Loes Bevers, Associate Scientist Applied Biochemistry, DSM Food Specialties

DSM is at the forefront of developing solutions to limit the amount of food waste and bring measurable natural and human benefits as a result. Our preservation ingedredients play an increasingly important role in reducing food waste.

HEALTH · NUTRITION · MATERIALS

DSM
BRIGHT SCIENCE. BRIGHTER LIVING.

DSM in motion: *driving focused growth*
Growth Driver: High Growth Economies
Growth Driver: Innovation
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Profit in 2013

Financial results

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

Income statement

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

Net sales

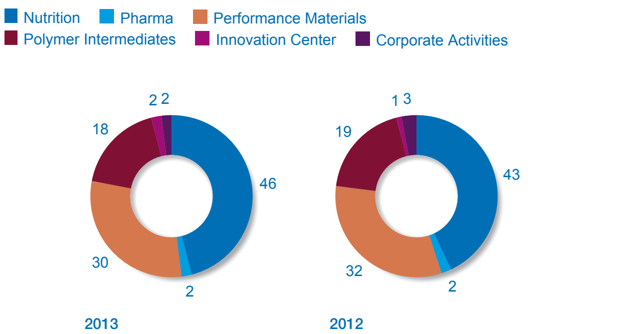
At € 9.1 billion, net sales from continuing operations in 2013 were 6 percent higher than in 2012 when they reached € 8.6 billion. Volume development accounted for a 5 percent increase in net sales. On average, selling prices were 3 percent lower than in 2012. Exchange rate fluctuations had a negative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

Operating profit

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

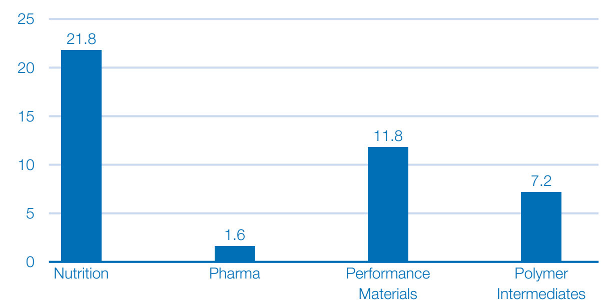
Net sales by business segment, continuing operations

in %



EBITDA / net sales, continuing operations in 2013

in %



Net profit

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

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

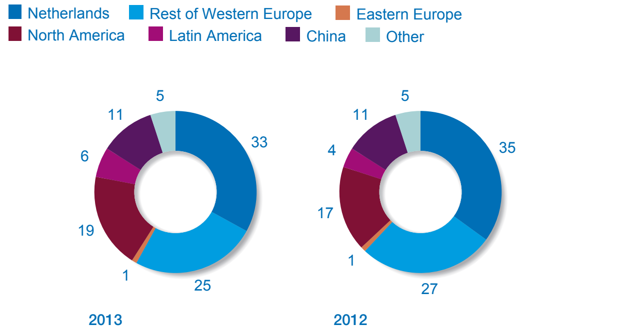
Total net profit for the full year came to € 271 million compared to € 278 million in 2012. The higher operating profit in 2013 was offset by higher finance costs and higher exceptional items (in particular restructuring and acquisition costs).

Exceptional items

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

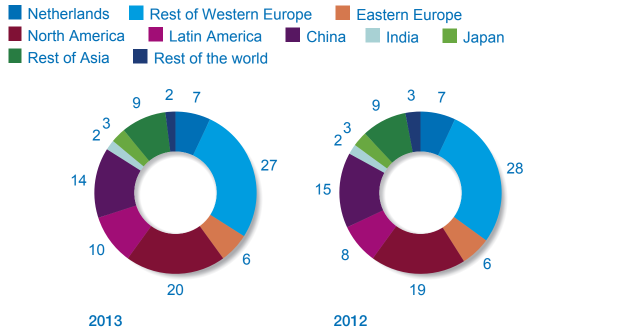
Net sales by origin, continuing operations

in %



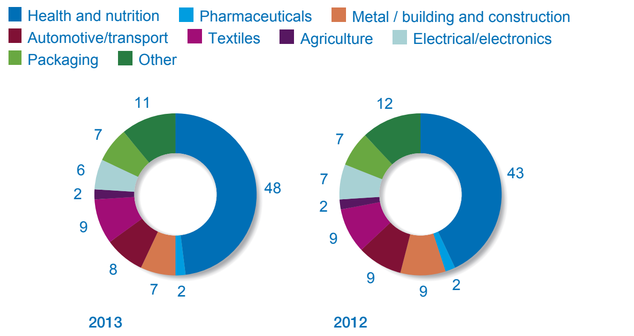
Net sales by destination, continuing operations

in %



Net sales by end-use market, continuing operations

in %



Cash flow

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

Cash flow statement

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

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

Balance sheet

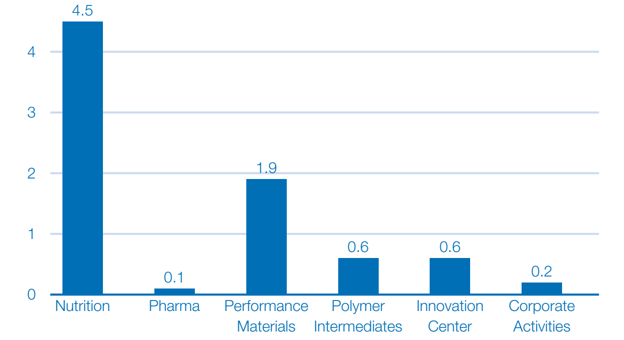
The balance sheet total (total assets) reached € 12.0 billion at year-end (same as in 2012). Equity increased by € 56 million compared to the position at the end of 2012. The increase was due to the net profit for the year and the proceeds from reissued shares, which were partly offset by the dividend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

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

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

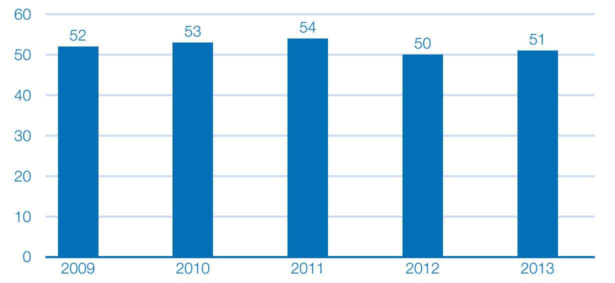
The operating working capital (continuing operations before reclassification to 'held for sale') was € 66 million higher than in the previous year and came to 21.1 percent of annualized fourth quarter net sales (2012: 20.7 percent). Cash and cash equivalents, including current investments, decreased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

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



Equity at 31 December

as a % of balance sheet total



Balance sheet profile

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

Dividend

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

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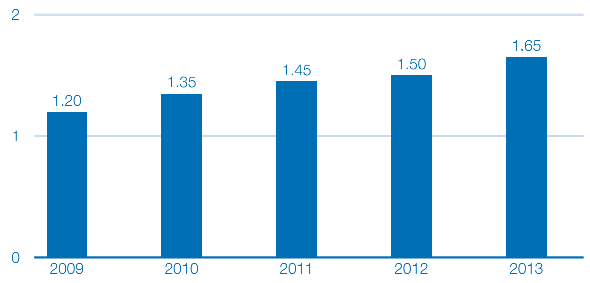
Dividend per ordinary share in €

2013 dividend subject to approval by Annual General Meeting of Shareholders



Outlook

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

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

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