

# BASE PROSPECTUS



## Koninklijke DSM N.V.

*(incorporated in The Netherlands with its corporate seat in Heerlen)*

**EUR 3,000,000,000**

## Debt Issuance Programme

This base prospectus (the "**Base Prospectus**") was approved by The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "**AFM**") in its capacity as competent authority in The Netherlands for the purposes of the Prospectus Directive (as defined below). Koninklijke DSM N.V. (the "**Issuer**" or "**DSM**" or "**Royal DSM**" or the "**Company**") has requested the AFM to provide the competent authorities in Luxembourg and the United Kingdom with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive (a "**Notification**"). The Issuer may request the AFM to provide the competent authorities in other Member States of the European Economic Area (the "**EEA**") with a Notification.

Application has been made to list notes ("**Notes**") to be issued under this EUR 3,000,000,000 Debt Issuance Programme (the "**Programme**") during the period of 12 months from the date of this Base Prospectus on Euronext Amsterdam by NYSE Euronext ("**Euronext Amsterdam**").

*Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.*

*Arranger*

**Deutsche Bank**

*Dealers*

**BNP PARIBAS**

**Citi**

**Credit Suisse**

**Deutsche Bank**

**HSBC**

**ING Commercial Banking**

**J.P. Morgan**

**Rabobank International**

**The Royal Bank of Scotland**

**UBS Investment Bank**

A copy of this Base Prospectus can be obtained from the registered office of DSM and from the specified office of the Fiscal and Paying Agent.

The date of this Base Prospectus is 16 December 2010. It replaces and supersedes the base prospectus dated 26 November 2009 issued in respect of the Programme and all previous Prospectuses in connection with the Programme and is valid for a period of 12 months as of its date.

## **RESPONSIBILITY STATEMENT**

**The Issuer accepts responsibility for the information contained in this Base Prospectus and for information incorporated by reference herein. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.**

## **NOTICE**

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive (as implemented in the Dutch Financial Markets Supervision Act, *Wet op het financieel toezicht*, and supplementing regulations) for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the rights attached to the Notes.

This Base Prospectus is to be read in conjunction with any supplements hereto and with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such supplements or documents are incorporated into, and form part of, this Base Prospectus and, in relation to any Tranche (as defined in "*Summary*") of Notes, must be read and construed together with the relevant Final Terms.

None of the Arranger or the Dealers appointed by the Issuer or their respective affiliates have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by such Arranger and Dealers or their respective affiliates as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer. None of the Arranger, the Dealers or their respective affiliates accept any liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof as the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since such date, or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should carefully review and evaluate, *inter alia*, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Base Prospectus, any supplements hereto and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus, any supplements hereto or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of the Base Prospectus, any supplements hereto or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any securities regulatory authorities of any state or other jurisdiction of the United States and the Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account of, U.S. persons. Neither this Base Prospectus or any supplements hereto nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

The Issuer has undertaken with the Dealers to amend or supplement this Base Prospectus or publish a new prospectus if and when the information herein should become materially inaccurate or incomplete, and has further agreed with the Arranger and the Dealers to furnish a supplement to this Base Prospectus in case of any significant new factor, material mistake or

inaccuracy to the information included in this Base Prospectus which is capable of affecting the assessment of the Notes and which arises or is noted between the time when this Base Prospectus has been approved and the final closing of any Tranche of Notes offered to the public or, as the case may be, when trading of any Tranche of Notes on a regulated market begins, in respect of Notes issued on the basis of this Base Prospectus.

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**Sterling**" and "**£**" refer to the currency of the United Kingdom.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms or Drawdown Prospectus in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC and the amendments thereto (including the 2010 PD Amending Directive), to the extent implemented in the Relevant Member State, and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EC.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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## SUMMARY

*The following constitutes the summary (the "Summary") of the essential characteristics and risks associated with the Issuer and the Notes to be issued under the Programme. This Summary should be read as an introduction to this Base Prospectus. Any decision by an investor to invest in any Tranche of Notes should be based on consideration of this Base Prospectus as a whole, including any supplement thereto, the documents incorporated by reference and the relevant Final Terms. Where a claim relating to the information contained in this Base Prospectus, any supplements thereto, the documents incorporated by reference and the relevant Final Terms is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Base Prospectus, any supplements thereto, the documents incorporated by reference and the relevant Final Terms before the legal proceedings are initiated. Following the implementation of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this Summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus.*

*The following Summary does not purport to be complete and is taken from and qualified in its entirety by the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms.*

**Issuer:** Koninklijke DSM N.V.

Koninklijke DSM N.V. is the holding company under Dutch Law of a group that is active worldwide in life science products, performance materials and industrial chemicals.

**Arranger:** Deutsche Bank Aktiengesellschaft

**Dealers:** BNP PARIBAS  
Citigroup Global Markets Limited  
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.  
(Rabobank International)  
Credit Suisse Securities (Europe) Limited  
Deutsche Bank Aktiengesellschaft  
HSBC Bank plc  
ING Bank N.V.  
J.P. Morgan Securities Ltd.  
The Royal Bank of Scotland plc  
UBS Limited

and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes (as defined

below).

The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, the Dealers are set out in the amended and restated Dealer Agreement relating to the Programme, dated 16 December 2010, as amended from time to time (the "**Dealer Agreement**"). The Dealer Agreement makes provisions for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes (as defined below).

**Fiscal and Paying Agent:**

Citibank, N.A., London Branch

**Risk Factors:**

There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include generic risks relating to the Issuer, risks relating to the Notes and risks relating to investment markets generally. For more details of the risk factors affecting to Notes to be issued under the Programme see "*Risk Factors*".

**Method of Issuance:**

Under its EUR 3,000,000,000 Debt Issuance Programme, Koninklijke DSM N.V. may from time to time issue Notes. These Notes may or may not be listed on a stock exchange. The applicable terms of any Notes will be determined by the Issuer and the relevant Dealer(s) prior to the issue of the Notes. Such terms will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms attached to, or endorsed on, or applicable to such Notes, as more fully described in the "*Terms and Conditions of the Notes*" section of this Base Prospectus.

**Programme Amount:**

This Base Prospectus and any supplement will only be valid for the issue of Notes in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed EUR 3,000,000,000 or its equivalent in other currencies.

**Issuance in Series:**

Notes will be issued in series (each a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and each a "**Tranche**") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, interest commencement date and the issue price may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Form of Notes:**

Notes will be issued in bearer form only.

Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date (i) with a depositary or a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear Bank SA/NV**") and/or Clearstream Banking, société anonyme Luxembourg ("**Clearstream, Luxembourg**") and/or any other agreed clearing system or (ii) with *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Netherlands**"). and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Interests in a Permanent Global Note will be exchangeable for definitive Notes in bearer form as described under "*Summary of Provisions Relating to the Notes while in Global Form*".

**Currencies:**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any legal currency



agreed by the Issuer and the relevant Dealer(s).

**Status of the Notes:**

Notes will constitute direct, unconditional and unsecured and unsubordinated obligations of the Issuer and rank at least *pari passu* and rateably without any preference among themselves and (subject to any applicable statutory exceptions and without prejudice as aforesaid) equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

**Interest:**

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.

**Fixed Rate Notes:**

Fixed Rate Notes will bear interest at a fixed rate, payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (i) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (ii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes (as set out in the applicable Final Terms).

**Index Linked Notes:**

Payments in respect of interest (if any) on Index Linked Notes ("**Index Linked Interest Notes**") or principal on Index Linked Notes ("**Index Linked Redemption Notes**") will be calculated by reference to a single index or a basket of indices and/or formula(e) as may be specified in the applicable Final Terms.

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in

the applicable Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount or at par and will not bear interest other than in the case of late payment.

**Issue Price:**

Notes may be issued at any price and either on a fully or partly paid basis ("**Partly Paid Notes**") or at a discount or premium to their nominal amount, as specified in the relevant Final Terms.

**Maturities:**

Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Save as provided above, the Notes are not subject to any maximum maturity.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer.

**Redemption:**

Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.

**Early Redemption:**

Early redemption will be permitted for taxation reasons as mentioned in *Terms and Conditions of the Notes – Taxes*, but will otherwise be permitted only to the extent specified in the relevant Final Terms.

**Denominations:**

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be (i) EUR 50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes), or (ii) EUR100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes), where such admittance to trading on a regulated market or offer to the public takes place in any Member State that has already implemented the provision under the 2010 PD Amending Directive that increases the minimum denomination for "wholesale debt" from EUR50,000 to EUR100,000. If this proviso applies, so long as the Notes are represented by a Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least such minimum denomination and integral multiples of the Calculation Amount specified in the Terms and Conditions of the Notes in excess thereof.

**Taxation:**

Payments in respect of Notes issued by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of incorporation of the Issuer or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will (subject to certain exceptions as more fully set out in Clause 7(b) of the Conditions) pay such additional amounts as will result in the holders of Notes or Coupons receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required.

<b>Governing Law:</b>	The Notes will be governed by, and construed in accordance with, Dutch law.
<b>Listing:</b>	Each Series may be admitted to listing on Euronext Amsterdam by NYSE Euronext. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. The Issuer may also issue unlisted and/or privately placed Notes. References in this Programme to Notes being " <b>listed</b> " (and all related references) shall mean that such Notes have been admitted to trading and have been listed on Euronext Amsterdam by NYSE Euronext or another regulated market.
<b>Terms and Conditions:</b>	Final Terms will be prepared in respect of each Tranche of Notes, a copy of which will, in the case of Notes to be listed on Euronext Amsterdam by NYSE Euronext be delivered to such stock exchange on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche of Notes will be those set out herein under <i>Terms and Conditions of the Notes</i> as supplemented, modified or replaced by the relevant Final Terms.
<b>Clearing Systems:</b>	Clearstream Banking AG, Frankfurt am Main (" <b>Clearstream, Frankfurt</b> "), Clearstream, Luxembourg, Euroclear Bank S.A./N.V., Euroclear Netherlands and/or, in relation to any Series of Notes, any other internationally recognised clearing system as may be specified in the relevant Final Terms.
<b>Selling Restrictions:</b>	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, The Netherlands and Japan, see " <i>Subscription and Sale</i> ".

## **RISK FACTORS**

*The following is a description of risk factors which are material in respect of the Notes and the financial situation of the Issuer and which may affect the Issuer's ability to fulfil its obligations under the Notes. Prospective investors should carefully consider these risk factors before deciding to purchase Notes. The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. Prospective investors should consider these risk factors before deciding to purchase Notes issued under the Programme. The inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons. The risks described below are not the only risks the Issuer faces. Additional risks and uncertainties not presently known to the Issuer or that it currently believes to be immaterial could also have a material impact on its business operations.*

*Prospective investors should furthermore consider all information provided in the Base Prospectus and consult with their own professional advisors (including their financial, accounting, legal and tax advisors) if they consider it necessary. In addition, investors should be aware that the risks described herein may combine and thus intensify another.*

### **General Risk Factor**

This Base Prospectus identifies in a general way the information that a prospective investor should consider prior to making an investment in the Notes. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in the Notes as any evaluation of the suitability for an investor of an investment in the Notes depends upon a prospective investor's particular financial and other circumstances, as well as on specific terms of the Notes. This Base Prospectus is not, and does not purport to be, investment advice or an investment recommendation to purchase Notes. The Issuer, including any group company, is acting solely in the capacity of an arms' length contractual counterparty and not as a purchaser's financial adviser or fiduciary in any transaction unless the Issuer has agreed to do so in writing. If a prospective investor does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, the investor should consult with its financial adviser prior to deciding to make an investment on the suitability of the Notes. Investors risk losing their entire investment or part of it.

Each prospective investor of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with any investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or, if it is acquiring the Notes in a fiduciary capacity, for the beneficiary). In particular, investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its legal advisers to determine whether and to what extent (i) the Notes are

legal investments for it, (ii) the Notes can be used as underlying securities for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### **Risk Factors Relating to the Issuer**

*The following section on risks may include forward-looking statements and may therefore involve uncertainty (the actual results may differ from those projected).*

#### **Generic/Strategic risks**

##### *Global financial and economic developments*

Being a global company, DSM is subject to the business risks associated with macroeconomic trends and events. The global financial crisis and economic downturn has become one of the most important risks on DSM's achievement of its Vision 2010 ambitions, especially with regard to the EBITDA margin targets in the Performance Materials and Polymer Intermediates businesses. These are the targets as described in the 2005 – 2010 strategy "Vision 2010".

##### *Risks related to emerging economies*

The global financial crisis has further increased the relative importance of the emerging economies for the success of DSM's growth strategy. There is a risk that opportunities in these markets will be missed. Also, price pressure from these countries may jeopardise profitability in established markets. The emerging economies are characterised by rapid legislative developments, which could possibly impact DSM's profitability. This development in legislation can be in many areas and could include tightening of environmental requirements and operating permits, labour law related items, etc. The risks consist of extra investment or operational costs and might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

##### *Risks of competition and commoditisation in existing markets*

DSM's Vision 2010 strategy is aimed at further reducing the cyclical and commodity elements in the product portfolio and at being cost competitive in mature markets. A substantial portion of DSM's current activities, however, are still experiencing a material impact on sales and results from the economic downturn. Margins may erode under the influence of margin erosion in the later stage of the life cycle of products ("commoditisation"), a risk that may be aggravated by low global utilisation rates of production installations. These risks might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

### *Political risks*

DSM has subsidiaries in more than 45 countries. These subsidiaries can be exposed to changes in government regulations and potentially unfavourable political developments that might hamper the exploitation of certain opportunities or might impair the value of the local business.

### *Risks related to disposals, acquisitions and joint ventures*

The success of DSM's strategy is partly dependent on the Company's ability to spot and implement opportunities for disposals and acquisitions. Risks in this field are connected to the Company's possible failure to identify interested buyers for its disposals or relevant acquisition targets, or its failure to do so in time, or its lack of success in bid processes or in the integration of acquired businesses needed to safeguard its path of growth. This risk is aggravated by the financial crisis, which is having a negative influence on financing possibilities. DSM uses joint ventures and other strategic alliances whenever it is beneficial to do so (for example to combine strengths and to share investments and inherent risks). Although joint ventures and strategic alliances are always intended to add value, situations can arise that result in a conflict of interests that could potentially damage the business. These risks might have an impact on the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

### *Innovation risks (new markets, products and technologies)*

In its Vision 2010 strategy, DSM is increasing its focus on innovation in order to develop new technologies and products and explore new markets. To this end, the Company has strengthened its market intelligence and enhanced its market and customer orientation. Also, a multitude of actions have been taken to ensure success in the research and development and market development processes and in product launch efforts. Nevertheless, there will always be uncertainty about the rate at which new products and technologies will be accepted by the market and the possible emergence of new competition will always constitute risks to the success of the newly developed products and technologies. This implies that there is a risk that the innovation efforts (this equals costs) will yield less results than anticipated or that the Company will have to abandon projects on which it has already spent substantial sums of money. This could affect DSM's profitability. There is a risk that goals will not be achieved. This risk may be aggravated by the economic downturn, amongst other things because potential customers may re-prioritise their needs.

### *People, organisation and culture risks*

DSM's ability to attract and retain the right people and create an entrepreneurial yet responsible culture is key to the achievement of the Vision 2010 targets. In 2009 the organisation of corporate and central functions was made more clear and more efficient in order to increase the effectiveness and speed of decision-making. A culture change programme under the name InPact / Motion was launched to support the operational units in achieving inspirational leadership, improved external orientation and enhanced accountability

for performance. Nevertheless, the Company may have to adjust or may fail to achieve its projected growth path, due to constraints in this field.

#### *Intellectual property protection risks*

The establishment, protection and exploitation of intellectual property rights (amongst others by filing patents and trademarks, defending patent and trademark positions and licensing of protected technologies) is of increasing importance in DSM's strategic development. When the creation and protection mechanisms that have been introduced do not work properly (for example if competition would successfully challenge an important patent position and the company would be unable to introduce alternative competitive technology), there is a risk that the financial results might deteriorate. This risk might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Raw material / energy price and availability risks*

It may not always be possible to off-set the effect of raw material and energy price increases by sales price increases. Although single source situations are avoided as much as possible, the risk of occasional shortages of raw materials cannot be completely excluded. Single source situations may become more risky because of the economic situation affecting suppliers' stability.

#### *Operational risks*

##### *Reputation risks*

DSM puts strong emphasis on promoting and checking high standards with regards to production safety, social, environmental and/or ethical standards. Nevertheless, any of its units may fail to comply with internal requirements and/or external laws and regulations in this area. This could negatively impact DSM's reputation and thereby impact on its business and results. These impacts can for example consist of difficulty or delay in getting necessary permits (possibly resulting in delay or decrease in income), loss of clients (possibly resulting in loss of turn-over), losing credibility in the labour market (possibly resulting in higher recruitment costs, slower development due to lack of key personnel) and cause negative influences on the share price. This risk might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

##### *Customer risks*

The Company makes considerable efforts to delight its customers. Compliance with customer agreements and commitments is measured regularly. Appropriate process and product quality checks are in place to ensure compliance with customers' and DSM's sales conditions. Nevertheless, it cannot be excluded that DSM does not meet the customer's expectations due to, for example problems with quality or delivery, which might result in loss of business. This risk might have an impact of the results of operations and financial condition of the Company,



which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Production process risks*

DSM manages production process risks by spreading production where possible, but concentration is necessary in order to achieve economies of scale. The design of any new facilities and/or production processes is required to include state-of-the-art safety and security facilities. Plants are designed according to high technical and technological standards and are regularly and systematically inspected against predefined risk and maintenance standards. Nevertheless, technical and technological risks may not always be sufficiently well known or controlled. This could lead to assets being unavailable for use, resulting into a financial loss. These risks might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Business continuity risks*

The influence of major disruptions caused by mishaps affecting the supply line or facilities in the Company has been inventoried and business continuity plans have been put in place. Unexpected developments may nevertheless result in interruptions of supply to customers, causing financial and reputational damage. These risks might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Product-liability risks*

As a result of the progress made towards DSM's current corporate goals following from the Vision 2010 strategy, the Company's product portfolio has shifted and is still shifting. This has been accompanied by a corresponding shift in DSM's risk profile. DSM is aware of this ongoing process and is putting more emphasis on managing product liability exposures. To protect itself against increased product liability risks, DSM has put in place highly demanding process and product requirements and is putting in a great deal of effort on an ongoing basis to assure that all its units comply with internal and external regulatory requirements (for example from US Food and Drug Administration). Additionally, sales contracting policies have been enhanced. Nevertheless, product-liability claims can never be excluded, possibly resulting in a financial loss. This might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Insurable risks*

Global insurance policies are in place to reduce the risk of damage to property, business interruption loss and general liability exposures, including the liability risks related to the products produced. Especially the ongoing change in the product portfolio makes product liability an issue that needs and receives careful monitoring. At the moment, all of the products in DSM's total portfolio are covered under the Company's corporate liability insurance programmes. Although the excess losses are, to a high degree, covered by the

several policies that the Company has in place with external insurers for the year 2010, the Company has an insurance excess of EUR 30 million per occurrence with an annual aggregate maximum of EUR 45 million. These risks might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Information and Communication Technology risks*

In order to control potential ICT risks DSM employs a policy of using the latest proven hardware and software solutions. Group-wide, DSM works with integrated and standardised ICT infrastructures, back-up, encoding and encryption systems, replicated databases, virus and access protection and a fully compatible global network and intranet. Regular local ICT-security assessments should assure adequate local applications. External ICT-service providers have been contracted in and are required to report regularly on the measures they are taking to reasonably assure that DSM's IT processes are not disrupted.

Although DSM has applied strict measures with regard to the security and reliability of its IT systems, incidents regarding for example back-up recovery, hot failover systems, virus attacks and international network connections may still occur, and this can have a material impact on business operations. These risks might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Project risks*

On a regular basis, the Company undertakes major projects whose success is important to the overall business results. DSM has extensive experience in project management. It seconds its best people to projects that are considered critical. Moreover, independent reviews are conducted and direct Board involvement and monitoring are in place to mitigate the risk of failure of major projects. Nevertheless, projects may (partly) fail to deliver the results projected, for example because of cost reductions, output increases, and/or because the investments needed to achieve the results may be more than anticipated. This would affect DSM's profitability and might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *(Information) security and Internal Control related risks*

DSM employs strict practices with regard to the assessment and control of (information) security risks. In the design of the processes governing the goods and money flows, strict standards of Internal Control have been taken into account and the functioning of these controls is being monitored regularly. Nevertheless, (information) security incidents and / or misappropriation of goods or money through mistakes or fraud may still occur, possibly causing material damage to the Company. These risks might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

### *Industrial relations risks*

DSM invests in a good relationship with its employees and tracks employee engagement, amongst other things by worldwide polls. Nevertheless, it cannot be excluded that risks materialise in the area of industrial relations. These risks might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

### *Safety, health and environmental risks*

DSM implements strict policies with regard to the containment of safety, health and environmental risks. Nevertheless, safety, health or environmental elements may not always be sufficiently well known or controlled so as to prevent any possible mishaps. These risks might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

### *Financial risks*

#### *Liquidity and market risk*

The main financial risks faced by DSM relate to liquidity risk and market risk (comprising interest rate risk, currency risk and price risk). DSM's financial policy is aimed at minimising 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. Nevertheless, developments in currencies and interest rates keep having an impact on DSM's finance cost and therefore also on DSM's profitability. This might have an impact of the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Pension risks*

With significant defined benefit obligations in six countries, DSM is exposed to volatility in financial markets that can cause changes in future pension costs for the Company and in the funded status of the individual pension plans. The investment strategies of the respective pension plans are aligned with the risk profile of the underlying pension obligations and the investment policies are closely monitored by the Company. The volatility in cash contributions to these plans is limited due to contractual arrangements. A deterioration of the value of assets or an increase in the value of liabilities in any pension obligations of the Company may, however, impact DSM's financial position and cost structure. This could in turn have an impact on the Company's ability to fulfill its obligations under the Notes.

#### *Other financial risks*

Financial risks additional to the liquidity and market risks mentioned above include sales price risk, debtor default risk and country risk. Furthermore, the major credit rating agencies may change their assessments of DSM creditworthiness, thereby affecting the Company's borrowing capacity and/or the conditions under which it can borrow money and causing

fluctuations in the cost of finance. Might the Company not be able to keep its single A credit rating, the Company's finance cost will increase. With respect to income tax DSM has accrued for tax liabilities on the basis of interpretations of tax laws and regulations that may be challenged by tax authorities. The outcomes of pending or future investigations by tax authorities could impact on the Company's tax position with retroactive effect. Although tax assets have been valued at their expected realizable value, future profits may not suffice to realise all tax-loss carry-forwards. These risks might have an impact on the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

### ***Legal and compliance risks***

#### ***Risks of non-compliance with the DSM Code of Business Conduct***

DSM has put in place a DSM Code of Business Conduct in order to induce ethical behaviour in the Company and clearly mark the limits of risk taking to be observed in (operational) processes. The implementation of this code, more detailed in corporate policies, requirements and directives is monitored and reported by the units themselves and through independent full operational audits. It can nevertheless not be excluded that non-compliances may occur, leading to risks and possible financial and/or reputational damage. This could in turn have an impact on the Company's ability to fulfill its obligations under the Notes.

#### ***Risk of legal non-compliance***

DSM operates in fields to which a multitude of (international) laws and regulations apply. Although a great deal of attention is being given to full compliance with all these laws and regulations, breaches may still go unnoticed, possibly leading to fines, loss of permits and/or reputational damage. These risks might have an impact on the results of operations and financial condition of the Company, which in turn could have an impact on the Company's ability to fulfill its obligations under the Notes.

### **Risk Factors Relating to the Notes**

*In addition to the risks identified in "Risk Factors – General Risk Factor" and "Risk Factors – Risk Factors Relating to the Issuer" above, potential investors in Notes should consider the following:*

#### ***Risks Relating to the Notes Generally***

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or with a common safekeeper. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg or to the common safekeeper for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

### ***Risks Related to the Structure of a Particular Issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features:

#### ***Notes Subject to Optional Redemption by the Issuer***

An optional redemption feature in any Notes may negatively impact their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Index Linked Notes and Dual Currency Notes***

- (i) The Issuer may issue Notes with principal or interest determined by reference to a particular index, formula, currency exchange rate or other factor (each, a "**Relevant Factor**"). In addition, the Issuer may issue Dual Currency Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that the market price of such Notes may be very volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial part of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or indices or other relevant factors;

- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

#### *Partly Paid Notes*

The Issuer may issue Partly Paid Notes, where an investor pays part of the purchase price for the Notes on the issue date, and the remainder on one or more subsequent dates. Potential purchasers of such Notes should understand that a failure to pay any portion of the purchase price on one of these subsequent dates when due, may trigger a redemption of all of the Notes by the Issuer and may cause such purchaser to lose all or part of its investment.

#### *Variable Rate Notes with a Multiplier or Other Leverage Factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR or LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### *Notes Issued at a Substantial Discount or Premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### *Notes where denominations involve integral multiples*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination.

In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time (i) may not be able to transfer such Notes and (ii) may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and in each case would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### *Risks related to the investment market generally*

#### *Exchange rates and exchange controls*

The Issuer will pay principal and interest on the Notes in a specified currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the specified currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the specified currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the specified currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### *Interest Rate Risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

### *Credit Ratings*

One or more independent credit rating agencies may assign credit ratings to the Notes or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant. In the event that a rating assigned to the Notes or the Issuer is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes and the market value of the Notes is likely to be adversely affected.

### *Liquidity Risk*

Application has been made to list and trade the Notes to be issued under the Programme on Eurolist by Euronext Amsterdam appearing on the list of regulated markets issued by the European Commission. In addition, the Programme provides that Notes may be listed on other or further stock exchanges or may not be listed at all. Regardless of whether the Notes are listed or not, there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. The fact that the notes may be listed does not necessarily lead to a greater liquidity as compared to unlisted Notes. If Notes are not listed on any exchange, pricing information for such Notes may, however, be more difficult to obtain which may affect the liquidity of the Notes adversely. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

### *Market Price Risk*

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policy of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of Note. The holder of Notes is therefore exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the holder sells the Notes prior to the final maturity of such Notes.



## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.*

The Issuer may decide to issue Notes in a form not contemplated by the Terms and Conditions of the Notes herein. In such case a supplement to this Base Prospectus, if appropriate, will be made available which will describe the form of such Notes.

The Notes are issued pursuant to an amended and restated fiscal agency agreement dated 16 December 2010, as amended or supplemented from time to time (the "**Fiscal Agency Agreement**") between Koninklijke DSM N.V. (the "**Issuer**") and Citibank, N.A., London Branch as fiscal agent and paying agent (the "**Fiscal Agent**" and the "**Paying Agent**" and together with any additional or other paying agents in respect of the Notes from time to time appointed, the "**Paying Agents**"). The Calculation Agent (if any) is specified on this Note. The Noteholders (as defined below), the holders of the coupons (the "**Coupons**") appertaining to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the instalment receipts (the "**Receipts**") appertaining to the payment of principal by instalments (the "**Receiptholders**") are bound by and deemed to have notice of all of the provisions of the Fiscal Agency Agreement applicable to them and these Terms and Conditions. A copy of the Fiscal Agency Agreement is available for inspection at the specified office of each of the Paying Agents.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and supplements these Terms and Conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the Final Terms are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note (as defined hereunder) and the Receipts relating to it (as the case may be), "**holder**" means (in relation to

a Note, Receipt, Coupon or Talon) the bearer of any Bearer Note, Receipt, Coupon or Talon (as the case may be) and capitalised terms have the meanings given to them on this Note, the absence of any such meaning indicating that such term is not applicable to the Notes. In these Conditions, capitalised terms have the meanings given to them on this Note, the absence of any such meaning indicating that such term is not applicable to the Notes.

## 1. Form, Denomination, Maturity and Title

Unless otherwise specified in the Final Terms, the Notes are issued in bearer form ("**Bearer Notes**") in the denomination of the Specified Denomination(s). In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive (as defined below), the minimum denomination shall be (i) EUR 50,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) or (ii) EUR100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes), where such admittance to trading on a regulated market or offer to the public takes place in any Member State that has already implemented the provision under the 2010 PD Amending Directive that increases the minimum denomination for "wholesale debt" from EUR50,000 to EUR100,000. The expression "**Prospectus Directive**" means Directive 2003/71/EC and the amendments thereto (including the 2010 PD Amending Directive), to the extent implemented in the relevant Member State, and includes any relevant implementing measure in the relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EC.

The Notes may have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Save as provided above, the Notes are not subject to any maximum maturity.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Note issued on a partly paid basis (a "**Partly Paid Note**"), a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

The Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to Interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Notes in definitive form, the principal amount of which is repayable by instalments ("**Instalment Notes**"), are issued with one or more Receipts attached.

Title to the Bearer Notes and the Receipts, Coupons and Talons appertaining thereto shall pass by delivery unless applicable law provides otherwise or provides for additional requirements for transfer of title. For Notes held through *Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.* ("**Euroclear Netherlands**") deliveries will be made in accordance with

the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Receipt, Coupon or Talon, as the case may be, for the purpose of receiving payment thereon or on account thereof and for all other purposes, whether or not such Note, Receipt, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. ("**Euroclear Bank S.A./N.V.**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), each person (other than Euroclear Bank S.A./N.V. or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear Bank S.A./N.V. or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear Bank S.A./N.V. or Clearstream, Luxembourg as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such Notes in accordance with and subject to the terms of the relevant Global Note which, for so long as the relevant Global Note is held by a depositary or common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN, for Euroclear Bank S.A./N.V. or Clearstream, Luxembourg and / or (except in the case of an NGN) any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper (and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly). Notes which are represented by a Global Note held by a common depositary for Euroclear Bank S.A./N.V. or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear Bank S.A./N.V. or of Clearstream, Luxembourg, as the case may be.

Notes represented by a Global Note held by Euroclear Netherlands shall become subject to the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*).

References to Euroclear Bank S.A./N.V. and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms but shall not include Euroclear Netherlands.

Words and expressions defined in the Fiscal Agency Agreement and the applicable Final Terms shall have the same meanings when used in these Conditions, unless the context otherwise requires or unless otherwise stated.

## **2. Status**

The Notes, Receipts and Coupons constitute direct, unconditional and (without prejudice to the provisions of Condition 3) unsecured and unsubordinated obligations of the Issuer and

rank at least *pari passu* and rateably without any preference among themselves and (subject to any applicable statutory exceptions and without prejudice as aforesaid) equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

### 3. Negative Pledge

So long as any of the Notes, Receipts or Coupons remains outstanding, the Issuer undertakes that if it shall, after the Issue Date of the Notes, secure any Public Debt or Private Debt, then or thereafter existing, by any lien, pledge or other charge upon any of its present or future assets or revenues, the Notes and Receipts shall share in and be equally and rateably secured by such lien, pledge or other charge, and the instrument creating such lien, pledge or other charge shall expressly so provide.

For the purposes of the foregoing paragraph, (i) "**Public Debt**" means any loan, debt, guarantee or other obligation of the Issuer represented by bonds, notes, debentures or any other publicly-issued debt securities which are, or are intended to be, from time to time quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over the counter or other securities market and (ii) "**Private Debt**" means loans, debts, guarantees or other obligations of the Issuer (other than Public Debt) in excess (whether alone or in aggregate with other loans, debts, guarantees or other obligations of the Issuer (other than Public Debt)) of EUR 50,000,000.

### 4. Interest

#### (a) *Rate of Interest on Fixed Rate Notes and Accrual*

Each Note specified as being a Fixed Rate Note in the applicable Final Terms (each a "**Fixed Rate Note**") bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

#### (b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

- (i) Interest Payment Dates: each Floating Rate Note and Index Linked Interest Note bears Interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such Interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) **Business Day Convention:** if any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (X) such date shall be brought forward to the immediately preceding Business Day and (Y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day, or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) **Rate of Interest on Floating Rate Notes:** the Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.
  - (A) **ISDA Determination for Floating Rate Notes**
    - (a) Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
      - (I) the Floating Rate Option is as specified hereon;
      - (II) the Designated Maturity is a period specified hereon; and
      - (III) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A)(a), Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity, Reset Date and Swap Transaction have the meanings given to those terms in the ISDA Definitions.

- (b) If on any relevant Interest Determination Date the Rate of Interest cannot be determined according to sub-paragraph (A)(a), then the Rate of Interest for the respective Interest Period shall be the reserve interest rate (the "**Reserve Interest Rate**"). The Reserve Interest Rate shall be the rate expressed as a rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point (0.0005 being rounded upwards), if the Reference Rate is EURIBOR, or to the nearest one hundred thousandth of a percentage point (0.000005 being rounded upwards), if the Reference Rate is not EURIBOR) of the lending rates in the Specified Currency which the Reference Banks are quoting on the relevant Interest Determination Date or (if this date is not a Business Day in the Relevant Financial Centre) on the next succeeding Business Day in the Relevant Financial Centre for the next Interest Period (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such Reference Banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Relevant Financial Centre.

If the Calculation Agent determines that it is not possible to ascertain the Reserve Interest Rate in respect of any Interest Period for which such ascertainment is required, the Reserve Interest Rate for such Interest Period shall be the interest rate in effect on the Interest Determination Date.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be the interest rate as determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following, plus or minus (as indicated hereon) the Margin (if any):

- (x) Subject as provided below, the Rate of Interest shall be:
- (I) the Reference Rate (where such Reference Rate on such Relevant Screen Page is a composite quotation or is customarily supplied by one entity); or
  - (II) the arithmetic mean of the Reference Rates of the persons whose Reference Rates appear on that Relevant Screen Page,
- in each case appearing on such Relevant Screen Page at the Relevant Time on the Interest Determination Date;
- (y) if sub-paragraph (x)(I) or (x)(II) applies and neither the Relevant Screen Page is published nor another agency deemed acceptable by the Calculation Agent publishes the Reference Rate, or the Calculation

Agent cannot make such determination for any other reason, or if sub-paragraph (x)(I) applies and no Reference Rate appears on the Relevant Screen Page at the Relevant Time on the Interest Determination Date, or if sub-paragraph (x)(II) applies and fewer than two Reference Rates appear on the Relevant Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point (0.0005 being rounded upwards), if the Reference Rate is EURIBOR, or to the nearest one hundred thousandth of a percentage point (0.000005 being rounded upwards), if the Reference Rate is not EURIBOR) of the Reference Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at or about the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent (it being understood that, should one or two of the Reference Banks fail to provide the relevant quotation the arithmetic mean shall be calculated as described above on the basis of the quotations supplied); and

- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Reference Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the Relevant Financial Centre are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Relevant Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Relevant Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

- (iv) Rate of Interest for Index Linked Interest Notes: the Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined by (i) the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) *Zero Coupon Notes*

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)(i)).

(d) *Dual Currency Notes*

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) *Accrual of Interest*

Interest shall cease to accrue on each Note at the end of the day preceding the date on which they become due for redemption (even if payment is made on the next following Business Day in accordance with Condition 6(f)) unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 until the payment of such principal has been effected, however, not beyond the fourteenth day after the date on which the necessary funds have been provided to the Fiscal Agent and notice thereof has been given by publication in accordance with Condition 13.

(g) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding*

- (i) If any Margin or Rate Multiplier is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-



thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or, as appropriate, countries of such currency.

(h) *Calculations*

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the calculation amount as specified in the applicable Final Terms (the "**Calculation Amount**") by the Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Specified Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods. For this purpose, a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(i) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts*

As soon as practicable after the relevant time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, the Clearing System, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information without delay but in no event later than the first day of the relevant Interest Period, if determined prior to such time. The Fiscal Agent shall without delay publish the interest rate, the interest amounts payable in respect of each Note and, the case being, each Coupon and the respective Interest Payment Date in accordance with Condition 13. In the event of an extension or a shortening of the Interest Period, the amount of interest payable and the Interest Payment Date may be subsequently

amended, or appropriate alternative arrangements may be made by way of adjustment by the Calculation Agent without a publication being necessary with regard thereto. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall be made in consultation with the Issuer and shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Calculation Agent and Reference Banks*

The Issuer will procure that there shall at all times be at least four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and a Calculation Agent if provision is made for them in the Conditions applicable to this Note and for so long as it is outstanding. The Issuer reserves the right at any time to terminate the appointment of the Calculation Agent or of any Reference Bank. In the event of such termination or if any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer will appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. In the event of such termination or if the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint an appropriate office of another leading bank to act as Calculation Agent. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

The appointment of another Reference Bank or Calculation Agent shall be published without delay by the Issuer in accordance with Condition 13.

(k) *Definitions*

As used in these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

**"Business Day"** means:

- (i) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of Euro, a day on which TARGET2 is operating (a TARGET Business Day); and/or
- (iii) in the case of a currency and/or one or more Additional Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional

Business Centre(s) or, if no currency is Indicated, generally in each of the Additional Business Centres.

"CGN" means Classic Global Note.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if Actual/365 or Actual/Actual-ISDA is specified on the face of the Note, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if Actual/365 (Fixed) is specified on the face of the Note, the actual number of days in the Calculation Period divided by 365;
- (iii) if Actual/360 is specified on the face of the Note, the actual number of days in the Calculation Period divided by 360;
- (iv) if 30/360, 360/360 or Bond Basis is specified on the face of the Note, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if 30E/360 or Eurobond Basis is specified on the face of the Note, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (vi) if Actual/Actual-ICMA is specified hereon,
  - (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such

Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(a) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(b) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where "**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community as amended by the Treaty on the European Union.

"**Global Note**" means a CGN or a NGN;

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable and, in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and an Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

**"Interest Period Date"** means each Interest Payment Date unless otherwise specified on this Note.

**"ISDA Definitions"** means the 2000 ISDA Definitions (as amended and supplemented) published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

**"NGN"** means New Global Note.

**"Relevant Screen Page"** means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 (Reuters) and Bridge) as may be specified for the purpose of providing a Reference Rate, or, if this page, section, caption, column or other part of a particular information service, or its provider, is replaced or discontinued, such other page, section, caption, column or other part as selected by the Calculation Agent.

**"Rate of Interest"** means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

**"Reference Banks"** means at least four major banks selected by the Calculation Agent (which banks, if the Reference Rate is EURIBOR, will be, at the time of such selection, member banks of the EURIBOR panel) in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that are most closely connected with the benchmark (which, if EURIBOR is the relevant benchmark, shall be the Euro-zone).

**"Relevant Financial Centre"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant benchmark is most closely connected (which, in the case of EURIBOR, shall be the Euro-zone) or, if none is so connected, London.

**"Reference Rate"** means the benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the benchmark) equal to the Specified Duration commencing on the Effective Date.

**"Relevant Time"** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified on this Note or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and, for this purpose, local time means, with respect to the Euro-zone as a Relevant Financial Centre, Central European Time.

**"Representative Amount"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such hereon or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

**"Specified Currency"** means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

**"Specified Duration"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 4(b)(ii).

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system.

## **5. Redemption, Purchase and Options**

### **(a) *Redemption, Redemption by Instalment, Final Redemption and Redenomination***

- (i) Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the relevant Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum redemption amount of £ 100,000 (or its equivalent in other currencies).
- (ii) Unless previously redeemed, purchased and cancelled as provided in this Condition 5 or the relevant Instalment Date (being one of the dates so specified hereon) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 5(d) or 5(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amounts specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (iii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 5(d) or 5(e), each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (ii) above, its final Instalment Amount.

- (iv) If the country of the Specified Currency has become a participating Member State in the Economic and Monetary Union, the Issuer may, without the consent of the Noteholders, by giving notice in accordance with Condition 5(a)(iv), third alinea (the "**Redenomination Notice**"), with effect from a date to be determined by it (the "**Redenomination Date**"), re-denominate the Notes in euro. Simultaneously the Issuer may adjust the provisions regarding the accrual basis in respect of interest payments for less than a year and regarding the business day definition to existing or anticipated market practice. Notwithstanding Condition 4, the Rate of Interest that shall apply to the Notes after the redenomination shall be the interest rate which applied to the Notes prior to the redenomination (provided that all references to the Specified Currency shall be replaced by references to the euro), unless the Issuer elects, at the time of the redenomination, with the consent of the Fiscal Agent, to apply to the Notes the interest rate which is consistent with the then existing or anticipated market practice for euro-denominated floating rate notes issued in the international capital market and held in international clearing systems.

The redenomination and any additional measures which may be taken pursuant to Condition 5(a)(iv) shall, to the extent not governed by mandatory laws or regulations, occur by way of amendment of the Conditions (the "**Amendment**"), as the Issuer may determine in its reasonable discretion, taking into account the interests of the Noteholders as a class as well as any existing or anticipated market practice. Redenomination shall be made by applying the conversion rate which has been irrevocably fixed pursuant to Article 109(4) sentence 1 of the Treaty establishing the European Community, as amended by the Treaty on the European Union.

The Redenomination Notice shall be given by publication in accordance with Condition 13 at least one month prior to the Redenomination Date. It shall:

- (A) designate the Issue;
- (B) specify the Redenomination Date; and
- (C) describe the Amendment and specify the wording of the amended or additional provisions.

The Issuer shall not be obliged to exchange the Global Note representing the Issue for a new Global Note denominated in euro.

- (v) To the extent that applicable provisions of law allow the Issuer to re-denominate the Notes in euro and to take additional measures, the Issuer may exercise the rights provided by law instead of or in addition to the rights set out in Conditions 5 (i) – (iii).

(b) *Early Redemption*

(i) Zero Coupon Notes

- (x) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (y) Subject to the provisions of sub-paragraph (z) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (z) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (y) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date (as defined in Condition 7). The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note other than a Zero Coupon Note, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9, shall be the par value plus accrued interest, unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time, on giving not less than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption



Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Any such notice shall be given by publication in accordance with Condition 13. It must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

(d) *Redemption at the Option of the Issuer and Exercise of Issuer's Options*

If Call Option is specified hereon, the Issuer may, on giving not less than 30 nor more than 90 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, or exercise any Issuer's option (as may be described hereon) in relation to all, but not less than all, Notes of the same issue of the Notes on any Optional Redemption Date or Option Exercise Date, as the case may be. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed specified hereon and no greater than the maximum nominal amount to be redeemed specified hereon. In no circumstance shall the Optional Redemption Amount be less than par.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange requirements. Such redemption will be reflected in the records of Euroclear Bank S.A./N.V. and/or Clearstream Luxembourg, or relevant international central securities depository ("ICSD"), as either a nominal reduction or as a pool factor, at the discretion of Euroclear Bank S.A./N.V. and/or Clearstream Luxembourg or the relevant ICSD, as the case may be.

(e) *Redemption at the Option of Noteholders and Exercise of Noteholders' Options*

- (i) In addition to the right to call for redemption in accordance with Condition 9, the Issuer shall, if Put Option is specified hereon, at the option of the holder of any such Note, upon the holder of such Note giving (x) not less than 30 nor

more than 90 days' notice (in the case of Notes other than Zero Coupon Notes, Index Linked Notes, Dual Currency Notes or other structured Notes) or (y) not less than 30 days' notice (in the case of Zero Coupon Notes, Index Linked Notes, Dual Currency Notes or other structured Notes) to the Fiscal Agent (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date (the "**Optional Redemption Amount**").

To exercise such option or any other Noteholders' option that may be set out hereon (which must be exercised on an Option Exercise Date) the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice (Exercise Notice) in the form obtainable from any Paying Agent within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement) without the prior consent of the Issuer. Until payment of all amounts which become payable in respect of such Notes and Coupons, the relevant Paying Agent shall keep such Notes, Coupons and Talons in custody for the Noteholders.

- (ii) In addition to the right to call for redemption in accordance with Condition 9, if it is specified herein that the Put Option is only exercisable, if the Notes are rated with the agreement of the Issuer, on the occurrence of a Change of Control and if there occurs a Change of Control and within the Change of Control Period a Rating Downgrade in respect of that Change of Control occurs or, if the Notes are not rated, a Negative Rating Event in respect of that Change of Control occurs within the Change of Control Period (in either case called a "**Put Event**"), the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes under Condition 5 c), to require the Issuer to redeem or, at the Issuer's option, purchase (or procures the purchase of) that Note on the Optional Redemption Date (as defined below) at (x) its principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date (in the case of Notes other than Zero Coupon Notes, Index Linked Notes, Dual Currency Notes or other structured Notes) or (y) the Optional Redemption Amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date (in the case of Zero Coupon Notes, Index Linked Notes, Dual Currency Notes or other structured Notes).

**"Rating Agency"** means Moody's Investors Service, Inc. or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and their respective successors or any other rating agency of equivalent international standing specified from time to time by the Issuer.

A "**Rating Downgrade**" shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period any rating previously assigned to the Issuer or any Notes by any Rating Agency is (x) withdrawn or (y) changed from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or (z) (if the rating assigned to the Notes by any Rating Agency shall be below an investment grade rating (as described above)) lowered one full rating category (from BB+ to BB or such similar lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or publicly confirm that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control.

A "**Change of Control**" shall be deemed to have occurred at each time (whether or not approved by the Management Board or Supervisory Board of the Issuer) that any person or persons ("**Relevant Person(s)**") acting in concert or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly or acquire(s) or come(s) to own (A) more than 50 per cent. of the issued ordinary share capital of the Issuer or (B) such number of the shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of shareholders of the Issuer, provided that in the case of (B) above a Change of Control shall not be deemed to have occurred if such number of shares are acquired or come to be owned by *Stichting Preferente Aandelen DSM*.

"**Change of Control Period**" means the period commencing on the earlier of (a) the date of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any) and ending 180 days after the public announcement of the Change of Control having occurred.

A "**Negative Rating Event**" shall be deemed to have occurred if (i) the Issuer does not within the Change of Control Period seek, and thereafter use all reasonable endeavours to obtain from a Rating Agency, a rating or (ii) if it does not seek and use such endeavours, it has not at the expiry of the Change of Control Period and as a result of such Change of Control obtained an Investment Grade Rating, provided that the Rating Agency publicly announces or publicly confirms in writing that its declining to assign an Investment Grade Rating was the result of the applicable Change of Control.

"**Relevant Potential Change of Control Announcement**" means any formal public announcement or statement by or on behalf of DSM or any actual or potential bidder or any advisor thereto relating to any potential Change of Control where, within 180 days of the date of such announcement or statement, a Change of Control occurs.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 13 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 5(e)(ii).

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 5(e)(ii), the holder of that Note must deliver such Note, on any Business Day (as defined in Condition 4(k)) in the city of the specified office of the relevant Paying Agent falling within the period (the "**Put Period**") of 45 days after a Put Event Notice is given, to any Paying Agent, as well as a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Put Option Notice**") and in which the holder may specify a bank account complying with the requirements of this Condition 5(e)(ii) to which payment is to be made under this Condition 5(e)(ii).

In case the Notes issued are Definitive Notes, the Put Option Notice shall be accompanied by the relevant Notes, and also by all Coupons appertaining thereto maturing after the Optional Redemption Date, failing which an amount will be deducted from the payment to be made by the Issuer on redemption of the Notes corresponding to the aggregate amount payable in respect of such missing Coupons. Until payment of all amounts which become payable in respect of such Notes and Coupons, the relevant Paying Agent shall keep such Notes and Coupons in custody for the Noteholders.

The "**Optional Redemption Date**" is the seventh day after the last day of the Put Period.

The Paying Agent to which such Note and Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt (a "**Put Option Receipt**") in respect of the Note so delivered. The Issuer shall redeem or at the option of the Issuer purchase (or procure the purchase of) the Notes in respect of which Put Option Receipts have been issued on the Optional Redemption Date, unless previously redeemed and purchased. Payment in respect of any Note so delivered will be made, if the holder duly specified a Euro bank account in the Put Option Notice to which payment is to be made, on the Optional Redemption Date by transfer to that bank account and in every other case on or after the Optional Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 5(e)(ii).

(f) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(g) *Purchases*

The Issuer and any of its subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Notes purchased by or on behalf of the Issuer may, at its option, be held, re-issued, resold or surrendered to any Paying Agent for cancellation.

(h) *Cancellation*

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may (and if not in bearer form, shall) be surrendered for cancellation by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

**6. Payments and Talons**

(a) *Bearer Notes*

Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States and its possessions (the United States) by a payment in cash in the relevant currency, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to TARGET2. No payments will be made by a transfer of funds into an account within the United States or by cheque mailed to an address in the United States.

(b) *Payments in the United States*

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments of interest in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amount on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) *Payments Subject to Fiscal Laws etc.*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders, Receiptholders or Couponholders in respect of such payments.

(d) *Appointment of Agents*

The Fiscal Agent and the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent and the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to terminate the appointment of the Fiscal Agent as well as of individual Paying Agents and to appoint banks of international standing as Fiscal Agent or Paying Agents, provided that it will at all times maintain (i) a Fiscal Agent, subject to clause 9.1.1 of the Fiscal Agency Agreement and (ii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. Such appointment or termination shall be published without undue delay in accordance with Condition 13, or, should this not be possible, be published in another way.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 6(b).

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 13.

(e) *Unmatured Coupons and Receipts and Unexchanged Talons*

- (i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).
- (ii) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest accrued on a Note which only bears interest after its Maturity Date from its Maturity Date shall be payable on redemption of such Note against presentation thereof.

(f) *Non-Business Days*

If any date for payment in respect of any Note, Receipt or Coupon is not a Payment Day, the holder shall not be entitled to payment until the next following Payment Day nor to any interest or other sum in respect of such postponed payment. For these purposes, "**Payment Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as Additional Financial Centres hereon and:

- (i) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in Euro) which is a TARGET Business Day.

(g) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 8).

## 7. **Taxation**

All payments of principal and interest in respect of the Notes, Coupons and Talons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer will, depending on which provision is specified in the applicable Final Terms, either:

- (a) make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the Notes, Coupons or Talons, as the case may be, and shall not pay any additional amounts to the holders of the Notes, Coupons or Talons; or
- (b) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Coupons or Talons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Coupons or Talons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Coupon or Talon:

- (i) presented for payment by or on behalf of a Noteholder, Couponholder or Talonholder who is liable for such taxes or duties in respect of such Note, Coupon or Talon by reason of his having some personal or business connection with The Netherlands other than the mere holding of such Note, Coupon or Talon or the receipt of principal or interest in respect thereof; or
- (ii) presented for payment by or on behalf of a Noteholder, Couponholder or Talonholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (iii) presented for payment by or on behalf of a Noteholder, Couponholder or Talonholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Coupon or Talon to another Paying Agent in a Member State of the European Union; or
- (iv) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6); or
- (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to such Directive, or similar measures adopted by a number of third countries and territories.

No such additional amounts shall, however, be payable on account of any taxes, duties, assessments or governmental charges with respect to any Note, Coupon, Talon, which are payable otherwise than by deduction or withholding from payments of principal or interest.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders.

If the Issuer becomes subject at any time to any taxing jurisdiction other than or in addition to The Netherlands references herein to The Netherlands shall be read and construed as references to The Netherlands and/or to such other jurisdiction.

## **8. Prescription**

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within five years from the date on which such payment first became due.



## 9. Events of Default

Each Noteholder is entitled to declare his Notes due and to call for redemption of his Notes at its Early Redemption Amount, if:

- (i) the Issuer is in default for more than 15 days in the payment of principal or interest; or
- (ii) the Issuer violates any other obligation under these Terms and Conditions of the Notes, and, if such violation is capable of being remedied, such violation continues for 30 days after receipt of written notice thereof from the respective Noteholder to the Issuer through the Fiscal Agent as intermediary; or
- (iii) the Issuer and/or one or more of its Major Group Companies (as defined below) defaults in the payment of the principal of, or interest on, any other obligation in respect of Borrowed Moneys (as defined below), of, or assumed or guaranteed by, the Issuer and/or one or more of its Major Group Companies, as the case may be, when and as the same shall become due and payable, and if such default shall continue for more than the period of grace, if any, applicable thereto and the time for payment of such interest, or principal, has not been effectively extended, or if any obligation in respect of Borrowed Moneys, of, or assumed or guaranteed by, the Issuer and/or one or more of its Major Group Companies shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default thereunder;

**"Major Group Company"** means any group company of the Issuer whose net profits after tax but before extraordinary items or whose net assets (in each case attributable to the Issuer) represents 15 per cent. or more of the consolidated net profits after tax but before extraordinary items or consolidated net assets (in each case attributable to the Issuer) of the Issuer and its group companies. A report of the auditors of the Issuer that in their opinion a group company of the Issuer is or is not a Major Group Company shall, in the absence of manifest error, be conclusive and binding on the Issuer and all Noteholders;

The expression **"Borrowed Money"** as used herein means moneys borrowed and premium and interest in respect thereof and liabilities under or in connection with any letters of credit or under any bond, note, debenture or other financial security issued as consideration for assets or services and having an aggregate principal amount in excess of EUR 50,000,000 or the equivalent thereof in another currency but excluding such liabilities incurred solely in relation to the acquisition of goods and services in the ordinary course of trading; or

- (i) the Issuer is wound up or dissolved whether by a resolution of the shareholders, legislative action or otherwise (except in connection with a solvent merger or reorganisation in such a way that all of the assets and

liabilities of the Issuer pass to another legal person in universal succession by operation of law); or

- (ii) the Issuer ceases to carry on the whole or substantially the whole of its business or disposes of substantially the whole of its assets; or
- (iii) any bankruptcy or insolvency proceedings are instituted against the Issuer or the Issuer applies for the institution of such proceedings or for a suspension of payment, for a similar measure under foreign law, or the Issuer offers a compromise to its creditors or negotiates with all of its creditors another agreement relating to its payment difficulties, or such measures are officially decreed; or
- (iv) an "**executoriaal beslag**" (executory attachment) or a similar measure under foreign law is made on or against any substantial part of the assets of the Issuer or a "**conservatoir beslag**" (interlocutory attachment) or a similar measure under foreign law is made on or against any substantial part of the assets of the Issuer and is not discharged or stayed within 30 days after the making thereof.

The right to declare Notes due shall terminate if the circumstances giving rise to it have been remedied, cured or otherwise made good in full before such right is exercised.

The right to declare Notes due pursuant to Condition 9 shall be exercised by the holder of Notes by delivering or sending by registered mail to the Fiscal Agent a written notice which shall state the principal amount of the Notes called for redemption and shall enclose evidence of ownership reasonably satisfactory to the Fiscal Agent.

## **10. Meetings of Noteholders and Modifications**

### **(a) Meeting of Noteholders**

The Fiscal Agency Agreement contains provisions for convening meetings of holders of Notes to consider any matter affecting their interests, including modification by Extraordinary Resolution of these Terms and Conditions of the Notes. Such provisions are deemed to be included in the Terms and Conditions by reference and the holders of Notes shall have the benefit thereof and be bound thereby. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons present holding or representing a majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons present being or representing holders of Notes whatever the principal amount of the Notes so held or represented, except that at any meeting, the business of which includes the modification of certain of the Conditions, the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. Any resolution passed at any meeting of holders of Notes will be binding on all holders of Notes, whether or not they are present at the meeting.

(b) *Modification of Fiscal Agency Agreement*

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

**11. Replacement of Notes, Receipts, Coupons and Talons**

If a Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of any Paying Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders in accordance with Condition 13 (in the case of Bearer Notes, Receipts, Coupons or Talons), in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

**12. Further Issues, Consolidation**

- (a) The Issuer reserves the right to create and issue from time to time, without the consent of the Noteholders, additional Notes with substantially identical terms and conditions, so that the same shall be consolidated to form a single Series with, and increase the Aggregate Nominal Amount of the Notes. The term "**Notes**" shall, in such circumstances, also comprise (unless the context otherwise requires) the additionally issued Notes.
- (b) Upon redenomination of the Notes into euro as provided in Condition 5 (a)(iv), the Issuer may also from time to time, without the consent of the Noteholders consolidate the Notes with one or more issues of other Notes, issued by it, which were originally denominated in euro or currencies participating in the EMU ("**Other Notes**") provided that:
- such Other Notes have substantially the same conditions as the Notes (other than in relation to currency, denomination, stock exchanges, clearing systems and matters of a technical or administrative nature normally associated with any of the foregoing); and
  - such Other Notes and the Notes, when consolidated, can be cleared and settled on an interchangeable basis under a common International Security Identification Number (ISIN) through Clearstream Banking AG, Frankfurt am Main, Clearstream, Luxembourg, Euroclear Bank S.A./N.V., Euroclear Netherlands or any other internationally recognised clearing system; and

- such Other Notes and the Notes, when consolidated, will be listed on at least one European stock exchange on which debt obligations issued in the international capital markets are then customarily listed and on which either the Notes or at least one of the issues of Other Notes consolidated with them was listed immediately prior to consolidation.

The Issuer shall be entitled to amend the Terms and Conditions of the Notes to the effect that the Notes and such Other Notes consolidated with them will have identical terms after consolidation to allow them to form a single issue, provided that such amendments do not materially adversely affect the interests of the Noteholders. The term "Notes" shall, in the event of such consolidation, also comprise such Other Notes. The Issuer may do so by giving not less than one month prior notice to the Noteholders in accordance with Condition 13 and to the extent necessary by exchanging the Global Note into a global note containing such amended conditions or by depositing a supplement to the Global Note containing the amendments with the clearing systems in which the Notes are to be held upon consolidation. The notice shall detail the manner in which consolidation shall be effected.

### **13. Notices**

- (a) With respect to Notes listed on a stock exchange, notices to the holders of Bearer Notes will be deemed to be validly given if published in a leading Dutch language daily newspaper of general circulation in Amsterdam (which is expected to be *Het Financieele Dagblad*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or another relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication, or if published more than once, on the date of the first such publication. Where notices are required to be published in more than one newspaper, they will be deemed to have been given on the date of the first publication in all required newspapers.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition.

In the case of Notes which are listed on a stock exchange other than Euronext Amsterdam by NYSE Euronext or to the extent permitted by Euronext Amsterdam by NYSE Euronext, the Issuer may, in lieu of publication in the newspaper set forth in this Condition 13(a), deliver the relevant notice to the clearing system, for communication by the clearing system to the Noteholders, provided that the rules of the stock exchange on which the Notes are listed, permit such form of notice. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to the clearing system.

- (b) With respect to Notes not listed on a stock exchange, notices to holders of Bearer Notes will be valid if published in at least one daily newspaper of wide circulation in The Netherlands and a leading English language daily newspaper published in London (which is expected to be the Financial Times or another English language daily

newspaper with circulation in Europe). Such notices shall be deemed to have been given on the first date of such publication, or if published more than once, on the date of the first such publication.

#### **14. Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

#### **15. Governing Law and Jurisdiction**

##### *(a) Governing Law*

The Notes, the Receipts, the Coupons and the Talons and the rights and duties of the Noteholders, the Issuer, the Fiscal Agent, the Paying Agents and, the case being, the Calculation Agent, are governed by, and shall be construed in accordance with, the laws of The Netherlands.

##### *(b) Jurisdiction*

The competent courts of Maastricht, The Netherlands, are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (Proceedings) may be brought in such courts. These submissions are made for the benefit of each of the Holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction.

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

Notes in respect of which the TEFRA D Rules apply, will initially be represented by a Temporary Global Note without Coupons ("**TEFRA D Global Note**") which will either be exchanged for a Permanent Global Note without Coupons or for Definitive Notes with Coupons, Talons and Receipts attached (if any). Notes in respect of which TEFRA C applies, will be represented by a Permanent Global Note or initially by a Temporary Global Note ("**TEFRA C Global Note**") which shall be exchanged for Definitive Notes with Coupons, Talons and Receipts attached (if any). Each Temporary Global Note which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on behalf of the subscribers of the relevant Notes either (i) with a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. and for Clearstream, Luxembourg and/or any other agreed clearing system or (ii) with Euroclear Netherlands on or about the issue date of the relevant Notes. Each Temporary Global Note which is intended to be issued in NGN form, as specified in the relevant Final terms, will be deposited on behalf of the subscribers of the relevant Notes with a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. and for Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for use of EU securities settlement systems in the European System of Central Banks ("**ESCB**") credit operations" of the central banking system of the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear Bank S.A./N.V. and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear Bank S.A./N.V. and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

No interest will be payable in respect of a TEFRA D Global Note except as provided below.

Upon deposit of the Temporary Global Note with the Common Depositary, the Common Safekeeper or Euroclear Netherlands, Euroclear Bank S.A./N.V., Clearstream, Luxembourg, Euroclear Netherlands or any other agreed clearing system will credit each subscriber with a nominal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Each of the persons shown in the records of Euroclear Bank S.A./N.V., Euroclear Netherlands or Clearstream, Luxembourg as the holder of a Note represented by a Global Note must look solely to Euroclear Bank S.A./N.V., Euroclear Netherlands or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear Bank S.A./N.V., Euroclear Netherlands and Clearstream, Luxembourg. Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

In case of Notes represented by a Permanent Global Note deposited with Euroclear Netherlands, a Noteholder shall not have the right to request delivery (*uitlevering*) of his Notes under the Dutch Securities Giro Transfer Act (*Wet giraal effectenverkeer*) other than on the occurrence of an Exchange Event as described below.

The following legend will appear on all Global Notes deposited with Euroclear Netherlands:

"Notice: This Note is issued for deposit with Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (Euroclear Netherlands) at Amsterdam, The Netherlands. Any person being offered this Note for transfer or any other purpose should be aware that theft or fraud is almost certain to be involved."

The Temporary Global Notes and the Permanent Global Notes contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

## **1. Exchange**

On or after any Exchange Date (as defined below), each TEFRA D Global Note will be exchangeable, free of charge to the holder, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Fiscal Agency Agreement for interests in a Permanent Global Note or for Definitive Notes with Coupons, Talons and Receipts attached (if any) (provided that the latter may only be the case in the event that the multiple tradable amount of the Notes is an integral of the Specified Denominations of the relevant Notes).

Each TEFRA C Global Note will be exchangeable for Definitive Notes with Coupons, Talons and Receipts attached (if any) (provided that this may only be the case in the event that the multiple tradable amount of the Notes is an integral of the Specified Denominations of the relevant Notes).

On or after any Exchange Date, each Permanent Global Note will be exchangeable, free of charge to the holder, in whole but not, except as provided in the paragraphs below, in part, to the extent permitted by the rules of Euroclear Bank S.A./N.V., Euroclear Netherlands and Clearstream, Luxembourg, for Definitive Notes:

- (i) by the Issuer giving notice to the Noteholders and the Agent of its intention to effect such exchange, unless principal in respect of any Notes is not paid when due;
- (ii) if the relevant Final Terms provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Agent of its election for such exchange, provided that this may only be the case in the event that the multiple tradable amount of the Notes is an integral of the Specified Denomination of the relevant Notes;
- (iii) otherwise, (1) if the Permanent Global Note is held on behalf of Euroclear Bank S.A./N.V., Euroclear Netherlands or Clearstream, Luxembourg and any

such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Agent of its election for such exchange (each an "**Exchange Event**").

If a Global Note is exchangeable for Definitive Notes at the option of the Noteholders, the Notes shall be tradable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) on or following any failure to pay principal in respect of any Notes when it is due and payable or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

The holder of a Permanent Global Note may surrender the Permanent Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Agent. In exchange for any Permanent Global Note, or the part thereof to be exchanged, the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts which have not already been paid on the Permanent Global Note and a Talon), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 2 to the Fiscal Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

"**Exchange Date**" means, in relation to a Tranche issued on a non-syndicated basis, a date which shall be not earlier than the date which is 40 days (and, in the case of Notes deposited with Euroclear Netherlands, no more than 90 days) after the later of the date on which the Notes are first offered to persons other than distributors and the Issue Date, or, in relation to a Tranche issued on a non-syndicated basis, the fortieth day following the date certified by the lead manager of the syndicated issue to the Fiscal Agent as being the date as of which distribution of the Notes of that Tranche was completed.

## **2. Payments**

Payments of both principal and interest in respect of a TEFRA D Global Note will be made only to the extent that certification of non-U.S. beneficial ownership as required by U.S. securities law and U.S. Treasury Regulations (in the form set out in the Temporary Global Note) has been received from the relevant clearing system in accordance with the terms thereof.



### **3. Notices**

So long as any Notes are represented by a Permanent Global Note and such Permanent Global Note is held on behalf of either (i) a Common Depositary or Common Safekeeper (as applicable) for Euroclear Bank S.A./N.V. and Clearstream, Luxembourg or (ii) with Euroclear Netherlands, notices to Noteholders of that Series may be given by delivery of the relevant notice to Euroclear Bank S.A./N.V. and to Clearstream, Luxembourg, or to Euroclear Netherlands (as applicable) for communication by them to entitled accountholders in substitution for publication as required by the Conditions.

### **4. Prescription**

Claims against the Issuer in respect of the Notes which are represented by a Permanent Global Note will become void unless it is presented for payment within a period of five years from the date on which payment first becomes due.

### **5. Meetings**

The holder of a Permanent Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum Denomination of Notes for which such Permanent Global Note may be exchanged.

### **6. Purchase and Cancellation**

Cancellation of any Note surrendered for cancellation by the Issuer following its purchase will be effected by reduction in the principal amount of the relevant Permanent Global Note.

### **7. Issuer's Option**

No drawing of Notes will be required under Condition 5(c) and (d) in the event that the Issuer exercises any option relating to those Notes while all such Notes which are outstanding are represented by a Permanent Global Note. In the event that any option of such Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with Euroclear Bank S.A./N.V., Euroclear Netherlands and Clearstream, Luxembourg in respect of the Notes will be governed by the standard procedures of Euroclear Bank S.A./N.V., Euroclear Netherlands and Clearstream, Luxembourg.

### **8. Noteholders' Option**

Any Noteholders' option may be exercised by the holder of a Permanent Global Note giving notice to the Agent of the principal amount of Notes in respect of which the option is exercised and presenting such Permanent Global Note for endorsement of exercise within the time limits specified in the Conditions.

### **9. Default**

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 9 by stating in the

notice to the Agent the principal amount of such Global Note that is becoming due and repayable.

#### **10. Partly Paid Notes**

The provisions relating to Partly Paid Notes will be contained in the Global Notes. For so long as any instalments of the subscription moneys due from the holder of Partly Paid Notes are due, no interest in a Temporary Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). In the event that any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer will be entitled to forfeit such Notes and shall have no further obligation to their holder in respect of them.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.*

[Date]

**Koninklijke DSM N.V.**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the EUR 3,000,000,000

Debt Issuance Programme

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 16 December 2010 which constitutes a base prospectus for the purposes of the Prospectus Directive (as defined below). This document constitutes the Final Terms applicable to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. A copy of this Base Prospectus can be obtained from the registered office of DSM and from the specified office of the Fiscal and Paying Agent.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EC.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a prospectus with an earlier date, the Conditions of which will need to be incorporated by way of a supplement into the Base Prospectus.]*

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the prospectus dated [original date], which have been incorporated by reference into the Base Prospectus. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (as defined below) and must be read in conjunction with the Base Prospectus dated 16 December 2010, which constitutes a base prospectus for the purposes of the Prospectus

Directive. The Base Prospectus includes the Conditions that are incorporated by reference into it [and that, for the avoidance of doubt, are attached hereto]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 16 December 2010 (as supplemented). A copy of this Base Prospectus can be obtained from the registered office of DSM and from the specified office of the Fiscal and Paying Agent.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EC.

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

1 Issuer: [ ]

2 [(i)]Series Number: [ ]

[(ii) Tranche Number: [ ]

*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]*

3 Specified Currency or Currencies: [ ]

4 Aggregate Nominal Amount: [ ]

[(i)]Series: [ ]

[(ii)]Tranche: [ ]

5 Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]

6 (i) Specified Denominations: [ ]

*[Note: where multiple denominations of [EUR 50,000/ 100,000] or equivalent are being used the following sample wording should be*

*followed:*

*"[EUR 50,000/ 100,000] and integral multiples of [EUR 1,000] in excess thereof up to an including [EUR 99,000/ 199,000]"*

*No Notes in definitive form will be issued with a denomination above [EUR 99,000/ 199,000]"*

(ii) Calculation Amount:

[ ]

7 [(i)] Issue Date:

[ ]

[(ii)] Interest Commencement  
Date:

[ ]

8 Maturity Date:

[ ] *[Fixed rate – specify date / Floating rate – Interest Payment Date falling in or nearest to [specify month and year]]*

9 Interest Basis:

[[•] % Fixed Rate]

[[LIBOR/EURIBOR] +/- [•] % Floating Rate]

[Zero Coupon]

[Index Linked Interest]

[Dual Currency Interest]

[Other (specify)]

(further particulars specified below)

10 Redemption/Payment Basis:

[Redemption at par]

[Index Linked Redemption]

[Dual Currency Redemption]

[Partly Paid]

[Instalment]

[Other (specify)]

*[(N.B. If the Final Redemption Amount is less than 100% of the nominal value the Notes may be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus*

		<i>Regulation will apply.)]</i>
<b>11</b>	Change of Interest Basis or Redemption/Payment Basis:	<i>[Specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis]</i>
<b>12</b>	Put/Call Options:	[Investor Put]  [Issuer Call]  [(further particulars specified below)]
<b>13</b>	[Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]]  <i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]</i>
<b>14</b>	Method of distribution:	[Syndicated/Non-syndicated]
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>		
<b>15</b>	Fixed Rate Note Provisions	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i)	Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi annually/quarterly/ monthly] in arrear]  <i>(if payable other than annually, consider amending Condition [Interest])</i>
(ii)	Interest Payment Date(s):	[[ ] in each year [adjusted in accordance with [specify Business day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]  <i>(N.B. This will need to be amended in the case of long or short coupons)</i>
(iii)	Fixed Coupon Amount[(s)]:	[ ] per Calculation Amount
(iv)	Broken Amount(s):	[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]
(v)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]

- (vi) Determination Date(s): ☐ in each year
- (Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon .N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: ☐ [Not Applicable/give details]

**16 Floating Rate Note Provisions**

☐ [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Specified Period(s) ☐ [ ]
- (ii) Specified Interest Payment Dates: ☐ [ ]
- (iii) First Interest Payment Date:
- (iv) Business Day Convention: ☐ [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ (specify other)]
- (v) Additional Business Centre(s): ☐ [ ]
- (vi) Manner in which the Rate of Interest and Interest Amount is/are to be determined: ☐ [Screen Rate Determination/ISDA Determination/other (give details)]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): ☐ [ ]
- (viii) Screen Rate Determination:

- Reference Rate: [ ]  
  
*(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Fiscal Agency Agreement)*
- Interest Determination Date(s): [ ]  
  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which TARGET2 is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: [ ]  
  
(ix) ISDA Determination:
- Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
  - (i) Margin(s): [ +/- ] [ ] per cent per annum
  - (ii) Minimum Rate of Interest: [ ] per cent per annum
  - (iii) Maximum Rate of Interest: [ ] per cent per annum
  - (iv) Day Count Fraction: [Actual/365] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [30E/360] [Other]  
  
*(See Condition [Interest] for alternatives)*



- (v) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]

**17 Zero Coupon Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) [Amortisation/ Accrual] Yield: [ ] per cent. per annum

- (ii) Reference Price: [ ]

- (iii) Any other formula/basis of determining amount payable: [ ]

- (iv) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions [Redemption and Purchase - Early Redemption Amounts] (c) and [- Late Payment on Zero Coupon Notes] apply/specify other]

*(Consider applicable day count fraction if not U.S. dollar denominated)*

**18 Index-Linked Interest Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Index/Formula: [give or annex details]

- (ii) Calculation Agent responsible for calculating the interest due: [ ]

- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable [ ] *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (v) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ *specify other*]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (ix) Maximum Rate/Amount of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]

## 19 Dual Currency Note Provisions

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: *[give or annex details]*

- |       |   |   |
|-------|---|---|
| (ii)  | Calculation Agent, if any, responsible for calculating the principal and /or interest payable:        | [ ]   |
| (iii) | Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: | <i>[need to include a description of market disruption or settlement disruption events and adjustment provisions]</i> |
| (iv)  | Person at whose option Specified Currency(ies) is/are payable:  | [ ]   |

## PROVISIONS RELATING TO REDEMPTION

- |           |  |   |
|-----------|--|---|
| <b>20</b> | (Issuer) Call Option:  | [Applicable/Not Applicable]   |
|           |  | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i)       | Optional Redemption Date(s):   | [ ]   |
| (ii)      | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [ ] per Calculation Amount  |
| (iii)     | If redeemable in part:   |   |
| (iv)      | Minimum Redemption Amount:   | [ ] per Calculation Amount  |
| (v)       | Maximum Redemption Amount:   | [ ] per Calculation Amount  |

- (vi) Notice period (if other than as set out in the Conditions):

[ ]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

**21 (Investor) Put Option:**

[Applicable/exercisable on Change of Control only/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s):

[ ]

- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):

[ ] per Calculation Amount

- (iii) Notice period (if other than as set out in the Conditions):

[ ]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*

**22 Final Redemption Amount of each Note:**

[ ] per Calculation Amount

*(N.B. If the Final Redemption Amount is less than 100% of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

**23 Early Redemption Amount**

[ ]

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Condition [Redemption, Purchase and Options – Early Redemption]):

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

**24 Form of Notes:**

**Bearer Notes:**

Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice/ given at any time/only upon an Exchange Event]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] [other]

*(Ensure that this is consistent with the wording in the Base Prospectus and the Notes themselves)*

**25 New Global Note form:**

[Applicable / Not applicable]

**26 Additional Financial Centre(s) or other special provisions relating to Payment Days:**

[Not Applicable/give details.] *(Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(iv) and 18(ix) relates)*

**27 Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):**

[Yes/No. *If yes, give details*]

- 28** Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:
- [Not Applicable/give details. *N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
- 29** Details relating to Instalment Notes:
- [Not Applicable/give details]
- (i) Instalment Amount(s):
- (ii) Instalment Date(s):
- 30** Redenomination:
- Redenomination [not] applicable
- (If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
- 31** Other final terms:
- [Not Applicable/give details]
- (When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*
- (If the Notes are derivative securities, the following items will be set out here:*
- (i) a description of the settlement procedure;*
- (ii) a description of how any return on the Notes takes place, the payment or delivery date, and the way it is calculated; and*
- (iii) the exercise or the final reference price of the underlying.)*
- 32** Taxation:
- [7(a) of the Conditions applicable] / [7(b) of the Conditions applicable]

## DISTRIBUTION

- 33 (i) If syndicated, names of Managers [underwriting commitments and, if partly underwritten, the portion not underwritten]: [Not Applicable/ give names [and underwriting commitments]]  
*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give names]
- 34 If non-syndicated, name of relevant Dealer: [Not Applicable/give names]
- 35 Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/ TEFRA C/TEFRA not applicable]
- 36 Additional selling restrictions: [Not Applicable/give details]

## [LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the EUR 3,000,000,000 Debt Issuance Programme of Koninklijke DSM N.V.]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[•] has been extracted from [•]]. [The] Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [Euronext Amsterdam by NYSE Euronext /other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[[Other]: [ ]]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

[[Name of credit rating agency] [is/is not] established in the European Union and [is/is not] registered in under the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.] *(Include for issuances of Notes which require the publication of a prospectus under the Prospectus Directive.)*



3. **[NOTIFICATION]**

The Authority for the Financial Markets (*Autoriteit Financiële Markten*) [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]**

"Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer." *Amend as appropriate if there are other interests*]

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[ (i) Reasons for the offer [ ] (*See ["Use of Proceeds"] wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*.)]

[ (ii) Estimated net proceeds: [ ]  
*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[ (iii) Estimated total expenses: [ ] *[Include breakdown of expenses]*  
*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

6. **[Fixed Rate Notes only - YIELD]**

Indication of yield: [ ]

The yield is calculated at the Issue Date on

the basis of the Issue Price. It is not an indication of future yield

**7. [Index-Linked Notes only – PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.*

**8. [Dual Currency Notes only - PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]*

**9. OPERATIONAL INFORMATION**

- |       |  |  |
|-------|--|--|
| (i)   | ISIN Code:   | [ ]  |
| (ii)  | Common Code:   | [ ]  |
| (iii) | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, Société Anonyme and the relevant identification number(s): | [Not Applicable/give name(s) and number(s)]  |
| (iv)  | Delivery:  | Delivery [against/free of] payment   |
| (v)   | Names and addresses of additional Paying Agent(s) (if any):  | [ ]  |
| (vi)  | Intended to be held in a manner which would allow Eurosystem eligibility:  | <p>[Yes][No][Not Applicable]</p> <p>[Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited</p> <p>(i) with Clearstream Banking, Frankfurt am Main or (ii) with one of the ICSDs as common safekeeper and</p> |

does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][include this text if "yes" selected in which case the Notes must be issued in NGN form]

- (vii) Offer Period in case of public offer only):

[[The offer of the Notes is expected to open at [[ ] hours([ ] time) on [ ] and close at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced in

[ ].]

[The Issuer reserves the right to withdraw the offer of the Notes until [ ] at the latest. Such withdrawal will be announced in the aforementioned publications.]

[The aggregate principal amount of the Notes to be issued and allotted will be announced by the Issuer at [ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced in the aforementioned publications.]

[The Issuer reserves the right to increase or decrease the aggregate principal amount of the Notes to be issued. Such increase or decrease will be announced in the aforementioned publications]

[[No]/[D/d]ealing in the Notes will be possible before the aggregate principal amount of the Notes is

		announced as set out above.]
		[Not Applicable]]
(viii)	Reduction of subscriptions:	<p>[[Subscriptions in excess. If the Issuer determines to increase the aggregate principal amount of the Notes to be issued this will be announced by the Issuer at</p> <p>[ ] hours ([ ] time) on [ ] or such earlier or later date or time as the Issuer may determine and will be announced in the aforementioned publications.]</p> <p>[Not Applicable]]</p>
(ix)	Maximum and minimum subscription amount:	[[ ] and [ ]]
(x)	Details of the methods and time limits for paying up and delivering the Notes	<p>[Not Applicable/ give details]</p> <p><i>(Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.)</i></p>

## **USE OF PROCEEDS**

Unless specified otherwise in the applicable Final Terms, the net proceeds from each issue of Notes will be applied by the Issuer for its general purposes. If in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF THE ISSUER

### GENERAL INFORMATION ON THE ISSUER

#### Incorporation and history

DSM was established in 1902 as a State Agency for the exploitation of underground coal reserves in the province of Limburg and later diversified into ammonia and fertiliser production using by-products from coal gasification. In the 1960s, the Dutch government decided to close down the coal mining activities for economic reasons. From the 1930s DSM acquired expertise in the field of chemicals. DSM continuously expanded its chemical activities, both domestically and internationally, becoming increasingly active in additional downstream products such as plastics, industrial and specialty chemicals. This gradual transition towards increasing the share of the business made up of downstream activities with higher added value products has accelerated since the privatisation of DSM. This transition accelerated with the divestment of petrochemical activities in 2002 and the urea licensing and energy activities in 2009. Today DSM earns a major part of its revenues from nutritional products and performance materials.

DSM was wholly owned by the State of The Netherlands (the "**State**") until 1989, when the Dutch government sold a combined 69% stake in DSM through two public offerings. In February 1996, the State reduced its stake in DSM by a further 20%, through the conversion of 22.02 million ordinary shares into cumulative preference shares "A" on a one for one basis. These preference shares were sold to four Dutch investors in the form of 5% packages. The privatisation was completed in March 1996 with the State's disposal of its remaining 11% stake.

Koninklijke DSM N.V. was incorporated on 28 December 1966 under Dutch law as a public limited liability company (*naamloze vennootschap*) for an unlimited period of time and is registered at the Commercial Register of the Chamber of Commerce and Industries for Zuid-Limburg under number 14022069. The articles of association were last amended by notarial deed on 8 July 2009 in respect of which instrument the ministerial statement of no objection was granted on 25 April 2009. For a copy of the articles of association, see the website [www.dsm.com](http://www.dsm.com). The Issuer operates under Dutch law.

The address of the Issuer's registered and principal executive office is Het Overloon 1, 6411 TE Heerlen, The Netherlands, telephone number +31 45 578 8111.

#### Capitalisation

The authorised share capital amounts to EUR 1,125 million consisting of (a) 330,960,000 ordinary shares, (b) 44,040,000 cumulative preference shares "A" and (c) 375,000,000 cumulative preference shares "B". The ordinary shares, the cumulative preference shares "A" and the cumulative preference shares "B" have a nominal value of EUR 1.50 each.

The issued and paid-up share capital as per 30 November 2010 amounts to EUR 338,197,500 consisting of 181,425,000 ordinary shares and 44,040,000 cumulative preference shares "A". Of the issued ordinary shares 16,223,353 are held by DSM as treasury stock as per 30

November 2010. As per 30 November 2010, there are no cumulative preference shares "B" outstanding.

The ordinary shares are officially listed on Euronext Amsterdam. In the USA a sponsored unlisted American Depositary Receipts (ADR) programme has been run via Citibank N.A. since December 2001. Four ADRs represent one ordinary DSM share.

The 44,040,000 cumulative preference shares "A" are registered shares that are not listed on any stock exchange. They are held by three institutional investors in The Netherlands. They have been assigned the same voting rights as ordinary shares. The dividend on these cumulative preference shares "A" amounts to 4,35% of the issue price of EUR 5.2942 per share.

In 2006, DSM launched a share buy-back programme to optimise balance sheet structure with a total value of EUR 750 million. For tax reasons, the execution of this share buy-back programme was split over 2006 and 2007. In 2006, 6.7 million shares and in 2007 another 13,8 million shares were repurchased (overall 20.5 million shares with an average share price of EUR 36,54), which equals approximately 10% of the total number of ordinary shares in issue. All shares bought under the programme were cancelled so that the issued ordinary shares were reduced from 201,953,008 to 181,425,000.

On 27 September 2007, DSM launched another share buy-back programme for an amount of EUR 750 million. In both 2007 and 2008 DSM bought 6,855,000 and 6,615,000 shares, respectively, for a total consideration of EUR 500 million. On 18 February 2009, DSM decided to cancel the remaining part of EUR 250 million of the share buy-back programme. The shares bought are held in treasury and were not cancelled.

## **Shareholders**

Under the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, and supplementing regulations), shareholdings of 5% or more in any Dutch listed company must be disclosed to the Netherlands Authority for the Financial Markets (AFM). According to the register kept by the AFM the following shareholders had disclosed that they owned between 5% and 10% of DSM's total share capital on 30 November 2010:

- ASR Nederland N.V.
- Aviva Plc.
- Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

## **Objective**

According to article 3 of the articles of association, the Issuer's objective is to operate in the field of industry (especially the chemical industry), mining, commerce and transport, everything in the widest sense of the word, and the formation, acquisition and financing of, participation in and management of other companies. Within the scope of its normal business operations, DSM shall seek a long-term welfare policy and maximum gainful employment, this being:

- (a) to care for the direct interests of all those whose income is dependent on the existence and prosperity of DSM;
- (b) to promote the indirect interests of those for whose well-being DSM's social function is of importance.

## **Structure and grouping of activities (clusters)**

### ***General***

Koninklijke DSM N.V. creates solutions that nourish, protect and improve performance. Its end markets include human and animal nutrition and health, personal care, pharmaceuticals, automotive, coatings and paint, electrical and electronics, life protection and housing. DSM manages its business with a focus on economic performance, environmental quality and social responsibility, which it pursues simultaneously and equally.

Koninklijke DSM N.V. is a group holding company that conducts business internationally through its subsidiaries and joint ventures. Koninklijke DSM N.V. does not conduct any material business operations of its own. For a detailed list of subsidiaries, joint ventures and associates of the Company as at 31 December 2009, see the website [www.dsm.com](http://www.dsm.com).

The group has annual net sales of around EUR 7.9 billion and employs about 22,200 people (mid 2010) and is headquartered in the Netherlands with locations on five continents. The ordinary shares of DSM are listed on Euronext Amsterdam.

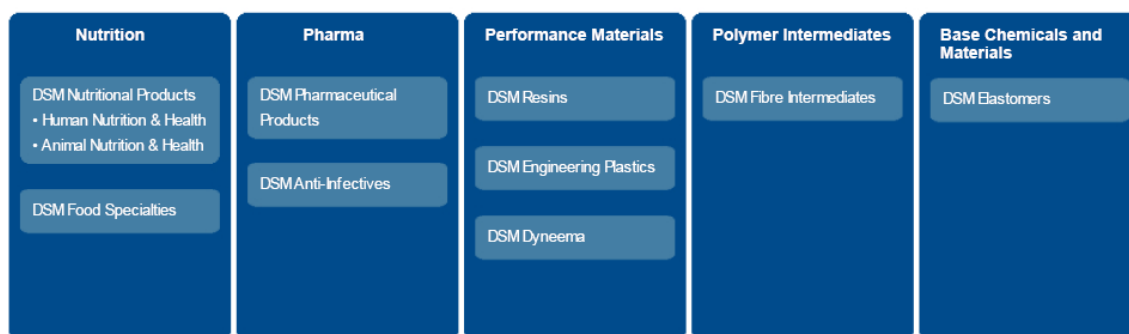
In 2010 DSM was again named as worldwide leader in the chemical industry sector in the Dow Jones Sustainability World Index. In 2004, 2005, 2006 and 2009 DSM was already named the worldwide leader of sustainability in this sector. In 2007 and 2008 it also ranked amongst the leaders in the sector (see [www.sustainability-index.com](http://www.sustainability-index.com)).

On 22 September 2010, during the opening week of the United Nations' General Assembly, DSM received a World Business and Development Award for its contribution to helping achieve the United Nations Millennium Development Goals (MDGs). DSM was honoured for its innovative and targeted solutions specifically designed to meet the nutritional requirements of those in the developing world.

As of 1 January 2008 DSM's activities are grouped into five reporting clusters to reflect DSM's accelerated shift to Life Sciences and Materials Sciences: Nutrition, Pharma, Performance Materials and Polymer Intermediates as well as the non-core Base Chemicals and Materials cluster, which consists of activities that will be divested as set out in the Vision 2010 Strategy. DSM has made substantial progress with the portfolio transformation. A significant proportion of the planned divestment programme has been completed. DSM remains committed to pursuing attractive growth opportunities to further accelerate its evolution towards a Life Sciences and Materials Sciences company. DSM will, however, maintain its disciplined acquisition policy as disclosed in the new strategy announced on 23 September 2010.

### ***Organisation diagram***





### *Description per cluster*

This section includes several statements regarding the competitive position of DSM. These statements are based on own market research and sources - often reports from third parties - that DSM deems reliable.

### Nutrition

The Nutrition cluster comprises DSM Nutritional Products and DSM Food Specialties. The nutrition and food ingredients businesses serve the food, feed, cosmetic and pharmaceutical industries. Activities are based on an in-depth knowledge of customer/market needs. With customised formulation activities (being the transformation of chemicals and other ingredients into end products and marketable forms) in more than 44 locations and a marketing/sales presence reaching over 60 countries, customer intimacy is a key success factor. Technical skills are based on application know-how and innovation translating market needs into products/services with new benefits. Manufacturing technologies in the Nutrition cluster are largely based on biotechnology, fermentation, chemical process technology and particle engineering. The cluster holds leading positions in the ingredient markets for human and animal nutrition and health. The nutrition cluster's share in DSM's overall net sales was approximately 36 % in 2009.

**DSM Nutritional Products** is the world's leading supplier of vitamins, carotenoids, nutritional ingredients, UV filters and premixes for human and animal nutrition and health. It also has the most complete feed enzymes portfolio worldwide. Its main customers are feed, food, beverage, dietary supplement, pharmaceutical, personal care and flavor/fragrance companies.

DSM Nutritional Products is the only producer in the world who can supply the complete range of vitamins and carotenoids in the most suitable forms for all possible human and animal uses. It thus has the ability to differentiate across the entire value chain.

With 10 large production sites in Europe, the United States and China, over 45 premix plants across the globe, 5 R&D centres in Europe and China and 40 sales offices in all main regions of the world, DSM Nutritional Products is never far away from its customers.

**DSM Food Specialties** is a leading global manufacturer of food enzymes, cultures, yeast extracts 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 food brands for the dairy, baking, fruit juice, beer, wine, savory and functional food segments.

**DSM Food Specialties** comprises two business units and an Ingredients Development Unit.

Enzymes & Dairy Ingredients supplies a wide range of food enzymes for applications such as dairy, baking, fruit processing, brewing and wine, starter cultures for cheese and yogurt, preservation solutions for cheese and meat, and tests for the detection of residues of antibiotics in milk. DSM is one of the leading suppliers of food enzymes and dairy ingredients in the world.

Savoury Ingredients is a major supplier of ingredients for flavorings and flavor enhancers (such as yeast extracts) used in products such as soups, instant meals, sauces and savory snacks.

### Pharma

The Pharma cluster comprises the business groups DSM Pharmaceutical Products and DSM Anti-Infectives. DSM is one of the world's leading independent suppliers to the pharmaceutical industry. Many of today's medicines around the world contain ingredients produced by DSM. DSM Anti-Infectives is one of the few penicillin producers outside of China. The pharma cluster's share in DSM's overall net sales is approximately 9% in 2009.

**DSM Pharmaceutical Products** is a leading provider of high quality custom contract manufacturing and development services to the pharmaceutical, biopharmaceutical and agrochemical industries. Customers around the world are serviced from five manufacturing sites in the United States and Europe. Among these customers are eighteen of the top twenty pharmaceutical companies and the top three agrochemical companies as well as a large number of biotech, specialty and emerging companies across the globe.

The business group focuses on the innovative (bio) pharma market as well as the merchant pharma fine chemicals markets.

DSM Pharmaceutical Products consists of the following business units: DSM Pharma Chemicals (custom chemical manufacturing services for complex registered intermediates and active pharmaceutical ingredients (APIs), including DSM Exclusive Synthesis (custom manufacturing services for the crop protection industry)), DSM Biologics (biopharmaceutical manufacturing technology and services), DSM Pharmaceuticals, Inc. (finished-dose-form manufacturing services) and DSM BioSolutions (custom manufacturing services based on microbial fermentation).

**DSM Anti-Infectives** holds global leadership positions in penicillin G, penicillin intermediates (6-APA and 7-ADCA), active pharmaceutical ingredients such as semi-synthetic penicillins and semi-synthetic cephalosporins (beta-lactams), and other active ingredients such as nystatin.

DSM Anti-Infectives is one of the world's leading suppliers of active pharmaceutical ingredients (APIs). Not only is DSM Anti-Infectives one of the few penicillin producers

outside of China, it is also one of the few API manufacturers that continuously invest in R&D for generic antibiotics.

DSM Anti-Infectives defined a strategy in 2007 that is aimed at actively maintaining this leadership position via customer intimacy in the different markets and technological innovations leading to both further improved production and a strengthened product portfolio in generic active ingredients. This will be achieved by actively seeking partnerships and where necessary rationalising parts of the portfolio.

### Performance Materials

The Performance Materials cluster comprises the business groups DSM Engineering Plastics, DSM Dyneema and DSM Resins. All of these specialise in the manufacture of technologically sophisticated, high-quality products that are tailored to meet customers' performance criteria. The products are used in a wide variety of end-use markets: the automotive industry, the aviation industry, the electrics & electronics industry, the sports and leisure industries, the coatings industry and the construction industry. The performance material clusters' share in DSM's overall net sales is approximately 24% in 2009.

**DSM Engineering Plastics** is a global player in polyamides, polyesters, polycarbonate and adhesive resins. These materials are used mainly in technical components for the electrics and electronics, automotive, engineering and packaging industries. With a global market share of about 5%, DSM is one of the world leaders. DSM is the global market leader in high-heat polyamide.

During this year, DSM announced and completed a business swap with Mitsubishi Chemical to acquire Mitsubishi's PA6 business in exchange for DSM's polycarbonate business. This gives DSM Engineering Plastics a leadership position in Japan in PA6, and will further strengthen DSM's global leadership position in this product line.

**DSM Dyneema** is the inventor, manufacturer and marketer of Dyneema® (a high modulus-polyethylene fibre) which is the strongest fibre in the world on a weight-for-weight basis. It is an important component in ropes, cables and nets in the fishing, shipping and offshore industries. Dyneema® is also used in safety gloves for the metalworking industry and in fine yarns for applications in sporting goods. In addition, it is used in life protection applications for law-enforcement personnel and armed forces. Dyneema Purity® is a special grade for applications in the medical sector. Dyneema® is produced in Heerlen (Netherlands) and in Greenville, North Carolina (United States). DSM Dyneema is also a partner in a high-modulus-polyethylene (HMPE) manufacturing joint venture in Japan.

**DSM Resins** is a global player in the manufacturing, marketing and sale of high-quality resins for the coatings and composites industries. DSM is also the world leader in fiber optic coatings. By focusing on value-added and eco-friendly solutions, DSM Resins is able to capture many growth opportunities thanks to its market driven innovation efforts. DSM Resins consists of four business units: DSM NeoResins+, DSM Powder Coating Resins, DSM Desotech and DSM Composite Resins.

DSM Resins holds global No.1 positions in powder coating resins, liquid specialty resins and coatings for fiber optic materials. DSM Resins is the European leader in composite resins.

*DSM Powder Coating Resins* is the only global, committed and innovative polyester powder coating resins supplier. With an ongoing focus on innovation, the company designs, manufactures and markets resins for the global powder coatings industry. DSM's Powder Coating Resins products enhance the effectiveness of powder coating technology due to a winning combination of features: ecologically sound, cost effective, energy efficient, high performance products. These products are used in a wide range of powder coating applications from architectural, domestic appliance, and automotive to general industrial applications.

*DSM NeoResins+* is a global, customer-oriented leader in specialty resins. Application driven, DSM NeoResins+ is geared to specific business segments and organised in four units linked to these business segments. The global responsibility of the four units ensures fast decision making and short time to market. In line with DSM's corporate strategy, DSM NeoResins+ strives to be among the world's leading industries in the areas of safety, health and environmental management. One of our key priorities is to design resin systems with tomorrow's environmental requirements in mind, guided by total responsibility for the impact of the product.

*DSM Desotech* is a world leader in the development of high-performance ultraviolet light (UV) curable materials used in a variety of today's top industries. In telecommunications, DSM Desotech protects today's network investments by developing better fiber optic coatings that prevent signal loss, give fiber a longer lifespan, provide more reliable field performance, and make higher bandwidth possible. DSM Desotech develops high-performance solid imaging materials through its subsidiary business, DSM Somos®. Somos materials are used directly in prototype parts or small quantity production parts, as well as in the development of precise tooling and other solid imaging applications. DSM Desotech has established a global network that makes it easy to do business from just about anywhere. Research and manufacturing facilities are located in the United States, Europe, China and Japan, and sales agents operate from more than 25 different countries worldwide.

*DSM Composite Resins* The DSM Composite Resins business unit is the European market leader in unsaturated polyesters (UPE) and is the global market leader in sizings and binders (DSM Neoxil), which are vital functional components that facilitate the production of glass fiber reinforcements and enhance their performance. DSM Composite Resins develops high quality UPE resins like Vinyl esters that are used for the production of fiber-reinforced plastics or non-reinforced filled products in end-use applications such as marine, tanks & pipes, cure in place pipe, automotive and wind turbine blades. The launch of an innovative new family of thermosetting resins; thermosetting urethane - TURANE resins - have just been introduced to the market by DSM Composite Resins. This new range of resins combines advanced properties with fast processing speed and results in excellent mechanical and thermal resistance properties with superior adhesion to fiber reinforcements. DSM Composite Resins also has its own pan-European distribution Group (Euroresins) with high technical and logistical services.

### *Polymer Intermediates*

The Polymer Intermediates cluster consists of DSM Fibre Intermediates. DSM is the global leader in the supply and production technology of caprolactam, the raw material for Nylon-6. We produce on three continents and supply customers all over the world. And DSM Acrylonitrile is one of the leading manufacturers of acrylonitrile. The polymer intermediates cluster's share in DSM's overall net sales is approximately 11 % in 2009.

**DSM Fibre Intermediates** produces caprolactam and acrylonitrile, which are raw materials for synthetic fibers and engineering plastics. Other products include ammonium sulphate (a fertiliser), diaminobutane, sodium cyanide and cyclohexanone.

Caprolactam is the raw material for polyamide 6. This is a versatile material, which in the form of fibers is used in sports and leisure clothes, tires and carpets. It is increasingly used as high-performance construction material in, for example, the electronics and automotive industries and in packaging materials.

Polyamide 6 has reached the mature phase of its life cycle, where market demand and selling prices are strongly influenced by supply/demand cycles. It is facing competition from other materials, such as polyamide 66, polyester and polypropylene. DSM Fibre Intermediates, with plants in the Netherlands, the United States and China, is the largest merchant caprolactam producer in the world with a market share of 20%. In addition, the business group produces about 1.2 million tons per annum (tpa) of fertiliser (ammonium sulphate) as a co-product.

Acrylonitrile is a raw material used in textile fibers, ABS plastics, latex rubber and water-purification products. The business group's acrylonitrile production capacity is 260,000 tpa. DSM Fibre Intermediates also produces about 25,000 tpa of sodium cyanide, which is used in detergents and in the synthesis of vitamins. It also produces diaminobutane, an intermediate for the engineering plastic Stanyl®.

### *Base Chemicals and Materials*

After the successful sales on 1 June 2010 of DSM Agro and DSM Melamine, on 1 October 2010 of Citrique Belge and on 1 November 2010 of DSM Thermoplastic Elastomers as part of the divestment programme, the Base Chemicals and Materials cluster consists of DSM Elastomers and a number of activities that have been carved out from other clusters a.o. DSM Special Products B.V. DSM Elastomers manufactures synthetic rubbers (EPDM) for use in cars and other transportation vehicles, white goods, various industrial products and construction materials and as motor-oil additives. The Base Chemical and Materials is identified as non-core and the intention is that it will be divested.

The base chemicals and materials cluster's share in DSM's overall net sales was approximately 15 % in 2009.

**DSM Elastomers** manufactures synthetic rubbers (EPDM) for use in cars and other transportation vehicles, white goods, various industrial products and construction materials and as motor-oil additives. The group is one of the global market leaders in EPDM rubber with a market share of 16%. DSM Elastomers has production plants in Geleen (Netherlands)

and Triunfo (Brazil). On 14 December 2010 DSM announced to have reached an agreement regarding the sale of the remaining part of DSM Elastomer to LANXESS. The intended sale is expected to close in the first months of 2011, subject to regulatory and other customary approvals and notifications.

With the interim report on its second quarter and half year, DSM announced that it had reached an agreement with Emerald Performance Materials (owned by an affiliate of Sun Capital Partners) regarding the sale of DSM SpecialProducts B.V. The sale is subject to regulatory and other customary approvals and notifications and is expected to close in the fourth quarter of 2010.

### *Innovation and R&D*

Innovation is a key element of DSM's Vision 2010 strategy. DSM continues to focus on R&D product introductions, acquisitions, open innovation and cooperation with the academic world, in order to achieve additional innovation-related sales. Fine-tuning of the innovation strategy has led to an acceleration of some 50 projects. Many innovations emerging from these projects have already found their way to the market and they all have projections that show considerably higher margins than DSM's traditional portfolio.

Substantial additional funding has been made available to step up DSM's innovation efforts. In-house activities are complemented by open-innovation tools like venturing and licensing-in. DSM has earmarked EUR 200 million for venturing investments until 2012.

R&D plays a key role in the realisation of DSM's innovation strategy. Most of the annual R&D expenditure is directed towards business -focused R&D programmes. In addition, DSM has a corporate research programme in place to build and strengthen the technological competences the Company needs to execute development projects. In 2009, DSM employed 2.160 staff in R&D activities and had an R&D expenditure of EUR 393 million or 5.1% of sales.

### Other Activities

Other activities includes the DSM Innovation Center, DSM Venturing and a number of other activities such as Sitech Services, EdeA, DSM Insurances and part of the costs of corporate activities. The other activities' share in DSM's overall net sales is approximately 5% in 2009.

### **Supervisory Board and Managing Board**

DSM has a two-tier board system, consisting of a Supervisory Board and a Managing Board.

The Supervisory Board consists of independent non-executives. The Supervisory Board is charged with the supervision of the Managing Board, the general course of affairs of the Company and the business connected with it. The Supervisory Board assists the Managing Board with advice. The Managing Board is responsible for the daily management of DSM. The composition of the Supervisory Board and the Managing Board is as follows:

- Supervisory Board: Cornelius A.J. Herkströter (chairman), Ewald Kist (deputy-chairman), Claudio Sonder, Pierre Hochuli, Tom De Swaan, Rob J. Routs.

- Managing Board: Feike Sijbesma (chairman), Nico Gerardu, Rolf-Dieter Schwalb (CFO), Stephan B. Tanda .

The business address of all members of the Supervisory Board and the Managing Board is: Koninklijke DSM N.V., Het Overloon 1, 6411 TE Heerlen, The Netherlands.

Listed below are the principal activities performed by members of the Supervisory Board and the Managing Board outside Koninklijke DSM N.V. None of the members of the Supervisory Board and the Managing Board have any (potential) conflict between their duties to Koninklijke DSM N.V. and their private interests and other duties.

***Supervisory Board:***

***Herkströter, C.A.J.***

- chairman of the Advisory Committee of Royal NIVRA.
- emeritus professor of International Management at the University of Amsterdam.
- member of the Capital Market Committee (Netherlands Authority for the Financial Markets).
- member of the Advisory Council of Robert Bosch.

***Kist, E.***

- member of the Supervisory Board of De Nederlandsche Bank N.V.
- member of the Supervisory Board of Royal Philips Electronics N.V.
- member of the Supervisory Board of Stage Entertainment.
- member of the Supervisory Board of Moody's Investor Services.
- chairman of the Van Gogh Museum.
- member of the Board of Governors of the Netherlands America Foundation.
- member of the Board of Governors of the Peace Palace in The Hague (The Netherlands).

***Sonder, C.T.L.***

- chairman of the Board of Lojas Renner S.A.
- member of the Supervisory Board of Companhia Suzano de Papel S.A.
- member of the Supervisory Board of RBS S.A. Media Group.
- member of the Supervisory Board of Cyrela Brazil Realty S.A.
- member of the Supervisory Board of OGX S.A.

- member of the Supervisory Board of Hospital Albert Einstein.

*Hochuli, P.*

- none

*De Swaan, T.*

- non-executive director of the Board of Glaxo Smith Kline Plc.
- non-executive director of the Board of Zurich Financial Services.
- chairman of the Supervisory Board of Van Lanschot Bankiers N.V.
- member of the Supervisory Board of Royal Ahold N.V.
- member of the Board of Trustees of Netherlands Cancer Institute-Antoni van Leeuwenhoek Hospital.
- board member of Royal Concertgebouw Orchestra.

*Routs, R.J.*

- chairman of the Supervisory Board of Aegon N.V.
- member of the Supervisory Board of Royal KPN N.V.
- member of the Board of Directors of INSEAD
- member of the Board of Directors Canadian Utilities Ltd.
- member of the Economic Development Board of Singapore International Advisory Council

***Managing Board:***

*Sijbesma, F.*

- board member of CEFIC (European Chemical Industry Council).
- member of the Supervisory Board of Utrecht University.
- member of the Supervisory Board of the Dutch Genomics Initiative.
- member of the Dutch Innovation Platform 2.0.
- member of the Advisory Board of RSM Erasmus University.
- member of the Advisory Board of ECP-EPN.

*Gerardu N.H.*

- member of the Supervisory Board of voestalpine Polynorm N.V.



- chairman of the Supervisory Board of Holland Colours N.V.

*Schwalb, R.-D.*

(no supervisory directorships or other positions)

*Tanda, S.B.*

- board member of EuropaBio (European Biotechnology Industry Association).
- board member of SGCI (Swiss chemical and Pharmaceutical Industry Association).
- board member of ACC (American Chemistry Council).

#### ***Committees of the Supervisory Board:***

Pursuant to article 29 of the articles of association, the Supervisory Board has established an audit committee, a nomination committee, a remuneration committee and a corporate social responsibility committee.

##### *Audit committee*

The Audit Committee is comprised of Mr. T. de Swaan (Chairman), Mr. C. Sonder and Mr. R.J. Routs.

Working within the Supervisory Board, the Audit Committee is charged in particular with the supervision of the Managing Board with respect to:

- the operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct.
- giving advice to the Supervisory Board on the nomination by the Supervisory Board to the General Meeting of Shareholders for the appointment of the external auditor.
- where necessary, making proposals to the Supervisory Board on the policy applied in respect of the independence of the external auditor and possible (potential) conflicts of interest between the external auditor and the Company.
- preparing meetings of the Supervisory Board with the Managing Board where the annual report, the annual accounts, the half-yearly and the quarterly figures of the Company are discussed.

##### *Nomination Committee*

The Nomination Committee is comprised of Mr. C Herkströter (Chairman), Mr. E. Kist and Mr. P. Hochuli.

The Nomination Committee has the following duties:

- drafting selection criteria and appointment procedures for Supervisory Board members and Managing Board members;
- assessing at least once a year the size and composition of the Supervisory Board and the Managing Board, and to make proposals for the Supervisory Board Profile;
- assessing at least once a year the functioning of individual Supervisory Board members and Managing Board members, and report their findings to the Supervisory Board;
- making proposals for (re)appointments;
- supervising the policy of the Managing Board on the selection criteria and appointment procedures for senior management;
- preparing the decision-making process of the Supervisory Board on the acceptance by a member of the Managing Board of the membership of the Supervisory Board of a listed company; and
- preparing the decision-making process of the Supervisory Board concerning any conflicts of interest that may arise in the acceptance by members of the Supervisory Board of additional positions.

#### *Remuneration Committee*

The Remuneration Committee is comprised of Mr. C Herkströter (Chairman), Mr. E. Kist and Mr. P. Hochuli.

The Remuneration Committee has the following duties:

- drafting proposals to the Supervisory Board for the remuneration policy to be pursued for members of the Managing Board, which policy, as well as any material changes thereto, shall be submitted to the General Meeting of Shareholders for adoption;
- drafting proposals for the remuneration of the individual members of the Managing Board; such proposals shall, in any event, deal with the remuneration structure; and the amount of the fixed remuneration, shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation awarded, as well as the performance criteria and their application,
- and, if there are reasons therefore, to make proposals for changes or additions to the remuneration of individual members of the Managing Board, which remuneration and possible changes and/or additions shall be submitted for adoption to the Supervisory Board (without prejudice to the power of the Supervisory Board to delegate the final adoption to the Remuneration Committee, within the framework set by the Supervisory Board);

- to prepare the Remuneration Report referred to in clause 12.1 of the Regulations of the Supervisory Board; and
- to make proposals to the Supervisory Board for the remuneration of the individual members of the Supervisory Board, which remuneration will be submitted to the General Meeting of Shareholders for adoption.

#### *Corporate Social Responsibility Committee*

The Corporate Social Responsibility Committee is comprised of Mr. C Herkströter, Mr P Hochuli, Mr. E Kist, Mr. C Sonder, Mr. T de Swaan and Mr. R.J. Routs.

The Corporate Social Responsibility Committee has the following duties:

- preparation of discussions by the Supervisory Board on the supervision of the Managing Board with respect to formulating, developing, implementing, monitoring and reporting on the Company's social and environmental policies in line with the DSM values / Code of Business Conduct; and
- to prepare the meeting of the Supervisory Board with the Managing Board where the annual "Triple P Report", in which DSM reports also on environmental and social impact (Triple P: People, Planet, Profit), is discussed.

#### **Dutch Corporate Governance Code**

DSM supports the amended Dutch corporate governance code 2008 (Frijns Code), which can be found on [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl).

Following the publication of the amended Dutch corporate governance code in December 2008 DSM has reviewed all Principles and Best Practice provisions of the amended code and has, where applicable, taken measures to implement the amended Principles and Best Practice provisions. The Regulations of the Managing Board and the Supervisory Board and the Charters of the Supervisory Board committees have been brought in line with the amended code.

The new Remuneration Policy, which has been approved by the Annual General Meeting of Shareholders on 31 March 2010, is in line with the Best Practice provisions on Remuneration of the amended code. This redesigned remuneration policy for the Managing Board ensures further alignment with DSM's strategy and corporate values, taking into account the interests of all stakeholders. In addition, changes have been made to further comply with the amended Dutch corporate governance code.

In view of this DSM can confirm that it applies all but one of the amended code's 113 Best Practices. The only exception is Best Practice III.5.11, which stipulates that the remuneration committee shall not be chaired by the chairman of the Supervisory Board. DSM considers remuneration to be an integral part of its nomination and retention policy and hence of its human resource management policy for its senior management. DSM therefore considers it desirable for the Chairman of the Supervisory Board to be directly involved in preparing decisions taken by the full Board, also in view of the role played by the Supervisory Board

Chairman vis-à-vis the Managing Board. This exception to the code was discussed in the Annual General Meeting of Shareholders in 2005, where it met with no objections.

With respect to Best Practice provision II.1.8 it is to be reported that in the course of 2007 Mr. Nico Gerardu, member of the Managing Board, assumed the duties of chairman of the Supervisory Board of a listed company (see section Description of the Issuer – General Information on the Issuer – Supervisory Board and Managing Board – Managing Board – Gerardu N.H.). This is a temporary arrangement pending the appointment of a successor as chairman of the Supervisory Board of this listed company.

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, two current members of the Managing Board will remain appointed for an indefinite period.

In 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 at the corporate website ([www.dsm.com](http://www.dsm.com)).

## Markets

DSM supplies its products to high-end industrial markets (business to business). The human and animal nutrition market is the principal end use market for DSM. Other important users of DSM products are the pharmaceutical, electrics & electronics and automotive industries.

<b>DSM end markets 2009</b>	
Health and Nutrition	38 %
Pharmaceuticals	10 %
Metal, Building & construction	11 %
Automotive / Transport	7 %
Textiles	5 %
Agriculture	5 %
Electrics / Electronics	5 %
Packaging	6 %
Other	13 %

<b>Total</b>	<b>100%</b>
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## General review and strategy

### *General*

The year 2009 was undoubtedly one of the most challenging years in DSM's history, the Company stayed the course and remained fully committed to its customers, innovation and sustainability. After a difficult first half year, DSM delivered improved results in the second half of the year as the Materials Sciences businesses started to recover.

Although DSM's full-year operating profit from continuing operations halved compared to the record performance of 2008, the decline in the core activities was limited to 26%. A continued robust performance from the Nutrition business and the benefits of early actions to improve DSM's competitive position contributed to this performance. The Company's initiatives to reduce costs delivered over EUR 150 million in savings during the year, whilst the focus on cash resulted in an unprecedented operating cash flow of almost EUR 1.3 billion in 2009. DSM's strong financial position leaves the Company well placed to capitalise on any opportunity that might arise.

As the Company has entered an uncertain 2010, DSM will continue its strategic transformation into a Life Sciences and Materials Sciences company. DSM completed the disposal of two businesses during the year 2009 and remains committed to exiting the remaining non-core operations. Whilst recognising the uneven nature of the current economic recovery, DSM is cautiously optimistic.

The full year 2009 was strongly affected by the impact of the economic downturn. However, the operating result of the core part of DSM (continuing activities, excluding Base Chemicals and Materials) was down only 26% (from EUR 595 million to EUR 438 million). This not only underlines DSM's resilience as a Life Sciences and Materials Sciences company, but also shows the Company's ability to act fast if circumstances so require.

This agility is also reflected in the excellent cash performance in 2009. Total operating cash flow amounted to EUR 1,276 million, which was substantially more than in 2008, when DSM achieved the best operating profit in its history. On top of that, capital expenditure was reduced by about 25% compared to 2008 and two non-core activities were sold. As a result, net debt more than halved during the year to EUR 830 million.

DSM made good progress in 2009 towards two important targets of its Vision 2010 strategy. Sales in China in 2009 increased to almost USD 1.2 billion, a new record for the Company, strongly driven by volumes. DSM expects to come close to the USD 1.5 billion target for 2010. In 2009 innovation sales were about EUR 810 million, 35% more than in 2008, which is a good basis to reach the target of EUR 1 billion additional sales in 2010 compared to 2005.

At year-end DSM had to recognise a substantial impairment. The goodwill impairment test for Catalytica (part of DSM Pharmaceutical Products) showed that the value in use had significantly decreased compared to earlier years due to the depressed current market

conditions and lower future growth rates for the business. As a result of the reduction in the recoverable amount a non-cash goodwill impairment charge of EUR 154 million was recognised.

Full-year sales were strongly affected by the economic downturn, overall showing a negative organic development of 16%. Sales volumes were lower in all clusters, although in Nutrition this was mainly due to some de-stocking in the value chain in the first half of the year. In the Materials Sciences clusters and in Base Chemicals and Materials, volumes clearly improved in the course of the year, but the operating level is on average still 10 to 20% below the pre-downturn level. DSM Fibre Intermediates, with its strong position in China, is the positive exception with an operating level close to pre-downturn.

The operating profit (EUR 370 million) more than halved compared to 2008, but this was strongly dominated by the activities in the non-core Base Chemicals and Materials cluster. In particular DSM Agro was faced with volatile business and market developments and went from an excellent result in 2008 to a loss in 2009. DSM Elastomers and DSM Melamine also posted a loss for the year: both were severely influenced by the economic downturn, manifested by lower demand aggravated by de-stocking in the value chain downstream. The core activities in Life Sciences and Materials Sciences, however, showed resilience in this very difficult year.

### *Strategy*

DSM's Vision 2010 – Building on Strengths strategy builds on the Company's track record of portfolio transformation and sharpens its focus on Life Sciences and Materials Sciences at an increased pace. This focus is fuelled by a number of societal trends. DSM aims to capture the opportunities offered by these trends.

Climate change and the adverse effects of dependency on fossil fuels are gaining in dominance, requiring new strategic inroads. Interest in health and wellness is increasing as a result of global population growth and aging. Also, society is asking for increased functionalities related to globalisation, connectivity and life protection. The emerging economies continue to grow rapidly, leading to a more even spread of economic prosperity across the world.

DSM's focus on Life Sciences and Materials Sciences offers attractive growth potential, not just in the two individual fields but also in their combination. The cross-fertilisation potential between Life Sciences and Materials Sciences is high. DSM is convinced that biotechnology, traditionally associated with Life Sciences, will increasingly play a role in developing new, greener and cleaner (bio)materials while at the same time performance materials will increasingly be used in medical applications in the field of Life Sciences.

For further information on DSM's Vision 2010 strategy, see the Report of the Managing Board included in the DSM 2009 Annual Report and incorporated by reference herein.

As the timeframe of Vision 2010 ends in 2010, DSM presented the results of a new Corporate Strategy in September 2010 ahead of its annual Capital Markets Day: **DSM in motion: driving focused growth**. This strategy further builds on Vision 2010, a phase of portfolio

transformation during which DSM achieved most of its targets despite the economic downturn. It marks the shift from an era of intensive portfolio management to a strategy of maximising sustainable, profitable growth of the 'new' DSM. It is the Company's ambition to fully leverage the opportunities in Life Sciences and Materials Sciences.

It is envisaged that four growth drivers – High Growth Economies, Innovation, Sustainability and Acquisitions & Partnerships – will result in growth across all businesses and regions:

- **High Growth Economies:** DSM's ambition is to accelerate growth in high growth economies. DSM expects the high growth economies to grow in terms of outlet for DSM's products from the current approximately 32% to 50% of DSM's total net sales by 2015. Over 70% of DSM's increase in the total net sales in the period from 2010 to 2015 is expected to come from high growth economies. DSM will continue its focus on China and expects to more than double its China sales to more than USD 3.0 billion by 2015, supported by intended capital expenditures in that geographical region of USD 1 billion.
- **Innovation:** In addition to its regional research and development centres, DSM will open new innovation centres in China and India. The amount of new products that are launched by DSM per year is expected to increase in the following five years. Consequently, a new innovation target has been set. DSM aims to grow innovation sales (that is, new products and applications introduced in the last five years) from approximately 12% in 2010 to 20% of total net sales by 2015.
- **Sustainability:** DSM believes sustainability will be a feature that will become increasingly more important to DSM's clients in the coming decades and will therefore be a focus area to DSM. DSM intends to have at any given moment 80% of its new developments in the category of products and services that create more value with less environmental impact ("**ECO+ products**"). In 2015 ECO+ products are expected to account for 50% of the total net sales compared to less than 35% during 2010.
- **Acquisitions & Partnerships:** DSM's focus for the coming five years will be on increasing its share in their markets through both organic growth and acquisitions and partnerships. DSM applies stringent strategic and financial criteria to potential acquisitions or partnerships.

## **Macro-economic review**

### *Macro-economic environment in 2009*

The global macro-economic developments in 2009 can be summed up in one word: recession. The effects of the financial system freezing up after the fall of Lehman Brothers in September 2008 resulted in a stronger-than-expected contraction of economic activity in nearly all economies. Several emerging economies, in particular the emerging Asian economies, managed to record continuous economic growth in 2009 and have now truly emerged as the engines for global growth.

In 2009 global output contracted by roughly 2% on average. There are three main drivers behind the output decline. First, higher savings rates, deflated assets, higher unemployment

rates and decreasing credit availability reduced consumer spending. Second, a lack of credit availability, insolvencies and a focus on cash resulted in a sharp decrease in business investments. Third, there was a general absence of confidence in an economic recovery. These drivers were countered by the unprecedented deployment of financial and monetary instruments by policymakers in nearly every economy in the world. There was however a stark contrast between the developed and the emerging economies. Whilst the US and EU economies shrank by 2.5% and 4%, respectively, China witnessed 8.5% growth and India 7%.

The decline in real GDP in the US from the fourth quarter of 2008 to the second quarter of 2009 was the sharpest since the Great Depression in the 1930s. Only during the third quarter 2009 did the US economy cease contracting. This reversal did not prevent the US economy from shrinking by 2.5% year on year. US consumers started to increase their savings rates, thereby limiting their consumption and slowing down the economy. Unemployment reached 10% in 2009 and is likely to only slowly retreat during 2010.

Commodity prices retreated from their record 2008 levels. Crude oil prices hovered around the USD 70 per barrel mark.

#### *Macro-economic outlook for 2010*

The general economic outlook remains uncertain. Although most economies have emerged from the downturn, the recovery remains uneven. Consumer confidence remains low. The increase in unemployment rates in especially the developed world in the course of 2009 could further dampen consumer spending in 2010 as consumers will tend to increase their financial buffers.

In addition, several industries seem to be cautious with regard to their capital expenditure in 2010, as their focus remains on cash and their ability to further cut back their operating working capital might be reduced. The stability of the financial sector is still fragile. In most developed economies, ongoing deleveraging and credit constraints may affect investment rates more persistently.

Large government deficits, in combination with a high level of government debts, increase the need for cutbacks in government spending in both Europe and the United States to reduce these deficits. This could hamper the fragile growth of the global economy, just as it could negatively influence consumer confidence. Increased worries about the financial stability of countries such as Greece are weighing on investor sentiment worldwide. In addition governmental stimulus packages are drying up especially in the developed world.

Bearing in mind these downside risks, the overall consensus on the global economy for 2010 is a growth of 2-3%. The Chinese economy is expected to be one of the fastest growing global economies with an expanded growth rate of about 9%. India is growing at a more moderate pace, but remains on a robust growth trajectory driven by strengthening exports and investments. In 2010, the Indian economy is expected to grow by 7-8%. The economies of the United States and the European Union are likely to see growth of 2-3% and 1-2%, respectively.



Unlike previous economic downturns, the momentum for sustainability related initiatives is currently very good, which creates growth opportunities beyond the level of macro-economic growth.

#### **Final remark**

This chapter contains 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 business 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 specialised agencies or advisors like Global Insight, Consensus Economics, the IMF, CEFIC and Eurostat, sources believed to be reliable by DSM.

## SELECTED FINANCIAL INFORMATION

DSM publishes financial statements on a yearly basis and also half-year and quarterly results.

The selected financial information below should be read in conjunction with the audited consolidated financial statements included in the DSM 2009 Annual Report and the DSM 2008 Annual Report. The selected financial data as of 31 December 2009 and 31 December 2008 and for the two years then ended have been derived from these audited consolidated financial statements.

For information about significant accounting policies, acquisitions and divestments affecting the periods presented, see the Royal DSM N.V. Financial Statements 2009 section as well as Note 2 to our consolidated financial statements included in the DSM 2009 Annual Report, incorporated by reference herein. For information on the changes in equity, see Note 18 to our consolidated financial statements.

From 2005 onwards our consolidated financial statements are prepared in accordance with IFRS as adopted by the EU.

### Consolidated income statement for the year ended 31 December 2009<sup>1</sup>

	Continuing operations				Total
	Before exceptio nal items	Exceptio nal items	Total	Discon tinued operati ons	
Net sales	7,732	-	7,732	134	7,866
Exceptional items related to discontinued operations	-	-	-	302	302
Other operating income	115	38	153	1	154
	<b>7,847</b>	<b>38</b>	<b>7,855</b>	<b>437</b>	<b>8,322</b>
Own work capitalised	64	-	64	-	64
Change in inventories of intermediates and finished goods	(300)	-	(300)	1	(299)
Raw materials and consumables used	(3,660)	-	(3,660)	-	(3,660)
Work subcontracted and other external costs	(1,550)	-	(1,550)	(50)	(1,600)
Employee benefits costs	(1,527)	-	(1,527)	(5)	(1,532)

<sup>1</sup> Source: Royal DSM N.V. audited annual report 2009. All amounts are in EUR million.

	Continuing operations				
	Before exceptio nal items	Exceptio nal items	Total	Discon tinued operati ons	Total
Depreciation and amortisation	(466)	(182)	(648)	(8)	(656)
Other operating costs	(38)	(66)	(104)	-	(104)
<b>Operating profit</b>	<b>370</b>	<b>(210)</b>	<b>160</b>	<b>375</b>	<b>535</b>
Interest costs	(102)	-	(102)	(2)	(104)
Other financial income and expense	(9)	-	(9)	-	(9)
Share of the profit of associates	(4)	-	(4)	-	(4)
Profit before income tax expense	<b>255</b>	<b>(210)</b>	<b>45</b>	<b>373</b>	<b>418</b>
Income tax expense	(59)	13	(46)	(36)	(82)
<b>Profit for the year</b>	<b>196</b>	<b>(197)</b>	<b>(1)</b>	<b>337</b>	<b>336</b>
Reclassification net gains from disposed activities	-	<b>290</b>	<b>290</b>	<b>(290)</b>	-
<b>Total</b>	<b>196</b>	<b>93</b>	<b>289</b>	<b>47</b>	<b>336</b>
Of which:					
- Profit attributable to minority interest					(1)
- Net profit attributable to equity holders of Royal DSM N.V.					337
- Net profit attributable to equity holders of Royal DSM N.V.					337
Dividend on cumulative preference shares					(10)
Net profit available for holders of ordinary shares					<b>327</b>

## Consolidated income statement for the year ended 31 December 2008<sup>2</sup>

	Continuing operations				
	Before exceptio nal items	Exceptio nal items	Total	Discon tinued operati ons	Total
Net sales	9,079	-	9,079	218	9,297
Other operating income	139	-	139	3	142
	<b>9,218</b>	<b>-</b>	<b>9,218</b>	<b>221</b>	<b>9,439</b>
Own work capitalised	75	-	75	-	75
Change in inventories of intermediates and finished goods	174	-	174	(1)	173
Raw materials and consumables used	(4,984)	-	(4,984)	-	(4,984)
Work subcontracted and other external costs	(1,695)	-	(1,695)	(67)	(1,762)
Employee benefits costs	(1,460)	(1)	(1,461)	(5)	(1,466)
Depreciation and amortisation	(440)	3	(437)	(14)	(451)
Other operating costs	(119)	(47)	(166)	-	(166)
<b>Operating profit</b>	<b>769</b>	<b>(45)</b>	<b>724</b>	<b>134</b>	<b>858</b>
Interest costs	(90)	-	(90)	(4)	(94)
Other financial income and expense	(11)	-	(11)	3	(8)
Share of the profit of associates	(3)	-	(3)	-	(3)
<b>Profit before income tax expense</b>	<b>665</b>	<b>(45)</b>	<b>620</b>	<b>133</b>	<b>753</b>
Income tax expense	(162)	14	(148)	(34)	(182)
<b>Profit for the year</b>	<b>503</b>	<b>(31)</b>	<b>472</b>	<b>99</b>	<b>571</b>
Of which:					
- Profit attributable to minority interest					(6)

<sup>2</sup> Source: Royal DSM N.V. audited annual report 2008. All amounts are in EUR million.

Continuing operations				
	Before exceptio nal items	Exceptio nal items	Total	Discon tinued operati ons
- Net profit attributable to equity holders of Royal DSM N.V.				577
- Net profit attributable to equity holders of Royal DSM N.V.				577
Dividend on cumulative preference shares				(10)
Net profit available for holders of ordinary shares				<b>567</b>

These figures were derived from the 2009 Annual Report respectively the 2008 Annual Report which include (i) the audited annual accounts in respect of the financial year ended 31 December 2009 respectively 2008 and have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

#### *Net sales*

At EUR 7.7 billion, net sales from continuing operations in 2009 were 15% lower than in the previous year. Organic volume development accounted for a 7% decrease in net sales. Selling prices were on average 9% lower than in 2008. Exchange rates, acquisitions and disposals on balance had a positive effect of 1%. Net sales total DSM also decreased by 15%.

#### *Operating costs*

Operating costs declined compared to 2008, closing the year at EUR 7.5 billion.

#### *Operating profit*

The operating profit from continuing operations before exceptional items (EUR 370 million) more than halved compared to 2008, but this was strongly dominated by the activities in the non-core Base Chemicals and Materials cluster. Especially DSM Agro went from an excellent result in 2008 to a loss in 2009. DSM Elastomers and DSM Melamine also posted a loss for the year. The core activities in Life Sciences and Materials Sciences, however, showed resilience in this very difficult year.

#### *Net profit*

The net profit from continuing operations before exceptional items decreased by EUR 312 million to EUR 197 million.

Total exceptional items after tax amounted to a profit of EUR 93 million in 2009. Pre-tax gains on the disposals of DSM Energy and Stamicarbon amounted to EUR 302 million and a gain of EUR 19 million was recognised due to compensation for the closure of the Citric Acid manufacturing plant in Wuxi (China). As a result of a reduction in entitlements under certain defined benefit plans a gain of EUR 19 million was posted. Additions to provisions were recognised for an amount of EUR 48 million relating to restructuring charges in connection with actions to strengthen DSM's competitive position. Total other costs related to cost savings actions and organisational changes related to the economic downturn amounted to EUR 11 million. Impairments of EUR 166 million were recognised for goodwill of Catalytica, continued as DSM Pharmaceuticals, Inc. (EUR 154 million) and Lipid Technologies Provider AB (EUR 12 million), which companies DSM acquired for the full 100%. Furthermore, EUR 23 million was written-off as a result of the decision to cancel certain projects of information and communication technology.

Net Finance Costs amounted to EUR 111 million, which represents an increase of EUR 10 million compared to the previous year. The increase was mainly a result of the issue of a new long-term EUR 500 million bond.

At 23%, the effective tax rate in 2009 was 2 percentage points lower than in 2008 due to changes in the geographical distribution of taxable results.

### **Consolidated balance sheet<sup>3</sup>**

#### **Assets**

	<b>31 December 2009</b>	<b>31 December 2008</b>
<i>x EUR million</i>		
<i>Non-current assets</i>		
Intangible assets	<b>1,053</b>	<b>1,200</b>
Property, plant and equipment	<b>3,477</b>	<b>3,641</b>
Deferred tax assets	<b>322</b>	<b>392</b>
Prepaid pension costs	<b>282</b>	<b>137</b>
Associates	<b>18</b>	<b>19</b>
Other financial assets	<b>223</b>	<b>176</b>
	<b>5,385</b>	<b>5,565</b>
<i>Current assets</i>		
Inventories	<b>1,359</b>	<b>1,765</b>

<sup>3</sup> Source: Royal DSM N.V. audited annual report 2009. All amounts are in EUR million.

**Assets**

	31 December 2009	31 December 2008
Trade receivables	1,321	1,525
Other receivables	89	107
Financial derivatives	88	86
Current investments	7	4
Cash and cash equivalents	1,340	601
	4,204	4,088
Assets held for sale	25	-
	4,229	4,088
<b>Total</b>	<b>9,614</b>	<b>9,653</b>

**Equity and liabilities****Equity and Liabilities**

	31 December 2009	31 December 2008
<i>x EUR million</i>		
<i>Equity</i>		
Shareholders' equity	4,949	4,633
Minority interests	62	62
	5,011	4,695
<i>Non-current liabilities</i>		
Deferred tax liabilities	115	122
Employee benefits liabilities	298	314
Provisions	103	190
Borrowings	2,066	1,559
Other non-current liabilities	49	65
	2,631	2,250

## Equity and Liabilities

	31 December 2009	31 December 2008
<i>Current liabilities</i>		
Employee benefits liabilities	26	33
Provisions	102	82
Borrowings	138	734
Financial derivatives	61	179
Trade payables	1,169	1,188
Other current liabilities	469	492
	1,965	2,708
Liabilities classified as held for sale	7	-
	1,972	2,708
<b>Total</b>	<b>9,614</b>	<b>9,653</b>

These figures were derived from the 2009 Annual Report which includes the audited annual accounts in respect of the financial year ended 31 December 2009 and have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

The balance sheet total (total assets) decreased in 2009 and amounted to EUR 9.6 billion at year-end (2008: EUR 9.7 billion). Equity increased by EUR 316 million compared to the position at the end of 2008; this was due mainly to the positive net result and the increase in the value of pension assets which is recognised in equity. Equity as a percentage of total assets increased from 49% at the end of 2008 to 52% at the end of 2009. The current ratio (current assets divided by current liabilities) increased from 1.51 in 2008 to 2.14 in 2009. Net debt stood at 14.2% of equity plus net debt at the end of 2009.

The operating working capital was EUR 566 million lower than in 2008 and decreased as a percentage of net sales, from 22.6 to 19.5. Cash and cash equivalents increased and amounted to EUR 1,340 million.

Net debt ended the year at a level of EUR 830 million (EUR 1,781 million at year-end 2008) mainly as a result of a further reduction in operating working capital.



### Consolidated statement of changes in equity<sup>4</sup>

x EUR million	share capital	share premium	treasury shares	other reserves	retained earnings		total	minority interests	total equity
					actuarial gains and losses	other			
Balance at 1 January 2008	<b>339</b>	<b>489</b>	<b>(575)</b>	<b>(123)</b>	<b>422</b>	<b>4,758</b>	<b>5,310</b>	<b>73</b>	<b>5,383</b>
Dividend paid	-	-	-	-	-	(220)	(220)	(4)	(224)
Options granted	-	-	-	15	-	-	15	-	15
Options/performance shares exercised/ cancelled	-	-	-	(8)	-	10	2	-	2
Repurchase of shares	-	-	(250)	-	-	-	(250)	-	(250)
Proceeds from reissued shares	-	-	52	-	-	(5)	47	-	47
Change in DSM's share in subsidiaries	-	-	-	-	-	-	-	(7)	(7)
Total comprehensive income	-	-	-	32	(880)	577	(271)	0	(271)
Reclassifications	-	-	-	(1)	-	1	-	-	-
Balance at 31 December 2008	<b>339</b>	<b>489</b>	<b>(773)</b>	<b>(85)</b>	<b>(458)</b>	<b>5,121</b>	<b>4,633</b>	<b>62</b>	<b>4,695</b>
Dividend paid	-	-	-	-	-	(205)	(205)	(2)	(207)
Options granted	-	-	-	13	-	-	13	-	13
Options/performance shares exercised/ cancelled	-	-	-	(6)	-	6	-	-	-
Cancellation of cumprefs C	(1)	-	113	-	-	(112)	-	-	-
Proceeds from reissued shares	-	-	23	-	-	(5)	18	-	18
Change in DSM's share in subsidiaries	-	-	-	-	-	-	-	4	4
Total comprehensive income	-	-	-	76	77	337	490	(2)	488

<sup>4</sup> Source: Royal DSM N.V. audited annual report 2009. All amounts are in EUR million.

x EUR million		share capital	share premium	treasury shares	other reserves	actuarial gains and losses	retained earnings	other	total	minority interests	total equity
Balance at 31 December 2009	31	338	489	(637)	(2)	(381)	5,142		4,949	62	5,011

These figures were derived from the 2009 Annual Report which includes the audited annual accounts in respect of the financial year ended 31 December 2009 and have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

DSM's dividend policy is to provide a stable and preferably rising dividend.

The dividend on ordinary shares for the year 2009 amounted to EUR 1.20 per share, equal versus EUR 1.20 per share in the previous year. An interim dividend of EUR 0.40 per ordinary share was paid in August 2009, the final dividend amounted to EUR 0.80 per ordinary share and was paid out in cash in April 2010.

#### Consolidated cash flow statement<sup>5</sup>

x EUR million	2009	2008
<i>Operating activities</i>		
Profit for the year	336	571
Income tax	82	182
Profit before income tax expense	<b>418</b>	<b>753</b>
Share of the profit of associates	4	3
Other financial income and expense	9	8
Interests costs	104	94
Operating profit	<b>535</b>	<b>858</b>
Depreciation, amortisation and impairments	656	451
Earnings before interest, tax, depreciation and amortization	<b>1,191</b>	<b>1,309</b>
Adjustments for:		
- Gain from disposals	(313)	(8)

<sup>5</sup> Source: Royal DSM N.V. audited annual report 2009

x EUR million	2009	2008
- Change in provisions	24	(2)
- Defined benefit plans:	(68)	(84)
	(357)	(94)
Interest Received	10	10
Interest Paid	(84)	(92)
Income taxes received	13	5
Income tax paid	(90)	(90)
Other	25	28
<b>Operating cash flow before changes in working capital</b>	<b>708</b>	<b>1,076</b>
Change in operating working capital:		
- Inventories	409	(188)
- Trade receivables	157	(69)
- Trade payables	0	77
	566	(180)
Changes in other working capital	2	14
<b>Cash provided by operating activities</b>	<b>1,276</b>	<b>910</b>
<i>Investing activities</i>		
Capital expenditure for:		
- Intangible assets	(72)	(50)
- Property, plant and equipment	(385)	(541)
Proceeds from disposal of property, plant and equipment	8	18
Acquisition of subsidiaries and associates	(16)	(120)
Cash from net investment hedge	(69)	(11)
Proceeds from disposal of subsidiaries and	279	8

x EUR million	2009	2008
businesses		
Other financial assets:		
- Capital payments and acquisitions	(6)	(97)
- Change in loans granted	(12)	(2)
- Proceeds from disposals		1
<b>Cash used in investing activities</b>	<b>(273)</b>	<b>(794)</b>
<i>Financing activities</i>		
Loans taken up	517	219
Repayment of loans	(242)	(49)
Change in debt to credit institutions / commercial paper	(355)	341
Dividend paid	(205)	(220)
Repurchase of own shares	-	(250)
Proceeds from reissued shares	18	47
Change in minority interests	(2)	(3)
<b>Cash from / used in financing activities</b>	<b>(269)</b>	<b>85</b>
<b>Change in cash and cash equivalents</b>	<b>734</b>	<b>201</b>
<b>Cash and cash equivalents at 1 January</b>	<b>601</b>	<b>369</b>
Exchange differences of cash held	5	31
Changes in the scope of the consolidation	-	-
<b>Cash and cash equivalents at end of year</b>	<b>1,340</b>	<b>601</b>

These figures were derived from the 2009 Annual Report which includes the audited annual accounts in respect of the financial year ended 31 December 2009 and have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

*Capital expenditure and financing*

Capital expenditure on intangible assets and property, plant and equipment amounted to EUR 457 million in 2008 and was EUR 199 million below the level of amortisation and depreciation.

At EUR 1,276 million, net cash provided by operating activities was about 16.2% of net sales.

### *General information*

Unless stated otherwise, all amounts are in EUR million.

In conformity with article 402, Book 2 of the Dutch Civil Code, a condensed statement of income is included in the Koninklijke DSM N.V. accounts.

A list of DSM participations has been filed with the Chamber of Commerce for Limburg in Maastricht (Netherlands) and is available from the Company upon request. The list can also be downloaded from the Company's website ([www.dsm.com](http://www.dsm.com)).

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 both to be most important to the presentation of 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 recognised in the financial statements relate to the categorisation of certain items as 'exceptional', the identification of cash generating units and the classification of activities as 'held for sale' and 'discontinued operations'.

### Currency exchange rates<sup>6</sup>

The currency exchange rates that were used in drawing up the consolidated statements are listed below for the most important currencies.

1 euro =	exchange rate at balance sheet date		average exchange rate	
	2009	2008	2009	2008
US dollar	<b>1.43</b>	1.41	<b>1.39</b>	1.47
Swiss franc	<b>1.49</b>	1.50	<b>1.51</b>	1.59
Pound sterling	<b>0.90</b>	0.97	<b>0.89</b>	0.80
100 Japanese yen	<b>1.32</b>	1.27	<b>1.30</b>	1.52

<sup>6</sup> Source: Koninklijke DSM N.V. audited annual report 2009

## TAXATION

### *Netherlands Taxation*

*The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Base Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary is included for general information only and does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Note, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.*

*For the purpose of this summary it is assumed that no holder of a Note has or will have a substantial interest, or - in the case of a holder of a Note being an entity - a deemed substantial interest, in the Issuer and that no connected person (verbonden persoon) to the holder of a Note has or will have a substantial interest in the Issuer.*

*Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of the Issuer or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company.*

*Generally speaking, an entity has a substantial interest in a company if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of the Issuer or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company. An entity holding a Note has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.*

*For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.*

*Where this summary refers to a holder of a Note, an individual holding a Note or an entity holding a Note, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Note.*

***Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of a Note.***

1. **WITHHOLDING TAX**

All payments made by the Issuer of interest and principal under the Notes can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, unless the Notes qualify as debt that effectively functions as equity for purposes of article 10, paragraph 1, sub d of the Corporate Tax Act (*Wet op de vennootschapsbelasting 1969*).

2. **TAXES ON INCOME AND CAPITAL GAINS**

**Residents**

*Resident entities*

An entity holding a Note which is, or is deemed to be, resident in The Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in respect of income or a capital gain derived from a Note at rates up to 25.5 per cent.

*Resident individuals*

An individual holding a Note who is, is deemed to be, or has elected to be treated as, resident in The Netherlands for income tax purposes will be subject to income tax in respect of income or a capital gain derived from a Note at rates up to 52 per cent if:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, an individual holding a Note will be subject to income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from a Note. The deemed return amounts to 4 per cent. of the average value of the individual's net assets in the relevant fiscal year (including the Note). Subject to application of certain allowances, the deemed return will be taxed at a rate of 30 per cent.

**Non-residents**

A holder of a Note which is not, is not deemed to be, and - in case the holder is an individual - has not elected to be treated as, resident in The Netherlands for the relevant tax purposes will not be subject to taxation on income or a capital gain derived from a Note unless:

- (i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a

permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and the holder of a Note derives profits from such enterprise (other than by way of securities); or

- (ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

### 3. **GIFT AND INHERITANCE TAXES**

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

- (i) the holder of a Note is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

### 4. **VALUE ADDED TAX**

The issuance or transfer of a Note, and payments of interest and principal under a Note, will not be subject to value added tax in The Netherlands.

### 5. **OTHER TAXES AND DUTIES**

The subscription, issue, placement, allotment, delivery or transfer of a Note will not be subject to registration tax, stamp duty, transfer tax or any other similar tax or duty payable in The Netherlands.

### 6. **RESIDENCE**

A holder of a Note will not be or become, or deemed to be or become, resident in The Netherlands for tax purposes and, subject to the exceptions set out above, will not otherwise be or become subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Note or the execution, performance, delivery and/or enforcement of a Note.

### 7. **EU COUNCIL DIRECTIVE ON TAXATION OF SAVINGS INCOME**

In accordance with EC Council Directive 2003/48/EC on the taxation of savings income, The Netherlands will provide to the tax authorities of another EU member state (and certain non-EU countries and associated territories specified in said directive) details of payments of interest or other similar income paid by a person within The Netherlands to, or collected by such a person for, an individual resident in such other state.



Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories. On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

## SUBSCRIPTION AND SALE

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings assigned to them by Regulation S under the Securities Act ("**Regulation S**").

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

### Public Offer Selling Restrictions Under The Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Approved prospectus*: if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved in another Relevant Member State or, where appropriate, approved in another Relevant

Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

- (b) Authorised institutions: at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) Significant enterprises: at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000; and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;
- (d) Fewer than 100 offerees: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Company for any such offer; or
- (e) Other exempt offers: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require the Company or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EC.

#### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (1) No deposit-taking: in relation to any Notes having a maturity of less than one year:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
- (x) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (y) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses;

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

- (2) Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (3) General compliance: it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## **The Netherlands**

According to the Dutch Savings Certificate Act (*Wet inzake Spaarbewijzen*), bearer Zero Coupon Notes and other Notes which qualify as savings certificates as defined in the Dutch Savings Certificates Act may be transferred and accepted only through the mediation of either the Issuer or a Member of Euronext Amsterdam N.V. with due observance of the Dutch Savings Certificates Act (including registration requirements), except in the case of (i) the initial issue of such Notes to the first holders thereof, (ii) any transfer and acceptance by individuals who do not act in the conduct of a profession or trade, and (iii) any transfer and acceptance of such Notes, if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "FIEL"). Each Dealer agrees that it has not offered or sold and will not offer or sell any such Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration

requirements of, and otherwise in compliance with the FIEL and any applicable laws, regulations and ministerial guidelines of Japan.

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus, any Final Terms or any other offering material relating to the Notes and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have any responsibility therefore.

Save as specifically described in this Base Prospectus, neither the Issuer, the Arranger nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other or additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

## **GENERAL INFORMATION**

### **Authorisation**

The establishment of the Programme was duly authorised by a resolution of the Managing Board of the Issuer on 28 June 1999. The annual update of the Programme and the issue of the Notes hereunder have been duly authorised by a resolution of the Managing Board of the Issuer on 10 September 2010. All consents, approvals and authorisations required by the Issuer under the laws of The Netherlands have been given for the issue of the Notes and for the Issuer to undertake and perform its obligations under the Dealer Agreement, the Fiscal Agency Agreement and the Notes.

### **Ratings**

Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The ratings will be indicated in the Final Terms for each such Tranche.

### **Clearing Systems**

The Notes have been accepted for clearance through Clearstream, Frankfurt, Clearstream, Luxembourg, Euroclear Bank S.A./N.V. and Euroclear Netherlands. The appropriate German Securities Code ("ISW"), common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. The address of Clearstream, Frankfurt is Neue Börsenstrasse 1, D-60487 Frankfurt am Main, Germany. The address of Euroclear Netherlands is Damrak 70, 1000 GD Amsterdam, The Netherlands.

### **Legend concerning United States Persons**

Notes (other than Temporary Global Notes) and any Coupon appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

### **Settlement Arrangements**

Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Fiscal Agent in relation to each Tranche of Notes.

## Documents Incorporated by Reference

The following documents, which have previously been published or are published simultaneously with this Base Prospectus and have been filed with The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*), shall be incorporated in, and to form part of, this Base Prospectus; this Base Prospectus should be read and construed in conjunction with such documents:

- (i) the following sections of the 2008 Annual Report of the Issuer (in English): Report of the Managing Board (pages 22 through 46), Review of Business (pages 48 through 67), Corporate Organisation (pages 78 and 80) and the Financial Statements (pages 93 through 164);
- (ii) the following sections of the 2009 annual Report of the Issuer (in English): Report of the Managing Board (pages 20 through 53), Review of Business (pages 54 through 83), Corporate Organisation (pages 112 through 115) and the Financial Statements (pages 119 through 196);
- (iii) the unaudited interim report of the Issuer and its consolidated subsidiaries for the first quarter (DSM press release 28 April 2010), second quarter and half-year (DSM press release dated 3 August 2010) and third quarter results 2010 (DSM press release dated 2 November 2010);
- (iv) the Articles of Association (*statuten*) of the Issuer; and
- (v) the DSM press releases dated:
  - 26 February 2010 on the exchange of DSM's polycarbonate and Mitsubishi Chemical Corporation's polyamide businesses;
  - 30 March 2010 on the sale of DSM's Agro and Melamine subsidiaries to Orascom Construction Industries;
  - 15 September 2010 on the sale of DSM's business unit Sarlink to Teknor Apex;
  - 22 September 2010 on the sale of DSM's Citrique Belge to Adcuram;
  - 23 September 2010 on the new strategy;
  - 14 December 2010 on the intended sale of DSM Elastomers to LANXESS;

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will provide, without charge, to each person, upon the written request or request by email of such person, a copy of any or all of the documents which are incorporated herein by reference. Requests for such documents can be sent to [investor.relations@dsm.com](mailto:investor.relations@dsm.com) or to

the registered office of the Issuer at Het Overloon 1, 6411 TE Heerlen, The Netherlands for the attention of Investor Relations (+31 (45) 5782864)).

The Issuer will, in the event of a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new prospectus for use in connection with any subsequent issue of Notes to be admitted to trading on an EEA regulated market or to be offered to the public in the EEA.

### **Documents Available**

So long as this Base Prospectus is valid as described in Article 9 of the Prospective Directive (as implemented in the legislation of The Netherlands), copies of the following documents will, when published, be available free of charge from the Issuer. Written requests for such documents should be directed to the Issuer at Het Overloon 1, 6411 TE Heerlen, The Netherlands for the attention of Investor Relations:

- (i) the 2008 and 2009 Annual Reports of the Issuer (in English), including (a) the audited consolidated annual accounts of the Issuer and its consolidated subsidiaries in respect of the financial year ended 31 December 2008 and 31 December 2009 (according to International Financial Reporting Standards) and the auditors reports thereon;
- (ii) the unaudited interim report of the Issuer and its consolidated subsidiaries for the first quarter (DSM press release dated 28 April 2010), second quarter and half-year (DSM press release dated 3 August 2010), and third quarter results 2010 (DSM press release dated 2 November 2010);
- (iii) the Articles of Association (*statuten*) of the Issuer, and the English translation of the Articles of Association of the Issuer;
- (iv) the DSM press releases dated:
  - 26 February 2010 on the exchange of DSM's polycarbonate and Mitsubishi Chemical Corporation's polyamide businesses;
  - 30 March 2010 on the sale of DSM's Agro and Melamine subsidiaries to Orascom Construction Industries;
  - 15 September 2010 on the sale of DSM's business unit Sarlink to Teknor Apex;
  - 22 September 2010 on the sale of DSM's Citrique Belge to Adcuram;
  - 23 September 2010 on the new strategy;
  - 14 December 2010 on the intended sale of DSM Elastomers to LANXESS;
- (v) a copy of this Base Prospectus;
- (vi) each set of Final Terms in relation to any Notes publicly offered or listed on any stock exchange;



- (vii) the Fiscal Agency Agreement (which contains the forms of the Temporary and Permanent Global Notes, the Definitive Notes, the Receipts, the Coupons and the Talons);
- (viii) any future supplements to this Base Prospectus and any other documents incorporated therein by reference.

### **Litigation**

The Issuer is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or its consolidated subsidiaries.

### **No Significant or Material Adverse Change**

There has been no significant change in the financial or trading position of the Issuer and the Group and no material adverse change in the prospects of the Issuer, in each case, since 31 December 2009.

### **Auditors**

The financial statements of the Issuer for the financial years ended 31 December 2008 and 31 December 2009 have been audited by Ernst & Young Accountants LLP, Prof. Dr. Dorgelolaan 12, 5613 AM Eindhoven, The Netherlands, who have issued an unqualified opinion in each case. The auditors of Ernst & Young Accountants LLP are members of the Dutch Institute for Registered Auditors (NIVRA). NIVRA is a member of International Federation of Accountants (IFAC).

### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Applicants will be informed of the amount allotted by the intermediary banks through which they place their orders.

### **Programme Limit**

For the purpose of calculating the aggregate amount of Notes issued under the Programme from time to time:

- (i) the euro equivalent of Notes denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the Notes) shall be determined, at the discretion of the Issuer, as of the date of agreement to issue such Notes (the "**Agreement Date**") or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in

the London foreign exchange market quoted by any leading bank selected by the Issuer on such date;

- (ii) the amount (or, where applicable, the euro equivalent) of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Final Terms in relation to the Notes) shall be calculated (in the case of Notes not denominated in euro, in the manner specified above) by reference to the original nominal amount of such Notes (in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (iii) the amount (or, where applicable, the euro equivalent) of Zero Coupon Notes (as specified in the applicable Final Terms in relation to the Notes) and other Notes issued at a discount or premium shall be calculated (in the case of Notes not denominated in euro, in the manner specified above) by reference to the net proceeds received by the Issuer for the relevant issue.

### **Third party information**

Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information sourced from that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **Responsibility Statement**

The Issuer accepts responsibility for the information contained in this Base Prospectus and for information incorporated by reference herein. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

## **REGISTERED OFFICES**

### **THE ISSUER**

#### **Koninklijke DSM N.V.**

Het Overloon 1  
6411 TE Heerlen  
The Netherlands

### **ARRANGER**

#### **Deutsche Bank Aktiengesellschaft**

Grosse Gallusstrasse 10-14  
D-60272 Frankfurt am Main  
Germany

### **DEALERS**

#### **BNP PARIBAS**

10 Harewood Avenue  
London NW1 6AA  
England

#### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
England

#### **Coöperatieve Centrale Raiffeisen- Boerenleenbank B.A.**

**(Rabobank International)**  
Croeselaan 18  
3521 CB Utrecht  
The Netherlands

#### **Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ  
England

#### **Deutsche Bank Aktiengesellschaft**

Grosse Gallusstrasse 10-14  
D-60272 Frankfurt am Main  
Germany

#### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
England

#### **ING Bank N.V.**

Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands

#### **J.P. Morgan Securities Ltd.**

125 London Wall  
London EC2Y 5AJ  
England

#### **The Royal Bank of Scotland plc**

135 Bishopsgate  
London EC2M 3UR  
England

#### **UBS Limited**

1 Finsbury Avenue  
London EC2M 2PP  
England

**AUDITORS TO THE ISSUER**

**Ernst & Young Accountants LLP**

Prof. Dr. Dorgelolaan 12  
5613 AM Eindhoven  
The Netherlands

**FISCAL AGENT AND PAYING AGENT**

**Citibank, N.A., London Branch**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
England

**LEGAL ADVISERS**

*To the Dealers as to Dutch Law*

**Clifford Chance LLP**

Droogbak 1a  
1013 GE Amsterdam  
The Netherlands

*To the Issuer as to Dutch Law*

**Legal Department**

**Koninklijke DSM N.V.**

Het Overloon 1  
6411 TE Heerlen  
The Netherlands