbon dioxide, methane, nitrous oxide) have contributed significantly to anthropogenic climate change. These gases, which are emitted during the course of a wide range of human activities, magnify the planet's natural greenhouse effect and cause the atmosphere to retain more heat than it otherwise would. This in turn results in a series of wide-ranging and inter-linked changes to the earth's climate, some of which have negative consequences for human health and well-being.

According to the latest report by the Intergovernmental Panel on Climate Change (IPCC) in 2014, a reduction of the cumulative total of GHG emissions could avert an increase in average surface temperatures of between 2 and 4 degrees Celsius by the end of the 21st century.

Reducing GHG emissions is therefore an imperative for all organizations and individuals, including DSM. Since 2008, the company has complied with the Greenhouse Gas Protocol's standards for measuring and reporting GHG emissions (scopes 1, 2 and 3). Crucially, DSM has an internal target to achieve a 25 percent reduction in GHG emissions by 2020, compared to its 2008 emission levels.

Greenhouse-gas emissions in DSM's value chain



GHG emissions scope 1 & 2

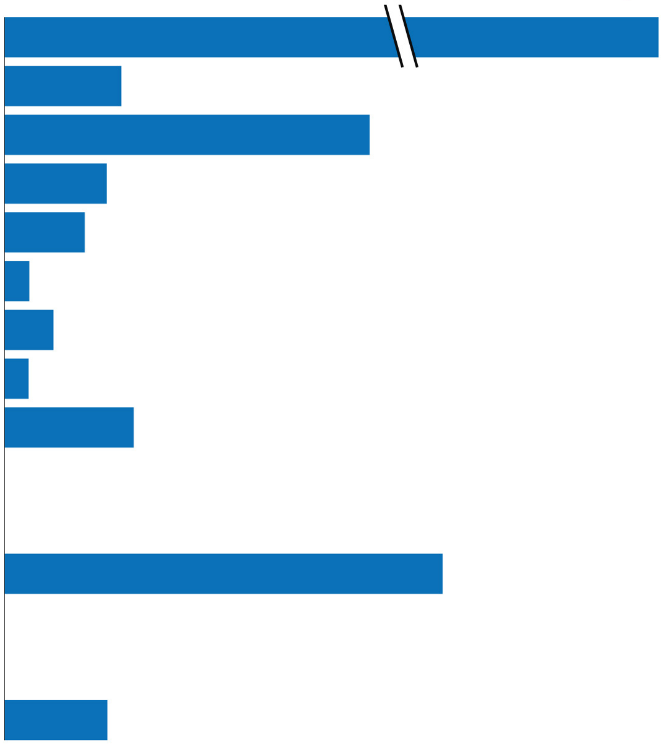
In 2014, DSM emitted a total of 4.2 million tons of CO_2 equivalents, which is a reduction of two percent compared to its emissions in 2008 (the total reduction target is 25 percent). The main change to DSM's performance in 2013 was related to the deconsolidation of DPP. However, this reduction was offset by mechanical issues in the N_2O abatement system at DSM Fibre Intermediates in Nanjing (China), which caused an increase in N_2O emissions. Other changes were the result of developments in energy consumption.

GHG emissions scope 3

The Greenhouse Gas Protocol Corporate Value Chain Standard defines scope 3 emissions as 'all other indirect emissions that occur in a company's value chain'. DSM regards reporting on scope 3 emissions as an essential complement to reporting on scope 1 and 2 emissions. Taken together, they fully reflect all the GHG emissions associated with its business activities. For more information about the methodologies applied see www.dsm.com.

DSM's greenhouse-gas emissions (scope 3) in 2014

	category	2014 CO_2 eq, kilotons
Purchased goods and services[1]	1	11,112
Capital goods[1]	2	160
Fuel and energy-related activities	3	508
Upstream transportation and distribution[2]	4	142
Waste generated in operations	5	110
Business travel[1]	6	34
Employee commuting	7	67
Upstream leased assets	8	33
Downstream transportation and distribution[2]	9	177
Processing of sold products[3]	10	NR
Use of sold products[3]	11	NR
End of life treatment of sold products	12	6,049
Downstream leased assets[3]	13	NR
Franchises[3]	14	NR
Investments[2]	15	141



Due to the inherent assumptions and uncertainties in calculating scope 3 GHG emissions, the above figures are estimates
[1] Q4 previous year-Q3 reporting year.
[2] Reported figures with one year delay.
[3] These categories are considered either not relevant or not applicable to DSM; or cannot be estimated at this time due to the wide array of applications of DSM products. This approach is in line with the WBCSD's *Guidance for Accounting & Reporting Corporate GHG emissions in the Chemical Sector Value Chain.*

DSM strives to improve the quality of its scope 3 reporting on an ongoing basis. This includes periodically updating applied emission factors and collecting more accurate and specific data where possible. Inevitably, the calculation of DSM's scope 3 emissions is partly based on estimates and assumptions. In keeping with the chemicals sector guidelines of the World Business Council for Sustainable Development (WBCSD), DSM prioritizes reporting on 11 scope 3 categories that are relevant and applicable to DSM's business, and for which data are available. DSM's performance in 2014 is illustrated in the table above.

Purchased goods and services accounted for DSM's highest scope 3 emissions in 2014, but declined by nine percent compared to 2013. Although DSM strives to achieve a sustained reduction of its carbon footprint, for example through the DSM Supplier Sustainability Program, the decline in this category cannot be attributed to specific initiatives at this stage. See also DSM's Supplier Sustainability Program on page 33.

Bio-based and circular economy

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. For example, resource use, production and end-of-life waste management would all be taken into account in the product design stage.

In a bio-based economy, production relies on the use of natural inputs, as is the case with renewable energy, biofuels and bio-based chemicals. By ensuring the renewability of raw materials, a bio-based economy makes a circular economy possible. Another element of a circular economy is the use of safer ingredients. DSM is committed to promoting these developments.

Renewable energy and raw materials

DSM supports the development of innovative, sustainable and renewable energy solutions. This includes DSM's collaboration with POET to produce cellulosic bio-ethanol at a new plant in the US. POET-DSM Advanced Biofuels began production in 2014. Also in the year, DSM opened its first Solar Technology Demonstration Center to validate and showcase its solar technology innovations, at a manufacturing site in Pune (India). The site is partly powered by the renewable energy this demonstration center generates.

In 2014, approximately 11 percent of DSM's total spend on raw materials related to renewable raw materials. This represents an increase compared to 2013, which is in line with the DSM portfolio changes. The decline in crude oil prices during the second half of the year also limited the growth of spending on petrochemicals.

Another reason for the increase in renewable raw materials purchased was the growth in Reverdia, DSM's joint venture with Roquette Frères, that aims to develop bio-based products, specifically bio-succinic acid. This partnership is consistent with DSM's sustainability objectives and is expected to further contribute to the company's ambitions in the future. A further increase in the proportion of renewable raw materials used is expected in the coming years. See also DSM's position paper on sustainable biomass at www.dsm.com.

Water and waste water

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. DSM carries out 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. Water risk assessments give DSM a clear overview of its impact on water scarcity and pollution at a local level. Projects based on the results of the water risk assessments are included within business group roadmaps for sustainable water management.

DSM has been a signatory to the UN 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 worldwide concern. Many areas in the world are increasingly facing water scarcity, water pollution and water damages by natural disasters. A more sustainable management of water is therefore a must in our society. Individual and collective actions are necessary to mitigate adverse effects on water quality and availability in the regions and businesses where we operate. DSM truly values initiatives like the United Nations Global Compact CEO Water Mandate and its principles. The topic of water and sustainable water management has our continued full attention."

Feike Sijbesma, CEO/Chairman of the Managing Board

DSM's global water use is divided into surface water, groundwater and potable (tap) water. In 2014, total water consumption decreased to 118 million m^3, compared to 150 million m^3 in 2013. As the reduction was largely caused by the deconsolidation of DPP, this did not have an effect on the target performance.

Performance against water consumption efficiency targets is currently minus three percent, while the target is 15 percent. This performance is mainly determined by the DSM Nutritional Products plants in Grenzach (Germany) and Lalden (Switzerland), which traditionally have high levels of surface water consumption, part of which is used as 'once-through cooling'. Relatively high water temperature has led to an increase in surface water consumption at these plants. Further increases in water consumption occurred because of incidental leakages and higher production rates at other plants.

At the same time, reductions in water consumption occurred at several plants throughout the organization. At DSM in Tongxiang (China), all use of surface water for cooling was replaced by the use of a cooling tower in which water is reused. More than half of DSM's plants saw stable or improved water efficiencies due to water pipe repairs, revisions to plant water systems or water awareness projects.

A significant part of DSM's total water use is for 'once-through cooling' (approximately 85 percent), particularly at sites located next to large rivers. Local authorities at these sites have confirmed that any effects are within accepted levels.

DSM's water pollution reduction programs aim to reduce total water pollution, mainly through reductions in Chemical Oxygen Demand (COD). In 2014, DSM reached its target of 20 percent improvement on the discharge of COD. A major contribution was from DSM Fibre Intermediates in Augusta (Georgia, USA) and from DSM Nutritional Products in Kingstree.

Waste

DSM is working to decrease its waste output. Its performance against targets for reducing landfilling of non-hazardous waste benefited from the application of the new consolidation methodology. This is because the methodology includes the performance of plants that were acquired after the reference year (2010), most notably DSM Nutritional Products in Kingstree. Since the acquisition, most of the waste from the plant in Kingstree that was previously sent to landfill, is gradually being recovered and used for soil improvements and other applications. In Kingstree, this resulted in an estimated € 40,000 in cost savings.

At DSM Nutritional Products in Dalry (UK), the landfilling of non-hazardous waste was reduced through the diversion of waste into land restoration projects, which led to savings of approximately € 81,000. There were also positive outcomes at DNP sites in Vietnam and the US, and DSM Resins & Functional Materials in the Netherlands. Although several other sites reported temporary increases in the amount of waste landfilled, the target of decreasing waste by 15 percent in 2015 was met in 2014 with a 51 percent reduction.

Other emissions to air

Targets for emissions of volatile organic compounds (VOC) have also benefited from the new consolidation methodology. The 35 percent reduction was largely due to improvements at DSM in Laiwu, where there were several operational improvements. A further reduction is expected in 2015 when the abatement system becomes operational.

Other notable improvements included DSM Fibre Intermediates in Nanjing, partly due to the start-up of a new waste gas incinerator, and at DSM Nutritional Products in Kingstree and Dalry. In Dalry, these improvements led to cost savings of € 75,000. Other changes were mainly due to changes in production levels and the product portfolio.

The performance against reduction targets on emissions of NO_x was stable, at around 40 percent. The performance on SO_2 emissions was also stable at slightly above 90 percent. Both targets were already achieved in previous years. See also the Sustainability Statements on page 114.

Biodiversity

Biodiversity is the term given to the variety of life on earth. Biodiversity and healthy ecosystems are key conditions for a sustainable world. DSM aims to help prevent the degradation of biodiversity and contribute to its preservation wherever possible. The company does this by:

- building awareness about natural capital, biodiversity and ecosystems;
- assessing and monitoring DSM’s impact on protected areas within its vicinity;
- developing impact assessments with stakeholders; and
- developing measures that help mitigate this impact.

Each year, DSM identifies and monitors the protected areas in the vicinity of its sites and the impact that it has on them. Some 52 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 limits, as defined by local authorities.

Together with three other business partners in the Dutch branch of the International Union for Conservation of Nature (IUCN), DSM is working on the design of a future biodiversity-friendly business estate.

Sustainable value chains

Measuring, reporting and managing scope 3 GHG emissions is at the heart of DSM's efforts to create and support sustainable value chains. The company adopts a multi-faceted approach to sustainable value chains. DSM's other major complementary initiatives are discussed in more detail below.

DSM is convinced that true sustainability can only occur when all parts of the value chain work together towards the same goals. DSM works to make this a reality through continuous improvements. It engages in an ongoing dialogue with suppliers, customers, NGOs and industry peers who also seek to increase the sustainability of the value chains in which they operate. DSM requires its suppliers to meet its sustainability standards and minimize their eco-footprints. It also encourages them to focus on providing solutions that enable all downstream players, from customers to end-users, to improve their eco-footprints as well.

ECO+ program

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 the removal of hazardous substances from the life cycle. ECO+ products help to 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.

Avoided emissions
With a strong contribution from DSM, the WBCSD and ICCA (International Council of Chemical Associations) published new guidelines on reporting on avoided emissions for companies in the chemicals sector in 2013. According to the guidelines, avoided emissions are defined as the difference between the life cycle emissions from the solution of the reporting company, and the comparable solution (i.e. a conventional product or market average). DSM supports the guidelines and is starting to implement them across the business in order to credibly capture the effects of its products in the value chain. Applicable DSM products and solutions for which avoided emissions may be evaluated include advanced surfaces for solar panels, cellulosic bio-ethanol and enzymes.

DSM actively steers its product development along its strategy of avoided emissions. DSM Coating Resins innovation efforts are focused on the reduction of VOC emissions by replacing solvent-borne systems with waterborne, UV or powder solutions. Avoiding solvent usage reduces the CO_2 equivalent emission by 50 percent. Other examples are a new, space-efficient packaging for Dyneema®UD, currently in final testing, which promises to reduce transportation-related emissions by up to 40 percent; and Brewers Clarex enzymes, which, when used in beer production, result in avoided emissions of eight percent per hectoliter of beer.

Safer alternatives
As an aspiring leader in safer products policies, DSM is committed to bringing more sustainable alternatives to the market, in place of chemicals of high concern. These actions are proactive and go beyond legal requirements. They are focused on substances that are expected to become reclassified or that are less preferred by consumers because of their perceived health and safety risks. Experience shows that the substitution of substances of high concern can be complex, still, a number of projects have been initiated and are at varying stages of development.

DSM's efforts to adopt safer alternatives have been recognized by its peers and external organizations, such as ChemSec.

Product stewardship
Since 2013, DSM has operated a Product Safety Network (PSN). This network provides direction and internal alignment in the areas of mandatory and voluntary industry initiatives for sound chemical management. In 2014, the PSN governance and communication plan was reviewed to strengthen its advisory role for global policymaking in product safety-related issues.

DSM's updated SHE requirements describe several elements for product stewardship in more detail, including the requirement to have tailor-made product stewardship programs for all products or product clusters; a clearer definition of the role of DSM employees in product safety management; the distribution of responsibilities across all levels of the organization; and methodologies to be applied in the risk characterization in a product's life cycle, in alignment with DSM's ECO+ and People+ programs.

To challenge the selection of potentially toxic raw materials and end products, every business group within DSM has a program in place to list its own potentially toxic substances on a DSM Priority Substances List and to review their use.

REACH
DSM does not produce substances of very high concern according to REACH, the Registration, Evaluation, Authorization and Restriction of Chemical substances criteria. It also does not allow the production and use of substances of high concern, unless it can be demonstrated that there are no feasible alternatives. DSM's ultimate goal is to phase out potentially toxic compounds from its portfolio.

DSM constructively cooperates with national European authorities during the REACH evaluation processes. The next registration deadline is in 2018, and DSM is actively integrating REACH into its daily operations. REACH registration implies greater complexity and higher costs for DSM.

UN Globally Harmonized System
DSM continuously monitors developments in the UN Globally Harmonized System (GHS) and related national regulations on classification and labeling, and takes necessary actions to ensure implementation. Products have been re-labeled and safety data sheets revised according to new requirements. National and regional deadlines are implemented as part of this process.

In 2014, revisions to the GHS for China and Europe were successfully implemented before the legal due dates. The roll-out of GHS for the US is proceeding well and according to plan.

Profit in 2014

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	2014	2013R[1]
Net sales continuing operations	9,181	8,858
Operating profit before depreciation and amortization (EBITDA)	**1,168**	**1,261**
Operating profit before exceptional items	**619**	**761**
Net finance costs	(118)	(137)
Income tax expense	(89)	(110)
Share of the profit of associates	7	(17)
Profit attributable to non-controlling interests	9	2
Net profit continuing operations before exceptional items	**428**	**499**
Net profit from discontinued operations before exceptional items	(2)	9
Net result from exceptional items, continuing operations	(311)	(77)
Net result from exceptional items, discontinued operations	30	(160)
Total net profit attributable to equity holders of Koninklijke DSM N.V.	**145**	**271**
ROCE, continuing operations (in %)	7.8	10.1
EBITDA / net sales, continuing operations (in %)	12.7	14.2

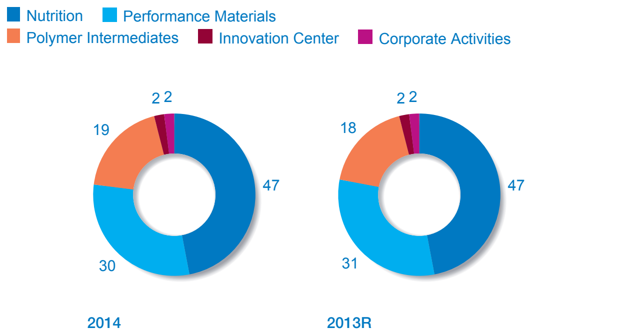
[1] DSM applied the new standards IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements' for the first time in 2014. Due to the abolishment of proportionate consolidation for joint ventures DSM's financial position has changed. These changes are notably related to the joint venture DSM Sinochem Pharmaceuticals Limited and POET-DSM Advanced Biofuels. See page 158 for more information about joint ventures.

Net sales

At €9,181 million, net sales from continuing operations in 2014 were four percent higher than in 2013 when they reached €8,858 million. Volume development accounted for a five percent increase in net sales. On average, selling prices were two percent lower than in 2013. Exchange rate fluctuations had on balance no impact, while acquisitions contributed one percent.

Net sales by business segment, continuing operations

in %

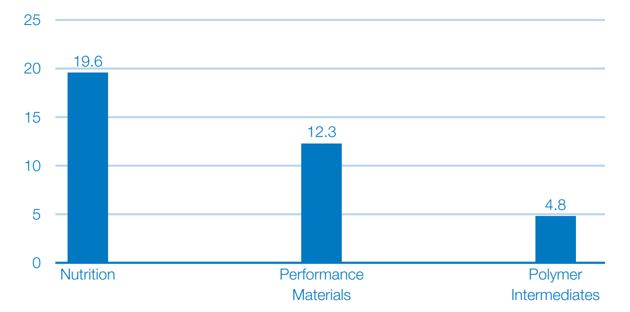


Operating profit

Operating profit from continuing operations before exceptional items decreased by € 142 million (19 percent), from € 761 million in 2013 to € 619 million in 2014.

Operating profit from continuing operations before depreciation and amortization (before exceptional items) decreased by € 93 million (seven percent), from € 1,261 million in 2013 to € 1,168 million in 2014. The EBITDA margin (operating profit before depreciation and amortization as a percentage of net sales) decreased to just below 13 percent.

EBITDA / net sales, continuing operations in 2014
in %



Net profit

Net profit from continuing operations attributable to shareholders DSM (before exceptional items) decreased by € 71 million to € 428 million. Expressed per ordinary share, net earnings from continuing operations before exceptional items declined from € 2.84 in 2013 to € 2.42 in 2014.

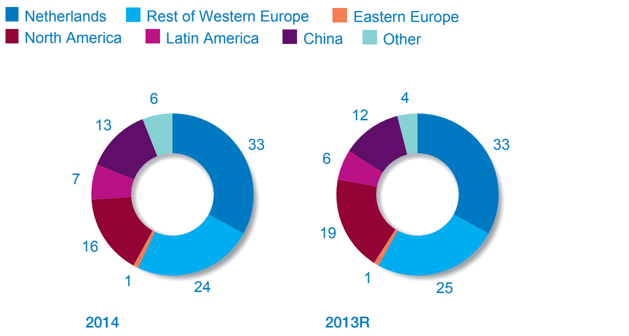
Net finance costs decreased by € 19 million compared to the previous year to a level of € 118 million. This was mainly the consequence of positive hedge results. The effective tax rate (before exceptional items) of 18 percent in 2014 was in line with the effective tax rate in 2013.

Total net profit for the full year came to € 145 million compared to € 271 million in 2013. This was mainly caused by a lower operating profit in 2014, and higher exceptional items due to the impairment of the caprolactam business.

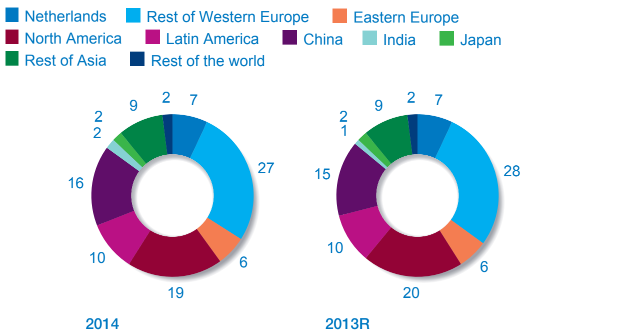
Exceptional items

Total exceptional items from consolidated companies for the full year amounted to a loss of € 334 million (€ 252 million after tax) including € 291 million impairment of the caprolactam business, € 59 million restructuring costs, € 12 million acquisition-related and other costs as well as a reversal of € 28 million on the loss of the contribution of DSM Pharmaceutical Products to DPx that was recognized upon classification of the business as an asset held for sale at the end of 2013.

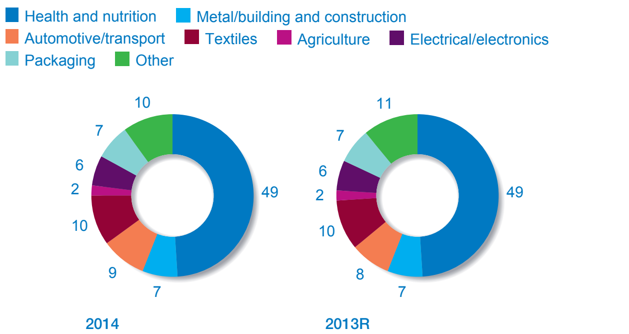
Net sales by origin, continuing operations
in %



Net sales by destination, continuing operations
in %



Net sales by end-use market, continuing operations
in %



Cash flow

At € 808 million, cash provided by operating activities (total DSM) was nine percent of net sales.

Cash flow statement

x € million	2014	2013R
Cash, cash equivalents and current investments at 1 January	**789**	**1,108**
Current investments at 1 January	19	19
Cash and cash equivalents at 1 January	**770**	**1,089**
Operating activities:		
- Earnings before interest, tax, depreciation and amortization	1,166	1,312
- Changes in working capital	(74)	(83)
- Income tax	(82)	(63)
- Other changes	(202)	(168)
Cash flow provided by operating activities	808	998
Investing activities:		
- Capital expenditure[1]	(653)	(649)
- Acquisitions	(7)	(509)
- Sale of subsidiaries	78	72
- Disposals	15	6
- Change in current investments	14	24
- Interest received	108	83
- Other	(70)	(84)
Cash from / used in investing activities	(515)	(1,057)
Financing activities		
- Dividend	(175)	(160)
- Interest paid	(302)	(200)
- Repurchase of shares	(189)	(73)
- Proceeds from reissued shares	26	145
- Change in commercial paper	250	(150)
- Other cash from / used in financing activities	(29)	180
Cash used in financing activities	(419)	(258)
Effect of exchange differences	25	(2)
Cash and cash equivalents at 31 December	**669**	**770**
Current investments at 31 December	6	19
Cash, cash equivalents and current investments at 31 December	**675**	**789**

[1] An amount of € 25 million included in capital expenditure was funded by customers (2013: € 20 million)

Balance sheet

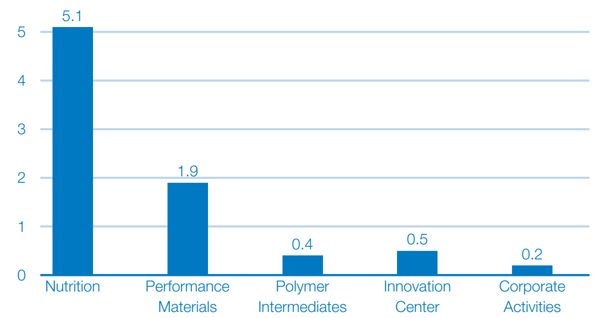
The balance sheet total (total assets) reached € 12.1 billion at year-end (2013: € 11.9 billion). Equity decreased by € 160 million compared to the position at the end of 2013. This decrease was due to the net profit for the year, the net exchange differences and the proceeds from reissued shares, which were more than offset by the dividend, the repurchase of shares and the net actuarial losses on defined benefit obligations. Equity as a percentage of total assets declined from 51 percent at the end of 2013 to 49 percent at the end of 2014.

Compared to year-end 2013, net debt increased by € 579 million to € 2,420 million. The gearing was 29 percent at year-end.

Capital expenditure on intangible assets and property, plant and equipment amounted to € 616 million in 2014 and was above the level of amortization and depreciation.

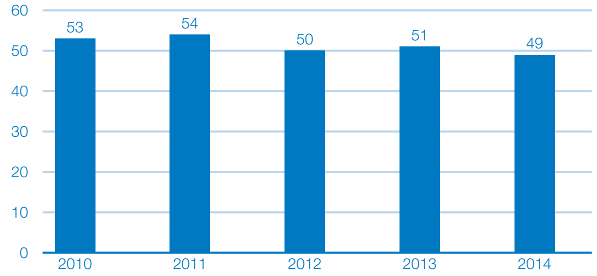
The operating working capital (continuing operations before reclassification to 'held for sale') was € 125 million higher than in the previous year and came to 20.7 percent of annualized fourth quarter net sales (2013: 21.2 percent). Cash and cash equivalents, including current investments, declined by € 114 million and came to € 675 million.

Capital employed per business segment at 31 December 2014, continuing operations x € billion



Equity at 31 December

as a % of balance sheet total



Balance sheet profile

	2014		2013R	
	x € million	in %	x € million	in %
Intangible assets	2,867	24	2,690	23
Property, plant and equipment	3,673	30	3,611	30
Other non-current assets	1,319	11	811	7
Cash and cash equivalents	669	6	770	6
Other current assets	3,598	29	4,017	34
Total assets	**12,126**	**100**	**11,899**	**100**
Equity	5,936	49	6,096	51
Provisions	147	1	162	1
Other non-current liabilities	2,562	21	2,501	21
Other current liabilities	3,481	29	3,140	27
Total liabilities	**12,126**	**100**	**11,899**	**100**

Outlook

Macro-economic uncertainty and low consumer confidence continue to impact market dynamics. DSM assumes low growth in Europe, continued economic resilience and growth in the US and a slowdown of growth in some of the high growth economies.

The volatility in currencies with the weakening of the Euro against the US Dollar and the strengthening of the Swiss franc against the Euro could have an impact on DSM's 2015 results. Based on current rates and the 2015 hedge effects, the overall impact of currencies on EBITDA in 2015 would be roughly neutral.

Spot prices in vitamin E have declined significantly in the second half of 2014. Assuming the January 2015 prices persist, the negative impact on DSM's 2015 EBITDA will be around €80 million.

DSM is addressing the current challenging external environment by continuing its focus on operational performance and commitment to enhancing profitability. The running programs will be complemented by accelerated actions to improve efficiencies and reduce costs, specifically in Nutrition and across all functions in the company. In addition, in 2015 further focus will be given to improve operating working capital management.

Taking the above into account, DSM aims to deliver an EBITDA in 2015 that is slightly ahead of the result of 2014.

Review of business in 2014

In 2014 DSM's activities were grouped into four clusters: Nutrition, 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	2014	2013R
Nutrition	4,335	4,205
Performance Materials	2,792	2,729
Polymer Intermediates	1,727	1,579
Innovation Center	154	150
Corporate Activities	173	195
Total continuing operations	**9,181**	**8,858**
Discontinued operations	102	571
Total DSM	**9,283**	**9,429**

Operating profit (EBIT)

x € million	2014	2013R
Nutrition	596	680
Performance Materials	193	180
Polymer Intermediates	24	71
Innovation Center	(45)	(43)
Corporate Activities	(149)	(127)
Total continuing operations	**619**	**761**
Discontinued operations	(2)	12
Total DSM	**617**	**773**

EBITDA

x € million	2014	2013R
Nutrition	850	914
Performance Materials	343	319
Polymer Intermediates	83	113
Innovation Center	(18)	(9)
Corporate Activities	(90)	(76)
Total continuing operations	**1,168**	**1,261**
Discontinued operations	(2)	51
Total DSM	**1,166**	**1,312**

Capital employed at 31 December

x € million	2014	2013R
Nutrition	5,034	4,496
Performance Materials	1,928	1,902
Polymer Intermediates	419	570
Innovation Center	523	469
Corporate Activities	201	206
Total continuing operations	**8,105**	**7,643**
Discontinued operations	-	417
Total DSM	**8,105**	**8,060**

EBITDA / net sales

in %	2014	2013R
Nutrition	19.6	21.7
Performance Materials	12.3	11.7
Polymer Intermediates	4.8	7.2
Total continuing operations	**12.7**	**14.2**
Discontinued operations	(2.0)	8.9
Total DSM	**12.6**	**13.9**

ROCE

in %	2014	2013R
Nutrition	12.5	15.5
Performance Materials	10.1	9.2
Polymer Intermediates	4.8	14.0
Total continuing operations	**7.8**	**10.1**
Discontinued operations	-	2.5
Total DSM	**7.8**	**9.6**

Capital expenditure

x € million	2014	2013R
Nutrition	330	255
Performance Materials	77	56
Polymer Intermediates	117	235
Innovation Center	27	20
Corporate Activities	62	87
Total continuing operations	**613**	**653**
Discontinued operations	3	41
Total, accounting based	**616**	**694**
Non-cash items	37	(45)
Customer funding	(25)	(20)
Total, cash based	**628**	**629**

Workforce at 31 December

headcount	2014	2013R
Nutrition	10,857	10,548
Performance Materials	5,115	5,126
Polymer Intermediates	1,423	1,456
Innovation Center	675	659
Corporate Activities	3,281	3,204
Total continuing operations	**21,351**	**20,993**
Discontinued operations	-	2,492
Total DSM	**21,351**	**23,485**

R&D expenditure (including associated IP expenditure)

	x € million		as % of net sales	
	2014	2013R	**2014**	2013R
Nutrition	206	209	4.8	5.0
Performance Materials	143	132	5.1	4.8
Polymer Intermediates	16	17	0.9	1.1
Innovation Center	82	74	53.2	49.3
Corporate Activities	28	29	16.2	14.9
Total continuing operations	**475**	**461**	**5.2**	**5.2**
Discontinued operations	8	45	7.8	7.9
Total DSM	**483**	**506**	**5.2**	**5.4**

Life Sciences

Review of business in 2014: Nutrition

Continued value growth

Net sales

€ 4,335 m

x € million	2014	2013R
Net sales:		
DSM Nutritional Products:		
- Animal Nutrition & Health	2,084	1,935
- Human Nutrition & Health	1,626	1,690
- Personal Care	152	152
	3,862	3,777
DSM Food Specialties	473	428
Total	**4,335**	**4,205**
Organic sales growth (in %)	2	2
Operating profit	596	680
Operating profit plus depreciation and amortization (EBITDA)	850	914
Capital expenditure	330	255
Capital employed at 31 December	5,034	4,496
ROCE (in %)	12.5	15.5
EBITDA as % of net sales	19.6	21.7
R&D expenditure	206	209
Workforce at 31 December (headcount)	10,857	10,548

Business

The Nutrition cluster comprises DSM Nutritional Products and DSM Food Specialties. These businesses serve the animal feed, food and beverage, pharmaceutical, infant nutrition, dietary supplement and personal care industries. With a global and highly diversified portfolio of products, services and end-markets, and a unique position across the feed and food value chains, DSM applies its capabilities to the benefit of customers and other stakeholders.

Total sales for 2014 of the Nutrition cluster came to €4,335 million, compared to €4,205 million in 2013. Organic sales growth remained stable at 2 percent and EBITDA was €850 million.

EBITDA for the cluster declined 7 percent in 2014, despite strong volume growth in Animal Nutrition & Health. The decline was due to the impact of negative currency effects, lower volumes in Human Nutrition & Health and lower vitamin E prices.

DSM responded to the decline in the US dietary supplement market by supporting science-based industry coalitions that promote essential vitamins and omega-3 supplements through dedicated communications initiatives in the US. It worked closely with retailers to grow the category, and continued to see good growth in dietary supplements markets outside the US.

The company took a number of actions to drive further improvements in operational performance. It further improved its cost position, enhancing the competitiveness of its vitamins, and upgraded and improved its cost position in nutritional lipids. In addition to its share in the DSM Profit Improvement Program (PIP), Nutrition is running cost-saving projects totaling €50 million, which will be partly reinvested into external open innovations and local, front-line support systems.

The business supported its customers with innovations and used scientific expertise to increase differentiation in forms, tailor-made products, solutions and premixes, while supporting the growth of its i-Health consumer health and wellness business. The company's product and end-market diversification acted as a strong natural hedge, providing significant resilience in these difficult market conditions.

DSM Nutritional Products

DSM Nutritional Products is organized around three market-facing entities: Animal Nutrition & Health, Human Nutrition & Health and Personal Care. In 2014, DSM Nutritional Products posted sales of €3,862 million compared to €3,777 million in 2013.

Trends

The fundamental growth drivers in nutrition and health remained intact, despite the challenging macro-economic conditions in 2014. A steadily growing urban population in high growth economies with rising standards of living are driving increased consumption of fish, meat, poultry and dairy products. As the average age increases, concerns about health and the environment also drive demand for healthier processed foods. The need for convenience and safe, processed food has never been higher, which matches DSM's ability to deliver tailor-made local applications and blends.

Global megatrends are also fuelling demand for health, wellness and convenience products such as dietary supplements, and healthier choices in food and beverages, as well as infant nutrition products. At the same time, growing awareness about malnutrition in both the developing and the developed world is prompting regulatory actions aimed to encourage the consumption of healthy, balanced diets and, where needed, fortified foods and supplements.

Quality, safety and sustainability are also issues of rising public concern that are leading to greater attention from health authorities. They 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. Another important differentiator for DSM is environmental sustainability, most notably in countries where there are low-cost producers.

In the period ahead, DSM expects customers to demand deeper insights and customized solutions. DSM's nutrition business is well positioned for growth and will continue to increase its focus on high growth economies where the business will increase its development of products tailored to local consumer preferences and market and channel structures.

Sustainability

Sustainability is an important growth driver for DSM, as demand increases for market solutions that are more efficient and have distinctive environmental advantages.

DSM has undertaken environmental assessments of its products, including vitamins C, B2 and B6. By lowering the environmental impact of its production processes, DSM has reduced its ecological footprint and that of its end-products.

One of the greatest challenges for society is the alleviation of malnutrition. As an industry pioneer, DSM helps to address malnutrition by advancing the world's understanding of the intricate relationships between nutrition and health and by assisting customers to improve the nutritional content of their products through product development and improved food production processes.

DSM has been a proud partner of the United Nations World Food Programme (WFP), the largest provider of food aid to the world's hungry, since 2007, and has extended this partnership until 2015. The UN World Food Programme feeds and nourishes an average of 90 million people in over 80 countries every year. See Public-Private Partnerships on page 36.

In the field of ingredients, DSM is increasingly recognized as a thought leader in the areas of nutrition and health. Thought leadership enables it to engage in discussions on nutrition guidelines, policies and practices with high-level decision makers and authorities around the world. It also helps the business to build institutional knowledge and create confidence among its customers and other stakeholders.

Sustainable animal protein production is of major importance for the world and therefore for the feed and food value chains. The greater demand for safer, more efficient, healthier and more sustainable animal protein production, combined with a rising scarcity of resources, is requiring efficient feed conversion processes and a reduction of undesirable waste components. DSM offers solutions to meet this demand and helps to make industrial farming systems more sustainable with a lower impact on the environment.

Strategy

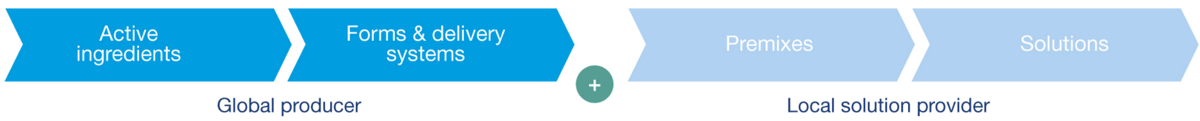
DSM Nutritional Products has a unique business model that aims to capture opportunities arising from global megatrends by combining global production capabilities in active ingredients and formulations with customized local formulations, premix activities and distribution channels. As a global producer, it delivers a broad portfolio of high quality and competitive actives while offering maximum differentiation through industry and segment specific formulations. As a local solutions provider, it is focused on customer-driven solutions and segment-specific products.

DSM has the broadest portfolio of nutritional ingredients in diversified end-markets and benefits from an unparalleled presence across the value chain. It has also developed high levels of customer intimacy in its markets around the world.

By managing the interdependencies between active ingredients, formulations, premixes and macro blends tailored for specific applications, DSM drives innovation and ensures value delivery to customers and consumers.

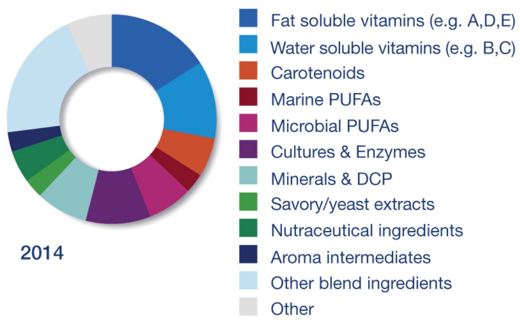
In recent years, DSM has grown to become one of the strongest industry players by expanding and strengthening its value chain presence wherever there are growth opportunities. Its footprint of operations now comprises more than 60 countries, including a large number of high growth economies, where it has unparalleled customer access, the deepest and broadest product portfolio, and new skills and capabilities.

Capitalizing on every step of the value chain

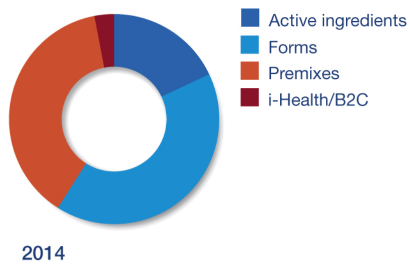


Broad portfolio providing resilience

Broadest portfolio of ingredients



Sales, split over value chain steps



With its uniquely integrated business model and strong global position, DSM has become a front-runner in quality and innovation, regulatory and technical expertise, sustainability, and customer and consumer understanding. It is continuously innovating and upgrading its delivery systems through application and formulation technologies; expanding premix networks and services through nutritional science and advocacy; and maintaining its investments in state-of-the-art quality management.

Acquisitions have been the main vehicle for adding new growth platforms, especially in high growth economies and North

America. Considering the largest four businesses acquired – Martek in 2011, Ocean Nutrition Canada in 2012, Fortitech in 2012 and Tortuga in 2013 – DSM's own estimates show that all have contributed significantly to DSM's value creation. Ocean Nutrition Canada has not met the initial performance expectations as it has faced unexpected weakness in the US fish oil-based omega-3 dietary supplements market.

In each case, the integration process has progressed successfully and synergies are being delivered according to plan. In the period ahead, DSM's focus will be on completing the integration of its newest companies and reaping the benefits of these in terms of growth, synergies and costs.

Animal Nutrition & Health

Highlights 2014

- Good sales growth with limited impact from diseases
- Significant price erosion in vitamin E, particularly in second half of the year
- Opening of new animal nutrition research center in China

The Animal Nutrition & Health (ANH) business achieved sales of € 2,084 million in 2014 compared to € 1,935 million in 2013.

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.

Significant price pressure occurred in vitamin E especially in the second half of the year, while numerous other vitamins achieved stronger prices and some suffered shortages. There was also a continued drive for improved efficiency in animal production and greater producer profitability, which led to increased demand for specialty nutritional solutions.

Despite ongoing challenges in the macro-economic environment, the megatrends of population growth and rising living standards have continued to drive the business in 2014, leading to overall increases in demand and higher prices for meat and dairy products.

Although markets continued to be highly competitive, the breadth of DSM's portfolio, coupled with its nutritional knowledge, has enabled it to bolster its customer relationships and continue to generate strong growth in nutritional solutions. DSM also brought multiple innovations to the market, which further cemented its position as a leading provider of value to its customers.

Acquired in 2013, the Tortuga business has continued to perform well and has enabled DSM to deliver greater value to its Brazilian dairy and beef customers through the implementation of new nutritional programs. In the year, DSM also invested significantly in new application facilities in China. The new China animal nutrition center will support the development of tailored solutions to meet the needs of the fast growing poultry and swine markets. Further investments were also made in the premix business in the rest of Asia.

Human Nutrition & Health

Highlights 2014

- Challenging end-markets
- Steps taken to improve operational performance
- Opening new premix plant in India

The Human Nutrition & Health (HNH) business reported 2014 sales of € 1,626 million compared to € 1,690 million in 2013.

This business largely addresses the nutritional ingredients part of the food and beverage and dietary supplements market, with an additional focus on infant nutrition and aroma ingredients. Its fundamental drivers are the link between nutrition and health, supported by a number of global megatrends.

Some market headwinds impacted the performance in 2014, including ongoing weakness in both multivitamin and fish oil-based omega-3 markets for dietary supplements in the US. The momentum for these dietary supplements outside the US continued to be positive. DSM's consumer business i-Health again showed strong growth. Western food & beverage markets remained sluggish; low consumer spending continued to weigh on the growth in various end-markets. Food and beverage sales in Asia continued to develop well.

DSM took steps to improve its operational performance, and to protect and strengthen its market share. It supported Western global and regional 'A-label' customers by introducing new health and nutrition claims for their products, and by accelerating innovations. In high growth economies, it tapped into the increased need for good quality and safely processed ingredients. In July DSM announced the intention to acquire Aland (HK) Holding Limited ('Aland'), a Hong Kong-based company producing vitamin C in China.

In infant nutrition, the effect of the false botulism scare in China and South-East Asian markets has generally resulted in strict regulation and higher requirements. In dietary supplements, the momentum outside the US was positive for vitamins and fish oil-based omega-3. Demand for DSM's US based i-Health consumer brands remained robust and international sales efforts were launched. In North America, the multivitamin and fish oil-based omega-3 market experienced decreased consumer demand. DSM is leading the North American omega-3 industry coalition and participating in a multivitamins coalition to promote credible science and demonstrate the value of the dietary supplements category to society.

DSM has also focused on its premix business model as a core growth driver, by delivering the highest-quality customized capabilities in the industry through the global Fortitech Premixes network. With 14 sites in total, the newest of which was inaugurated in 2014 in India, DSM is well positioned to help its customers reduce operational complexity and accelerate new product launches. DSM's integrated global premix business is now recognized by customers as the leader in human nutrition premixes.

Personal Care

Sales in Personal Care reached € 152 million in 2014, equal to 2013.

The business is driven by global megatrends, local consumer beauty regime insights and uncovering growth opportunities in emerging markets. It offers considerable long-term opportunities for DSM to innovate for accelerated growth.

In 2014, Personal Care saw growth in the skin care actives, specialty UV-filters, and hair polymers business segments. It also performed strongly in Asian and Latin American markets with double-digit growth that offset weaker sales of the non-specialty UV-filters in the mature North American market. The year saw the launch of a portfolio of sensory modifiers, which received a positive and rapid market acceptance.

DSM Food Specialties

Highlights 2014

- Strong organic growth driven by enzymes
- Progress made on fermentative stevia sweetener innovation platform
- Strengthened enzymes joint venture reinforces presence in China

In 2014, sales for DSM Food Specialties amounted to € 473 million, compared to € 428 million in 2013.

DSM Food Specialties is a leading global supplier of food enzymes, cultures, yeast extracts, flavors 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, appearance and health and wellness, while helping to optimize production processes and raw material and energy use.

In Enzymes, it focuses on the food and beverage industry where it helps customers innovate 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, the business' 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.

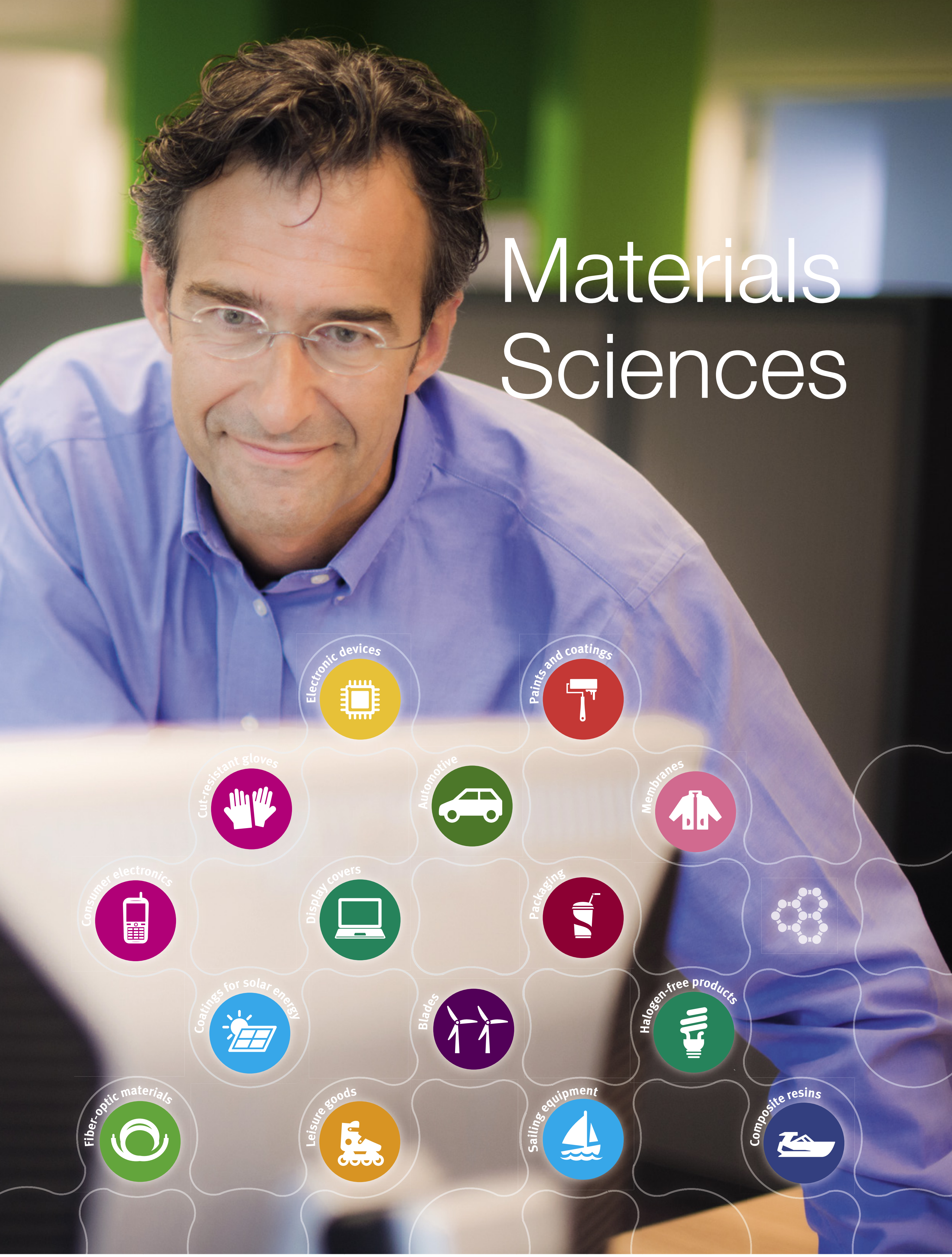
During the year, DSM Food Specialties finalized its integration of the acquired Cargill cultures and enzymes business and closed its production facility in Logan (Utah, USA). It launched a new generation of lactase, Maxilact® LGi and also launched Maxiren® XDS. The business made good progress in the development of its fermentative stevia sweetener platform and strengthened its presence in China with a dedicated local business organization and the opening of a new blending facility in Yixing (China). Construction work began on the new innovation center in Delft (Netherlands), which is expected to be completed in late 2015.

Following the full consolidation of DSM's investment in Andre Pectin, the China-based hydrocolloids growth platform was created. The unit combines Andre Pectin with the previously acquired gellan gum assets.

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 two percent of the cost of a final product, but can have a significant, direct impact on the end-product and efficiency of the production process.

The use of food enzymes is expected to grow further 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 continue growing, 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 products with reduced salt content.

Materials Sciences



Review of business in 2014: Performance Materials

Growing via innovative sustainable solutions

Net sales

€ 2,792 m

x € million	2014	2013R
Net sales:		
DSM Engineering Plastics	1,324	1,261
DSM Dyneema	264	252
DSM Resins & Functional Materials	1,204	1,216
Total	**2,792**	**2,729**
Organic sales growth (in %)	2	3
Operating profit	193	180
Operating profit plus depreciation and amortization (EBITDA)	343	319
Capital expenditure	77	56
Capital employed at 31 December	1,928	1,902
ROCE (in %)	10.1	9.2
EBITDA as % of net sales	12.3	11.7
R&D expenditure	143	132
Workforce at 31 December (headcount)	5,115	5,126

Business

This cluster comprises DSM Engineering Plastics, DSM Dyneema and DSM Resins & Functional Materials. DSM Engineering Plastics is a global player in specialty plastics. 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 is a global player in innovative high-quality resins solutions for paints and coatings, composite materials and optical fiber coatings. The cluster has a global presence, with significant sales originating in high growth economies.

In 2014, sales in the Performance Materials cluster increased to € 2,792 million compared to € 2,729 million in 2013, with organic growth of 2 percent. Total EBITDA for the full year increased to € 343 million, compared to € 319 million in 2013. All three business groups contributed to this growth, mainly due to higher volumes and a continued cost control.

Throughout 2014, the cluster expanded its presence and leadership positions in selected segments of the global market for advanced performance materials. The cluster is well positioned in terms of ECO+ innovation sales at 96 percent and ECO+ sales from running business at 59 percent. The cluster delivered increased volumes and gradual margin improvements across all business groups. It achieved this despite ongoing adverse macro-economic conditions in the European building and construction sectors, and the negative impact of the weakness in the caprolactam market, through backward integration, on DSM Engineering Plastics.

The cluster benefited from its investments and sales in high growth economies, which now account for 38 percent of total sales. China and India were significant contributors to its growth in 2014, while the business also reaped the benefits of the recovery in the US, where all areas of the market grew for the third year in succession.

With the continuous upgrade of its portfolio, the cluster is well positioned for growth and cash generation by further leveraging its higher added-value businesses. 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.

Trends

Performance Materials' markets are increasingly driven by concerns over resource scarcity and climate change. 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. These include high performance plastics, solvent-free waterborne resins, bio-based and renewable plastics and resins, and other new applications.

The use of hazardous substances is another area of growing concern for consumers and regulators, leading to demands for safer alternatives. DSM Engineering Plastics and DSM Resins &

Functional Materials address these concerns by offering products and solutions that eliminate or reduce the use of substances such as halogens, styrene, volatile organic compounds (VOC) or cobalt.

The business groups manufacture technologically sophisticated high-quality products that address key megatrends driving DSM's end-markets. They meet the needs of customers across a range of sectors through innovative and sustainable value propositions.

Sustainability

DSM is creating innovative solutions that make a positive difference to people’s lives and reduce the environmental footprint. In Performance Materials, sustainability is a significant driver of new business and innovations.

This is leading to the development of new applications that address key sustainability challenges. The cluster has shifted its materials portfolio towards a higher added-value mix by introducing innovative and more sustainable solutions, some examples of which are described in the business group sections below.

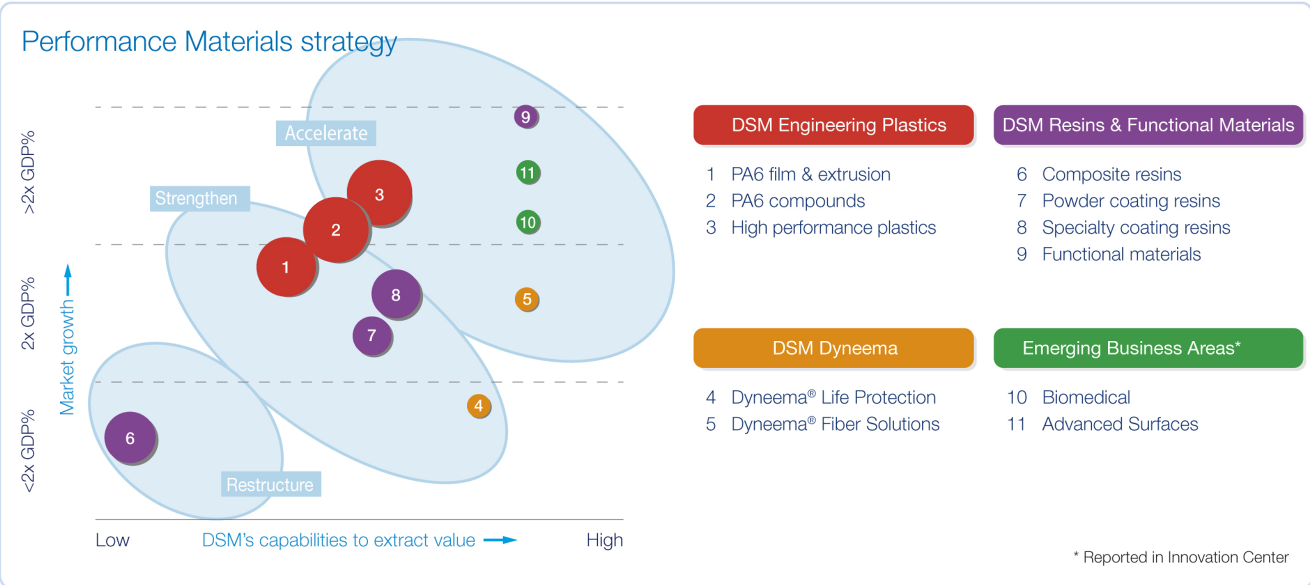
DSM inaugurated a Solar Technologies Demonstration Center at the DSM Engineering Plastics facility in Pune, India. The center will showcase DSM innovations in solar technology, and use the solar energy generated to meet 25 percent of the site's electricity needs.

Strategy

Performance Materials is applying a differentiated strategy based on its positions in various market segments. This strategy aims to accelerate, strengthen or restructure its businesses and will enable it to further upgrade its portfolio in the years ahead.

The cluster is leveraging its existing infrastructure to accelerate growth in highly innovative markets in order to fully benefit from megatrends. It is also strengthening the business by combining sustainable innovation sales growth with margin optimization and cost control programs. At the same time, DSM is pursuing strategic actions for its Composite Resins business.

Although not part of the cluster, DSM's Emerging Business Areas (EBAs) represent promising long-term growth platforms also related to Performance Materials, such as DSM Biomedical and DSM Advanced Surfaces.



DSM Engineering Plastics

Highlights 2014

- Good sales development, particularly in the specialty segment
- Improved margins and successful Profit Improvement Program
- New materials center opened in the Netherlands

Sales for DSM Engineering Plastics in 2014 came to € 1,324 million compared to € 1,261 million in 2013. The business group delivered a strong underlying performance in its specialty business, along with effective cost controls. These achievements were partly offset by negative currency effects and lower upstream results in the polyamide 6 value chain.

DSM Engineering Plastics targets four key industries: automotive, electrical and 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.

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.

DSM Engineering Plastics has a strong position in semi-crystalline engineering plastics, high-performance polyamides, polyamide 6 and thermoplastic copolyester. All innovations in DSM Engineering Plastics launched in 2014 were classified as ECO+, providing quantifiable environmental advantages to its customers.

With its global headquarters and management based in Singapore, DSM Engineering Plastics is well positioned to respond to the requirements of its customers in the fast-growing Asian market, which are expected to account for the majority of its growth in the period ahead.

The business has production and R&D facilities in the Netherlands, the US, 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 the automotive sector, manufacturers are looking to reduce vehicle fuel consumption and emissions by reducing weight and friction, and through alternative propulsion technologies such as electric and hybrid. They are also seeking to meet regulations on end-of-time vehicles, while reducing vehicle footprints by using bio-based or recycled materials and improving safety and comfort. DSM offers solutions so that customers can meet these requirements. It provides a broad portfolio of more sustainable and advanced products that can reduce weight and friction, allow reductions in footprint and enable innovations further downstream.

In 2014, DSM launched the next generation of Diablo high-temperature resistant polyamides. The new grades are part of both DSM's Stanyl® polyamide 46 and Akulon® PA6 and PA66 portfolios, and are aimed at applications in automotive engine compartments where temperatures can reach as high as 260°C. DSM's EcoPaXX®, the 70 percent bio-based engineering plastic, was selected by Dytech for Ferrari and Maserati fuel vapor separators. The company gained share in the European automotive market despite sluggish conditions, due to its early stage collaboration with customers.

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 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 by offering a halogen-free alternative for consumer electronics cables.

Demand for DSM's high performance polyamides from top electronics companies for use in their latest generation of memory connectors has grown in 2014. The introduction of new products such as Stanyl® ForTii™ supported market growth in electrical and electronics, especially in Asia.

In the flexible food packaging industry, with 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.

The construction of a new materials center in Sittard-Geleen (Netherlands) was completed in 2014. This facility brings the marketing and business teams together with scientists in the development center, to enable co-creativity and improve response and service to customers in the materials field.

DSM Dyneema

Highlights 2014

- Steady sales growth in existing segments and through new applications
- Improved operational efficiencies and cost controls
- More than 90 percent ECO+ products in running business

DSM Dyneema reported sales of € 264 million in 2014 compared to € 252 million in 2013. The business grew steadily in its existing segments during the year and increased its attention on new applications to create a broader and more resilient business base. DSM Dyneema successfully added new applications by leveraging its technical innovations and brand into new fields. It also realized operational efficiency gains and achieved cost controls.

DSM Dyneema maintained its focus on existing licensee and key customer relationships, with careful targeting of new products to increase loyalty. The DSM Dyneema business also undertook a number of measures to enhance its product line through a combination of new grade introductions, elimination of under-performing grades and targeted price increases.

In the year, DSM Dyneema finalized two large environmental footprint studies, which indicate that over 90 percent of its products are ECO+.

The Dyneema® brand is licensed to selected customers 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 in apparel and cut-resistant gloves.

In all cases, the benefits of high strength, comfort and safety, combined with low weight, make Dyneema® a key contributor to 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.

DSM Resins & Functional Materials

Highlights 2014

- Good sales growth through ECO+ sales and new introductions
- Continued attention to operational efficiency
- Joint venture DSM-Niaga focused on sustainable carpet technology, to create and re-create carpets from waste

DSM Resins & Functional Materials reported 2014 sales of € 1,204 million compared to € 1,216 million in the previous year.

In 2014, DSM Resins & Functional Materials focused on replacing non-sustainable products with sustainable solutions, in close cooperation with its partners in the value chain. This resulted in a higher growth rate of ECO+ sales versus non-ECO+ sales. The business also further embedded a culture of continuous improvement, including attention for operational efficiency.

This business group is active across a broad range of resins and functional materials through its various business units.

In the coatings 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. DSM is also an emerging player in the market for UV-curable coating resins through its joint venture with AGI Corporation of Taiwan.

In the functional materials area, DSM is a leading developer of formulated coatings designed to address the growing demand for more sustainable, environmentally friendly materials. It has a global leadership position in optical fiber coatings. 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.

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

Innovations in all areas aim to create superior performance in existing application areas, and enlarge the market for sustainable technologies.

DSM Coating Resins

DSM Coating Resins seeks to grow the market for sustainable coating solutions with resins that are raw materials for three types of coatings: water-based coatings, powder coatings and UV-curable 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.

In China, new standards and legislation were introduced in 2014 with a focus on improved air quality. DSM anticipated this development and actively participated in the establishment of the Waterborne China Platform, which has resulted in significant progress being made in the conversion from solvent-borne to waterborne coatings.

The market launch of a powder coating technology, enabling fast curing at low temperatures, took this segment beyond the typical metal substrates market and allowed for application of this technology on heat-sensitive substrates. This will enable it to expand its portfolio of Uralac® applications to a wider range of substrates.

DSM Coating Resins measures the carbon footprint of its innovations to validate its qualities and has conducted multiple LCAs. The data acquired by these studies help to foster cooperation across the value chain. An example of this is the LCA study on the carbon footprint of coated cans; the new Bisphenol A-free resins have a significantly lower environmental footprint.

The business is also setting a new standard in sustainable paint resins with the introduction of Decovery®. These resins are based on novel plant-based building blocks, combining reduced reliance on fossil fuels with a safer indoor air quality environment, opening a new era of high performance sustainable paint production with a reduced environmental impact.

DSM announced a joint venture with Niaga, a Netherlands-based provider of sustainable solutions for the carpet industry. DSM-Niaga will further develop and commercialize sustainable technology for recyclable carpets. Based on proprietary and complementary technologies, the venture will enable the industry to create and re-create carpets from waste in order to close the carpet materials loop.

DSM Functional 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 fiber-optic networks as bandwidth demand surges worldwide.

DeSolite® Supercoatings, a broad portfolio of optical fiber coatings, help network owners attain higher levels of reliability and performance. DSM announced the next generation of DeSolite® Supercoatings, taking performance to a new level with excellent fiber strengths and enhanced processing robustness.

DSM is actively protecting and, where needed, will defend its IP position.

In additive manufacturing (3D printing), DSM has introduced several innovative products to key markets in this field such as medical, dental, aerospace and automotive. The business introduced Somos®Precise, a new material for 3D printing designed to create parts and patterns for high temperature applications requiring exceptional detail resolution. Another introduction was Somos®PerFORM, the latest composite material for 3D printing, helping users to achieve maximum accuracy and detail with a reduced processing time.

DSM Composite Resins

Market conditions remained challenging in 2014, with some positive signs in the second half. While transportation, marine, and construction markets were operating at lower levels, infrastructure (bridges, relining) and industrial are showing improvements. At the same time, markets in China continued to grow, but at lower levels than before.

DSM Composite Resins worked to increase competitiveness by reducing operating costs and de-bottlenecking its processes. It collaborated closely with partners to speed up innovations.

DSM is pursuing strategic actions for the Composite Resins business. In December, DSM announced that it had reached an agreement for the sale of Euroresins to Cathay Investments. The company also announced an agreement to sell its solvent-borne coating business Synres to Standard Investment.

Review of business in 2014: Polymer Intermediates

Leading by technology

Net sales

€ 1,727 m

x € million	2014	2013R
Net sales:		
DSM Fibre Intermediates	1,727	1,579
Total	**1,727**	**1,579**
Organic sales growth (in %)	9	-
Operating profit	24	71
Operating profit plus depreciation and amortization (EBITDA)	83	113
Capital expenditure	117	235
Capital employed at 31 December	419	570
ROCE (in %)	4.8	14.0
EBITDA as % of net sales	4.8	7.2
R&D expenditure	16	17
Workforce at 31 December (headcount)	1,423	1,456

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).

In 2014, DSM Fibre Intermediates posted sales of € 1,727 million, compared to € 1,579 million in 2013. EBITDA decreased compared to 2013 given lower caprolactam margins and lower license income, despite higher volumes and lower costs. The addition of the new second caprolactam line at DNCC increased capacity and contributed to innovation by applying the latest energy-saving technologies. Acrylonitrile delivered a good performance.

There was a continued focus on cost control and performance throughout the cluster, including profit improvement activities.

In the period ahead, DSM will continue to pursue portfolio enhancement via strategic actions in Polymer Intermediates.

DSM Fibre Intermediates

Highlights 2014

- The new second line at DNCC contributed to higher sales
- Continued efforts to improve performance and maximize margins
- Higher sales at acrylonitrile

Caprolactam

Caprolactam is the raw material for polyamide 6 (PA6), also known as nylon 6. 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 a 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.

The effect of the huge increase of Chinese caprolactam capacity was noticeable. The abundant supply leads to low margins and strong competition, which resulted in several producers halting production temporarily or permanently in 2014.

Through most of the year, benzene, caprolactam's principle raw material, has seen high price volatility, which impacted margins.

The construction of DSM's next generation ammonium sulfate plant in Sittard-Geleen (Netherlands) is on schedule to start production in 2015. The new facility will lead to energy savings and lower caprolactam production costs.

DSM expects its caprolactam business to maintain its global leadership position thanks to its focus on high growth economies, sustainability and technological innovation, and an unwavering commitment to its customers.

Acrylonitrile

DSM Fibre Intermediates is the leading supplier in the European merchant acrylonitrile market. Net acrylonitrile sales were higher than the previous year due to stable production and increasing sales volumes. DSM is further strengthening the position of its acrylonitrile business as the dedicated supplier in the European contract market.

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 and styrene-acrylonitrile 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.

Review of business in 2014: Innovation Center

Connecting bright science to brighter living

Net sales

€ 154 m

x € million	2014	2013R
Net sales	154	150
Organic sales growth (in %)	3	16
Operating profit	(45)	(43)
Operating profit plus depreciation and amortization (EBITDA)	(18)	(9)
Capital expenditure	27	20
Capital employed at 31 December	523	469
R&D expenditure	82	74
Workforce at 31 December (headcount)	675	659

DSM Innovation Center

Since 2006, the DSM Innovation Center helps to facilitate the company's strategic transition to become an intrinsically innovative organization. It serves as an enabler and accelerator of sustainable innovation within DSM. With its Emerging Business Areas (EBAs) and the Business Incubator, the Innovation Center plays a fundamental business development role, focusing on areas outside the current scope of the business groups. The Innovation Center also includes DSM Venturing & Licensing.

Sales increased by three percent to € 154 million. EBITDA declined due to intensified innovation programs. DSM Biomedical performed well. DSM Advanced Surfaces made good progress, albeit from a low base. The main focus of DSM Bio-based Products & Services was on starting up the POET-DSM plant in Iowa.

Emerging Business Areas

DSM's Emerging Business Areas provide strong long-term growth platforms in highly promising end-markets that are 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; and
- DSM Advanced Surfaces.

DSM aspires to achieve € 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 US and the Netherlands, it has provided medical device materials development and manufacturing to medical device companies for over 25 years. These products address key trends in medicine, from treating an aging population to caring for more active lifestyles – meeting the need for safer, less invasive procedures that are also more cost-effective.

By using its wide range of state-of-the-art capabilities, DSM is able to develop and produce innovative materials, as well as components, sub-assemblies and full medical devices for its customers. Its broad portfolio of biomedical materials, technologies and capabilities includes biomedical polyurethanes and polyethylenes, resorbable polymers, ceramics, collagens, extracellular matrices, silicone hydrogels, device coatings, and drug delivery platforms. These products are used in applications in some of the most attractive high growth markets, including orthopedics, sports medicine, ophthalmology, general surgery and cardiology.

The global market for medical devices is estimated to be worth around € 150 billion and is growing at an annual rate of between approximately four and five percent. Of this amount, between € 1 - 2 billion is accessible to DSM Biomedical. Demand is rising for cost-effective devices that improve the lives of patients and offset rising expenditure in healthcare. This long-term trend gives the global biomedical market excellent growth prospects for the period ahead.

DSM Biomedical aims to be a strong partner to its medical device customers as its broad portfolio of technologies can meet multiple needs. Its scalable business is positioned better than ever to capitalize on the growth opportunities that the medical device market will offer.

DSM's ambition is to be a leading development partner that is trusted by the medical industry to shape the future of biomaterials and regenerative medical devices. Continuous growth in DSM Biomedical's existing businesses, venturing and incubating new technologies and solutions, as well as acquisitions will contribute to this.

In the year, DSM announced that its first in-house medical coating service plant was ready for commercial production. It also expanded its Dyneema Purity® fiber portfolio with the release of Dyneema Purity® Radiopaque fiber and delivered a six-month study with the University Medical Center Utrecht into the use of this material in fiber-based heart valves.

The business expanded its biomedical business in the year with the launch of its cellular therapy development services. It also made progress in partnerships in new devices and clinical trials, while the DSM-DuPont joint venture, Actamax, announced positive results from its first clinical trials for its novel sprayable adhesion barrier device.

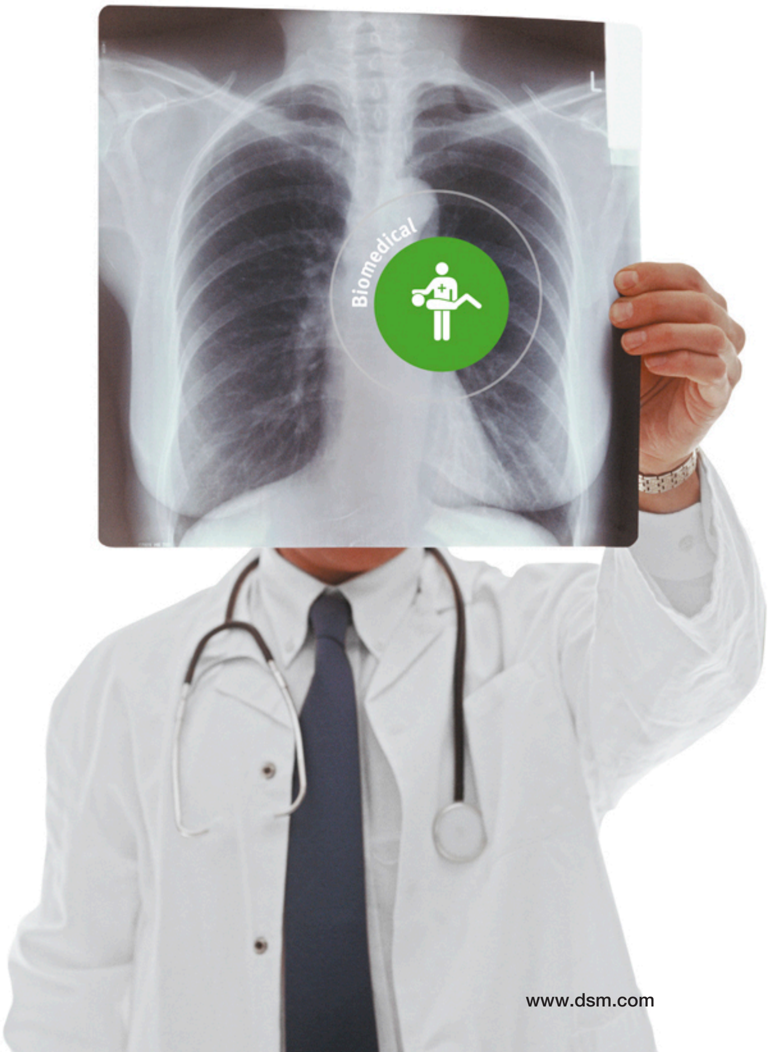
DSM Bio-based Products & Services

DSM's competences in industrial biotechnology are at the core of its strategic focus on Life Sciences and Materials Sciences. As the world moves away from its dependencies on fossil resources and towards a more sustainable economy that is based on bio-renewable feedstocks, there are significant opportunities in advanced biofuels such as cellulosic bio-ethanol, and in renewable building blocks like bio-based succinic acid.

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.

Cellulosic bio-ethanol (POET-DSM Advanced Biofuels)[1]
September saw the grand opening of project LIBERTY, the commercial-scale plant of the POET-DSM Advanced Biofuels joint venture (50/50) in Emmetsburg (Iowa, USA). This production facility for cellulosic bio-ethanol has a capacity of up to approximately 25 million gallons (~90 million liters) per year. It processes corn crop residues to produce cellulosic bio-ethanol through a bioconversion process using enzymatic hydrolysis followed by fermentation. Good progress was also made in R&D on conversion technologies (including yeast and enzymes) and microbial oils, which led to an increase in the cost effectiveness of DSM technologies in various applications.

Due to ongoing lack of clarity on the direction that the debate on the Renewable Fuels Standard (RFS) in the US will take, willingness to discuss license commitments for the construction of additional cellulosic bio-ethanol capacity has decreased considerably in this country. The recent decision by the US Environmental Protection Agency not to finalize the 2014 RFS ruling has not alleviated that situation. In response, POET-DSM is actively looking for licensing opportunities in other regions, including Latin America, South-East Asia and Europe.



[1] *DSM's interest in the net result is reported as part of Associates as of 2014*

POET-DSM Advanced Biofuels intends to replicate and license the technology worldwide.

POET-DSM

x € million (100%)	2014	2013R
Net sales	-	1
Operating profit	(8)	-
Operating profit plus depreciation and amortization (EBITDA)	(8)	-
Capital employed at 31 December	251	146

Bio-succinic acid (Reverdia)[2]

Reverdia – the joint venture between DSM and Roquette Frères – operates its Biosuccinium™ plant in Cassano (Italy), and aims to license its Biosuccinium™ technology to third parties. This creates a clear advantage for companies that want to integrate bio-succinic acid production into their business offering, enabling competitive production of bio-based materials.

DSM Advanced Surfaces

DSM Advanced Surfaces aims to accelerate the uptake and effectiveness of solar energy by focusing on the development and commercialization of technologies and materials solutions that increase the efficiency of solar modules, reducing the cost of the energy produced.

In 2014, the business delivered double digit growth, which underpins the appeal of its anti-reflective coating product KhepriCoat® applied to solar panel cover glass in the solar photovoltaic (PV) industry. Increased production was possible due to the opening of the dedicated manufacturing plant in Sittard-Geleen (Netherlands) in 2013. It is estimated that the total attainable market for KhepriCoat® will amount to between € 250-300 million by 2020.

In September, DSM Advanced Surfaces inaugurated its Solar Technologies Demonstration Center at the DSM Engineering Plastics facility in Pune, India. This state-of-the-art solar technology center has been built to demonstrate and showcase the performance of DSM's innovations in solar technology and will also reduce the plant's CO_2 footprint by using the renewable energy generated by the center to help power the site. DSM also inaugurated a solar plant using PV panels coated with KhepriCoat® at its facility in Belvidere (New Jersey, USA) in the year, helping to meet the site's energy needs with locally produced renewable energy.

In October, the business announced a partnership with Beneq, the Finnish supplier of production and research equipment for thin-film Atomic Layer Deposition and aerosol coatings. It also entered into a three-year participation in the Solliance CIGS Research program that focuses on developing new solutions for solar modules. DSM will contribute its expertise in the field of textured surfaces (light trapping technology). In the year, a multi-functional project team focused on delivering an outdoor durable UV-curable resin. This production process applies the required texture on a flexible film and an application process for retrofitting onto PV panels. It is estimated that the attainable market for light trapping technology will be worth approximately € 1-3 billion by 2020.

Looking ahead, DSM Advanced Surfaces will leverage its expertise in materials science to build a portfolio of ventures in innovative materials and technologies that support the development and commercialization of more efficient PV modules.

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 & Licensing

DSM Venturing & Licensing invests in early to late stage innovative companies in areas strategically relevant to DSM's current and future businesses. In 2014, it continued to implement its strategy to focus on Human Nutritional Health, Biomedical, Solar and incubators. In 2014, three new direct and four follow-on investments were made. DSM Venturing & Licensing ended its participation in six companies in 2014.

In the year, DSM invested in Isobionics B.V., an emerging company active in developing, producing and selling a range of natural products for the Flavor & Fragrance and Agrochemical market. This was followed by an investment in Zeavision Holdings Inc., maker of the EyePromise® brand of eye health supplements. ZeaVision pioneered the use of Zeaxanthin, a natural antioxidant and photo-protectant, for eye health.

[2] *DSM's interest in the net result is reported as part of Associates as of 2014*

Corporate Activities

Any consolidated activities and businesses that are outside the four 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 company.

x € million	2014	2013R
Net sales	173	195
Operating profit	(149)	(127)
Operating profit plus depreciation and amortization (EBITDA)	(90)	(76)
Capital expenditure	62	87
R&D expenditure	28	29
Workforce at 31 December (headcount)	3,281	3,204

Sitech Services

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

DSM Insurances

The company retains a limited part of its material damage and business interruption and product liability risks via DSM's captive insurance company. In 2014, the total retained damages were € 25 million, of which € 15 million related to the fire at DSM Nutritional Products, Sisseln (Switzerland).

Corporate Research

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

Pharma Partnerships

DSM's former Pharma cluster now consists of DSM's interests in DPx Holdings (49 percent), formed by combining DSM Pharmaceutical Products and Patheon Inc., a leading provider of contract development and manufacturing organization (CDMO) services, pharmaceutical products and other formulated products for various industries; and DSM's 50 percent share in DSM Sinochem Pharmaceuticals, market leader in beta-lactam anti-infectives.

With the formation of DPx Holdings in 2014, DSM concluded its strategic objective of *Leveraging partnerships for growth* for its Pharma cluster.

As of 2014 the Pharma cluster is no longer included in DSM's EBITDA, and DSM reports on its investments in the related ventures as associates in accordance with the equity method.

DPx Holdings

DPx Holdings was formed in 2014 as part of a USD 2.6 billion transaction between JLL Partners and DSM. DPx is positioned to add scale, new value chain capabilities and technologies, as well as to expand its end-to-end service offerings as a comprehensive solution provider to the pharmaceutical industry.

Born from the shared vision between Patheon and DSM Pharmaceutical Products (DPP), DPx's strategy is built upon the collective reputations of quality, innovation, customer service and operational excellence. These same core commitments are at the center of each of the business units, which operate under the Patheon, DPx Fine Chemicals and Banner Life Sciences brand names. The integration has progressed quickly.

DPx successfully acquired Gallus BioPharmaceuticals in 2014, a leading contract manufacturing company specializing in biologics, to expand its biologics activities. This has further strengthened DPx' integrated service offering, which supports the entire product development cycle, from preclinical phases through to launch and commercial supply, to companies involved in biologics, emerging pharma and generics, as well as to large pharma players.

From closing until the end of fiscal year 2014 (ending 31 October), DPx Holdings realized net sales of € 984 million with an EBITDA before exceptional items of € 177 million. Operating profit amounted to € 92 million. Pro-forma sales for the fiscal year 2014 were around € 1.6 billion.

DSM Sinochem Pharmaceuticals

DSM Sinochem Pharmaceuticals (DSP) is a global leader in generic anti-infective molecules. DSP develops, produces and sells raw materials, intermediates and active pharmaceutical ingredients (APIs) as well as finished dosage. It is at the forefront of technological and process developments for anti-infectives and cholesterol-lowering molecules, using environmentally-friendly production technologies based on biotechnology.

As a 50/50 joint venture between DSM and Sinochem, DSP is a market leader in enzymatic beta-lactam APIs, with nearly 500 patented innovations in this field. It is also a B2B provider of generic drug products. Full backward integration and control of its supply chain with the advantage of using its own high-quality

APIs delivers unique quality and performance in the finished dosage formulation and sets DSP apart from its competition.

Sustainability is a key driver in DSP's antibiotics business. Nearly all of DSP's high-quality APIs are manufactured using enzymatic processes, which allow the production of APIs with a much lower CO_2 footprint versus comparable chemically manufactured products, including DSP's PureActives™ range of sustainable antibiotics. DSP actively promotes the sustainable and responsible use of antibiotics throughout the value chain.

DSP's performance in the year was further supported by solid growth at its Yushu (China) 6-APA plant.

DSP expanded its API portfolio by the construction of a multi-product plant in Toansa (India). The facility will help to meet the increasing demand for DSP's high-quality products in cardiovascular while also driving further expansion of its portfolio in defined therapeutic segments. To begin with, production of atorvastatin started in the second half of 2014, using DSP's proprietary enzymatic (bio)technology route.

Atorvastatin is currently the most prescribed drug globally for cardiovascular applications and one of the top selling drugs worldwide.

DSM Sinochem Pharmaceuticals

x € million (100%)	**2014**	2013R
Net sales	399	368
Operating profit	9	(2)
Operating profit plus depreciation and amortization (EBITDA)	23	21
Capital employed at 31 December	322	330

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 18. 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 2019, including an extension option, 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 as well as the award of restricted shares, DSM buys back shares insofar as this is desirable and feasible. In 2014 3,733,055 shares were repurchased (1,266,945 shares were repurchased in 2013).

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'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.

Tax policy

DSM is transparent towards all tax authorities and collaborates with them to determine the amount of tax due. DSM acknowledges that its obligation is to contribute the amount of tax owed to authorities and to apply tax practices that comply with the letter as well as the spirit of the tax laws 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. For calculating transfer prices, the arm’s length principle is always applied. The level of DSM’s effective tax rate as a percentage of pre-tax profit reflects the geographic spread of the results over the years, also as a result of acquisitions and divestments, and of the application of tax regimes in countries where DSM operates.

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 business and reports on its activities in this field during 2014. In addition to presenting developments and data for the three categories of People, Planet and Profit, DSM also 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.

Global Reporting Initiative

DSM bases its sustainability reporting on best practice standards and international guidelines. Most important are the guidelines of the Global Reporting Initiative (GRI). For this report, the company used the GRI G4 guidelines, launched in 2013. A detailed overview of how DSM reports according to the G4 comprehensive indicators, including a reference to relevant sections in this report, is provided on www.dsm.com. 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, 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). DSM reports on its external recognition in the chapter on Stakeholder engagement. DSM also reports separately on its progress in implementing the principles of the UN Global Compact. See page 38.

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. The Safety, Health (People), Environment (Planet) and ECO+ 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. In the case of divestments, safety data are consolidated until the moment of divestment. For 2014, the safety data relating to DPP has been included up until the moment of closing.

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.

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 ten percent.

People methodology

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. The 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 Euronext Amsterdam, 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 on the DSM website (www.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 112. 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 on page 106 under Remuneration policy.

The functioning of and decision making within the Managing Board are governed by the Regulations of the Managing Board, which are in accordance with the Dutch corporate governance code and can be found on the DSM website.

In 2014 the Managing Board had 46 formal meetings. In ten meetings a 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 in the chapter Supervisory Board and Managing Board on page 112. Members of the Supervisory Board are appointed for a period of four years with a maximum of three four-year terms.

[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)

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 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 are in accordance with the Dutch corporate governance code and can be found on the DSM website.

In line with the Dutch corporate governance code the Supervisory Board has established from among its members an Audit Committee, a Nomination Committee, a Remuneration Committee, and a Corporate Social Responsibility Committee.

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 DSM 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. Of the seven members, three are female and four are male.

The appointment of Geraldine Matchett by the General Meeting of Shareholders on 7 May 2014 as member of the Managing Board as per 1 August 2014 is an important step towards the aspired composition of the Managing Board in terms of gender balance.

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 the DSM 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 60 days before the date of the Annual General Meeting of Shareholders.

The Annual General Meeting of Shareholders was held on 7 May 2014. The agenda was to a large extent similar to that of previous years. Additional topics were the re-appointment of Rolf-Dieter Schwalb as member of the Managing Board for the period of 19 October up to and including 30 November 2014, the appointment of Geraldine Matchett as member of the Managing Board as per 1 August 2014, the re-appointments of Rob Routs and Tom de Swaan as members of the Supervisory Board and the appointment of KPMG Accountants N.V. as the independent auditor for Koninklijke DSM N.V. for an initial three-year term that covers the years 2015, 2016 and 2017. Further details can be found on the DSM website.

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 in the sections Issue of shares and Repurchase of own shares below.
- Other information can be found in the notes to the consolidated financial statements (16 Equity, 20 Borrowings, 28 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 7 May 2014 this power was extended up to and including 7 November 2015, on the understanding that this authorization of the Managing Board is limited to a number of ordinary shares with a nominal value amounting to ten percent of the issued capital at the time of issue, and to an additional ten 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 the DSM 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 three 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 have a direct or indirect (potential) interest between three percent and ten percent in DSM's total share capital on 1 January 2015:

- ASR Nederland B.V.
- Rabobank Nederland Participatie B.V.
- Delta Lloyd N.V.
- Capital Research and Management Company and Capital Group International
- Blackrock, Inc.
- Third Point LLC (indirect interest)

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 7 May 2014 the Managing Board was authorized to acquire own shares for a period of 18 months from said date. On 27 February 2014 DSM announced its intention to repurchase 2,500,000 ordinary shares for the purpose of covering the company's commitments under existing management and employee option plans, the second phase of a program announced in September 2013 to repurchase 5,000,000 ordinary shares. Under this program a total of 5,000,000 shares were repurchased for a combined consideration of €262.5 million. The program was successfully finalized on 19 May 2014.

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.

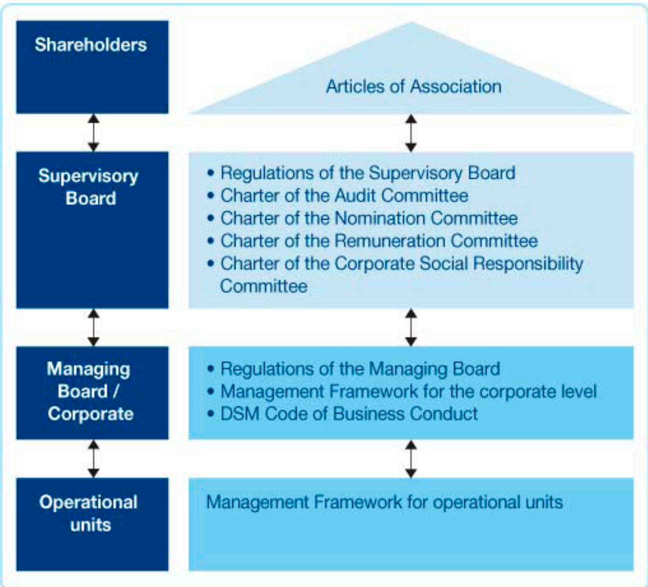
With respect to the Dutch corporate governance code it should be noted that any substantial change in the corporate governance structure of the company and in the company's compliance with the code shall be submitted to the General Meeting of Shareholders for discussion under a separate agenda item.

All documents related to the implementation at DSM of the Dutch corporate governance code can be found in the Governance section of the DSM 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 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 (CFO) has no business groups reporting to her.

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.
- 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 the CEO/ Chairman of the Managing Board or the 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, which is held every five years. 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.

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 furthermore oversees the Inclusion & 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 page 104.

At a corporate level, sustainability is organized across a network of senior executives and employees. They are supported by the Corporate Sustainability department, which is under the responsibility of the Vice President Sustainability and Public-Private Partnerships, 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 2014: once in the Netherlands and once in Brazil, where they discussed subjects such as DSM's energy approach, sustainable animal protein and business solutions for societal needs together with the Managing Board and the Supervisory Board.

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 China, India and Latin America.

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 Institute for Sustainability Leadership (CISL). In 2011 he published his book “The Great Disruption”. In the 1990s, he was executive director of Greenpeace International. Nationality: Australian.
Pamela Hartigan (f)	Director of the Skoll Centre for Social Entrepreneurship at Saïd Business School in Oxford, Associate Professor at Columbia Business School and founding partner of Volans Ventures. 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 Brooking-Tsinghua Center for Public Policy at Tsinghua University in Beijing. Before he joined Tsinghua, he taught at Beijing Normal University, and the University of California at Berkeley. Nationality: American.
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.

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, a full description of DSM’s risk management system and process together with a description of the identified risks is available 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 2014

The important events in risk management in 2014 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 www.dsm.com, describes principles in the areas of People (social and humanitarian standards), Planet (environmental principles) and Profit (principles regarding fair and ethical business practices). In 2014, the mandatory biennial e-learning course on the Code of Business Conduct was completed by more than 90 percent of all eligible employees. Newly acquired businesses in Latin America will be trained in 2015. Classroom training is ongoing for a limited group of employees who do not have access to e-mail. A DSM Anti-Bribery and Corruption Policy and Compliance Manual and the corresponding e-learning tool are deployed company-wide 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 (CRA). For specific units, the risk appetite may deviate from the overall company profile and management in business units are encouraged and facilitated to discuss risk appetite with their teams.

Objectives and risk identification, assessment and response

In line with the mandatory risk management process, business groups that updated their strategy in 2014 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 twice-yearly reporting process, in which risks are reported in terms of exposure (impact multiplied by probability). Additionally, risk assessments were performed by a number of corporate staff units and regions, on major projects and as part of the compliance programs of new acquisitions.

In 2014, the Managing Board updated the CRA. Based on the results of the CRA conducted in 2013, 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 8 December 2014. 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 9 February 2015. 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 2015 set in the DSM in motion: *driving focused growth* strategy.

The table on the next page shows the most important risks for DSM not achieving its targets and the remedial actions to mitigate them.

Following the CRA in 2014, 'Exposure to merchant market for caprolactam' no longer qualifies as a 'top risk' as this risk has meanwhile materialized. This business is not expected to meet the financial returns DSM is looking for and is also strategically no longer interesting for DSM. DSM has therefore decided to pursue strategic actions for Polymer Intermediates, the cluster that includes caprolactam and acrylonitrile.

In addition, 'Risks related to high growth economies' no longer qualify as a 'top risk' either, because DSM has further detailed its country and region-specific strategies. The current economic slowdown in the high growth economies is not likely to be structural. More power and freedom has been given to the regional organizations to achieve their strategic goals, which mitigates this risk.

The top risks and related mitigating actions

Description of risks	*Mitigating actions*
Market environment	
In 2014, DSM experienced challenging market conditions in human nutrition with limited growth and some price pressure. There is a risk that market recovery will be slow or that markets will even deteriorate. Increased competition in vitamins has led to reduced prices in 2014, especially in Vitamin E, which accounted for around eight percent of Nutrition sales in 2014. Performance Materials end-markets still experience low growth in some geographies. Risks for 2015 are that end-markets remain subdued or even deteriorate.	DSM is leading the development of an omega-3 and multivitamin coalition in the US to promote the intake of these essential nutrients, whereas for Vitamin E amongst others, new forms and products are being introduced, and strong science is being leveraged to move customers to increased inclusion levels. For Performance Materials, sustainable innovation is being combined with margin optimization programs. Both Nutrition and Performance Materials are to fully implement running restructuring programs, including operational costs reductions to improve competitiveness.
Global financial and economic developments	
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. In 2014 the negative impact of foreign currency movements on net sales versus the previous year was not significant (2013: minus two percent).	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.
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 human resources in terms of quantity and quality to execute all programs and projects.	Continued attention will be given to the implementation of stronger regional and functional talent management and career development. Focus and priority setting will secure proper project execution and implementation. At the same time, DSM will continue its ONE DSM Culture Agenda.
Strategic actions	
Successful execution of strategic actions in Polymer Intermediates and Composite Resins (in total reflecting ~20 percent of DSM's net sales in 2014) is dependent on the development of these businesses and third-party interest.	DSM will explore all options to achieve these strategic actions and in the meantime continue to improve the operational performance of these businesses through cost improvement programs.
Operational excellence	
DSM may not meet top quartile performance in certain functional areas.	Continued focus will be placed on improving all operational processes, sharing best practices across functions, and benchmarking operational efficiency and costs, both internally as well as externally.

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. Partnerships and joint ventures are kept at arms' length via contracts based on specific joint venture requirements; qualified board members have to mitigate joint venture risks.
- **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 has achieved good progress 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. Simplifying 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 and Security (including information security)**
  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. In the area of the security of production assets, continued focus is given to monitoring and implementation of key security behaviors to prevent a possible incident of data fraud/theft, given the increasing tension between the growing sophistication of cybercrime and widespread use of (mobile) IT and social media. Technology improvements (identity management) have been implemented to further mitigate this risk.
- **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 like insurances for the most important scenarios.
- **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.

Emerging risks

Identified emerging risks are climate change, energy scarcity and water shortage. DSM is aware of these emerging risks and actively monitoring them to anticipate possible mitigating actions.

Control activities

Each business group, major region and relevant staff or 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 Managing 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. A specific regional risk assessment was performed in Russia in 2014. Employee webinars were held and dilemma discussions were started in order to increase general awareness of risk management.

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. The Corporate Operational Audit department has further strengthened its way of working by starting to implement a new method of more risk-based auditing. 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. By simplifying the authorization design and supported by advanced technology DSM was able to support the business in reducing its internal controls risks in standard goods and money-flow processes significantly.

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 2014 and the status of the mitigation of the risks reported over 2013, and to specify any material risks or uncertainties for the rest of the year. By raising the materiality level of risk impact in consultation with the external auditor, simplification facilitated focus on top risks and improved attention for progress of mitigating actions. 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 year figures in accordance with the requirements of the Dutch Financial Markets Supervision Act.

Enhancements to the risk management system

During 2014, 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 Anti-Bribery and Corruption via a policy, compliance manual and e-learning for a dedicated target audience. The Corporate Requirements were improved in purchase to pay, sourcing, communication and trade controls. 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 2014 on Russia and China.
- **Innovation**: Improved risk assessment practices, including Monte Carlo business simulations and value engineering workshops and external orientation, were applied to scenario planning and the balancing of risks as well as opportunities.
- **Sustainability**: Further implementation of the control framework for ECO+ solutions, implementation of actions defined in the sustainability risk assessment and enhancing of the implementation of a framework for People+.
- **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 (China) 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, 2 March 2015

The Managing Board

Feike Sijbesma, CEO/Chairman of the Managing Board
Geraldine Matchett, 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 2014 an important part of its activities was focused on operational performance and strategy; refining the business portfolio assumptions as well as preparing the new corporate strategy update to be discussed and approved in 2015.

Furthermore, the Supervisory Board was closely involved in reviewing the corporate risk assessment carried out in the year, discussing the Top 5 risks identified from a strategic, business and operational point of view 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 the Supervisory Board

The composition of the DSM Supervisory Board is diverse in gender (four male, three female), nationality (four Dutch, one Swiss and two 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 112 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. The Supervisory Board has four committees to cover four key areas in greater detail: 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 committees is given below. The charters of the committees are published on the DSM website under Corporate Governance.

Composition of the Managing Board

The Managing Board is diverse in nationality (two Dutch, two Austrian and one member being a Swiss, British and French citizen), background, knowledge and experience, and provides a good foundation to support all clusters and business groups in achieving their targets and so contributing to the company strategy aimed at driving focused growth. In 2014 the Managing Board became more diverse in terms of gender with the appointment of Geraldine Matchett as Board Member and CFO.

For detailed background information on all Managing Board members see the DSM website under Corporate Governance and page 113 of this report.

Meetings and business topics

In 2014 the Supervisory Board had six meetings and one conference call with the Managing Board. On two occasions, a 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, the Boards had in-depth discussions on operational performance and the progress of the execution of DSM's strategy, as well as the preparation for an update of DSM's overall strategy to be discussed and approved in 2015. Apart from its meetings with the Managing Board, the Supervisory Board and its Committees also regularly had meetings without the presence of the Managing Board or CEO.

For the Nutrition cluster discussions were focused on organic growth and improving performance, among other things against the backdrop of a slowdown in some human nutrition end-markets and pricing pressure in several product segments (notably in Vitamin E).

Discussions on the Materials Sciences clusters remained focused on efficiencies, ongoing cost control, improving performance by upgrading the Performance Materials cluster's portfolio and reducing exposure to the volatility of the Polymer Intermediates markets. Regarding Innovation, discussions were particularly focused on the innovation pipeline and on the Emerging Business Areas (EBAs) with topics including the opening of the cellulosic bio-ethanol plant (a joint venture between DSM and POET) in the US and the inauguration of the solar technology demonstration center in India.

Sustainability discussions were focused on People and Planet targets; safety, health and environment; and inclusion and diversity received particular attention. It was established that progress made was in line with aspirations.

As High Growth Economies are also an important business growth driver for DSM, one of the Supervisory Board meetings was held in Sao Paolo (Brazil) and included extensive site visits. During these visits the Supervisory Board was informed about the progress made in Brazil in the area of both Life Sciences and Materials Sciences. The visits included locations in Campinas and Mairinque, where the Supervisory Board was updated on the business of acquired companies Fortitech (global leader in food ingredient blends, acquired in 2012) and Tortuga (Brazilian market leader in organic trace minerals for animal nutrition and health, acquired in 2013) and on progress made in integrating these businesses in the Nutrition cluster. In addition a visit was made to Aurora Alimentos, a local customer of DSM.

Financials and auditing

The Audit Committee met three times in 2014 and in addition had four conference calls to discuss financial developments and interim results. On two occasions a member was excused. Tom de Swaan (chair), Pierre Hochuli and Victoria Haynes are the members of the Audit Committee. All Supervisory Board members have a standing invitation to attend Audit Committee meetings, which they do on a regular basis. In addition to the Supervisory Board member, the external auditor and the CFO and CEO participated in these meetings and, whenever relevant, managers responsible for corporate control, internal audit, risk management and compliance were invited to explain developments in their areas to the Audit Committee. The highlights and the minutes of all meetings were shared with the full Supervisory 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, 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. As part of the corporate risk assessment, the main risks of low organic growth, price deterioration, insufficient progress in capturing innovation value, economic and financial volatility, and the mitigation of those risks, were extensively discussed.

The committee also discussed and evaluated cases submitted under DSM’s whistleblower policy (DSM Alert), and mitigating actions to prevent recurrence.

The Audit Committee discussed as well the transition plan for the handover from EY to KPMG, who will take over the external audit work as of January 2015, and monitored progress.

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 was 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.

Discussions were held with EY about the financial statements for 2014. As part of the planning process, key audit matters dealing with, among others, the valuation of goodwill, the possible impairment of the caprolactam business, the partnering of the DSM Pharmaceutical Products business, and the implementation of new accounting standards affecting the accounting treatment of several affiliated companies, were explained and shared with the Audit Committee.

The Report by the Managing Board and the financial statements for 2014 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 10 February 2015. 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 new legislation in the Netherlands as well as European legislation with regard to the independence of auditors (mandatory audit firm rotation), KPMG was appointed at the Annual General Meeting of 2014 as the new external auditor for DSM as of 2015, for an initial period of three years.

Financial statements 2014

The Supervisory Board will submit the 2014 financial statements to the 2015 Annual General Meeting of Shareholders, and will propose that the shareholders adopt them and release the Managing Board from all liability in respect of its managerial activities and release the Supervisory Board from all liability in respect of its supervision of the Managing Board. The profit appropriation as proposed by the Managing Board and approved by the Supervisory Board is presented in the Profit appropriation section of the 2014 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 2014 nomination discussions were focused on succession planning. The Nomination Committee discussed the proposed appointment of Geraldine Matchett as successor to Rolf-Dieter Schwalb; her appointment as a member of the Managing Board and CFO was approved by the General Meeting of Shareholders in 2014. The Committee furthermore extensively discussed the succession planning of the entire Managing and Supervisory Board. As part of the planning process, the nomination for re-appointment of Stephan Tanda and Stefan Doboczky, whose terms as Managing Board member expire in 2015, was discussed. In addition, the nomination for re-appointment of Pauline van der Meer Mohr was addressed as her term as Supervisory Board member also expires in 2015. As Pauline van der Meer Mohr is a member of the Nomination Committee, this discussion was held in her absence. Other members of the Nomination Committee are Rob Routs (chair) and Ewald Kist. Feike Sijbesma and Peter Vrijsen, Executive Vice President of the Corporate Human Resources department, were also involved in these discussions.

Taking into account the Supervisory Board profile, as laid down in the Supervisory Board regulations, the Nomination Committee continued discussions on the overall composition of the Supervisory Board. The Committee met four times in 2014; all members attended all meetings. Recommendations and minutes of all Nomination Committee meetings were shared with the entire Supervisory Board.

Board remuneration

The Remuneration Committee had three meetings and one conference call in 2014. One member was excused from the conference call. 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 Peter Vrijsen were also 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.

Within the context of the Committee discussions, the subject of Supervisory Board members holding shares in DSM was also discussed. Although not common practice in the Netherlands and based on the understanding that a decision to hold shares in DSM is fully left to the individual Supervisory Board members, DSM would support the idea of Supervisory Board members having a shareholding in the company (e.g. equivalent to their annual fee) to emphasize their confidence in the strategy of DSM.

Corporate Social Responsibility

The Corporate Social Responsibility (CSR) Committee met twice in 2014; all members participated in these meetings. Members of this committee are Pauline van der Meer Mohr (chair), Pierre Hochuli and Eileen Kennedy. The Chair of the Supervisory Board, who has a standing invitation, participated in all meetings. In the first meeting there was extensive discussion on the Sustainability Information to be included in the Integrated Annual Report including the auditors' findings, partly in the presence of the external auditor.

The second meeting focused on the follow-up of the implementation of the corporate strategy 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 25 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 recommendations and minutes of both meetings were shared and discussed with the entire Supervisory Board during its meetings with the Managing Board. The committee's view that DSM is doing well when it comes to sustainability 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 CSR Committee as well as the other members of the Supervisory Board 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.

In view of the Board's supervision of sustainability issues relevant to the company, the sections 'DSM in motion: *driving focused growth*', 'Growth driver: Sustainability', 'Stakeholder Engagement', 'People in 2014' and 'Planet in 2014' (the Sustainability Information) in the Integrated Annual Report 2014 were reviewed and subsequently discussed by the entire Supervisory Board in its meeting of 10 February 2015, based on the advice of its CSR Committee. With the Independent Assurance Report on the Sustainability Information by EY on page 204 of this Integrated Annual Report taken into consideration, the full Supervisory Board approved the reporting in these sections. The Sustainability Information is in compliance with the G4 sustainability reporting guidelines of the Global Reporting Initiative and the internal reporting criteria of DSM, which are included in this Integrated Annual Report.

Supervisory Board meetings and performance evaluation

As in previous years, an extensive Board evaluation was carried out in 2014 on the basis of written questionnaires and interviews with each of the Supervisory Board members.

The review assessed the collective performance of the Board and its Committees and the performance of the Chairman. The overall feedback from the self-evaluation was that the Board is operating well and discussions are very open and constructive.

Key areas of strategy, business performance and risk management are well covered; in the coming year more attention will be given to talent management, the implementation of the Code of Business Conduct and the impact of sustainability targets. This outcome was presented and discussed in the December meeting of the Supervisory Board. 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 outlines the remuneration policy as approved by the Annual General Meeting of Shareholders. Details of actual remuneration in 2014 can be found in the Consolidated Financial Statements on page 192.

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.

No adjustments to remuneration policy for the Managing Board in 2014

There were no adjustments to DSM's remuneration policy in 2014. The policy was last adjusted in 2013, when the Annual General Meeting of Shareholders of 3 May 2013 approved a number of changes which were aimed at:

- aligning 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;
- updating the policy in line with the most recent prevalent market practices and benchmarks for executive and board compensation; and
- further strengthening pay for multi-dimensional, people-planet-profit driven performance within DSM.

The approved adjustments did not change the overall remuneration model 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 in addition – for STI only – individual targets.

Full details of the adjustments can be found in the 2013 Integrated Annual Report, however the adjustments can be summarized as follows:

- Strengthened the link between the Short-Term Incentive (STI) and long-term value creation with the introduction of an STI Deferral and Share Matching Plan requiring Managing Board members to invest a proportion of their actual STI payment earned in a given year in DSM shares, which shares the company can match upon achievement of certain long-term (LTI) performance conditions at the end of a three-year period. As a result, the annual STI outcome has partly been converted into a long-term (risk taking) performance plan.
- Established 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 amount to 50 percent of total STI and the non-financial (sustainability and individual) measures also to 50 percent.
- Added 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.
- Introduced Return on Capital Employed (ROCE) as a second financial measure to the Long-Term Incentive (LTI) in addition to total shareholder return (TSR), as well as introducing a second long-term sustainability measure to the LTI, namely

Energy Efficiency Improvement, in addition to the greenhouse-gas emissions reduction measure already in place. Each measure counts for 25 percent.
- Aligned 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 at on target and 150 percent in the case of excellent performance), rather than the discounted fair value method previously used. With the introduction of the face value method, the actual number of shares granted has been kept at a similar level as before.
- Introduced 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 five years.

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, potentially leading to adjustments. 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 Q4 2014, the results of which are the subject of study by the Remuneration Committee.

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. 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). Half of the STI opportunity (i.e. 25 percent of base salary at on-target performance) is related to financial targets, the other half 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 shared financial targets (25 percent of base salary at on-target) consists of elements related to the company's operational performance, being EBITDA before exceptional items, gross free cash flow and (organic) net sales growth, reflecting short-term financial results. The weighting given to the separate 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 of base salary at on-target) relates to shared sustainability as well as to individual targets. On a regular basis, following proper evaluation, further refinement/adaptations of performance measures in the area of sustainability and their weight take place.

As from 2013 the following shared measures linked to sustainability are applicable for the STI:

- 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 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. DSM will move this survey into a two-year cycle. From 2015, a shorter pulse survey will be held, with the next full survey to be held in 2016.
- **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

One of the adjustments approved by shareholders in 2013 related to the introduction of the STI Deferral and Share Matching Plan. Under the Plan, a mandatory and a voluntary proportion of the STI amount earned in a year is deferred into DSM shares with a three-year vesting period. This is linked to a one-for-one matching award on the total deferred amount under the condition that predefined performance targets and measures are met at the end of the three-year vesting period. The performance measures are equivalent to the measures under the Long-Term Incentive (LTI) Plan. The Deferral and Share Matching Plan thus provides an additional link between Managing Board remuneration and long-term sustainable value creation. It first came into effect in 2014 with the STI pay-out over 2013 performance.

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 at the end of a three-year period.

Since 2013, four performance measures are applicable in equal measure for the calculation of the vesting of LTI performance shares:

- Comparable Total Shareholder Return (TSR) performance versus a peer group
- Greenhouse-gas emissions (GHGE) reduction over volume-related revenue
- Return on Capital Employed (ROCE)
- Energy Efficiency Improvement (EEI)

Up to and including the 2012 grant, only TSR performance and GHGE were applicable, which will remain the case for the 2014 realization of the 2011 grant and also (mutatis mutandis) for the 2015 LTI realization (2012 grant).

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 fair 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 has been 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 consisted 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 2014. As of 2015 onwards EMS Chemie Holding will be replaced by Croda International Plc.

GHGE reduction as a performance measure

GHGE reduction over volume-related revenues in percentage points (over a three-year period) is used as a basis for the vesting of 25 percent of the performance shares (versus 50 percent for the 2011 & 2012 LTI grant 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	97	4.68	89
3	93	4.09	78
4	87	3.50	67
5	80	2.91	56
6	67	2.32	45
7	50	1.73	34
8	33	<1.73	0
9-13	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.

Contractual arrangements

Term of employment

Managing Board members appointed prior to 1 January 2013 are engaged on the basis of an employment agreement for an indefinite period of time. Recently appointed Managing Board members are engaged on the basis of a Management Services Agreement with a four-year term, to be extended at reappointment.

Term of appointment
Members of the Managing Board appointed before 1 January 2005 are appointed for an indefinite period of time. Managing Board members appointed after 1 January 2005 are appointed for a period of four years, after which they are eligible for reappointment by the Annual General Meeting of Shareholders.

Notice period
Termination of employment by a member of the Managing Board is subject to three months' notice (six months in case of a Management Services Agreement). A notice period of six months will for legal reasons be applicable in case of termination by the company.

Severance arrangement
There are no specific contractual exit arrangements for members of the Managing Board appointed before 1 January 2005. Should a situation arise in which a severance payment is appropriate for such a Board member, 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.

Members of the Managing Board appointed after 1 January 2005 are covered by a severance provision in accordance with the Dutch corporate governance code.

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.

Heerlen, 2 March 2015

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 Royal DSM

Supervisory Board

Rob Routs (1946, m), chairman

First appointed: 2010. End of current term: 2018. Position: retired; last position held: executive director Downstream and member Board of Royal Dutch Shell plc. Nationality: Dutch. Supervisory directorships/other positions held: chairman Supervisory Board of Aegon N.V., member Supervisory Board of Royal KPN N.V. (until April 2014), member 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 Managing Board of the ING Group. Nationality: Dutch. Supervisory directorships/other positions held: member 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 Research Triangle Institute International. Nationality: American. Supervisory directorships/ other positions held: member 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 Board of Directors of Devgen N.V. Nationality: Swiss. Supervisory directorships/other positions held: none.

Eileen Kennedy (1947, f)

First appointed: 2012. End of current term: 2016. Position: Professor Nutrition Friedman School of Nutrition Science and Policy at Tufts University in Boston (USA). Nationality: American. Supervisory directorships/other positions held: Dean Nutrition Friedman School of Nutrition Science and Policy at Tufts University in Boston (USA), Global Executive Director 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 Executive Board of Erasmus University Rotterdam. Nationality: Dutch. Supervisory directorships/other positions held: member Supervisory Board of ASML N.V., chair Board of the Fulbright Center, director Hollandsche Maatschappij van Wetenschappen, member Economic Development Board of Rotterdam, chair Supervisory Board Rotterdam School of Management (until December 2014), member Board Concertgebouw Fonds (as of January 2015) and chair Supervisory Board Nederlands Danstheater (as of March 2015).

Tom de Swaan (1946, m)

First appointed: 2006. End of current term: 2018. Position: retired; last position held: member Managing Board and Chief Financial Officer / Chief Risk Officer ABN AMRO. Nationality: Dutch. Supervisory directorships/other positions held: non-executive director Board of GlaxoSmithKline plc, chairman Board of Zurich Insurance Group, chairman Supervisory Board of Van Lanschot Bankiers, chairman 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 Managing Board since May 2007; member Managing Board since July 2000.
Nationality: Dutch.
Supervisory directorships/other positions held: member Supervisory Board De Nederlandsche Bank N.V. (Dutch Central Bank), member Supervisory Board (Non-Executive Director) Unilever N.V. and PLC., board member CEFIC (European Chemical Industry Council), member CEO Council Chinese Association for Friendship with Foreign Countries.
e-mail: feike.sijbesma@dsm.com

Geraldine Matchett (1972, f), CFO

Position: member Managing Board since August 2014 and CFO since December 2014. End of current term: 2018.
Nationality: British, French, Swiss.
Supervisory directorships/other positions held: none.
e-mail: geraldine.matchett@dsm.com

Stefan Doboczky (1967, m)

Position: member Managing Board since May 2011. End of current term: 2015.
Nationality: Austrian.
Supervisory directorships/other positions held: none.
e-mail: stefan.doboczky@dsm.com

Stephan Tanda (1965, m)

Position: member Managing Board since May 2007. End of current term: 2015.
Nationality: Austrian.
Supervisory directorships/other positions held: board member and chairman Industrial Biotech Section, EuropaBio (European Biotechnology Industry Association), board member scienceindustries (Swiss association for the chemical, pharmaceutical and biotech industries), board member BIO (US Biotechnology Industry Organization), board member FoodDrinkEurope (European Food and Drink Industry Association).
e-mail: stephan.tanda@dsm.com

Dimitri de Vreeze (1967, m)

Position: member Managing Board since September 2013. End of current term: 2017.
Nationality: Dutch.
Supervisory directorships/other positions held: board member “Fonds voor de topsport” (NOC*NSF; Dutch Olympic Committee Fund for top sport) and member Advisory Board ECP (Electronic Commerce Platform Netherlands).
e-mail: dimitri.vreeze-de@dsm.com

Sustainability statements

Sustainability statements - People

	2014	2013R	2012	2011	2010
Total workforce	21,351	23,485	23,498	22,224	21,911
% by age category					
<26 years	6	6	6	6	6
26-35 years	25	24	24	24	23
36-45 years	29	30	30	31	32
46-55 years	28	28	28	28	28
>55	12	12	12	11	11
% non-Dutch					
Executives	51	50	47	42	39
Management	64	65	63	58	59
Other	77	78	76	75	71
% female					
Executives	12	11	10	10	9
Management	24	23	23	21	21
Other	28	27	27	27	26
% executive hires					
Non-Dutch	88	75	58	70	67
Female	25	23	8	20	25
% new hires by region					
Netherlands	11	10	12	20	21
Rest of Europe	19	23	21	21	27
North America	26	26	23	18	16
China	18	16	22	23	20
Rest of Asia-Pacific	18	19	18	10	11
Rest of world	8	6	4	8	4
Total number new hires (excluding acquisitions)	1,997	1,834	2,073	2,341	1,978
Outflow of employees					
Voluntary resignations	1,011	1,043	1,094	849	665
Dismissed	411	224	507	438	259
Reorganization	221	408	323	134	501
Retirements	167	259	225	303	283
Deceased	11	34	22	6	18
Total outflow (excluding divestments)	1,821	1,968	2,171	1,730	1,726
Divestments	2,479	78	18	1,763	1,297
Voluntary resignations (% total workforce)	4.7	4.4	4.7	3.8	3.0
Total resignations (% total workforce)	8.5	8.4	9.2	7.8	7.9
Training in hours per employee	25	25	24	28	25
Net sales per employee (x € 1,000)	409	401	399	410	405

Sustainability statements – Planet

	2014	2013R	2012	2011	2010
ECO+ sales					
Innovation pipeline in %	95	95	80	94	89
Running business in %	49	45	43	41	40
Energy and greenhouse gases					
Energy consumption[1]	39.1	41.1	40.6	44.6	44.6
Energy efficiency in %[2]	17	16[3]	15	13	12
Greenhouse-gas emissions in CO_2 equivalents (x million tons)	4.2	4.2	4.3	4.6	4.6
Emissions to air					
Volatile Organic Compounds (x 1000 tons)	4.2	4.3	3.5	4.3	6.7
Nitrogen Oxide (NO_x) (x 1000 tons)	1.5	1.6	1.7	2.2	2.7
Sulfur Oxide (SO_2) (x 1000 tons)[4]	0.08	0.07	0.13	0.48	1.36
Discharges to water and landfill					
Chemical Oxygen Demand discharges to surface waters (x 1000 tons)[5]	3.9	4.8	5.5	7.0	7.8
(Landfilling) Non-hazardous waste (x 1000 tons)	18.2	22.7	29.9	23.9	21.8
Water use					
Water use (x million m^3)	118	150	149	154	144
Raw materials					
Renewable raw materials (%)	10.8	9.9	8.7	8	7
Fines (in €)	62,500	62,300	45,100	70,500	671,600
Non-monetary sanctions	4	4	6	12	8
Environmental incidents	297	261	316	300	336
Environmental complaints	56	42	34	23	27

1 Total energy consumption in 2013 has been restated because of corrections made for the DSM Fibre Intermediates plant in Sittard-Geleen (Netherlands).
2 Energy efficiency - general: All energy efficiency figures for 2010-2014 have been recalculated based on the new consolidation method. For more information see www.dsm.com.
3 Energy efficiency - 2013R: Energy efficiency for 2013 has not been restated for the deconsolidation of DSP.
4 Total SO_2 emissions in 2012 and 2013 have been restated because of corrections made for the DSM plant in Tongxiang (China).
5 Total Chemical Oxygen Demand discharge in 2013 has been restated because of corrections made for the plants of DSM Dyneema in Heerlen (Netherlands) and DSM Nutritional Products in Leon (Spain).

DSM bases its sustainability reporting on best practice standards and international guidelines. Most important are the guidelines of the Global Reporting Initiative (GRI). For this report, the company used the GRI G4 guidelines, launched in 2013. A detailed overview of how DSM reports according to the G4 comprehensive indicators, including a reference to relevant sections in this report, is provided on www.dsm.com. DSM does not apply the framework of the International Integrated Reporting Council.

What still went wrong in 2014

Although DSM strives to improve its performance in all areas of its operations, sometimes things can still go wrong.

This chapter summarizes the most important incidents in 2014, across the three dimensions of People, Planet and Profit.

DSM endeavors to remedy the outcome of unwanted incidents and prevent them from recurring. To this end, it investigates the root causes of any occurrence and take steps to communicate appropriate measures.

Where necessary, DSM applies consequence management to individual employees based on its Code of Business Conduct (see page 40). DSM does not disclose any personal details in cases involving individuals.

In line with its reporting policy on safety, health and environment, DSM includes some serious near misses within this overview. These are incidents that did not result in injury, illness or damage, but had the potential to do so, and are therefore used as a learning opportunity.

People

- At DSM Nutritional products in the US (Fortitech, Schenectady, New York), a contractor employee injured his right arm/elbow when he became stuck between a forklift truck and a pallet. This was due to a misunderstanding between the forklift truck driver and the contractor. Lost workday case.
- At DSM Engineering Plastics in the Netherlands (Sittard-Geleen), a contractor employee was injured during the construction of a new building. The contractor stepped on a wooden plate that was covering a hole. The plate broke, causing the man to fall about four meters through the hole. Lost workday case.
- At DSM Nutritional products in Singapore (Fortitech), a contractor employee dislocated his shoulder and elbow when he fell from a ladder. He lost his balance while using both hands to pull cables through a pipe. Lost workday case.
- At DSM Food Specialties in France (La Ferte), an employee lost the top of one finger when it became caught in the door of a machine. This required medical treatment.
- At DSM Nutritional products in Switzerland (Sisseln), an employee suffered second-degree burns to his neck and shoulders from hot water. An installation made from glass suddenly broke and sprayed hot water on the employee who was working nearby. Lost workday case.
- At DSM Food Specialties in the Netherlands (Delft), a contractor fractured his ankle and cut his head when he fell from a load. The load unexpectedly began to move because one of the hoisting slings had not been properly removed and was still connected to it. Lost workday case.
- At DSM Fibre Intermediates in the Netherlands (Sittard-Geleen), a near miss occurred when a steam boiler could have exploded due to a potentially explosive mixture that had inadvertently entered it.
- At DSM Food Specialties in the US (Germantown), a near miss occurred when an operator was about to enter a blender without having taken appropriate measures to do so safely. He was stopped in time.
- At DSM Food Specialties in France (Seclin), an operator suffered a deep cut to his right index finger and damaged the tendon shaft while manually handling an empty container without wearing gloves. Lost workday case.
- At DSM Nutritional Products in Brazil (Fortitech, Campinas), a near miss occurred when an operator fell 2.85 meters, but was not injured. He had been cleaning an area above the ceiling of a recently constructed sample room. He stepped on the weakest part of the ceiling (made from plaster), which gave way and caused him to fall through.
- At DSM Fibre Intermediates in the Netherlands (Sittard-Geleen), a near miss occurred when a contractor employee from a scaffolding company could have fallen five meters when the section of grating floor he was walking on suddenly collapsed. The contractor was able to hold on to nearby piping.
- At DSM Fibre Intermediates in the US (Augusta, Georgia), two operators narrowly escaped injury when a furnace they were starting up via a local control panel suddenly exploded. The force of the explosion blew one side of the furnace away in the opposite direction of the location in which the operators were standing.
- At DSM Nutritional Products in Brazil, a contractor employee was on his way to visit a customer when a bus, coming from the opposite direction, hit his car. The contractor was injured, but the accident could have been much worse.
- Several people in various regions were dismissed as a result of violations to the Life Saving Rules or inappropriate behavior.

Planet

- At DSM Dyneema in the Netherlands (Heerlen), about 140 m^3 of soil was discovered that appeared to be polluted with organic solvents and had to be removed. This pollution, which was caused by historical spills, was found during preparation work for the construction of a new building.
- At DSM Nutritional Products in the US (Belvidere, New Jersey), a process change led to higher concentration of product which triggered foaming, resulting in a spill.
- At DSM Nutritional Products in Canada (Mulgrave), a broken sewer line caused fish oil to spill into the waste water treatment

system. The broken lines were repaired. A remediation plan, developed in close cooperation with local authorities, is in place.

Profit

- At DSM Nutritional products in Switzerland (Sisseln), production was interrupted due to a fire in the utilities buildings that damaged the electrical power supply for part of the site. The insurance coverage limited the financial impact for DSM to € 16 million.
- At DSM Food Specialties in the Netherlands (Delft), a delay occurred in the startup of a new drying tower, which resulted in additional project, tolling and transportation costs.
- At DSM Fibre Intermediates in the US (Augusta, Georgia), the plant had to be shut down for three weeks due to the unusually harsh winter. This caused a loss of steam supply, boilers to trip and the freezing of product in processes throughout the site.
- At DSM Fibre Intermediates in the Netherlands (Sittard-Geleen), and at the DSM Food Specialties plant in France (Seclin), operational issues caused production losses. These included two leakages, a broken agitator and a broken fermenter.
- At DSM Nanjing Chemical Company (Jiangsu, China), a shortage in the supply of critical raw materials caused lower production volumes.
- Since the beginning of 2014, DSM has been made aware of several incidents of identity theft in which the DSM name and logo were used by third parties to fraudulently order products and services on behalf of DSM. DSM is cooperating with the aggrieved suppliers who were mostly unknown to DSM, to prevent such incidents in the future. There was no financial loss for DSM.
- Several people in various regions were dismissed due to unauthorized absences from work, inappropriate behavior and fraud or theft.

Information about the DSM share

Shares and listings

Ordinary shares in Koninklijke DSM N.V. are listed on the 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, 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 2014 was 172,605,434. All shares in issue are fully paid. On 31 December 2014 the company had 173,536,815 ordinary shares outstanding.

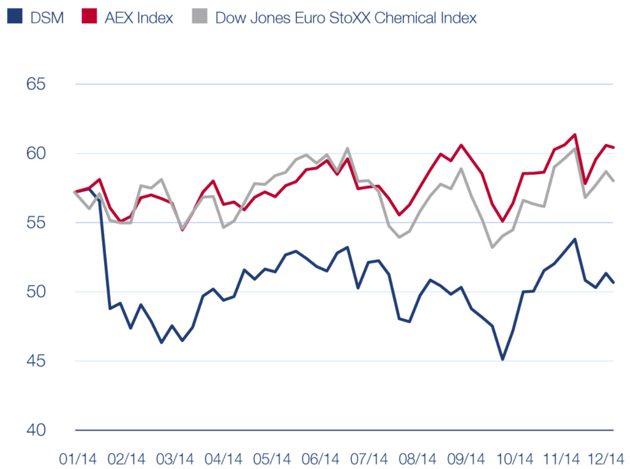
Development of the number of ordinary DSM shares

	2014			2013
	Issued	Repurchased	Outstanding	Outstanding
Balance at 1 January	181,425,000	7,461,588	173,963,412	168,684,088
Changes:				
Reissue of shares in connection with exercise of option rights	-	(725,210)	725,210	4,300,163
Repurchase of shares	-	3,733,055	(3,733,055)	(1,266,945)
Dividend in the form of ordinary shares	-	(2,581,248)	2,581,248	2,246,106
Balance at 31 December	181,425,000	7,888,185	173,536,815	173,963,412
DSM share prices on Euronext Amsterdam (€ per ordinary share):				
Highest closing price			57.97	59.75
Lowest closing price			44.44	43.93
At 31 December			50.64	57.16
Market capitalization at 31 December (€ million)[1]			9,187	10,370

[1] Source: Bloomberg

DSM share price development versus AEX and Dow Jones Euro StoXX Chemical Index, 2014

in €

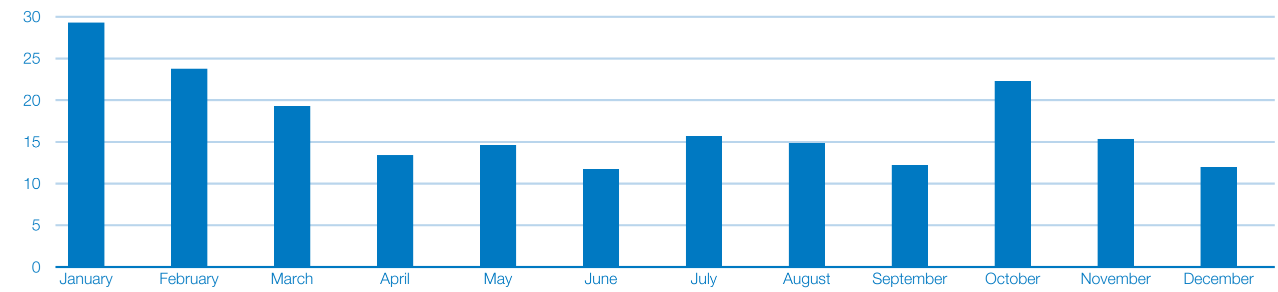


Geographical spread of DSM shares outstanding

in % (excl. cumprefs A)	2014	2013
North America	32	26
Netherlands	20	21
United Kingdom	12	18
France	8	9
Switzerland	7	5
Germany	5	7
Asia-Pacific	4	5
Other countries	12	9

Trading volume DSM shares 2014

x million shares as reported by Euronext Amsterdam

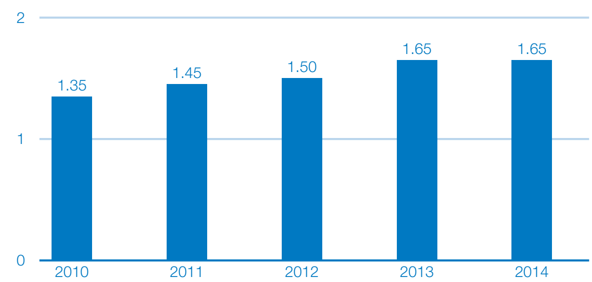


Dividend

DSM's dividend policy is to provide a stable and preferably rising dividend. DSM proposes to maintain the dividend at € 1.65 per ordinary share. This will be proposed to the Annual General Meeting of Shareholders to be held on 30 April 2015. An interim dividend of € 0.55 per ordinary share having been paid in August 2014, the final dividend would then amount to € 1.10 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 5 May 2015.

Dividend per ordinary share in €

2014 dividend subject to approval by Annual General Meeting of Shareholders



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 2014.

Consolidation
The consolidated financial statements comprise the financial statements of Royal DSM and its subsidiaries (together 'DSM' or 'group'). As a parent DSM is exposed, or has right to, the variable returns from its involvement with its subsidiaries and has the ability to affect the returns through its power over the subsidiary. 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 arrangement 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. A joint arrangement can either be a joint venture where DSM and the other partner(s) have rights to the net assets of the arrangement or a joint operation where DSM and the partner(s) have rights to the assets, and obligations for the liabilities to the arrangement. For joint ventures the investment in the net assets is recognized and accounted for in accordance with the equity method. For a joint operation assets, liabilities, revenues and expenses are recognized in the financial statements of DSM in accordance with the contractual entitlement or obligations of DSM.

Subsidiaries are consolidated from the acquisition date until the date on which DSM ceases to have control. 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 an 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, 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 to 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 Nutrition, Performance Materials, Polymer Intermediates and the Innovation Center 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 EBITDA before exceptional items. The clusters are organized in accordance with the type of products produced and the nature of the markets served. The same accounting policies that are applied for the consolidated financial statements of DSM are also applied for the operating segments. Prices for transactions between segments are determined on an arm's length basis except for supplies of caprolactam from DSM Polymer Intermediates to DSM Engineering Plastics against cash costs. 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 a 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 that do not have the euro as their functional currency 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 profit or loss.

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 is included in intangible assets. Goodwill paid on acquisition of joint ventures or associates is included in the carrying amount of these entities. Goodwill recognized as an intangible asset 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 profit or loss.

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 and joint ventures

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. A joint venture is an entity where DSM has joint control and is entitled to the net assets and liabilities. Investments in associates and joint ventures are accounted for by the equity method, which involves recognition in the income statement of DSM's share of the associate's and/or joint venture's profit or loss for the year determined in accordance with the accounting policies of DSM. 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 and/or joint venture, 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 or joint venture.

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 profit or loss. 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 profit or loss.

Loans and long-term receivables are measured at fair value upon initial recognition and subsequently at amortized cost, if necessary after deduction for impairment. The proceeds from these assets and the gain or loss upon their disposal are recognized in profit or loss.

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 profit or loss. 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 profit or loss. 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks 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 letter of intent or agreement to sell is ready for signing. 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 transparency, 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.

Borrowings

Borrowings are initially recognized at 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 recorded in profit or loss.

Where the interest rate risk relating to a long-term borrowing is hedged through a fair value hedge, and the hedge is effective, the carrying amount of the long-term loan is adjusted for changes in fair value of the interest component of the hedge.

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 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. Royalty income is reported in Net sales when licensing-out technologies is part of the ordinary and recurring activities of a business. 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 transferred 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 profit or loss over the expected useful life of the relevant asset.

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 profit or loss (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 where 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 and restricted share units (matching shares) are granted free of charge and vest after three years on the achievement of previously determined targets. The cost of performance shares and restricted share units is measured by reference to the fair value of the DSM shares on the date on which the performance shares and restricted share units were granted and is recognized in profit or loss (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
- costs related to refinancing existing loans
- releases of provisions
- disposals of property, plant and equipment
- disposals of joint ventures, 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. From 2015 onwards all acquisition and integration costs incurred in the first year from the acquisition date will be included in Exceptional items and the € 10 million threshold will no longer be applied for these costs. The reason for this change is the fact that DSM has entered into a new phase in its acquisition strategy with a focus on integration and targeted smaller (add-on) acquisitions.

Income tax expense

Income tax expense is recognized in the income statement except to the extent that it relates to an item recognized directly in 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 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 offset, 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 profit or loss 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 profit or loss 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 on the interest on high quality corporate bonds. Remeasurements are actuarial gains and losses, the return (or interest cost) on net plan assets (or liabilities) 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 are 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 2014.

The following new or amended standards were applied for the first time in 2014.

IFRS 10, 'Consolidated Financial Statements', establishes a single control model that applies to all entities, including special purpose entities. DSM has determined which entities meet the new criteria for control and therefore have to be consolidated. The new standard did not have a material impact on DSM's financial position or performance.

IFRS 11, 'Joint Arrangements', removed 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 significantly changed DSM's financial position and reported performance because the equity method replaced proportionate consolidation for joint ventures. Information on joint ventures that are affected is provided in note 10: Interests in associates and joint ventures. The standard was applied retrospectively.

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 has been applied for the first time in 2014.

No new or amended standards were adopted early and applied in 2014.

Effect of forthcoming accounting standards not yet applied

The following new standards are not yet being applied by DSM.

IFRS 14, 'Regulatory Deferral Accounts', establishes requirements for accounting by entities that are subject to rate regulation. The new standard is effective for annual reporting periods beginning on or after 1 January 2016 but will not impact DSM, since none of the DSM reporting entities operate in a market that is subject to rate regulation.

IFRS 15, 'Revenue from Contracts with Customers', establishes a new five step approach to revenue recognition that applies to all entities. The new standard is effective for annual reporting periods beginning on or after 1 January 2017. The impact of this new standard on DSM's financial position and performance is currently being investigated.

The 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 2014

x € million	Notes	Continuing operations Before exceptional items	Continuing operations Exceptional items (note 6)	Continuing operations Total	Discontinued operations	Total
Net sales	4	9,181	-	9,181	102	9,283
Cost of sales	4	(6,778)	(292)	(7,070)	(95)	(7,165)
Gross margin		**2,403**	**(292)**	**2,111**	**7**	**2,118**
Marketing and sales		(1,016)	-	(1,016)	(5)	(1,021)
Research and development		(322)	-	(322)	(1)	(323)
General and administrative		(476)	(40)	(516)	(3)	(519)
Other operating income		69	10	79	35	114
Other operating expense		(39)	(34)	(73)	(6)	(79)
	4	(1,784)	(64)	(1,848)	20	(1,828)
Operating profit		**619**	**(356)**	**263**	**27**	**290**
Interest costs	5	(125)	(7)	(132)	-	(132)
Other financial income and expense	5	7	-	7	-	7
Profit before income tax expense		501	(363)	138	27	165
Income tax expense	7	(89)	81	(8)	1	(7)
Share of the profit of associates and joint ventures		7	(66)	(59)	-	(59)
Profit for the year		**419**	**(348)**	**71**	**28**	**99**
Reclassification of the net result from activities disposed of		-	30	30	(30)	-
Total		419	(318)	101	(2)[1]	99
Of which:						
- Profit attributable to non-controlling interests	18	(9)	(37)	(46)	-	(46)
- Net profit attributable to equity holders of Koninklijke DSM N.V.		428	(281)	147	(2)	145
Net profit attributable to equity holders of Koninklijke DSM N.V.		**428**	**(281)**	**147**	**(2)**	**145**
Dividend on cumulative preference shares		(10)	-	(10)	-	(10)
Net profit available to holders of ordinary shares		418	(281)	137	(2)	135
Earnings per share (in €)	17					
- Basic				0.62		0.78
- Diluted				0.62		0.78

[1] Excluding exceptional items

Consolidated income statement for the year ended 31 December 2013[1]

x € million	Notes	Continuing operations			Discontinued	Total
		Before exceptional items	Exceptional items (note 6)	Total	operations	
Net sales	4	8,858	-	8,858	571	9,429
Cost of sales	4	(6,400)	(17)	(6,417)	(510)	(6,927)
Gross margin		**2,458**	**(17)**	**2,441**	**61**	**2,502**
Marketing and sales		(975)	-	(975)	(24)	(999)
Research and development		(340)	(18)	(358)	(162)	(520)
General and administrative		(442)	(75)	(517)	(22)	(539)
Other operating income		92	15	107	12	119
Other operating expense		(32)	(40)	(72)	(15)	(87)
	4	(1,697)	(118)	(1,815)	(211)	(2,026)
Operating profit		**761**	**(135)**	**626**	**(150)**	**476**
Interest costs	5	(122)	-	(122)	-	(122)
Other financial income and expense	5	(15)	(7)	(22)	-	(22)
Profit before income tax expense		624	(142)	482	(150)	332
Income tax expense	7	(110)	33	(77)	1	(76)
Share of the profit of associates and joint ventures		(17)	32	15	(2)	13
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[2]	269
Of which:						
- Profit attributable to non-controlling interests	18	(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 €)	17					
- Basic				2.39		1.52
- Diluted				2.38		1.51

1 Restated due to retrospective application of IFRS 11 'Joint Arrangements' that came into effect from 1 January 2014
2 Excluding exceptional items

Consolidated statement of comprehensive income

in € million	2014	2013R[1]
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit pension plans	(176)	21
Exchange differences on translation of foreign operations relating to the non-controlling interests	28	(4)
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
- Change for the year	278	(241)
- Reclassification adjustment to the income statement related to discontinued operations	-	16
Fair value reserve		
- Change for the year	4	9
- Reclassification adjustment to the income statement	-	-
Hedging reserve		
- Change for the year	(174)	69
- Reclassification adjustment to the income statement	(9)	(28)
- Reclassification adjustment to the shares in subsidiaries	2	(10)
Other comprehensive income, before tax	**(47)**	**(168)**
Income tax expense	56	(17)
Other comprehensive income, net of tax	**9**	**(185)**
Profit for the year	99	269
Total comprehensive income	**108**	**84**
Of which:		
- Attributable to non-controlling interests	(18)	(6)
- Attributable to equity holders of Koninklijke DSM N.V.	126	90

[1] Restated due to retrospective application of IFRS 11 'Joint Arrangements' that came into effect from 1 January 2014

Consolidated balance sheet as at 31 December

x € million	Notes	2014	2013R[1]
Assets			
Non-current assets			
Intangible assets	8	2,867	2,690
Property, plant and equipment	9	3,673	3,611
Deferred tax assets	7	427	364
Associates and joint ventures	10	762	295
Other financial assets	11	130	152
		7,859	**7,112**
Current assets			
Inventories	12	1,739	1,638
Trade receivables	13	1,570	1,477
Other current receivables	13	199	120
Financial derivatives	24	47	126
Current investments	14	6	19
Cash and cash equivalents	15	669	770
		4,230	4,150
Assets held for sale	2	37	637
		4,267	**4,787**
Total		**12,126**	**11,899**
Equity and liabilities			
Equity	16		
Shareholders' equity		5,723	5,908
Non-controlling interests	18	213	188
		5,936	**6,096**
Non-current liabilities			
Deferred tax liabilities	7	365	375
Employee benefits liabilities	25	479	326
Provisions	19	105	97
Borrowings	20	1,637	1,725
Other non-current liabilities	21	81	75
		2,667	**2,598**
Current liabilities			
Employee benefits liabilities	25	45	34
Provisions	19	42	65
Borrowings	20	1,143	841
Financial derivatives	24	362	190
Trade payables	22	1,361	1,272
Other current liabilities	22	554	573
		3,507	2,975
Liabilities held for sale	2	16	230
		3,523	**3,205**
Total		**12,126**	**11,899**

[1] Restated due to retrospective application of IFRS 11 'Joint Arrangements' that came into effect from 1 January 2014

Consolidated statement of changes in equity (note 16)

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 2013[1]	**338**	**489**	**(479)**	**235**	**(2)**	**5,293**	**5,874**	**166**	**6,040**
Dividend	-	-	-	-	-	(271)	(271)	(5)	(276)
Options / performance shares granted	-	-	-	20	-	-	20	-	20
Options / performance shares exercised / 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[1]	**338**	**489**	**(294)**	**35**	**13**	**5,327**	**5,908**	**188**	**6,096**
Dividend	-	-	-	-	-	(301)	(301)	(6)	(307)
Options / performance shares granted	-	-	-	19	-	-	19	-	19
Options / performance shares exercised / cancelled	-	-	-	(11)	-	11	-	-	-
Proceeds from reissued shares	-	-	134	-	-	26	160	-	160
Change in DSM's share in subsidiaries	-	-	-	-	-	-	-	49	49
Repurchase of shares	-	-	(189)	-	-	-	(189)	-	(189)
Other	-	-	-	-	7	(7)	-	-	-
Total comprehensive income	-	-	-	123	(142)	145	126	(18)	108
Balance at 31 December 2014	**338**	**489**	**(349)**	**166**	**(122)**	**5,201**	**5,723**	**213**	**5,936**

[1] Restated due to retrospective application of IFRS 11 'Joint Arrangements' that came into effect from 1 January 2014

Consolidated cash flow statement (note 27)

x € million		**2014**		2013R[1]
Operating activities				
Profit for the year		99		269
Share of the profit of associates		59		(13)
Income tax		7		76
Profit before income tax expense		165		332
Net finance costs		118		144
Exceptional items		334		297
Operating profit		617[2]		773
Depreciation, amortization and impairments		549		539
Earnings before interest, tax, depreciation and amortization (EBITDA)		1,166		1,312
Adjustments for:				
- (Gain) or loss from disposals	(3)		(18)	
- Restructuring and other costs	(29)		(53)	
- Acquisition related in EBITDA	(1)		-	
- Change in provisions	(49)		(78)	
- Defined benefit plans	(30)		(22)	
	(112)		(171)	
Income tax received	7		24	
Income tax paid	(89)		(87)	
Settlement intercompany hedges	(122)		1	
Other	32		2	
Changes, excluding working capital		(284)		(231)
Operating cash flow before changes in working capital		**882**		**1,081**
Changes in operating working capital:				
- Inventories	(8)		(90)	
- Trade receivables	(31)		(1)	
- Trade payables	2		25	
	(37)		(66)	
Changes in other working capital	(37)		(17)	
Changes in working capital		(74)		(83)
Cash provided by operating activities		**808**		**998**

[1] Restated due to retrospective application of IFRS 11 'Joint Arrangements' that came into effect from 1 January 2014
[2] This consists of the operating profit from continuing operations before exceptional items (€619 million) and discontinued operations (-€2 million; see also Assets and liabilities held for sale in note 2 Change in the scope of the consolidation)

Consolidated cash flow statement (note 27) continued

x € million	2014	2013R[1]
Cash provided by operating activities	**808**	**998**
Investing activities		
Capital expenditure for:[2]		
- Intangible assets	(97)	(83)
- Property, plant and equipment	(556)	(566)
Proceeds from disposal of property, plant and equipment	13	4
Acquisition of subsidiaries and associates	(7)	(509)
Cash from net investment hedge	-	(30)
Proceeds from disposal of subsidiaries and businesses	78	72
Change in fixed-term deposits	14	24
Interest received	108	83
Other financial assets:		
- Capital payments and acquisitions	(35)	(58)
- Change in loans granted	(35)	4
- Proceeds from disposals	2	2
Cash used in investing activities	**(515)**	**(1,057)**
Financing activities		
Capital payments from/to non-controlling interests	4	36
Loans taken up	532	364
Repayment of loans	(534)	(149)
Change in debt to credit institutions	(10)	(71)
Cash facility associates	(21)	-
Repayment / issue of commercial paper	250	(150)
Dividend paid	(175)	(160)
Interest paid	(302)	(200)
Proceeds from reissued shares	26	145
Repurchase of shares	(189)	(73)
Cash used in / from financing activities	**(419)**	**(258)**
Change in cash and cash equivalents	**(126)**	**(317)**
Cash and cash equivalents at 1 January	**770**	**1,089**
Exchange differences relating to cash held	25	(2)
Cash and cash equivalents at 31 December	**669**	**770**

1 Restated due to retrospective application of IFRS 11 'Joint Arrangements' that came into effect from 1 January 2014
2 An amount of €25 million included in capital expenditure was funded by customers (2013: €20 million)

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 25), the recognition and measurement of income taxes (note 7) and the determination of fair values for financial instruments (note 24) and for share-based compensation (note 28). Furthermore impairment testing requires judgments by management, amongst others with respect to the determination of Cash Generating Units, growth rates and discounts rates to apply (note 6 and 8). 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	
	2014	2013	**2014**	2013
US dollar	1.22	1.38	1.33	1.33
Swiss franc	1.20	1.23	1.21	1.23
Pound sterling	0.78	0.84	0.81	0.85
Brazilian real	3.24	3.22	3.12	2.87
Chinese renminbi	7.44	8.40	8.16	8.23

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.

Application of new accounting standards

DSM adopted IFRS 10, 'Consolidated Financial Statements' in 2014. The new standard establishes a single control model that applies to all entities, including special purpose entities. DSM has determined which entities meet the new criteria for control and therefore have to be consolidated. This assessment confirmed that the entities that were consolidated in earlier years also met the new definition for control and that there were no additional entities that required consolidation in view of the new definition. Furthermore, DSM does not have structured entities.

The retrospective application of IFRS 11, 'Joint Arrangements', removed the option to apply proportionate consolidation for joint ventures and mandated the use of the equity method for jointly controlled entities that meet the new definition of a joint venture. Among others DSM has joint control in DSM Sinochem Pharmaceuticals (DSP) , a company that develops, manufactures and sells generic anti-infective molecules, based in Hong Kong (China) and in POET-DSM Advanced Biofuels , a company producing cellulosic bio-ethanol from corn crop residue, based in Sioux Falls (South Dakota, USA). These joint ventures cannot distribute profits without consent from the non-DSM shareholder. Relations with these joint ventures and their strategic importance are discussed in more detail in the sections Pharma Partnerships and Innovation Center in the Report by the Managing Board. Both meet the conditions of a joint venture under IFRS 11 and are accounted for using the equity method. The transition was applied retrospectively and the comparative information for the preceding period was restated and marked with "R" in these financial statements. The effect of applying IFRS 11 on the financial position of DSM at the beginning of 2013 is as follows:

Restated consolidated balance sheet at 1 January 2013

x € million	31 December 2012 in IAR 2013	Impact IFRS 10 - 11[1]	1 January 2013 Restated
Assets			
Non-current assets			
Intangible assets	2,793	(39)	2,754
Property, plant and equipment	3,811	(128)	3,683
Deferred tax assets	340	(8)	332
Associates and joint ventures	40	210	250
Other financial assets	141	(26)	115
	7,125	**9**	**7,134**
Current assets			
Inventories	1,803	(35)	1,768
Trade receivables	1,569	(45)	1,524
Other receivables	230	(5)	225
Financial derivatives	62	-	62
Current investments	12	7	19
Cash and cash equivalents	1,121	(32)	1,089
	4,797	(110)	4,687
Assets held for sale	44	-	44
	4,841	**(110)**	**4,731**
Total	**11,966**	**(101)**	**11,865**
Equity and liabilities			
Equity			
Shareholders' equity	5,874	-	5,874
Non-controlling interests	168	(2)	166
	6,042	**(2)**	**6,040**
Non-current liabilities			
Deferred tax liabilities	236	(1)	235
Employee benefits liabilities	388	-	388
Provisions	125	-	125
Borrowings	1,922	(12)	1,910
Other non-current liabilities	94	(3)	91
	2,765	**(16)**	**2,749**
Current liabilities		-	
Employee benefits liabilities	42	-	42
Provisions	81	-	81
Borrowings	642	(19)	623
Financial derivatives	299	-	299
Trade payables	1,453	(52)	1,401
Other current liabilities	628	(12)	616
	3,145	(83)	3,062
Liabilities held for sale	14	-	14
	3,159	**(83)**	**3,076**
Total	**11,966**	**(101)**	**11,865**

[1] DSM applied the new standards IFRS 10 'Consolidated Financial Statements' and IFRS 11 'Joint Arrangements' for the first time in 2014. Due to the abolishment of proportionate consolidation for joint ventures DSM's financial position has changed. These changes are notably related to the joint venture DSM Sinochem Pharmaceuticals Limited and POET-DSM Advanced Biofuels. See page 158 for more information about joint ventures.

2 Change in the scope of the consolidation

Acquisitions

2014

In January 2014 DSM obtained control of Yantai Andre Pectin co., Ltd. a 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 already owned 29% of the shares of Andre Pectin together with call options to buy out the other shareholders and obtained control by placing a DSM management team in the company. From January 2014 onwards the financial statements of Andre Pectin have been consolidated by DSM and reported in the Nutrition segment. The acquisition strengthens and complements DSM's position as a pectin manufacturer in Asia with access to the global food ingredients markets. In accordance with IFRS 3 the purchase price of Andre Pectin had to be allocated to identifiable assets and liabilities acquired. Goodwill amounted to €1 million. The non-controlling interest in Andre Pectin was measured at the proportionate share of the value of net identifiable assets acquired and amounted to €45 million at the acquisition date. At the acquisition date the fair value of the interest in Andre Pectin was not materially different from the carrying amount. The acquisition of Andre Pectin contributed €36 million to net sales and €7 million to EBITDA in 2014. Andre Pectin-related exceptional items amounted to €3 million before tax (see note 6 Exceptional items).

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 which resulted in some adjustments to the opening balance sheet of Tortuga. The Purchase Price Allocation (PPA) of Andre Pectin was finalized in the course of the year.

The impact of all acquisitions made in 2014, including adjustments to the initial accounting for Tortuga on DSM's consolidated balance sheet, at the date of acquisition, is summarized in the following table.

2014	Andre Pectin		Tortuga (final PPA)[2]			Total
	Book value	Fair value	Book value	Fair value total	Change in fair value	Fair value
Assets						
Intangible assets	3	29	1	92	(2)	27
Property, plant and equipment	33	36	80	107	-	36
Other non-current assets	9	9	12	7	(5)	4
Inventories	11	12	34	45	-	12
Receivables	12	12	94	96	2	14
Cash and cash equivalents	3	3	3	2	(1)	2
Total assets	**71**	**101**	**224**	**349**	**(6)**	**95**
Non-controlling interests	27	45	-	-	-	45
Liabilities						
Non-current liabilities	-	5	12	26	(1)	4
Current liabilities	33	33	130	131	1	34
Total non-controlling interests and liabilities	**60**	**83**	**142**	**157**	**-**	**83**
Net assets	**11**	**18**	**82**	**192**	**(6)**	**12**
Acquisition price (in cash)		-		350	-	-
Value of associate contributed		19		-	-	19
Consideration		**19**		**350**	**-**	**19**
Goodwill		**1**		**158**	**6**	**7**
Goodwill available for tax purposes (included in the above)		-		152	-	-
Acquisition costs recognized in exceptional items[1]		2		2	1	3
Contingent liabilities included in fair value		-		-	-	-

1 Included in General and administrative: Other costs
2 In 2014 the final Purchase Price Allocation (PPA) of Tortuga was performed, which has led to the above changes in the fair value, compared to the draft PPA

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 must 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 total	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 (PPA) 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 comprised 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.

Disposals

2014

JLL Partners and DSM completed the transaction announced in November 2013 combining DSM Pharmaceutical Products and Patheon Inc. into a new privately held company, named DPx, in which DSM holds a 49% share. From 11 March 2014 onwards DSM Pharmaceutical Products, which was classified held for sale at the end of 2013, is no longer consolidated by DSM. The 49% investment in DPx is reported as an associate and accounted in accordance with the equity method. The result on the contribution of DSM Pharmaceutical Products (DPP) to DPx recognized in 2014 amounted to a loss of € 124 million which is specified in the table on page 142. This is lower than the estimated loss that was recognized upon classification of the business as asset held for sale at the end of 2013. The difference of € 28 million was mainly attributable to lower tax costs than earlier estimated. The impact of the deconsolidation of these activities on the DSM consolidated financial statements is presented in the following table:

x € million	DPP	Other	Total
Assets			
Intangible assets	(30)	-	(30)
Property, plant and equipment	(300)	-	(300)
Other non-current assets	(35)	-	(35)
Inventories	(205)	-	(205)
Receivables	(94)	-	(94)
Cash and cash equivalents	(7)	-	(7)
Total assets	**(671)**	**-**	**(671)**
Liabilities			
Provisions	(44)	-	(44)
Non-current liabilities	(26)	-	(26)
Current liabilities	(152)	-	(152)
Total liabilities	**(222)**	**-**	**(222)**
Net assets	**(449)**	**-**	**(449)**
Consideration (net of selling costs, translation differences and net debt)	477	4	481
Book result 2014	**28**	**4**	**32**
Income tax	2	(1)	1
Net book result	**30**	**3**	**33**

DPx

x € million	Total
Net assets	
- Book value DPP assets and liabilities	449
- Release related items in Other comprehensive income	16
Subtotal net assets upon divestment	465
- Impairment upon held for sale classification in 2013	152
Total net assets	**617**
Consideration / fair value	505
Transaction costs in 2014	(9)
Liability for demolition costs	(3)
Consideration net of costs	**493**
Total book loss	**(124)**
Of which:	
- Goodwill impaired in 2013 (exceptional item)	(152)
- Book profit 2014 (exceptional item)	28

The impact of the business that has been disposed on the cash flow statement is presented in the following table:

	2014	2013R
Net cash provided by / used in		
- Operating activities	(12)	33
- Investing activities	69	247
- Financing activities	(8)	11
Net change in cash and cash equivalents	49	291

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 consolidated financial statements is presented in the following table:

x € million	DEX Plastomers	Compact Solution Technology	Euroresins East	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**

Deconsolidation and other changes

In 2014 there were no material deconsolidations or material changes in the percentage of ownership of subsidiaries (same as in 2013).

Assets and liabilities held for sale

2014

In view of the agreements reached regarding the sale of the remaining Euroresins business and DSM Synres, these businesses were reclassified as held for sale. Before reclassification these activities were reported in the segment Performance Materials. In view of the limited size and importance of these activities they were not presented as discontinued operations.

x € million	Euroresins West	Synres	Total
Assets			
Intangible assets	(2)	-	(2)
Property, plant and equipment	-	(11)	(11)
Other non-current assets	(1)	-	(1)
Inventories	(6)	(5)	(11)
Receivables	(15)	(7)	(22)
Cash and cash equivalents	-	-	-
Total assets	**(24)**	**(23)**	**(47)**[1]
Liabilities			
Provisions	-	-	-
Non-current liabilities	-	-	-
Current liabilities	(8)	(8)	(16)
Total liabilities	**(8)**	**(8)**	**(16)**
Net assets	**(16)**	**(15)**	**(31)**
Fair value	16	10	26
Transaction costs	(2)	(3)	(5)
Fair value less costs to sell	**14**	**7**	**21**
Impairment of intangible assets and property, plant and equipment	**(2)**	**(8)**	**(10)**

[1] Assets held for sale in the balance sheet amount to € 37 million, which includes the impairment of € 10 million

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:

	2014	2013R
Net sales	125	121
Cost of sales	106	103
Gross margin	19	18
Marketing and sales	14	15
Research and development	-	-
General and administrative	1	2
Other operating income and expense	1	(1)
	16	16
Operating profit	**3**	**2**
EBITDA	**5**	**4**

2013

In view of the contribution of DSM Pharmaceutical Products (DPP) to a new entity that is majority owned by private equity company JLL Partners, the related assets and liabilities of the business were classified as held for sale. DPP constituted a major line of business for DSM and was therefore presented as a discontinued operation upon held for sale classification. After completion of the transaction that took place in the first half of 2014, DSM accounted 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 represented the recoverable amount of the cash generating unit and was the basis for the determination of the book loss on the transaction which was charged against the Catalytica goodwill that was reported in discontinued operations. After impairment, the remaining value of the Catalytica goodwill was € 7 million. The fair value was based on the price that was agreed between DSM and JLL Partners in an arm's length transactions that was publicly announced on 19 November 2013.

The impact of the reclassification of these activities on the DSM consolidated financial statements in 2013 is presented in the following table:

x € million	DPP
Assets	
Intangible assets	(177)
Property, plant and equipment	(297)
Other non-current assets	(34)
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) in 2013	**(152)**
Final price adjustment in 2014 via exceptional items	28
Total book loss	**(124)**

[1] Assets held for sale in the balance sheet amount to € 637 million, which includes the impairment of intangible assets of € 152 million

3 Segment information

Business segments[1]

2014	Continuing operations: Nutrition	Performance Materials	Polymer Intermediates	Innovation Center	Corporate[2] Activities	Eliminations	Total	Discontinued operations	Eliminations	Total
Financial performance										
Net sales	4,335	2,792	1,727	154	173	-	9,181	102	-	9,283
Supplies to other clusters	92	8	410	3	-	(512)	1	4	(5)	-
Supplies	4,427	2,800	2,137	157	173	(512)	9,182	106	(5)	9,283
EBITDA	**850**	**343**	**83**	**(18)**	**(90)**	**-**	**1,168**	**(2)**	**-**	**1,166**
Operating profit	596	193	24	(45)	(149)	-	619	(2)	-	617
Exceptional items	(23)	4	(296)	-	(41)	-	(356)	29	-	(327)
Operating profit including exceptional items	**573**	**197**	**(272)**	**(45)**	**(190)**	**-**	**263**	**27**	**-**	**290**
Depreciation and amortization	242	139	58	27	55	-	521	-	-	521
Impairments	12	11	1	-	4	-	28	-	-	28
Impairments in exceptional items	1	(1)	291	-	3	-	294	3	-	297
Additions to provisions	29	-	1	-	22	-	52	3	-	55
Share of the profit of associates	(1)	2	(2)	(10)	(48)	-	(59)	-	-	(59)
R&D costs[3]	103	105	11	70	33	-	322	1	-	323
Wages, salaries and social security costs	818	329	80	67	265	-	1,559	38	-	1,597
Financial position										
Total assets	6,200	2,045	1,022	750	2,109	-	12,126	-	-	12,126
Total liabilities	1,541	630	534	68	3,417	-	6,190	-	-	6,190
Capital employed at year-end	5,034	1,928	419	523	201	-	8,105	-	-	8,105
Capital expenditure	330	77	117	27	62	-	613	3	-	616
Share in equity of associates	1	6	10	118	482	-	617	-	-	617
EBITDA / net sales (in %)	19.6	12.3	4.8				12.7	(2.0)		12.6
Workforce										
Average in fte	11,067	5,093	1,428	697	3,103	-	21,388	410	-	21,798
Year-end (headcount)	10,857	5,115	1,423	675	3,281	-	21,351	-	-	21,351

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.

Business segments[1]

2013R	Continuing operations							Discon-tinued opera-tions	Elimina-tions	Total
	Nutrition	Perform-ance Materials	Polymer Interme-diates	Inno-vation Center	Corpo-rate Activities[2]	Elimina-tions	Total			
Financial performance										
Net sales	4,205	2,729	1,579	150	195	-	8,858	571	-	9,429
Supplies to other clusters	96	22	450	3	-	(561)	10	23	(33)	-
Supplies	4,301	2,751	2,029	153	195	(561)	8,868	594	(33)	9,429
EBITDA	**914**	**319**	**113**	**(9)**	**(76)**	**-**	**1,261**	**51**	**-**	**1,312**
Operating profit	680	180	71	(43)	(127)	-	761	12	-	773
Exceptional items	(71)	(23)	(10)	1	(32)	-	(135)	(162)	-	(297)
Operating profit including exceptional items	**609**	**157**	**61**	**(42)**	**(159)**	**-**	**626**	**(150)**	**-**	**476**
Depreciation and amortization	231	135	38	34	50	-	488	38	-	526
Impairments	3	4	4	-	1	-	12	1	-	13
Impairments in exceptional items	22	-	-	-	-	-	22	150	-	172
Additions to provisions	23	17	5	-	2	-	47	30	-	77
Share of the profit of associates	-	3	-	(7)	(13)	-	(17)	(2)	-	(19)
R&D costs[3]	133	100	10	65	32	-	340	10	-	350
Wages, salaries and social security costs	742	317	73	64	327	-	1,523	175	-	1,698
Financial position										
Total assets	5,544	1,972	1,082	635	2,029	-	11,262	637	-	11,899
Total liabilities	1,359	584	497	62	3,071	-	5,573	230	-	5,803
Capital employed at year-end	4,496	1,902	570	469	206	-	7,643	417	-	8,060
Capital expenditure	255	56	235	20	87	-	653	41	-	694
Share in equity of associates	1	6	9	86	145	-	247	-	-	247
EBITDA / net sales (in %)	21.7	11.7	7.2				14.2	8.9		13.9
Workforce										
Average in fte	10,376	5,074	1,450	592	3,120	-	20,612	2,462	-	23,074
Year-end (headcount)	10,548	5,126	1,456	659	3,204	-	20,993	2,492	-	23,485

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.

Geographical information

2013R	The Netherlands	Rest of Western Europe	Eastern Europe	North America	Latin America	China	India	Japan	Rest of Asia	Rest of the world	Total
	Continuing operations										
Net sales by origin											
In € million	2,897	2,245	121	1,688	541	1,013	37	35	238	43	8,858
In %	33	25	1	19	6	12	-	-	3	1	100
Net sales by destination											
In € million	652	2,414	518	1,765	902	1,275	129	215	778	210	8,858
In %	7	28	6	20	10	15	1	2	9	2	100
Workforce at year-end	5,383	5,028	388	3,679	1,759	3,084	406	151	878	237	20,993
Intangible assets and Property, plant and equipment											
Capital expenditure	232	137	2	77	12	177	3	1	10	2	653
Carrying amount	1,645	1,203	36	2,167	346	710	12	20	138	24	6,301
Total assets (total DSM)	3,494	2,540	114	3,186	755	1,247	53	85	328	97	11,899
2014											
Net sales by origin											
In € million	2,988	2,233	122	1,483	675	1,237	54	72	253	64	9,181
In %	33	24	1	16	7	13	1	1	3	1	100
Net sales by destination											
In € million	659	2,440	548	1,741	973	1,472	153	204	782	209	9,181
In %	7	27	6	19	10	16	2	2	9	2	100
Workforce at year-end	5,304	4,951	408	3,583	1,891	3,489	478	141	866	240	21,351
Intangible assets and Property, plant and equipment											
Capital expenditure	262	134	2	119	19	63	6	-	6	2	613
Carrying amount	1,628	1,223	31	2,335	353	766	18	20	144	22	6,540
Total assets (total DSM)	3,709	2,110	113	3,323	820	1,458	70	88	359	76	12,126

DSM has no single external customer that represents 10% or more of revenues and therefore information about major customers is not provided.

4 Net sales and costs

Net sales

	2014	2013R
Continuing operations before exceptional items		
Goods sold	8,849	8,505
Services rendered	302	320
Royalties from ordinary activities	30	33
Total	**9,181**	**8,858**

Total costs

In 2014 total operating costs of continuing operations before exceptional items amounted to €8.6 billion, €0.5 billion higher than in 2013, when these costs stood at €8.1 billion. Total operating costs in 2014 included Cost of sales to an amount of €6.8 billion (2013: €6.4 billion); gross margin as % of net sales stood at 26% (2013: 28%).

Employee benefits costs

	2014	2013R
Continuing operations before exceptional items		
Wages and salaries	1,349	1,301
Social security costs	191	199
Pension costs (see also note 25)	114	115
Share-based compensation (see also note 28)	19	23
Total	**1,673**	**1,638**

Depreciation, amortization and impairments

	2014	2013R
Continuing operations before exceptional items		
Amortization of intangible assets	139	150
Depreciation of property, plant and equipment	382	338
Impairment losses	28	12
Total	**549**	**500**

The increase in depreciation is mainly due to investments in recent years that have been put into operation.

Other operating income

	2014	2013R
Continuing operations before exceptional items		
Release of provisions	6	15
Gain on sale of assets and activities	3	18
Gain on scrap, waste material, emission rights, royalties and licenses sold	25	29
Insurance benefits	3	11
Claims	3	-
Earn-out payments	-	-
Sundry	29	19
Total	**69**	**92**

Other operating expense

	2014	2013R
Continuing operations before exceptional items		
Additions to provisions	11	2
Loss from the disposal or closure of assets and activities	1	-
Exchange differences	-	6
Costs of financial instruments	3	-
Earn-out payments	-	-
Damages	13	13
Sundry	11	11
Total	**39**	**32**

5 Net finance costs

	2014	2013R
Continuing operations before exceptional items		
Interest costs		
Interest expense	122	117
Interest relating to defined benefit plans	12	13
Capitalized interest during construction	(10)	(9)
Interest charge on discounted provisions	1	1
Total	**125**	**122**
Other financial income and expense		
Interest income	(13)	(3)
Exchange differences	(1)	5
Result from other securities	9	9
Sundry	(2)	4
Total	**(7)**	**15**
Net finance costs	**118**	**137**

In 2014 the interest rate applied in the capitalization of interest during construction was 5% (2013: 5%).

6 Exceptional items

	2014	2013R
Cost of sales:		
- Impairments of property, plant and equipment and business activities	(291)	(1)
- Other costs	(1)	(15)
	(292)	(16)
Research and development:		
- Impairment of intangible assets	-	(170)
- Other costs	-	-
	-	(170)
General and administrative:		
- Impairment of property, plant and equipment and intangible assets	(4)	(1)
- Other costs	(36)	(78)
	(40)	(79)
Other operating income:		
- Release of provisions	10	18
- Book gain on disposals	28	-
- Other income	-	5
	38	23
Other operating expense:		
- Additions to provisions	(33)	(55)
- Other costs	-	-
	(33)	(55)
Operating profit	**(327)**	**(297)**
Other financial income and expense	(7)	(7)
Total, before income tax expense	**(334)**	**(304)**
Income tax expense	82	35
Share of the profit of associates/ joint ventures	(66)	32
Net result from exceptional items	**(318)**	**(237)**

2014

The exceptional items in 2014 are listed below:

- The impairment of Property, plant and equipment and business activities within Cost of sales relates to the impairment of the caprolactam business of Polymer Intermediates.
- Other costs within Cost of sales relate to the inventory step up of Andre Pectin. See also note 2, Change in the scope of consolidation.
- The impairment of Intangible assets within General and administrative relates to application software and other assets within DSM Business Support. See also note 8, Intangible assets.
- Other costs within General and administrative relate to restructuring costs (€ 33 million), acquisition and disposal costs (€ 5 million) and a settlement of a former disposal (-€ 2 million)
- The release of provisions in Other operating income relates to the (partial) release of restructuring provisions (€ 7 million) and the partial release of Other provisions € 3 million) which were originally recognized as exceptional items.
- The book gain on disposals relates to the sale of DPP. For further information see note 2, Change in the scope of consolidation.
- Additions to provisions relates fully to restructuring provisions. See also note 19 Provisions.
- Other costs within operating expenses relate to acquisition and disposal costs.
- Other financial income and expense relates to the waiver of a loan.

Cash generating units are tested for impairment when economic circumstances trigger an impairment test, which was the case for the caprolactam business of DSM Fibre Intermediates in 2014. The impairment was principally triggered by the low utilization of the production capacity as a result of amongst others a huge increase in Chinese caprolactam capacity coming to market. DSM determined the value in use of the cash generating unit using the model and approach that is also used for goodwill impairment testing. The cash generating unit excludes the acrylonitrile and licensing businesses of DSM Fibre Intermediates because those are stand-alone businesses that generate their own independent cash flows. 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 growth of the business which is expected to be below 1% and the related revenue projections. The projections exclude restructuring effects. This resulted in a non-cash impairment charge of € 291 million reported as exceptional item. The impairment charge was allocated to long-term assets of the CGU on the basis of the book values of these assets, which resulted in the amount being allocated to property, plant and equipment. The estimated pre-tax cash flows were discounted to their present value using a pre-tax weighted average cost of capital of 9%.

Furthermore € 66 million of exceptional items after tax relating to associates/joint ventures have been included. This mainly relates to financing, reorganization and acquisition-related costs of DPx.

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 19 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.

7 Income tax

The income tax expense on the total result was €7 million, which represents an effective income tax rate of 4.2%
(2013: €76 million, representing an effective income tax rate of 22.9%) and can be broken down as follows:

	2014	2013R
Current tax expense:		
- Current year	(64)	(74)
- Prior-year adjustments	10	(1)
- Tax credits compensated	16	1
- Non-recoverable withholding tax	(7)	(1)
	(45)	**(75)**
Deferred tax expense:		
- Originating from temporary differences and their reversal	76	12
- Prior-year adjustments	(7)	8
- Change in tax rate	26	1
- Change in tax losses and tax credits recognized	(57)	(22)
	38	**(1)**
Total	**(7)**	**(76)**
Of which related to:		
- The result from continuing operations before exceptional items	(89)	(110)
- The result from exceptional items	82	33
- The result from discontinued operations	-	1

The deferred tax expense originating from temporary differences is mainly caused by the impairment of the caprolactam business. See also note 6 Exceptional items.

The effective income tax rate on the result from continuing operations before exceptional items was 17.8% in 2014 (2013: 17.6%). The tax rate for continuing operations for 2015 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 %	2014	2013R
Domestic income tax rate	25.0	25.0
Tax effects of:		
- Deviating rates	(7.9)	(1.1)
- Tax-exempt income and non-deductible expense	(4.1)	(5.6)
- Other effects	4.8	(0.7)
Effective tax rate continuing operations	**17.8**	**17.6**
Discontinued operations	0.1	(0.2)
Exceptional items (see note 6)	(13.7)	5.5
Total effective tax rate	**4.2**	**22.9**

Other effects relate to changes in tax losses and tax credits recognized.

The balance of deferred tax assets and deferred tax liabilities increased by €73 million owing to the changes presented in the table below:

Deferred tax assets and liabilities

	2014	2013R
Balance at 1 January		
Deferred tax assets	364	332
Deferred tax liabilities	(375)	(235)
Total	**(11)**	**97**
Changes:		
- Income tax expense in income statement	38	(1)
- Income tax expense in other comprehensive income	56	(17)
- Acquisitions and disposals	(5)	(95)
- Exchange differences	(17)	18
- Reclassification to held for sale	1	(13)
Balance at 31 December	**62**	**(11)**
Of which:		
- Deferred tax assets	427	364
- Deferred tax liabilities	(365)	(375)

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

		2014		2013R
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	22	(224)	26	(218)
Property, plant and equipment	102	(279)	23	(265)
Financial assets	2	(4)	4	(3)
Inventories	58	(35)	49	(37)
Receivables	6	(5)	17	(8)
Equity	2	(2)	-	(1)
Other non-current liabilities	36	(1)	43	(1)
Non-current provisions	104	(1)	68	(5)
Non-current borrowings	-	-	-	-
Other current liabilities	81	(5)	41	(7)
	413	**(556)**	**271**	**(545)**
Tax losses carried forward	205	-	263	-
Set-off	(191)	191	(170)	170
Total	**427**	**(365)**	**364**	**(375)**

No deferred tax assets were recognized for loss carryforwards amounting to €88 million (2013: €82 million). Unrecognized loss carryforwards amounting to €2 million will expire in the years up to and including 2019, (2013: €32 million up to and including 2018), €63 million between 2020 and 2024 (2013: €42 million between 2019 and 2023) and the remaining €23 million between 2025 and 2029 (2013: €37 million between 2024 and 2028).

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 2013R						
Cost	2,052	153	118	28	1,113	3,464
Amortization and impairment losses	164	82	-	4	460	710
Carrying amount	**1,888**	**71**	**118**	**24**	**653**	**2,754**
Changes in carrying amount:						
- Capital expenditure	-	1	74	6	1	82
- Put into operation	-	3	(80)	20	57	-
- Acquisitions	35	29	-	6	285	355
- Amortization	-	(9)	-	(1)	(140)	(150)
- Impairment losses	(152)	(2)	-	(18)	(4)	(176)
- Exchange differences	(104)	(7)	(1)	(2)	(40)	(154)
- Reclassification to held for sale	(7)	(7)	(3)	-	(8)	(25)
- Other reclassifications	-	-	-	-	4	4
	(228)	**8**	**(10)**	**11**	**155**	**(64)**
Balance at 31 December 2013R						
Cost	1,660	156	108	58	1,347	3,329
Amortization and impairment losses	-	77	-	22	540	639
Carrying amount	**1,660**	**79**	**108**	**36**	**807**	**2,690**
Changes in carrying amount:						
- Capital expenditure	-	10	70	15	2	97
- Put into operation	-	1	(79)	4	74	-
- Acquisitions	7	23	-	-	4	34
- Amortization	-	(10)	-	(3)	(126)	(139)
- Impairment losses	(1)	-	-	-	(12)	(13)
- Exchange differences	122	5	2	1	63	193
- Reclassification to held for sale	-	-	1	-	(1)	-
- Other reclassifications	-	3	-	1	1	5
	128	**32**	**(6)**	**18**	**5**	**177**
Balance at 31 December 2014						
Cost	1,788	204	102	75	1,525	3,694
Amortization and impairment losses	-	93	-	21	713	827
Carrying amount	**1,788**	**111**	**102**	**54**	**812**	**2,867**

Other intangible assets principally comprises acquisition related intangibles that have been included in the annual goodwill impairment test discussed later in this section. These assets are amortized on a straight line basis.

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 as certain new production techniques that had been developed were not 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 2014 is as follows:

Goodwill

Acquisition	2014	2013 R	Cash generating unit	Functional currency	Year of acquisition
Martek	382	337	DSM Nutritional Products	USD	2011
NeoResins	358	358	DSM Resins & Functional Materials	EUR	2005
Fortitech	286	252	DSM Nutritional Products	USD	2012
Ocean Nutrition Canada	210	202	DSM Nutritional Products	CAD	2012
Kensey Nash	133	117	DSM Biomedical	USD	2012
Tortuga	125	121	DSM Nutritional Products	BRL	2013
The Polymer Technology Group	72	63	DSM Biomedical	USD	2008
Pentapharm	32	31	DSM Nutritional Products	CHF	2007
Cargill Culture and enzymes business	29	27	DSM Food Specialties	EUR/USD	2012
Shandong ICD	26	23	DSM Dyneema	CNY	2011
Unitech	17	16	DSM Nutritional Products	NZD	2013
AGI Corporation	16	15	DSM Resins & Functional Materials	TWD	2011
Novamid	12	12	DSM Engineering Plastics	JPY	2010
Syntech Far East	11	10	DSM Resins & Functional Materials	HKD	2005
Zhejiang Zhongken Biotechnology	11	9	DSM Food Specialties	CNY	2010
Verenium	9	8	DSM Food Specialties	USD	2012
C5 Yeast Company	9	9	DSM Bio-based Products & Services	EUR	2011
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
Other acquisitions	31	31			
Total	**1,788**	**1,660**			

The cash generating unit DSM Pharmaceutical Products including the goodwill relating to Catalytica was reclassified to assets held for sale in 2013 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 13% 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% and 10.5% (2013: between 8.5% 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 (CGU) with significant amounts of goodwill clearly exceeded their carrying amount. The market capitalization of DSM at 31 December 2014 amounted to € 9,187 million (31 December 2013: € 10,370 million) and was clearly above the carrying amount of net assets, providing an additional indication that goodwill was not impaired.

Because there were indicators for an impairment of the cash generating unit caprolactam this CGU was also tested for impairment. No goodwill was allocated to this cash generating unit. The results of the impairment test are discussed in note 6 Exceptional items.

The other intangible assets are listed in the following table:

Other intangible assets

				2014	2013R
	Cost	Amortization	Carrying amount	Of which acquisition-related	Of which acquisition-related
Application software	209	(134)	75	11	12
Marketing-related	81	(18)	63	16	57
Customer-related	492	(143)	349	287	328
Technology-based	658	(399)	259	200	235
Other	85	(19)	66	52	55
Total	**1,525**	**(713)**	**812**	**566**	**687**
Total 2013R	1,347	(540)	807	687	

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 2013R						
Cost	2,096	5,059	231	557	26	7,969
Depreciation and impairment losses	917	3,180	167	2	20	4,286
Carrying amount	**1,179**	**1,879**	**64**	**555**	**6**	**3,683**
Changes in carrying amount:						
- Capital expenditure	8	47	3	554	-	612
- Put into operation	94	183	23	(300)	-	-
- Acquisitions	90	21	5	-	-	116
- Disposals	(2)	(2)	-	-	-	(4)
- Depreciation	(74)	(283)	(19)	-	-	(376)
- Impairment losses	(3)	(7)	(1)	-	-	(11)
- Impairment reversals	-	2	-	-	-	2
- Exchange differences	(43)	(45)	(3)	(18)	-	(109)
- Reclassification to held for sale	(68)	(170)	(10)	(49)	-	(297)
- Other reclassifications	-	5	(1)	(8)	-	(4)
- Other changes	(1)	1	-	(1)	-	(1)
	1	**(248)**	**(3)**	**178**	**-**	**(72)**
Balance at 31 December 2013R						
Cost	2,024	4,441	201	734	20	7,420
Depreciation and impairment losses	844	2,810	140	1	14	3,809
Carrying amount	**1,180**	**1,631**	**61**	**733**	**6**	**3,611**
Changes in carrying amount:						
- Capital expenditure	15	43	5	456	-	519
- Put into operation	65	464	18	(547)	-	-
- Acquisitions	15	21	-	-	-	36
- Disposals	(5)	(2)	-	-	-	(7)
- Depreciation	(75)	(285)	(22)	-	-	(382)
- Impairment losses	(11)	(191)	-	(110)	-	(312)
- Impairment reversals	-	-	-	-	-	-
- Exchange differences	60	126	3	34	-	223
- Reclassification to held for sale	(3)	(7)	-	-	-	(10)
- Other reclassifications	(11)	4	8	(7)	-	(6)
- Other changes	-	-	1	-	-	1
	50	**173**	**13**	**(174)**	**-**	**62**
Balance at 31 December 2014						
Cost	2,155	5,097	234	669	20	8,175
Depreciation and impairment losses	925	3,293	160	110	14	4,502
Carrying amount	**1,230**	**1,804**	**74**	**559**	**6**	**3,673**

In 2014 there are no material finance lease agreements (same as in 2013).

In 2014 impairment losses on Property, plant and equipment of € 312 million were recognized. This mainly related to the impairment of the cash generating unit caprolactam of € 291 million at DSM Fibre Intermediates. The impairment test for caprolactam is discussed in note 6 Exceptional items.

In 2013 impairment losses on Property, plant and 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.

10 Associates and joint ventures

The application of IFRS 11 impacted the accounting for the DSM interest of 50% in DSM Sinochem Pharmaceuticals and POET-DSM Advanced Biofuels which were proportionally consolidated in earlier years. With the adoption of IFRS 11, it has been determined that the interests in both companies have to be classified as joint venture under IFRS 11 and accounted for using the equity method. The transition was applied retrospectively and the comparative information was restated. DSM has a 49% interest and significant influence in DPx since the formation of this company early in 2014 and also accounts for this interest using the equity method. Relations with these joint ventures and their strategic importance are discussed in more detail in the sections Pharma Partnerships and Innovation Center in the Report by the Managing Board. Entities that meet the definition of joint operations of IFRS 11 were not identified.

DSM's share in its most important associates and joint ventures is disclosed below:

Company		DSM interest	
		2014	2013
DSM Sinochem Pharmaceuticals, Ltd. (Hong Kong, China)	joint control	50%	50%
POET-DSM Advanced Biofuels LLC (Sioux Falls, South Dakota, USA)	joint control	50%	50%
DPx Holdings (Cayman Islands)	significant influence	49%	-

The following table provides an overview of DSM's investments in associates and joint ventures.

Associates and joint ventures

	2014					
	DPx	DSP	POET-DSM	Other[1]	Total	2013R
Balance at 1 January	**-**	**130**	**81**	**84**	**295**	**250**
Changes:						
- Share of profits	(51)	3	(4)	(9)	(61)	(5)
- Acquisitions	-	-	-	-	-	26
- Capital payments	-	2	26	7	35	58
- Dividend received	-	-	-	(3)	(3)	(4)
- New loans	3	14	28	8	53	24
- Disposals	-	-	-	(1)	(1)	-
- Consolidation changes	422	-	-	(25)	397	-
- Reclassification to held for sale	-	-	-	(1)	(1)	(24)
- Transfers	-	(1)	-	1	-	(18)
- Exchange differences	46	4	16	1	67	(12)
- Other	(7)	(10)	-	(2)	(19)	-
Total changes	413	12	66	(24)	467	45
Balance at 31 December	**413**	**142**	**147**	**60**	**762**	**295**
Of which carrying amount of the investment	362	109	106	40	617	247
Of which loans granted	51	33	41[2]	20	145	48

[1] Amongst others Japan Fine Coatings, Xinhui Meida-DSM Nylon and Actamax are included in Other
[2] The outstanding loan receivable is secured for 50% by a guarantee from the joint venture partner POET LLC

Loans include a USD 61 million loan granted to DPx in 2014 with an annual fixed interest rate of 10.75% and an expected 5-year maturity. Loans of € 6 million and € 12 million to DSP maturing in 2016 together with a loan of CNY 115 million to be repaid in or before 2017. A USD 50 million loan to POET-DSM with a 5% interest repayable in 2018 and secured for 50% by a guarantee from the joint venture partner.

Associates and joint ventures on a 100% basis

	DPx[1]		DSP		Other[2]		Total	
	2014	2013R	**2014**	2013R	**2014**	2013R	**2014**	2013R
Assets								
Intangible assets	1,405	-	16	15	21	18	1,442	33
Property, plant and equipment	819	-	241	215	315	243	1,375	458
Other non-current assets	110	-	36	74	15	14	161	88
Inventories	362	-	75	73	13	17	450	90
Receivables	296	-	172	105	83	102	551	207
Cash and cash equivalents	70	-	67	56	48	36	185	92
Other current assets	-	-	-	3	5	65	5	68
Total assets	**3,062**	**-**	**607**	**541**	**500**	**495**	**4,169**	**1,036**
Liabilities								
Provisions (non-current)	-	-	3	3	3	2	6	5
Borrowings (non-current)	1,625	-	47	35	80	23	1,752	58
Other non-current liabilities	299	-	9	45	6	13	314	58
Provisions (current)	42	-	-	-	-	18	42	18
Borrowings and financial derivatives (current)	25	-	145	118	22	15	192	133
Other current liabilities	410	-	181	129	99	146	690	275
Total liabilities	**2,401**	**-**	**385**	**330**	**210**	**217**	**2,996**	**547**
Net assets (100% basis)	**661**	**-**	**222**	**211**	**290**	**278**	**1,173**	**489**
Of which non-controlling interest	-	-	4	4	-	-	-	-
Net assets excluding goodwill	661	-	222	211	290	278	1,173	489
Contingent liabilities	-	-	-	-	-	-	-	-
Summarized statement of profit or loss								
Revenue (net sales)[3]	984	-	399	368	368	443	1,751	811
Operating profit (EBIT)	**92**	**-**	**9**	**(2)**	**(25)**	**(11)**	**76**	**(13)**
Interest income	-	-	-	1	-	-	-	1
Interest expense	(56)	-	(6)	(7)	(4)	(1)	(66)	(8)
Other financial income and expense	(1)	-	8	(3)	-	3	7	-
Share of the profit of associates	(1)	-	-	-	-	-	(1)	-
Profit before income tax expense	**34**	**-**	**11**	**(11)**	**(29)**	**(9)**	**16**	**(20)**
Income tax expense	9	-	(5)	(5)	-	(1)	4	(6)
Profit for the year (continuing operations)	**43**	**-**	**6**	**(16)**	**(29)**	**(10)**	**20**	**(26)**
Post-tax result discontinued operations	-	-	-	-	-	-	-	-
Exceptional items	(152)	-	-	22	2	1	(150)	23
Income tax expense exceptional items	4	-	-	-	-	-	4	-
Profit for the year (total)	**(105)**	**-**	**6**	**6**	**(27)**	**(9)**	**(126)**	**(3)**
Other comprehensive income	(35)	-	(4)	(10)	-	-	(39)	(10)
Total comprehensive income	**(140)**	**-**	**2**	**(4)**	**(27)**	**(9)**	**(165)**	**(13)**
EBITDA	**177**	**-**	**23**	**21**	**(18)**	**(6)**	**182**	**15**
Depreciation, amortization and impairment	(85)	-	(14)	(23)	(7)	(5)	(106)	(28)

1 DPx is included from 11 March until end of fiscal year 2014 (31 October).

2 POET-DSM Advanced Biofuels is included in Other in view of the commercial start-up of the plant. At year-end 2014 total assets amounted to €258 million and net assets amounted to €211 million. Revenue for 2014 was €0 and EBITDA was -€8 million. Furthermore, Japan Fine Coatings, Xinhui Meida-DSM Nylon and Actamax are included among others.

3 Excluding sales to DSM of €18 million (DPx) and €12 million (DSP).

11 Other financial assets

	Other participations	Other receivables	Other deferred items	Total
Balance at 1 January 2013R	**42**	**29**	**44**	**115**
Changes:				
- Charged to the income statement	(10)	3	(3)	(10)
- Acquisitions	-	9	-	9
- Capital payments	4	-	-	4
- Disposals	(2)	-	-	(2)
- Loans granted	-	5	-	5
- Repayments	-	(1)	-	(1)
- Exchange differences	-	(3)	(1)	(4)
- Transfers	-	33	(5)	28
- Changes in fair value	9	-	-	9
- Other changes	3	(4)	-	(1)
Balance at 31 December 2013R	**46**	**71**	**35**	**152**
Changes:				
- Charged to the income statement	(6)	-	(7)	(13)
- Acquisitions	-	(5)	5	-
- Capital payments	6	-	-	6
- Disposals	(2)	-	-	(2)
- Loans granted	-	1	-	1
- Repayments	-	(2)	-	(2)
- Prepayments	-	-	20	20
- Exchange differences	(4)	1	2	(1)
- Transfers	-	(21)	(14)	(35)
- Changes in fair value	4	-	-	4
Balance at 31 December 2014	**44**	**45**	**41**	**130**

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 €26 million is included that relates to equity instruments, with a fair value that cannot be measured reliably (2013: €29 million). These instruments are therefore measured at cost.

Transfers include the reclassification of a deferred receivable from Sinochem Group of €39 million excluding accrued interest (same as in 2013), to current receivables, as this receivable has become due within one year.

12 Inventories

	2014	2013R
Raw materials and consumables	521	334
Intermediates and finished goods	1,274	1,353
	1,795	**1,687**
Adjustments to lower net realizable value	(56)	(49)
Total	**1,739**	**1,638**

The carrying amount of inventories adjusted to net realizable value (before reclassification to held for sale) was € 213 million (2013: € 186 million).

The carrying amount of inventories before reclassification to held for sale was € 1,749 million.

Changes in the adjustment to net realizable value

	2014	2013R
Balance at 1 January	**(49)**	**(50)**
Additions charged to income statement	(38)	(47)
Utilization / reversals	31	35
Exchange differences	(3)	1
Reclassification to held for sale	3	13
Acquisitions	-	(1)
Balance at 31 December	**(56)**	**(49)**

13 Current receivables

	2014	2013R
Trade receivables		
Trade accounts receivable	1,538	1,453
Deferred items	33	25
Receivables from associates	17	18
	1,588	**1,496**
Adjustment for bad debts	(18)	(19)
Total Trade receivables	**1,570**	**1,477**
Other current receivables		
Income taxes receivable	50	22
Other taxes and social security contributions	21	10
Government grants	1	10
Loans	30	45
Receivables from joint venture partners	40	-
Interest	1	2
Receivables associates relating to cash facility	11	-
Other receivables	37	25
Deferred items	8	6
Total Other current receivables	**199**	**120**

Deferred items comprised € 33 million (2013: € 25 million) in prepaid expenses that will impact profit or loss in future periods.

Receivables from joint venture partners include 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 € 1,408 million (2013: € 1,258 million) is provided below. The remaining balance reported as trade receivables amounting to € 130 million (2013: € 195 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 Trade receivables

in %	2014	2013R
Neither past due nor impaired	86	86
1-29 days overdue	10	10
30-89 days overdue	1	3
90 days or more overdue	3	1

The changes in the allowance for doubtful accounts receivable are as follows:

	2014	2013R
Balance at 1 January	(19)	(22)
Additions charged to income statement	(7)	(7)
Deductions	8	12
Acquisitions	-	(3)
Exchange differences	-	1
Balance at 31 December	(18)	(19)

14 Current investments

	2014	2013R
Fixed term deposits	6	19
Total	**6**	**19**

15 Cash and cash equivalents

	2014	2013R
Deposits	88	72
Cash at bank and in hand	550	669
Payments in transit	18	19
Bills of exchange	13	10
Total	**669**	**770**

Cash at year-end 2014 was not being used as collateral (same as in 2013). It was not restricted at year-end 2014 (in 2013: € 5 million restricted).

16 Equity

	2014	2013R
Balance at 1 January	6,096	6,040
Net profit	99	269
Net exchange differences	310	(232)
Net actuarial gains/(losses) on defined benefit obligations	(141)	15
Dividend	(307)	(276)
Proceeds from reissue of ordinary shares	160	268
Repurchase of shares	(189)	(73)
Other changes	(92)	85
Balance at 31 December	5,936	6,096

After the balance sheet date the following dividends were declared by the Managing Board:

Dividend

	2014	2013R
Per cumulative preference share A: €0.23 (2013: €0.23)	10	10
Per ordinary share: €1.65 (2013: €1.65)	286	287
Total	**296**	**297**

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 205.

Share capital

On 31 December 2014 the authorized capital amounted to €1,125 million (2013: €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 2013 and 2014 are shown in the following table.

Overview shares

	Issued shares		Treasury shares
	Ordinary	Cumprefs A	Ordinary
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**	
Balance at 1 January 2014	**181,425,000**	**44,040,000**	7,461,588
Reissue of shares in connection with share-based payments			(725,210)
Repurchase of shares			3,733,055
Dividend in the form of ordinary shares			(2,581,248)
Balance at 31 December 2014	181,425,000	44,040,000	7,888,185
Number of treasury shares at 31 December 2014	(7,888,185)	-	
Number of shares outstanding at 31 December 2014	**173,536,815**	**44,040,000**	

The average number of ordinary shares outstanding in 2014 was 172,605,434 (2013: 172,183,369). 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 2014 no cumulative preference shares B were outstanding.

Share premium

Of the total share premium of €489 million (2013: €489 million), an amount of €108 million (2013: €110 million) can be regarded as entirely free of tax.

Treasury shares

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.

On 31 December 2014 DSM possessed 7,888,185 ordinary shares (nominal value €12 million, 3.5% of the share capital). The average purchase price of the ordinary treasury shares was €44.27. As at 31 December 2014, 3,844,468 of the total number of treasury shares outstanding were held for servicing management and personnel share-option rights. The remainder, 4,043,717 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 the years 2011 through 2014.

Other reserves in Shareholder's equity

	Translation reserve	Hedging reserve	Reserve for share-based compensation	Fair value reserve	Total
Balance at 1 January 2013R	**244**	**(30)**	**45**	**(24)**	**235**
Changes:					
Fair-value changes of derivatives	-	69	-	-	69
Release to income statement	-	(28)	-	-	(28)
Release to share 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 2013R	**16**	**(7)**	**41**	**(15)**	**35**
Changes:					
Fair-value changes of derivatives	-	(174)	-	-	(174)
Release to income statement	-	(9)	-	-	(9)
Release to shares of subsidiaries (acquisition)	-	2	-	-	2
Fair-value changes of other financial assets	-	-	-	4	4
Exchange differences	282	-	-	-	282
Options and performance shares granted	-	-	19	-	19
Options and performance shares exercised/cancelled	-	-	(11)	-	(11)
Income tax	-	18	-	-	18
Total changes	282	(163)	8	4	131
Balance at 31 December 2014	**298**	**(170)**	**49**	**(11)**	**166**

The significant increase in the translation reserve in 2014 amounting to €282 million is the result of the weakening of the euro in 2014. As a consequence the value of the US, Swiss and Brazilian subsidiaries of DSM increased. The decrease of the hedging reserve is the consequence of value changes of interest rate hedges for which cash flow hedge accounting is applied.

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.

The translation reserve, hedging reserve and the fair value reserve are legal reserves in accordance with Dutch law and cannot be distributed to shareholders. Additional information is provided in note 6 to the parent company financial statements.

17 Earnings per ordinary share

in €	Continuing operations			Discontinued operations	Total
	Before exceptional items	Exceptional items	Total		
2013R					
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
2014					
Net profit available to holders of ordinary shares (in € million)[1]	**418**	**(281)**	**137**	**(2)**	**135**
- Basic earnings	**2.42**	**(1.80)**	**0.62**	**0.16**	**0.78**
- Impact of reclassification of net result from activities disposed of	-	0.17	0.17	(0.17)	-
- Basic earnings after reclassification of net result from discontinued operations to exceptional items	2.42	(1.63)	0.79	(0.01)	0.78
- Diluted earnings	**2.41**	**(1.79)**	**0.62**	**0.16**	**0.78**
- Impact of reclassification of net result from activities disposed of	-	0.17	0.17	(0.17)	-
- Diluted earnings after reclassification of net result from discontinued operations to exceptional items	2.41	(1.62)	0.79	(0.01)	0.78
- Dividend distributed in the period (including stock dividend)					1.70
- Dividend for the year					1.65
- Average number of ordinary shares outstanding (x 1000)					172,605
- Effect of dilution due to share options (x 1000)					762
- Adjusted average number of ordinary shares (x 1000)					173,367

[1] Reconciliation to profit for the year is provided in the consolidated income statement

18 Non-controlling interests

	2014				
	DNCC Nanjing (CN)	Andre Pectin (CN)	Other	Total	2013R Total
% of non-controlling interest	40%	71%			
Balance at 1 January	92	-	96	188	166
Changes:					
- Share of profit/charged to income statement	(35)	-	(11)	(46)	(2)
- Acquisitions	-	45	-	45	-
- Capital payments	-	-	4	4	36
- Dividend paid	-	-	(6)	(6)	(4)
- New loans	-	-	-	-	-
- Disposals	-	-	-	-	(4)
- Consolidation changes	-	-	-	-	-
- Reclassification to held for sale	-	-	-	-	-
- Transfers	-	-	-	-	-
- Exchange differences	19	6	3	28	(4)
Subtotal changes	**(16)**	**51**	**(10)**	**25**	**22**
Balance at end of period	76	51	86	213	188

Not fully-owned subsidiaries on a 100% basis

	DNCC Nanjing (CN)		Andre Pectin (CN)		Other	
	2014	2013R	**2014**	2013R	**2014**	2013R
Assets						
Intangible assets	6	8	30	-	39	35
Property, plant and equipment	320	399	33	-	242	227
Other non-current assets	13	1	-	-	14	9
Inventories	28	31	13	-	32	31
Receivables	87	53	26	-	65	77
Cash and cash equivalents	67	23	2	-	40	51
Other current assets	-	-	-	-	-	1
Total assets	**521**	**515**	**104**	**-**	**432**	**431**
Liabilities						
Provisions (non-current)	-	16	5	-	2	10
Borrowings (non-current)	166	102	-	-	68	67
Other non-current liabilities	-	-	-	-	29	29
Provisions (current)	-	-	-	-	-	-
Borrowings and financial derivatives (current)	40	30	11	-	54	34
Other current liabilities	127	139	17	-	93	87
Total liabilities	**333**	**287**	**33**	**-**	**246**	**227**
Net assets (100% basis)	**188**	**228**	**71**	**-**	**186**	**204**
Net sales	616	437	31	-	395	382
Profit for the year	(14)	4	0	-	(13)	(12)
Total comprehensive income	(14)	4	0	-	(15)	(12)
Operating cash flows	269	311	8	-		
Dividend paid to non-controlling interests	-	-	-	-	6	4

19 Provisions

The total of non-current and current provisions decreased by € 15 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 2013R	**94**	**33**	**49**	**30**	**206**
Of which current	62	6	4	9	81
Changes in 2013:					
- Additions	53	2	6	16	77
- 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)
Total changes	(28)	(3)	(6)	(7)	(44)
Balance at 31 December 2013R	**66**	**30**	**43**	**23**	**162**
Of which current	50	4	4	7	65
Changes in 2014:					
- Additions	33	4	7	11	55
- Releases	(8)	-	-	(8)	(16)
- Uses	(42)	(4)	(3)	(6)	(55)
- Exchange differences	1	-	-	-	1
- Other Reclassifications	(7)	(2)	-	9	-
Total changes	(23)	(2)	4	6	(15)
Balance at 31 December 2014	**43**	**28**	**47**	**29**	**147**
Of which current	24	2	4	12	42

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, decreased from 3.16% to 1.82%. The balance of provisions measured at present value increased by € 1 million in 2014 in view of the passage of time, and increased by € 3 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. The average life of this provision is estimated to be between 10 and 12 years.

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 2014 mainly relate to the various restructuring projects.

20 Borrowings

	2014		2013R	
	Total	Of which current	Total	Of which current
Debenture loans	2,041	497	2,040	500
Private loans	237	144	222	38
Finance lease liabilities	-	-	1	-
Credit institutions / commercial paper	502	502	303	303
Total	**2,780**	**1,143**	**2,566**	**841**

In agreements governing loans with a residual amount at year-end 2014 of € 2,165 million, of which € 500 million and USD 150 million are of a short-term nature (31 December 2013: € 2,149 million, of which € 500 million of a short-term nature), clauses have been included that 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 € 300 million bond issued in November 2013 and the documentation of the € 500 million bond issued in March 2014 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 December 2014 Moody's confirmed their A3 credit rating for DSM with a stable outlook. Standard & Poor's reconfirmed DSM's credit rating in 2014, being A with a stable outlook.

At 31 December 2014, there were € 497 million in borrowings outstanding with a remaining term of more than five years (at 31 December 2013 there was € 307 million 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

	2014	2013R
2014	-	538
2015	641	653
2016	43	7
2017	794	765
2018 and 2019	303	300
After 2019	497	-
Total	**2,278**	**2,263**

A breakdown of the borrowings by currency (excluding debt to credit institutions and commercial paper) is given in the following table:

Borrowings by currency

	2014	2013R
EUR	2,042	2,046
USD	125	132
CNY	75	45
Other	36	40
Total	**2,278**	**2,263**

On balance, total borrowings increased by €214 million owing to the following changes:

Movements borrowings

	2014	2013R
Balance at 1 January	2,566	2,533
Loans taken up	532	370
Repayments	(534)	(149)
Acquisitions/disposals	18	52
Changes in debt to credit institutions/commercial paper	240	(221)
Exchange differences	31	(19)
Cash facility associates	(73)	-
Balance at 31 December	2,780	2,566

The average effective interest rate on the portfolio of borrowings outstanding in 2014, including hedge instruments related to these borrowings, amounted to 3.88% (2013: 4.2%).

A breakdown of debenture loans is given below:

Debenture loans

			2014	2013R
EUR loan	4.00%	2005-2015	497	494
EUR loan	5.25%	2007-2017	747	746
EUR loan	5.75%	2009-2014	-	500
EUR loan	1.75%	2013-2019	300	300
EUR loan	2.38%	2014-2024	497	-
Total			**2,041**	**2,040**

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 2014 an amount of €300 million (year-end 2013: €300 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.

In March 2014 a new 2.375% EUR bond of €500 million was issued for a tenor of 10 years. In November 2010 pre-hedge contracts were concluded for this intended refinancing in 2014 of the maturing 5.75% EUR loan 2009-2014 at a 10-year interest rate of 3.42% excluding DSM spread. With the issue of the new bond this pre-hedge was settled. The effective interest rate for this bond amounts to 3.98% including settlement of pre-hedge and DSM spread.

End of 2013 the €300 million of the 1.75% EUR loan 2013-2019 was swapped to USD. The swap had been unwound by the end of September 2014.

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 2014, the fair value of the pre-hedge contracts amounted to € 109 million negative (year-end 2013: € 77 million negative including fair value of pre-hedge on matured 2009-2014 bond), which is recognized in the hedging reserve. The refinancing remains highly probable.

A breakdown of private loans is given below:

Private loans

			2014	2013R
TWD loan	floating (1 month)	2013-2018	31	32
CNY loan	floating (12 months)	2008-2017	40	37
USD loan	5.61%	2003-2015	124	109
Other loans			42	44
Total			**237**	**222**

The currency component of the 5.61% USD loan 2003-2015 was swapped into EUR (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 24.

21 Other non-current liabilities

	2014	2013R
Investment grants	42	42
Deferred items	29	24
Other non-current liabilities	10	9
Total	**81**	**75**

22 Current liabilities

	2014	2013R
Trade payables		
Received in advance	6	9
Trade accounts payable	1,287	1,212
Notes and cheques due	45	21
Owing to associates	23	30
Total Trade payables	**1,361**	**1,272**
Other current liabilities		
Income taxes payable	27	39
Other taxes and social security contributions	49	44
Interest	24	36
Pensions	5	5
Investment creditors	108	154
Employee related liabilities	240	282
Payables associates relating to cash facility	81	-
Other liabilities	19	12
Deferred items	1	1
Total Other current liabilities	**554**	**573**

23 Contingent liabilities and other financial obligations

The contingent liabilities and other financial obligations in the following table are not recognized in the balance sheet.

	2014	2013R
Operating leases and rents	96	59
Guarantee obligations on behalf of associates and third parties	124	150
Outstanding orders for projects under construction	34	11
Other	27	33
Total	**281**	**253**

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 2015. 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

	2014	2013R
2014	-	12
2015	52	11
2016	12	10
2017	2	1
2018 and 2019	2	1
After 2019	28	24
Total	**96**	**59**

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 19 Provisions.

24 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 in Financial and reporting policy of the Report by the Managing Board.

Liquidity risk

DSM has two committed credit facilities: one facility of € 500 million issued in 2011 and maturing in September 2018 and one facility issued in 2013 of € 500 million and for greatest part maturing in April 2019. In 2013 the second extension option for the 2011 facility 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. In 2014 the first extension option for the 2013 facility 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 € 480 million. Together, the facilities actually amount to a total of € 1,000 million (2013: € 1,000 million).

Furthermore, DSM has a commercial-paper program amounting to € 1,500 million (2013: € 1,500 million). The company will use the commercial-paper program to a total of not more than € 1,000 million (2013: € 1,000 million). The agreements for the committed credit facilities neither have financial covenants nor material adverse changes clauses. At year-end 2014 no loans have 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. The remaining maturities presented in the following table provide an overview of the timing of the cash flows related to these instruments. 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

2013R	Fixed-rate borrowings	Floating-rate borrowings	Short-term monetary liabilities	Subtotal	Interest payments	Cash at[1] redemption	Total cash out
Within 1 year	505	33	2,148	2,686	76	-	2,762
Within 1 to 2 years	610	43	-	653	66	6	725
Within 2 to 3 years	1	6	-	7	45	-	52
Within 3 to 4 years	756	6	-	762	38	4	804
Within 4 to 5 years	-	3	-	3	8	-	11
After 5 years	300	-	-	300	7	-	307
Total	**2,172**	**91**	**2,148**	**4,411**	**240**	**10**	**4,661**
2014							
Within 1 year	626	15	2,417	3,058	87	3	3,148
Within 1 to 2 years	11	32	-	43	65	-	108
Within 2 to 3 years	747	47	-	794	55	3	852
Within 3 to 4 years	-	3	-	3	25	-	28
Within 4 to 5 years	300	-	-	300	24	-	324
After 5 years	497	-	-	497	84[2]	3	584
Total	**2,181**	**97**	**2,417**	**4,695**	**340**	**9**	**5,044**

[1] Difference between nominal redemption and amortized costs
[2] Cumulative interest payment in remaining years

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 2014, DSM had no outstanding fixed-floating interest rate swaps other than the pre-hedges for refinancing in 2015 (see note 20).

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 2014, with all other variables held constant. A 1% reduction in interest rates would result in a €1 million pre-tax loss in the income statement on the basis of the composition of financial instruments on 31 December 2014 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 2014 to changes in interest rates is set out in the following table.

Sensitivity of fair value to change in interest rate

	2014				2013R			
	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	6	6	-	-	19	19	-	-
Cash and cash equivalents	669	669	-	-	770	770	-	-
Short-term borrowings	(1,143)	(1,166)	6	(6)	(841)	(847)	1	(1)
Long-term borrowings	(1,637)	(1,842)	87	(94)	(1,725)	(1,902)	61	(64)
Interest rate swaps (fixed to floating and pre-hedges)	(109)	(109)	52	(58)	(77)	(77)	87	(99)

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 €766 million, hedge accounting is applied for these instruments. On 31 December 2014, the notional amount of the currency forward contracts was €3,781 million (2013: €3,713 million).

In 2014 DSM hedged USD 684 million (2013: USD 707 million) of its projected net cash flow in USD in 2015, of which USD 209 million against EUR and USD 475 million against CHF by means of average-rate currency forward contracts at an average exchange rate of USD 1.31 per euro and CHF 0.93 per US dollar, respectively, for the four quarters of 2015. In 2014 DSM also hedged JPY 5,100 million (2013: JPY 5,100 million) of its projected net cash flow in JPY in 2015, of which JPY 4,000 million against CHF and JPY 1,100 million against EUR by means of average-rate currency forward contracts at an average exchange rate of JPY 114 per Swiss franc and JPY 138 per euro, respectively, for the four quarters of 2015. DSM also continued the hedge of projected GBP cash obligations against CHF: GBP 50 million at an average exchange rate of CHF 1.50 per British pound. These hedges have fixed the exchange rate for part of the USD and JPY receipts and GBP payments in 2015. Cash flow hedge accounting is applied for these hedges. As a result of similar hedges concluded in 2013 for the year 2014, in 2014 €11 million positive (2013: €24 million positive) 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 2014. CHF-denominated net assets have been partially hedged by currency swaps (2014: CHF 994 million; 2013: CHF 994 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.

Sensitivity of fair value to change in exchange rate

	2014				2013R			
	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	6	6	1	(1)	19	19	-	-
Cash and cash equivalents	669	669	53	(53)	770	770	38	(38)
Short-term borrowings	(1,143)	(1,166)	(25)	25	(841)	(847)	(11)	11
Long-term borrowings	(1,637)	(1,842)	(9)	9	(1,725)	(1,902)	(19)	19
Interest rate swaps	(109)	(109)	-	-	(77)	(77)	-	-
Cross currency swaps	(49)	(49)	(101)	101	58	58	(236)	236
Currency forward contracts	(36)	(36)	(136)	136	-	-	13	(13)
Cross currency swaps related to net investments in foreign entities[1]	(87)	(87)	(89)	89	(73)	(73)	(89)	89
Average-rate forwards used for economic hedging[2]	(34)	(34)	(20)	20	28	28	(17)	17

[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 2014 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 13). 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 joint ventures, note 11 Other financial assets, note 13 Current receivables, note 14 Current investments, note 15 Cash and cash equivalents and note 24 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 2014		31 December 2013R	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Other participations	44	44	46	46
Other non-current receivables	45	45	71	71
Current receivables	1,769	1,769	1,597	1,597
Financial derivatives	47	47	126	126
Current investments	6	6	19	19
Cash and cash equivalents	669	669	770	770
Liabilities				
Non-current borrowings	1,637	1,842	1,725	1,902
Other non-current liabilities	81	81	75	75
Current borrowings	1,143	1,166	841	847
Financial derivatives	362	362	190	190
Other current liabilities	1,915	1,915	1,845	1,845

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 instruments recognized at fair value, broken down by type and purpose:

Carrying amounts financial instruments at fair value

	Fair value hierarchy	Assets	Liabilities	Total
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)**
Interest rate swaps	Level 2	-	(109)	(109)
Currency swaps	Level 2	32	(168)	(136)
Total financial derivatives related to borrowings		**32**	**(277)**	**(245)**
Currency forward contracts	Level 2	15	(85)	(70)
Balance at 31 December 2014		**47**	**(362)**	**(315)**

During the year there were no transfers between individual levels of the fair value hierarchy.

25 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

	2014	2013R
Defined benefit plans:		
- Pension costs included in operating profit	25	22
- Healthcare plans	1	1
- Other post-employment benefits	1	1
Defined contribution plans	87	91
Total continuing operations	**114**	**115**
Discontinued operations	2	9
Pension costs included in Financial income and expense	12	12
Pension costs included in Exceptional items	(8)	-
Total	**120**	**136**

For 2015, costs for the defined benefit plans relating to pensions will be €47 million (2014: €39 million).

Changes in Employee benefits liabilities recognized in the balance sheet are disclosed in the following overview:

Employment benefits liabilities

	2014	2013R
Balance at 1 January	(360)	(429)
Changes:		
- Balance of actuarial gains/(losses)	(167)	21
- Employee benefits costs	(31)	(39)
- Contributions by employer	49	47
- Exchange differences	(14)	4
- Reclassification from/to held for sale	(1)	37
- Other changes	-	(1)
Total changes	(164)	69
Balance at 31 December	(524)	(360)

The Employee benefits liabilities of €524 million (2013: €360 million) consist of €478 million (2013: €322 million) related to pensions, €33 million (2013: €25 million) related to healthcare and other costs and €13 million (2013: €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 €294 million (2013: €252 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

	2014	2013R
Balance at 1 January	1,279	1,317
Changes:		
- Service costs	26	31
- Interest costs	40	36
- Contributions	13	12
- Actuarial (gains)/losses	223	(9)
- Past service costs	-	(6)
- Curtailments/termination benefits	(8)	-
- Exchange differences	59	(23)
- Reclassification from/to held for sale	-	(37)
- Settlements	(16)	-
- Benefits paid	(52)	(42)
Balance at 31 December	1,564	1,279

Fair value of plan assets

	2014	2013R
Balance at 1 January	958	931
Changes:		
- Interest income on plan assets	29	23
- Actuarial gains/(losses)	61	7
Actual return on plan assets	90	30
- Contributions by employer	45	47
- Contributions by employees	13	12
- Exchange differences	48	(20)
- Settlements	(16)	-
- Benefits paid	(52)	(42)
Balance at 31 December	1,086	958

The amounts recognized of these major plans in the balance sheet are as follows:

Net liabilities / assets

	2014	2013R
Present value of funded obligations	(1,261)	(994)
Fair value of plan assets	1,086	958
	(175)	**(36)**
Present value of unfunded obligations	(303)	(285)
Funded status	**(478)**	**(321)**
Effect of asset ceiling	-	-
Net liabilities / net assets[1]	**(478)**	**(321)**
Of which:		
- Liabilities (Employee benefits liabilities)	(478)	(321)
- Assets (Prepaid pension costs)	-	-

[1] Excluding less material plans with a net liability of € 46 million (2013: € 39 million)

The changes in the net assets / liabilities recognized in the balance sheet are as follows:

	2014	2013R
Balance at 1 January	**(321)**	**(386)**
Expense recognized in the income statement	(29)	(37)
Actuarial gains/(losses) recognized directly in Other comprehensive income during the year	(162)	16
Contributions by employer	45	47
Reclassification from/to held for sale	-	37
Exchange differences	(11)	2
Balance at 31 December	**(478)**	**(321)**

In 2015 DSM is expected to contribute € 44 million (actual 2014: € 45 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

	2014	2013R
Bonds	55%	54%
Equities	34%	34%
Property	7%	7%
Other	4%	5%

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

	2014	2013R
Current service costs	26	29
Net interest costs	11	12
Past service costs	-	(7)
(Gains)/losses on curtailments	-	-
Costs included in exceptional items	(8)	-
Costs related to defined benefit plans	**29**	**34**

The main actuarial assumptions for the year (weighted averages) are:

Actuarial assumptions

	2014	2013R
	Plans outside the[1] Netherlands	Plans outside the[1] Netherlands
Discount rate	2.07%	3.14%
Price inflation	1.73%	1.92%
Salary increase	2.43%	2.72%
Pension increase	0.93-2.2%	2.25-2.6%

[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

	2014	2013R	2012	2011	2010
Defined benefit obligations	(1,564)	(1,316)	(1,317)	(1,105)	(5,543)
Plan assets	1,086	958	931	817	5,440
Funded status of asset/(liability)	**(478)**	**(358)**	**(386)**	**(288)**	**(103)**
Experience adjustments on plan assets, gain/(loss)	61	7	55	(18)	245
Experience adjustments on plan liabilities, gain/(loss)	(1)	16	(27)	(8)	35
Gain/(loss) on liabilities due to changes in assumptions	(222)	(25)	(157)	(12)	(466)

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 3.4% 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 1.0% 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.

26 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 2013R	**1,089**	**19**	**(1,910)**	**(123)**	**(500)**	**(237)**	**(1,662)**
Change from operating activities	998	-	-	-	-	30	1,028
Change from investing activities	(1,057)	-	-	(24)	(28)	36	(1,073)
Reclassification from non-current to current	-	-	537	(537)	-	-	-
Transfers	(7)	-	(354)	139	222	-	-
Dividend	(160)	-	-	-	-	-	(160)
Interest	(200)	-	-	-	-	-	(200)
Proceeds from reissued shares	145	-	-	-	-	-	145
Repurchase of shares	(73)	-	-	-	-	-	(73)
Capital payments of non-controlling interests	36	-	-	-	-	-	36
Derivatives	-	-	-	-	-	107	107
Other	1	-	(5)	-	-	-	(4)
Change from financing activities	(258)	-	178	(398)	222	107	(149)
Exchange differences	(2)	-	7	7	3	-	15
Total changes	(319)	-	185	(415)	197	173	(179)
Balance at 31 December 2013R	**770**	**19**	**(1,725)**	**(538)**	**(303)**	**(64)**	**(1,841)**
Change from operating activities	808	-	-	-	-	63	871
Change from investing activities	(515)	(13)	6	2	(26)	-	(546)
Reclassification from non-current to current	-	-	623	(623)	-	-	-
Transfers	238	-	(532)	534	(240)	-	-
Dividend	(175)	-	-	-	-	-	(175)
Interest	(302)	-	-	-	-	77	(225)
Proceeds from reissued shares	26	-	-	-	-	-	26
Repurchase of shares	(189)	-	-	-	-	-	(189)
Cash facility associates	(21)	-	-	-	73	-	52
Derivatives	-	-	-	-	-	(391)	(391)
Other	4	-	-	-	-	-	4
Change from financing activities	(419)	-	91	(89)	(167)	(314)	(898)
Exchange differences	25	-	(9)	(16)	(6)	-	(6)
Total changes	(101)	(13)	88	(103)	(199)	(251)	(579)
Balance at 31 December 2014	**669**	**6**	**(1,637)**	**(641)**	**(502)**	**(315)**	**(2,420)**

27 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

	2014	2013R
Operating working capital		
Balance at 1 January	1,843	1,891
Balance at 31 December	1,948	1,843
Balance sheet change	**105**	**(48)**
Adjustments:		
- Exchange differences	(130)	78
- Changes in consolidation (including acquisitions and disposals)	30	(101)
- Reclassification from / to held for sale	20	134
- Transfers / non cash value adjustments	12	3
Total change in operating working capital according to the cash flow statement	**37**	**66**

In 2014 the operating working capital of continuing operations before reclassification to held for sale, was € 1,968 million, which amounts to 20.7% of annualized fourth quarter net sales (2013: 21.2%). Besides the business impact this decrease was due to acquisitions, disposals and an exchange rate effect.

28 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.

For members of the Managing Board specifically, only LTI performance shares have been granted since 2010 (no longer stock options). LTI 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.

For LTI performance shares, see note 9 to the financial statements of the parent company.

All stock options and LTI 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.2013	In 2014 Granted	Exercised	Average price (€)	Forfeited/ expired	Outstanding at 31 Dec.2014	Fair value on grant date (€)	Exercise price (€)	Expiry date
2006	45,225	-	(42,725)	48.11	(2,500)	-	8.95	38.30	31 Mar. 2014
2007	159,438	-	(56,250)	51.36	-	103,188	7.69	33.60	30 Mar. 2015
2008	373,279	-	(35,375)	50.03	-	337,904	5.73	29.79	28 Mar. 2016
2009	372,200	-	(44,500)	52.02	-	327,700	2.83	21.10	27 Mar. 2017
2010	615,125	-	(94,500)	51.68	-	520,625	6.07	33.10	6 Apr. 2018
2011[1,2]	2,562,113	-	(283,825)	52.08	(1,159,780)[3]	1,118,508	9.60	46.20	2 May 2019
2012[1]	2,918,063	-	(25,600)	51.94	(227,300)[3]	2,665,163	6.88	40.90	15 May 2020
2013[1]	3,308,063	-	(16,600)	52.73	(243,800)[3]	3,047,663	9.23	48.91	7 May 2021
2014[1]	-	3,018,463	-	-	(50,850)[3]	2,967,613	10.66	52.00	9 May 2022
2014 Total	**10,353,506**	**3,018,463**	**(599,375)**	**51.55**	**(1,684,230)**	**11,088,364**			
Of which vested	1,823,017					2,767,500			
	at 31 Dec. 2012					at 31 Dec. 2013			
2013 Total	**11,772,416**	**3,442,563**	**(3,363,035)**	**50.82**	**(1,498,438)**	**10,353,506**			
Of which vested	3,382,177					1,823,017			

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 2011 did only partially vest; the remaining part has been forfeited.
3 Number of forfeited options: 1,157,280 (2011), 164,300 (2012), 180,800 (2013) and 50,850 (2014).

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 five years.

Overview of stock options for employees

Year of issue[1]	Outstanding at 31 Dec.2013	In 2014 Granted	Exercised	Average price (€)	Forfeited/ expired	Outstanding at 31 Dec.2014	Fair value on grant date (€)	Exercise price (€)	Exercise period until
2009	41,922	-	(34,927)	47.92	(6,995)	-	2.31	21.10	Mar. 2014
2011	254,445	-	(15,935)	51.18	(1,835)	236,675	10.35	46.20	May 2016
2012	212,080	-	(16,245)	51.26	(1,775)	194,060	6.79	40.90	May 2017
2013	199,940	-	(5,840)	53.11	(5,805)	188,295	6.51	48.91	May 2018
2014	-	314,660	(1,850)	53.18	(4,350)	308,460	5.68	52.00	May 2019
2014 Total	**708,387**	**314,660**	**(74,797)**	**49.88**	**(20,760)**	**927,490**			
2013 Total	1,338,068	284,935	(876,928)	51.93	(37,688)	708,387			

[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:

	2014	2013
Management options		
Risk-free rate	0.76%	0.56%
Expected option life in years	6	6
Nominal option life in years	8	8
Share price	52.00	48.91
Exercise price	52.00	48.91
Volatility	31%	29%
Expected dividend	3.17%	3.07%
Fair value of option granted	10.66	9.23
Employee options		
Risk-free rate	0.22%	0.13%
Expected option life in years	2.5	2.5
Nominal option life in years	5	5
Share price	52.00	48.91
Exercise price	52.00	48.91
Volatility	23.5%	27.5%
Expected dividend	3.17%	3.07%
Fair value of option granted	5.68	6.51

In the costs for wages and salaries an amount of € 19 million is included for share-based compensation (2013: € 23 million). In the following table the share-based compensation is specified:

Share-based compensation

	2014	2013R
Stock options	18	17
Share appreciation rights	(1)	4
Performance shares	2	2
Total expense	**19**	**23**

29 Related parties

Koninklijke DSM N.V. is the group holding company that is listed on the Euronext Amsterdam stock exchange. 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

	2014[1]	2013R[1]
Sales to related parties	147	170
Purchases from related parties	203	244
Loans to related parties	58	12
Receivables from related parties	8	22
Payables to related parties	30	39

[1] Relates to continuing operations

DSM has provided guarantees to third parties for debts of associates for an amount of €81 million (2013: €82 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 €7.3 million (2013: €9.6 million). The decrease was mainly caused by costs in 2013 in relation to the early retirement of Mr. Gerardu to facilitate succession planning for the Managing Board and the Dutch crisis levy which was partly offset by the one-time compensation payment to the new CFO. Total remuneration and related costs includes fixed annual salary including other items to the amount of €3.9 million (2013: €3.9 million), short-term incentives to the amount of €1.1 million (2013: €1.8 million), pension expenditure amounting to €0.5 million (2013: €0.5 million) and long-term incentives amounting to €1.8 million (2013: €2.2 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 (2013: €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 Remuneration policy for the Managing Board and the Supervisory Board onwards and note 9 to the Parent company financial statements.

30 Service fees paid to external auditors

The service fees recognized in the financial statements 2014 for the service of EY amounted to €7.3 million (2013: €7.8 million). The amounts per service category are shown in the following table.

	Total service fee		Of which Ernst & Young Accountants LLP (Netherlands)	
	2014	2013R	2014	2013R
Audit of the Group financial statements	3.9	4.1	2.1	2.2
Audit of other (statutory) financial statements	0.8	1.4	0.3	0.6
Other assurance services	0.2	0.3	0.1	0.1
Total assurance services	4.9	5.8	2.5	2.9
Tax services	2.4	2.0	-	-
Sundry services	-	-	-	-
Total	**7.3**	**7.8**	**2.5**	**2.9**

Parent company financial statements

Balance sheet at 31 December of Koninklijke DSM N.V. before profit appropriation

x €million	Notes	2014	2013
Assets			
Non-current assets			
Intangible assets	2	444	432
Property, plant and equipment	3	19	18
Financial assets	4	9,773	9,980
Deferred tax assets		260	129
Other non-current assets		6	7
		10,502	**10,566**
Current assets			
Receivables	5	215	14
Cash and cash equivalents		41	15
		256	**29**
Total		**10,758**	**10,595**
Shareholders' equity and liabilities			
Shareholders' equity	6		
Share capital		338	338
Share premium		489	489
Treasury shares		(349)	(294)
Other reserves		166	36
Retained earnings		4,934	5,068
Profit for the year		145	271
		5,723	**5,908**
Non-current liabilities			
Borrowings	7	1,544	1,649
		1,544	**1,649**
Current liabilities			
Borrowings	7	1,021	650
Financial derivatives		215	185
Other current liabilities	8	2,255	2,203
		3,491	**3,038**
Total		**10,758**	**10,595**

Income statement

x €million	2014	2013
Share in results of subsidiaries, joint ventures and associates (after income tax expense)	(40)	319
Other income and expense	185	(48)
Net profit attributable to equity holders of Koninklijke DSM N.V.	**145**	**271**

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 (€ 32 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 2014 was € 3 million (2013: € 2 million), while the depreciation charge in 2014 was € 2 million (2013: € 2 million). The historical cost of property, plant and equipment as at 31 December 2014 was € 63 million (2013: € 59 million); accumulated depreciation amounted to € 44 million (2013: € 41 million).

4 Financial assets

	Subsidiaries		Associates			
	Share in equity	Loans	Share in Equity	Loans	Other loans	Total
Balance at 1 January 2013	**11,911**	**315**	**105**	**-**	**4**	**12,335**
Changes:						
- Share in profit	316	-	3	-	-	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	(226)	-	(5)	-	-	(231)
- New loans	-	-	-	-	1	1
- Transfers	(1,461)	-	-	-	40	(1,421)
Balance at 31 December 2013	**9,517**	**315**	**103**	**-**	**45**	**9,980**
- Changes:						
- Share in profit	8	-	(48)	-	-	(40)
- Dividend received	(895)	-	-	-	-	(895)
- Deconsolidation		-	381	-	-	381
- Capital payments	150	-	3	-	-	153
- Net actuarial gains/(losses)	(133)	-	(8)	-	-	(141)
- Change in Fair value reserve	4	-	-	-	-	4
- Change in Hedging reserve	(71)	-	(1)	-	-	(72)
- Exchange differences	222	-	42	6	-	270
- New loans	-	-	-	45	-	45
- Transfers	131	-	(1)	-	(42)	88
Balance at 31 December 2014	**8,933**	**315**	**471**	**51**	**3**	**9,773**

Transfers and the main part of dividend received and capital payments relate to the restructuring of the legal set-up of financing companies within DSM. Loans to associates relate to the USD 61 million loan granted to DPx in 2014 with an annual fixed interest rate of 10.75% and an expected 5-year maturity. Loans to subsidiaries relate to a €315 million non-interest bearing profit participating loan granted to DSM Nutritional Products AG in 2004 and maturing in 2057.

5 Receivables

	2014	2013R
Receivable from subsidiaries	157	4
Other receivables / deferred items	58	10
Total	**215**	**14**

6 Shareholders' equity

	2014	2013R
Balance at 1 January	5,908	5,874
Net profit	145	271
Exchange differences, net of income tax	282	(228)
Net actuarial gains/(losses) on defined benefit obligations	(140)	15
Dividend	(301)	(271)
Repurchase of shares	(189)	(73)
Proceeds from reissue of ordinary shares	160	268
Other changes	(142)	52
Balance at 31 December	5,723	5,908

For details see the consolidated statement of changes in equity (note 16).

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 €298 million (2013: €16 million) is included for Translation reserve, -€170 million (2013: -€7 million) for Hedging reserve and -€11 million (2013: -€15 million) for Fair value reserve.

7 Borrowings

	2014		2013R	
	Total	Of which current	Total	Of which current
Debenture loans	2,041	497	2,040	500
Private loans	124	124	109	-
Commercial paper	400	400	150	150
Total	**2,565**	**1,021**	**2,299**	**650**

At 31 December 2014, there was one debenture loan (€497 million, maturing in 2024) with a remaining term of more than five years (€300 million at 31 December 2013).

The repayment schedule for borrowings (excluding commercial paper) is as follows:

Borrowings by maturity

	2014	2013R
2014	-	500
2015	621	603
2016	-	-
2017	747	746
2018 and 2019	300	-
2020 through 2024	497	300
Total	**2,165**	**2,149**

In agreements governing loans with a residual amount at year-end 2014 of €2,165 million, of which €620 million are of a current nature (31 December 2013: €2,149 million, of which €500 million of a current nature), clauses have been included which restrict the provision of security. More information on borrowings is provided in note 20 (Borrowings) to the consolidated financial statements.

8 Other current liabilities

	2014	2013R
Owing to subsidiaries	2,201	2,133
Other liabilities	49	34
Deferred items	5	36
Total	**2,255**	**2,203**

Contingent liabilities

Guarantee obligations on behalf of affiliated companies and third parties amounted to €160 million (31 December 2013: €164 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 Managing Board and Supervisory Board

Remuneration Managing Board in 2014

As part of its remuneration policy for the Managing Board, DSM benchmarks its remuneration package against the packages offered by the labor-market peer group once every three years.

Base salary in 2014

In view of the above-mentioned market comparison the base salaries of the Managing Board members were moderately increased with effect from 1 July 2014:
CEO: from € 855,000 to € 870,000 (+1.8%).
Other Managing Board members: from € 560,000 to € 570,000 (+1.8%).

Fixed annual salary

in €	**1 July 2014**	1 July 2013
Feike Sijbesma	870,000	855,000
Stefan Doboczky	570,000	560,000
Nico Gerardu[1]	-	560,000
Geraldine Matchett[2]	570,000	-
Rolf-Dieter Schwalb[3]	570,000	560,000
Stephan Tanda	570,000	560,000
Dimitri de Vreeze[4]	570,000	492,500

1 Retired as member of the Managing Board as of 1 September 2013
2 Member of the Managing Board as of 1 August 2014
3 Retired as member of the Managing Board as of 1 December 2014
4 Member of the Managing Board as of 1 September 2013

A new benchmark was conducted in Q4 2014, the results of which are the subject of study by the Remuneration Committee.

Short-Term Incentives (STI) for 2014

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% of their annual base salary. Outstanding performance can increase the STI level to 100% of the annual base salary.

The 2014 Integrated Annual Report presents the Short-Term Incentives that have been earned on the basis of results achieved in 2014. These Short-Term Incentives will be paid out in 2015.

The Supervisory Board has established the extent to which the targets for 2014 were achieved. Regarding the financial targets, the score on the EBITDA target was slightly above threshold, while the score on gross free cash flow was close to target. The target for net sales growth was however not achieved. For the sustainability targets, the score on ECO+ was well above target, and the score on the Employee Engagement Index was just below target. The target on Safety Performance was not achieved. Managing Board members also have individual targets. The scores achieved on these targets were below, at and above target. The realization of the 2014 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 33.55% of base salary.

In line with 2013 AGM approval, an STI Deferral and Share Matching Plan came into effect in 2014 with the STI pay-out over 2013 performance.

With this plan only part of the STI outcome is paid out as cash. 25% of the gross STI value is mandatorily converted into DSM Investment shares. Managing Board members can choose to convert up to a further 25% into additional DSM Investment shares (in 5% increments, with a minimum of 5% and a maximum of 25%).

The company matches these STI Investment shares with an equivalent number of Restricted Share Units (RSUs), vesting of which is deferred for three years, conditional on achieving predefined performance targets equivalent to the measures under the Long-Term Incentive (LTI) Plan. The remainder of the STI gross outcome (50% to maximum 75%) is paid out in cash after tax.

Short-Term Incentives

in €	2014[1]	2013[2]
Feike Sijbesma	320,812	480,938
Stefan Doboczky	188,813	315,000
Nico Gerardu[3]	-	309,400
Geraldine Matchett[4]	92,329	-
Rolf-Dieter Schwalb[5]	166,548	315,000
Stephan Tanda	158,888	298,200
Dimitri de Vreeze[6]	193,088	90,719

1 Based on results achieved in 2014 and therefore payable in 2015
2 Based on results achieved in 2013 and therefore payable in 2014
3 Retired as member of the Managing Board as of 1 September 2013
4 Member of the Managing Board as of 1 August 2014
5 Retired as member of the Managing Board as of 1 December 2014
6 Member of the Managing Board as of 1 September 2013

All members of the Managing Board decided to invest the maximum of 50% of their gross 2013 STI which was payable in 2014 into DSM shares in 2014 in accordance with the STI Deferral and Share Matching Plan. Mr. Sijbesma bought 4,822 shares, Mr. Doboczky and Mr. Schwalb each bought 3,158 shares, Mr. Tanda bought 2,990 shares and Mr. De Vreeze bought 910 shares. All were awarded the same number of Restricted Stock Units (RSU's) as matching shares.

Long-Term Incentives (LTI)

The following table provides an overview of the LTI performance shares that were granted to members of the Managing Board in the respective year. These performance shares are subject to a three year vesting period.

Number of LTI performance shares granted[1]

	2014	2013
Feike Sijbesma	24,000	24,000
Stefan Doboczky	16,000	16,000
Nico Gerardu	-	16,000
Rolf-Dieter Schwalb	16,000	16,000
Stephan Tanda	16,000	16,000
Dimitri de Vreeze	16,000	-

1 Grant according to Koninklijke DSM N.V. Performance Share Plan

For 2015, the number of conditionally granted ordinary shares under the LTI program will be:
Chairman 29,000
Members 19,000

For an overview of all granted and vested stock options and performance shares see Overview of outstanding and exercised stock incentives on page 195.

Pensions in 2014

The members of the Managing Board participate in the Dutch pension fund *Stichting Pensioenfonds DSM Nederland* (PDN). PDN operates similar pension plans for various DSM companies. As a consequence, the pension scheme for the Managing Board is the same as the pension scheme for employees employed in the Netherlands.

As already mentioned in previous Integrated Annual Reports the pension plan for DSM in the Netherlands agreed with labor unions came into effect on 1 January 2011. Its main characteristics are:

- Based on career-average pay; annual accrual of pension rights (old-age pension) over base salary exceeding € 13,449 (reviewed annually) at a rate of 2%.
- Retirement age, 66 for accruals from 2012 onwards. Until 2011 the accrual was linked to a pensionable age of 65.
- The scheme includes a spouse pension as well as a disability benefit.
- Employee's contribution (Managing Board and Executives) of 3.5% percent of base salary up to € 59,827 and 7.5% of pensionable salary above this amount (reviewed annually). (Other employees contribute 5.5% of pensionable salary above € 13,449 (revised annually)).
- Collective defined contribution: indexation of accruals and retirement benefits, depending on PDN's coverage ratio.

Pensions

	Accrued pension[1]	
in €	31 Dec. 2014	31 Dec. 2013
Feike Sijbesma	466,639	449,658
Stefan Doboczky	38,920	27,889
Nico Gerardu[2]	-	357,494
Geraldine Matchett[3]	4,638	-
Rolf-Dieter Schwalb[4]	85,918	74,887
Stephan Tanda	103,910	92,879
Dimitri de Vreeze[5]	144,430	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 member of the Managing Board as of 1 September 2013.
3 Member of the Managing Board as of 1 August 2014.
4 Retired as member of the Managing Board as of 1 December 2014.
5 Member of the Managing Board as of 1 September 2013.

Revision and claw-back of bonuses

In 2014, as well as in 2013, no revision or claw-back of bonuses occurred.

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 106 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 €7.3 million (2013: €9.6 million). The cost of the remuneration of the individual members of the Managing Board for the company was as follows (these are costs for DSM which are not in all cases compensation paid to members of the Managing Board):

DSM's remuneration expense for the Managing Board

x € thousand	Salary		Short-term incentive		Pension expenditure		Share-based[1] compensation		Other items[2]		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Feike Sijbesma	863	848	321	481	127	124	594	458	85	83	1,990	1,994
Stefan Doboczky	565	553	189	315	84	81	391	281	55	86	1,284	1,316
Nico Gerardu	-	930[3]	-	309	-	137	-	852[4]	-	31	-	2,259
Geraldine Matchett[5]	538	-	92	-	35	-	-	-	35	-	700	-
Rolf-Dieter Schwalb[6]	518	553	167	315	77	81	359	302	32	34	1,153	1,285
Stephan Tanda	565	553	159	298	84	81	391	302	40	36	1,239	1,270
Dimitri de Vreeze[7]	531	164	193	91	79	17	106	-	40	13	949	285
Subtotal	**3,580**	**3,601**	**1,121**	**1,809**	**486**	**521**	**1,841**	**2,195**	**287**	**283**	**7,315**	**8,409**
Crisis levy											-	1,215
Total											**7,315**	**9,624**

1 Share-based compensation expense represents the cost for DSM of performance shares awarded to members of the Managing Board. These costs are recognized over the vesting period of the performance shares and therefore cover several years. The increase in 2014 is a result of the fact that older grants are being replaced by newer more expensive grants. The number of LTI performance shares granted was not increased from 2013 to 2014.
2 Other items include company car and expense allowance.
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 Member of the Managing Board as of 1 August 2014; including assignment bonus of €300,000.
6 Retired as member of the Managing Board as of 1 December 2014. Excluding €47,500 salary and €57,987 other remuneration expenses (including pro rata STI) for Mr. Schwalb as retired member of the Managing Board.
7 Member of the Managing Board 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. 2013	In 2014 Granted	In 2014 Exercised	In 2014 Forfeited/ expired	Outstanding[1] at 31 Dec. 2014	Average share price at exercise (€)	Exercise price (€)	Expiry date
Feike Sijbesma	2008	28,125	-	-	-	28,125		29.79	28 Mar 2016
	2009	18,750	-	-	-	18,750		21.10	27 Mar 2017
	Total	**46,875**	**-**	**-**	**-**	**46,875**			
	Of which vested	46,875				46,875			
Rolf-Dieter Schwalb[2]	2008	22,500	-	-	-	22,500		29.79	28 Mar 2016
	2009	15,000	-	-	-	15,000		21.10	27 Mar 2017
	Total	**37,500**	**-**	**-**	**-**	**37,500**			
	Of which vested	37,500				37,500			
Stephan Tanda	2008	22,500	-	-	-	22,500		29.79	28 Mar 2016
	2009	15,000	-	-	-	15,000		21.10	27 Mar 2017
	Total	**37,500**	**-**	**-**	**-**	**37,500**			
	Of which vested	37,500				37,500			
Dimitri de Vreeze	2008	22,500	-	-	-	22,500		29.79	28 Mar 2016
	2009	18,000	-	-	-	18,000		21.10	27 Mar 2017
	2010	18,000	-	-		18,000		33.10	6 Apr 2018
	2011	36,000	-	-	(18,000)	18,000		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	**166,500**	**-**	**-**	**(18,000)**	**148,500**			
	Of which vested	58,500				76,500			

1 Currently Stefan Doboczky and Geraldine Matchett do not hold any stock options
2 Retired as member of the Managing Board as of 1 December 2014

Since 2010 the Managing Board has been granted LTI performance shares instead of stock options.

Overview of performance shares

	Year of issue	Outstanding at 31 Dec. 2013	In 2014 Granted	Vested	Forfeited / expired	Outstanding[1] at 31 Dec. 2014	Share price at date of grant (€)
Feike Sijbesma	2011	24,000	-	(12,000)	(12,000)	-	46.20
	2012	31,000	-	-	-	31,000	40.90
	2013	24,000	-	-	-	24,000	48.91
	2014	-	28,822	-	-	28,822	49.88
	Total	**79,000**	**28,822**	**(12,000)**	**(12,000)**	**83,822**	
Retained shares originated from performance shares						47,900	
Stefan Doboczky	2011	16,000	-	(8,000)	(8,000)	-	46.20
	2012	20,000	-	-	-	20,000	40.90
	2013	16,000	-	-	-	16,000	48.91
	2014	-	19,158	-	-	19,158	49.88
	Total	**52,000**	**19,158**	**(8,000)**	**(8,000)**	**55,158**	
Retained shares originated from performance shares						5,382	
Rolf-Dieter Schwalb[2]	2011	16,000	-	(8,000)	(8,000)	-	46.20
	2012	20,000	-	-	-	20,000	40.90
	2013	16,000	-	-	-	16,000	48.91
	2014	-	19,158	-	-	19,158	49.88
	Total	**52,000**	**19,158**	**(8,000)**	**(8,000)**	**55,158**	
Retained shares originated from performance shares						31,600	
Stephan Tanda	2011	16,000	-	(8,000)	(8,000)	-	46.20
	2012	20,000	-	-	-	20,000	40.90
	2013	16,000	-	-	-	16,000	48.91
	2014	-	18,990	-	-	18,990	49.88
	Total	**52,000**	**18,990**	**(8,000)**	**(8,000)**	**54,990**	
Retained shares originated from performance shares						26,938	
Dimitri de Vreeze	2014	-	16,910	-	-	16,910	49.88
	Total	**-**	**16,910**	**-**	**-**	**16,910**	
Retained shares originated from performance shares						-	

[1] Currently Geraldine Matchett does not hold any LTI performance shares
[2] Retired as member of the Managing Board as of 1 December 2014

Purchasing 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.

All members of the Managing Board, with the exception at this time of the recently appointed CFO, have purchased shares in the company to emphasize their confidence in the strategy and the company. At 31 December 2014 the members of the Managing Board together held 202,598 shares in Koninklijke DSM N.V., compared to 147,296 at 31 December 2013. These shares were bought through private transactions with private funds (including shares bought from earned STI) and obtained through vested performance shares.

Managing Board holdings of DSM shares

Board member	31 December 2014 Ordinary shares purchased with private money	Retention from vested performance shares	Total holdings	31 December 2013 Ordinary shares purchased with private money	Retention from vested performance shares	Total holdings
Feike Sijbesma	45,922	47,900	93,822	38,600	35,900	74,500
Stefan Doboczky	11,158	5,382	16,540	6,500	-	6,500
Geraldine Matchett[1]	-	-	-	-	-	-
Rolf-Dieter Schwalb[2]	17,658	31,600	49,258	13,000	23,600	36,600
Stephan Tanda	12,990	26,938	39,928	8,000	21,556	29,556
Dimitri de Vreeze	3,050	-	3,050	140	-	140
Total holdings	**90,778**	**111,820**	**202,598**	**66,240**	**81,056**	**147,296**

1 Member of the Managing Board as of 1 August 2014
2 Retired as member of the Managing Board as of 1 December 2014

Loans

The company does not provide any loans to members of the Managing Board.

Supervisory Board remuneration in 2014

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.

Committee membership Supervisory Board

	Audit Committee	Corporate Social Responsibility Committee	Nomination Committee	Remuneration Committee
Rob Routs, chairman			Chairman	Member
Ewald Kist, deputy chairman			Member	Chairman
Victoria Haynes	Member			
Pierre Hochuli	Member	Member		
Eileen Kennedy		Member		
Pauline van der Meer Mohr		Chairman	Member	Member
Tom de Swaan	Chairman			

Overview of remuneration awarded to the Supervisory Board in 2014

The total remuneration (annual fixed fee and annual committee membership fee) of the members of the Supervisory Board amounted to €0.5 million (2013: €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	
				2014	2013
Rob Routs, chairman	70,000	12,500	4,250	86,750	86,750
Ewald Kist, deputy chairman	50,000	12,500	6,151	68,651	70,691
Victoria Haynes	50,000	10,000	16,250	76,250	76,250
Pierre Hochuli	50,000	15,000	4,250	69,250	69,250
Eileen Kennedy	50,000	5,000	16,250	71,250	71,250
Pauline van der Meer Mohr	50,000	12,500	6,151	68,651	70,691
Claudio Sonder (retired on 3 May 2013)	-	-	-	-	28,933
Tom de Swaan	50,000	17,500	6,151	73,651	75,691
Total	**370,000**	**85,000**	**59,453**	**514,453**	**549,506**
Total 2013	387,308	90,000	72,198	549,506	

At year-end 2014 two members of the Supervisory Board held shares in Koninklijke DSM N.V.: Pierre Hochuli 7,210 (2013: 7,210) and Victoria Haynes 300 (2013: 300).

Loans

The company does not provide any loans to members of the Supervisory Board.

Heerlen, 2 March 2015

Managing Board,

Feike Sijbesma, CEO/Chairman
Geraldine Matchett, CFO
Stefan Doboczky
Stephan Tanda
Dimitri de Vreeze

Heerlen, 2 March 2015

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 Audit of the Financial Statements 2014

Our opinion

We have audited the financial statements 2014 of Koninklijke DSM N.V. (hereafter: Royal DSM), based in Heerlen. The financial statements include the consolidated financial statements and the company 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 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the company financial statements give a true and fair view of the financial position of Royal DSM as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the following statements for 2014: consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2014;
- the income statement for 2014; and
- the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Royal DSM in accordance with international and national independence regulations, including the ‘Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten’ (ViO) and other relevant independence requirements in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 44 million. This amount is based on a percentage (0.5%) of revenues, which we considered to be an appropriate and stable basis for determining overall materiality. This materiality level is broken down in smaller amounts that are allocated to individual companies. In performing our audit, we have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Royal DSM is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Royal DSM. The consolidated financial statements are a consolidation of 293 reporting units, comprising Royal DSM’s operating businesses and centralized functions spread across more than 54 countries.

In establishing the overall approach to the audit, we determined the type of work that is needed to be done by us, as group auditors, by component auditors of the EY network, or by other auditors operating under our instructions. In this respect we have determined the nature and extent of the audit procedures to be carried out for reporting units, which was based on either their overall size or risk characteristics. On this basis we selected reporting units for which an audit or review had to be carried out on the complete set of financial statements or on specific items.

Accordingly, we selected 54 reporting units for which an (full or specific) audit or review had to be carried out, representing 82% of the consolidated revenue and 81% of the consolidated assets.

The remaining reporting units were subject to period on period movement analysis with a focus on higher risk balances and unusual movements and additional audit procedures over specific transactions. This provided us with the evidence we needed for our opinion on the consolidated financial statements as a whole.

At most of the group entities in scope of the financial audit in The Netherlands we have performed audit procedures ourselves. We have mostly used EY auditors for the audit of group entities outside The Netherlands. For the audit of significant associates and joint ventures we have used auditors of EY and KPMG. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters with the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Judgment with respect to the valuation of goodwill and (in) tangible assets

Under EU-IFRS, Royal DSM is required to annually test the amount of goodwill and intangible assets with an indefinite life for impairment. The entity's disclosures about goodwill and intangible assets are included in Note 8. IFRS also requires that Royal DSM assesses for all other classes of assets whether there are any indications of impairment. An impairment test itself only has to be carried out if there are such indications.These annual impairment tests were significant to our audit as the assessment process is complex, contains items based on judgments and is based on assumptions that are affected by expected future market conditions. With respect to the DSM Fibre Intermediates business group and as described in Note 6, the 2014 impairment test resulted in an impairment of € 291 mio.

Our audit procedures included, among others, using a valuation expert to assist us in verifying the assumptions and methodologies used by Royal DSM. We compared forecasted revenue growth and profit margins for all cash generating units with the Royal DSM business plan (Corporate Strategy Dialogue and Annual Strategic Reviews) as adopted by the Managing Board. We also verified the adequacy of the disclosures of the assumptions to which the outcome of the impairment test is most sensitive, as included in note 8 of the financial statements. The impairment of € 291 million has been properly included as exceptional item under DSM accounting policies and has been disclosed in note 6 (exceptional items).

Accounting for the disposition of the Pharmaceutical Products business

As described in Note 2 and the Managing Board report, Royal DSM finalized the agreement with private equity company JLL in March 2014 and agreed to contribute its Pharmaceutical Products business into a new company (DPx Holdings B.V.). As a result of this agreement, the related business group was classified as asset held for sale at year-end 2013. In 2014 the business transaction was finalized resulting in a classification as associate of the 49% share of Royal DSM in DPx Holdings B.V. Accounting for the associate value of DPx Holdings B.V. was complex considering the conversion of the local US GAAP financials to IFRS, the fact that the year-end date for DPx Holdings B.V. is 31 October 2014 and the need for purchase price allocation adjustments. We audited management's accounting treatment of the exchange of DPP as assets held for sale into the net equity value of DPx Holdings presented within associates. Furthermore, we verified the net equity value as per year-end 2014 and we audited the book result recognized in 2014.

Judgment and disclosure with respect to deferred tax assets

Under EU-IFRS, Royal DSM is required to annually review the valuation of the deferred tax positions. This was important to our audit because the assessment process is judgmental and amongst other based on assumptions that are affected by future market or economic conditions. Management concluded that it is not probable that all deferred tax assets will be realized within the foreseeable future and therefore recognized only those assets for which recovery was deemed probable, which has been disclosed in note 7.

Our audit procedures included, amongst others, a review of forecasted fiscal results and methodologies used. We ascertained that information used was derived from Royal DSM's business plans that have been subject to internal reviews and were approved by those charged with governance (Corporate Strategic Dialogue and Annual Strategic Reviews). We also involved EY tax specialists to review the fiscal position, current tax planning strategies and to verify that the method used to calculate the valuation adjustment was consistently applied. We have also ascertained that disclosures in the financial statement with respect to taxes are in line with IAS 12.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our Responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and frauds.

We have exercised professional judgment and have maintained professional skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, when non-mentioning is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the

extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement
We were appointed as auditor of Royal DSM for the 2013 and 2014 year audit by the Supervisory Board on 10 December 2012, which was approved by the shareholders at the annual meeting held on 3 May 2013. We have been statutory auditor of DSM for an uninterrupted period since 1967 and will rotate off after 2014 following mandatory firm rotation.

Maastricht, 2 March 2015

Ernst & Young Accountants LLP

Signed by G.A.M. Aarnink

Assurance report of the independent auditor

To the Supervisory Board and shareholders of Royal DSM

We have reviewed the sustainability information in the sections 'DSM in motion: driving focused growth', 'Growth driver: Sustainability', 'Stakeholder engagement', 'People in 2014', 'Planet in 2014', and 'Sustainability statements', as included in the Integrated Annual Report for the year 2014 (hereinafter: the Report) of Koninklijke DSM N.V. (hereinafter: Royal DSM). The Report comprises a description of the policy, the activities, events and performance of Royal DSM relating to sustainable development during the reporting year 2014.

Limitations in our scope

The Report contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

References in the Report (to www.dsm.com, external websites and other documents) are outside the scope of our assurance engagement.

Management's responsibility

The Managing Board of Royal DSM is responsible for the preparation of the Report in accordance with the Sustainability Reporting Guidelines G4 (application level Comprehensive) of the Global Reporting Initiative (GRI) and the reporting criteria developed by Royal DSM, including the identification of the stakeholders and the determination of material issues. The disclosures made by management with respect to the scope of the Report and the reporting criteria are included in the section 'Reporting policy' of the Report. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Report based on our review. We conducted our review in accordance with Dutch law, including Dutch Standard 3810N 'Assurance Engagements relating to Sustainability Reports'. This requires that we are independent of DSM, comply with ethical requirements and that we plan and perform the review to obtain limited assurance about whether the Report is free from material misstatement.

A review is focused on obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed on the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on reasonable assurance. The performed procedures consisted primarily of making inquiries of management and other within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. Consequently a review engagement provides less assurance than an audit.

Procedures performed

Our main procedures included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social issues, relevant laws and regulations and the characteristics of the organization;
- Evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of accounting estimates made by management;
- Evaluating the application level in accordance with the Sustainability Reporting Guidelines G4 (application level Comprehensive) of GRI;
- Evaluating the design and implementation of the systems and processes for data gathering and processing of information as presented in the Report;
- Interviewing management (or relevant staff) at corporate level responsible for the sustainability strategy and policies;
- Interviews with relevant staff responsible for providing the information in the Report, specific issues including sustainability strategy, employee engagement survey, ECO+ and safety, carrying out internal control procedures on the data and the consolidation of the data in the Report;
- Evaluating internal and external documentation, in addition to interviews, to determine whether the information in the Report is reliable;
- Review of the results of procedures performed by the Corporate Operational Audit department of Royal DSM as part of the operational audits at Royal DSM sites with respect to sustainability information;
- Analytical review of the environmental data submitted by all sites for consolidation, together with an assessment of the quality of the data validation process at group level;
- Analytical review of the people data submitted by all Business Groups for consolidation, together with an assessment of the quality of the data validation process at group level;
- Analytical review of other data and trend explanations submitted for consolidation at group level.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our procedures performed, and with due consideration of the limitations described in the paragraph 'Limitations in our scope', nothing has come to our attention that causes us to conclude that the sustainability information in the Report, in all material respects, does not provide a reliable and appropriate presentation of the policy of Royal DSM for sustainable development, or of the activities, events and performance of the organization relating to sustainable development during 2014, in accordance with the Sustainability Reporting Guidelines G4 (application level Comprehensive) of the GRI and reporting criteria developed by Royal DSM as disclosed in the section 'Reporting policy' of the Report.

Maastricht, 2 March 2015

Ernst & Young Accountants LLP

Signed by G.A.M. Aarnink

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 2014 it has been determined that no amount of the net profit of € 145 million will be appropriated to the reserves. From the profit of € 145 million, dividend is first distributed on the cumulative preference shares B. At the end of 2014 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 2014 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 2014, 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 (€ 135 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 2014 of € 1.65 per share to be paid from the profit remaining after distribution (€ 135 million) and from the distributable reserves in accordance with the provisions of Article 33, section 4 of the Articles of Association (€ 151 million). With a total dividend of € 1.65 per ordinary share and an interim dividend of € 0.55 per ordinary share having been paid in August 2014, the final dividend would then amount to € 1.10 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	**2014**	2013R
Net profit	145	271
Profit appropriation:		
- To be paid from the reserves	(151)	(26)
- Dividend on cumprefs A	10	10
- Interim dividend on ordinary shares	95	87
- Final dividend distributable on ordinary shares	191	200

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 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 2014.

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 2014 the board of the Foundation was composed as follows:

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 Thursday, 30 April 2015 at 14.00 hours.

Important dates

Publication of first-quarter results	Wednesday, 29 April 2015
Ex-dividend quotation	Tuesday, 5 May 2015
Publication of second-quarter results	Tuesday, 4 August 2015
Publication of third-quarter results	Tuesday, 3 November 2015
Full year results 2015	Wednesday, 17 February 2016

DSM figures: five-year summary

Balance sheet

x € million	2014[1]	2013R[1]	2012	2011	2010
Assets					
Intangible assets	2,867	2,690	2,793	1,786	1,070
Property, plant and equipment	3,673	3,611	3,811	3,405	2,943
Deferred tax assets	427	364	340	292	326
Prepaid pension costs	-	-	-	-	1
Associates	762	295	40	35	25
Other financial assets	130	152	141	135	270
Non-current assets	**7,859**	**7,112**	**7,125**	**5,653**	**4,635**
Inventories	1,739	1,638	1,803	1,573	1,340
Receivables	1,769	1,597	1,799	1,704	1,477
Financial derivatives	47	126	62	50	134
Current investments	6	19	12	89	837
Cash and cash equivalents	669	770	1,121	2,058	1,453
	4,230	4,150	4,797	5,474	5,241
Assets to be contributed to joint ventures	-	-	-	-	317
Other assets held for sale	37	637	44	30	287
Current assets	**4,267**	**4,787**	**4,841**	**5,504**	**5,845**
Total assets	**12,126**	**11,899**	**11,966**	**11,157**	**10,480**
Equity and liabilities					
Shareholders' equity	5,723	5,908	5,874	5,784	5,481
Non-controlling interests	213	188	168	190	96
Equity	**5,936**	**6,096**	**6,042**	**5,974**	**5,577**
Deferred tax liabilities	365	375	236	192	155
Employee benefits liabilities	479	326	388	322	297
Provisions	105	97	125	116	93
Borrowings	1,637	1,725	1,922	2,029	1,992
Other non-current liabilities	81	75	94	69	33
Non-current liabilities	**2,667**	**2,598**	**2,765**	**2,728**	**2,570**
Employee benefits liabilities	45	34	42	6	24
Provisions	42	65	81	43	33
Borrowings	1,143	841	642	160	105
Financial derivatives	362	190	299	326	219
Current liabilities	1,915	1,845	2,081	1,905	1,789
	3,507	2,975	3,145	2,440	2,170
Liabilities to be contributed to joint ventures	-	-	-	-	104
Other liabilities held for sale	16	230	14	15	59
Current liabilities	**3,523**	**3,205**	**3,159**	**2,455**	**2,333**
Total equity and liabilities	**12,126**	**11,899**	**11,966**	**11,157**	**10,480**

[1] Application of IFRS 11 'Joined Arrangements' that came into effect from 1 January 2014. 2013 has been restated. The years 2010 till 2012 have not been restated.

Income statement

x € million	2014	2013R	2012	2011	2010
Net sales	9,283	9,429	9,131	9,193	9,050
Operating profit plus depreciation and amortization (EBITDA)	1,166	1,312	1,109	1,325	1,278
Operating profit (EBIT)	617	773	635	895	838
Net finance costs	(118)	(137)	(109)	(82)	(93)
Income tax expense	(89)	(111)	(91)	(155)	(185)
Share of the profit of associates	7	(19)	2	3	5
Net profit before exceptional items	**417**	**506**	**437**	**661**	**565**
Net profit from exceptional items	(318)	(237)	(149)	199	(40)
Profit for the year	**99**	**269**	**288**	**860**	**525**
Profit attributable to non-controlling interests	46	2	(10)	(46)	(18)
Net profit attributable to equity holders of Koninklijke DSM N.V.	**145**	**271**	**278**	**814**	**507**
Dividend on cumulative preference shares	(10)	(10)	(10)	(10)	(10)
Net profit available to holders of ordinary shares	**135**	**261**	**268**	**804**	**497**
Key figures and ratios					
Capital employed[1]	8,105	8,060	8,084	6,581	5,468
Capital expenditure:					
- Intangible assets and Property, plant and equipment	616	694	715	528	427
- Acquisitions	-	424	1,265	974	49
Disposals	93	78	46	742	377
Depreciation, amortization and impairments	549	539	474	430	440
Net debt	(2,420)	(1,841)	(1,668)	(318)	108
Dividend	296	297	263	247	234
Workforce at 31 December, headcount	21,351	23,485	23,498	22,224	21,911
Employee benefits costs (x € million)	1,713	1,822	1,761	1,655	1,566
Ratios[1]					
- ROCE in %	7.8	9.6	8.9	14.3	15.0
- Net sales / average capital employed	1.17	1.18	1.29	1.53	1.62
- Current assets / current liabilities	1.21	1.49	1.53	2.24	2.42
- Equity / total assets	0.49	0.51	0.50	0.54	0.53
- Gearing (net debt / equity plus net debt)	0.29	0.23	0.22	0.05	(0.02)
- EBIT / net sales in %	6.6	8.2	7.0	9.7	9.3
- Net profit / average Shareholders' equity available to holders of ordinary shares in %	2.4	4.5	4.8	14.9	10.0
- EBITDA / net finance costs	9.9	9.6	10.2	16.2	13.7

[1] Before reclassification to held for sale

Information about ordinary DSM shares

per ordinary share in €	**2014**	2013R	2012	2011	2010
Core earnings	2.85	3.19	2.72	3.66	2.97
Net profit before exceptional items	2.42	2.84	2.52	3.66	3.27
Net profit	0.78	1.52	1.62	4.86	3.03
Cash flow	5.52	5.77	4.82	7.89	5.62
Dividend:	1.65[1]	1.65	1.50	1.45	1.35
- Interim dividend	0.55	0.50	0.48	0.45	0.40
- Final dividend	1.10	1.15	1.02	1.00	0.95
Pay-out including dividend on cumulative preference shares as % of net profit before exceptional items	71	59	60	37	41
Dividend yield (dividend as % of average price of an ordinary DSM share)	3.3	3.2	3.7	3.6	3.8
Share prices on Euronext Amsterdam (closing price):					
- Highest price	57.97	59.75	46.29	46.82	42.85
- Lowest price	44.44	43.93	36.33	30.54	30.43
- At 31 December	50.64	57.16	45.79	35.85	42.61
(x 1000)					
Number of ordinary shares outstanding:					
- At 31 December	173,537	173,963	168,684	163,257	166,468
- Average	172,605	172,183	165,543	165,567	164,047
Daily trading volumes on Euronext Amsterdam:					
- Average	801	728	823	1,028	995
- Lowest	104	95	225	191	85
- Highest	7,981	3,049	2,720	3,512	3,629

[1] Subject to approval by the Annual General Meeting of Shareholders

Explanation of some concepts and ratios

PEOPLE

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)).

Occupational Health Incident

This refers to any abnormal condition or disorder requiring medical treatment – other than one resulting directly from an accident – caused by, or mainly caused by, repeated exposure to work-related factors

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 causes 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.

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	High growth economies including 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
DEP	DSM Engineering Plastics
DFI	DSM Fibre Intermediates
DFS	DSM Food Specialties
DNCC	DSM Nanjing Chemical Co., Ltd.
DNP	DSM Nutritional Products
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
FIFO	First in, first out
FTE	Full-time equivalent
GAIN	Global Alliance for Improved Nutrition
GDP	Gross Domestic Product
GFCF	Gross Free Cash Flow
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
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ILO	International Labor Organization
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
PPA	Purchase Price Allocation
PSI	Process Safety Incident
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
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
VRR	Volume-Related Revenue
WBCSD	World Business Council for Sustainable Development
WEF	World Economic Forum
WFP	United Nations World Food Programme

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