Press Release

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DSM reports Q2 2014 results

- Q2 2014 EBITDA from continuing operations €293 million
- Q2 2014 EBITDA includes negative currency effect of about €29 million and a €16 million impact from the fire at a nutrition plant in Switzerland
- Nutrition delivered improved result versus last two quarters with €222 million EBITDA
- Performance Materials Q2 EBITDA of €88 million up compared to Q2 2013 and Q1 2014
- Q2 cash flow from operating activities €126 million
- Interim dividend of €0.55 per ordinary share
- Full year 2014 outlook in line with current market expectations

Royal DSM, the Life Sciences and Materials Sciences company, today reported second quarter 2014 EBITDA from continuing operations of €293 million compared to €332 million in Q2 2013, and €272 million in Q1 2014. Nutrition showed improvement compared to the last two quarters. Performance Materials continued its encouraging underlying trend and delivered higher results. Polymer Intermediates was negatively impacted by lower caprolactam margins.

Commenting on the results, Feike Sijbesma, CEO/Chairman of the DSM Managing Board, said:
"DSM delivered improved results versus the first quarter, despite persistent currency headwinds. Performance Materials saw continued positive momentum in a number of end-markets, whereas Polymer Intermediates has seen weaker business conditions for caprolactam.

Market conditions in Nutrition have shown some improvement with good Animal Nutrition performance in Q2, while Human Nutrition still operates in a low growth macro environment for some end-markets due to ongoing pressure on consumer spending. In this environment, the resilience of our integrated value chain is demonstrated by robust margins, highlighting the quality of our Nutrition business. In addition we are undertaking initiatives in the US to reinforce the attractiveness of our dietary supplements end-user categories.

We continue to focus on efficiencies to protect profitability and improve cash flow in the current environment. Despite the weakness in caprolactam, we continue to anticipate to deliver improving financial results in the coming quarters."

Key figures

second quarter						exch.	
2014	**2013**	**+/-**	***in € million***	***volume***	***price/mix***	***rates***	***other***
2,288	**2,421**	-5%	**Net sales**	**5%**	**-2%**	**-3%**	**-5%**
1,073	1,111	-3%	Nutrition	2%	-1%	-5%	1%
702	709	-1%	Performance Materials	3%	-2%	-3%	1%
429	375	14%	Polymer Intermediates	25%	-8%	-3%	
38	39	-3%	Innovation Center	2%	0%	-5%	
46	48		Corporate Activities				
2,288	**2,282**	**0%**	**Total continuing operations**	**6%**	**-2%**	**-4%**	**0%**
0	139		Discontinued operations				

second quarter				first half		
2014	**2013**	+/-	*in € million*	**2014**	**2013**	+/-
293	**345**	**-15%**	**EBITDA**	**563**	**653**	**-14%**
222	250	-11%	Nutrition	425	465	-9%
88	80	10%	Performance Materials	165	159	4%
17	27	-37%	Polymer Intermediates	37	55	-33%
-5	-2		Innovation Center	-11	-4	
-29	-23		Corporate Activities	-51	-42	
293	**332**	**-12%**	**Total continuing operations**	**565**	**633**	**-11%**
0	13		Discontinued operations	-2	20	
125	153	-18%	Core net profit	239	285	-16%
110	137	-20%	Net profit before exceptional items, continuing operations	209	262	-20%
78	112	-30%	Net profit after exceptional items, total DSM	159	231	-31%
0.73	0.89	-18%	Core EPS (€/share)	1.39	1.67	-17%
0.64	0.80	-20%	Net EPS before exceptional items, continuing operations (€/share)	1.21	1.51	-20%
0.45	0.64	-30%	Net EPS after exceptional items, total DSM (€/share)	0.90	1.33	-32%
126	251		Cash flow from operations	89	202	
117	148		Capital expenditures (cash)	268	300	
			Net debt	-2,393	-1,841 *	
			* year-end 2013			

In this report:

- *'Organic sales growth' is the total impact of volume and price/mix;*
- *'Discontinued operations' comprises net sales and operating profit (before depreciation and amortization) of DSM Pharmaceutical Products up to and including 10 March 2014;*
- *'Net profit' is the net profit attributable to equity holders of Koninklijke DSM N.V.;*
- *'Core net profit' is the net profit from continuing operations before exceptional items and before acquisition related (intangible) asset amortization;*
- *From 2014 onwards interest receipts and payments are no longer included in operating activities in the cash flow statement but reported in investing activities (interest received) and financing activities (interest paid). 2013 figures are restated accordingly;*
- *All 2013 figures are restated for the impact of the termination of proportional consolidation for joint ventures as from 1 Jan 2014 onward.*

Review by cluster

Nutrition

second quarter				first half		
2014	2013	yoy	*In € million*	2014	2013	yoy
1,073	1,111	-3%	Net sales	2,120	2,101	1%
		1%	Organic growth			1%
222	250	-11%	EBITDA	425	465	-9%
20.7%	*22.5%*		*EBITDA margin*	*20.0%*	*22.1%*	
165	190	-13%	EBIT	308	353	-13%
			Capital employed	4,809	4,496 *	

*year-end 2013

Sales in Q2 declined by 3% compared to Q2 2013, as organic growth and the contribution of new consolidations was offset by 5% weaker currencies. Organic sales growth was 1% versus Q2 2013, with volume growth (2%) partly offset by lower prices (-1%).

EBITDA for Q2 was €222 million, down 11% compared to Q2 2013. The combination of good demand in Animal Nutrition and the continued soft consumer demand in some of DSM's Human Nutrition end-markets resulted in total into a modest organic growth of 1%, which was offset by the foreign exchange impact. The EBITDA margin of 20.7% reflecting the significant impact of foreign exchange rates compared to Q2 2013 was within DSM's target range of 20-23%.

Human Nutrition & Health net sales were €403 million in Q2. Organic sales development was negative at -6% compared to Q2 2013 owing to lower volumes. The price/mix development was flat.

Sales in dietary supplements for vitamins and fish-oil based Omega-3 in the US were down versus the same period last year. Recovery of these end-markets is slower than expected. Promotional initiatives and industry wide campaigns are being launched to support the vitamins and Omega-3 dietary supplements markets. Momentum for dietary supplements outside the US continued to be positive. Demand for i-Health remained robust.

Sales in infant nutrition were weaker compared to the same period last year due to the after-effects from the false botulism scare, with China and South East Asia markets being the most affected. Furthermore, recent changes in Chinese regulatory policy have created additional uncertainty for the industry. As a result infant nutrition suppliers have reduced their inventories.

Food & beverage markets have continued to show sluggish growth, while demand for premixes stayed healthy. In order to stimulate growth, “A-label” customers are investing in new product launches, promotional campaigns and acceleration of innovations.

Animal Nutrition and Health net sales were €519 million in Q2. Organic sales growth in Q2 was 5% driven by good global volume growth. Overall, the price/mix effect was flat.

Market conditions in animal feed continued to improve in Q2 as premix businesses showed strong performance. Vitamin E volumes and prices were lower versus the same period last year.

DSM Food Specialties delivered good organic growth in enzymes and cultures driven by a continued focus on innovation and high margin applications.

Performance Materials

second quarter				first half		
2014	2013	yoy	*In € million*	2014	2013	yoy
702	709	-1%	Net sales	1,372	1,378	0%
		1%	Organic growth			2%
88	80	10%	EBITDA	165	159	4%
12.5%	*11.3%*		*EBITDA margin*	*12.0%*	*11.5%*	
54	46	17%	EBIT	98	92	7%
			Capital employed	1,947	1,902 *	

*year-end 2013

Organic **sales** growth in Q2 2014 was 1% compared to Q2 2013 with 3% volume growth driven by improved market demand and 2% lower prices. Adverse currency effects amounted to 3%. DSM Engineering Plastics showed good volume growth, while polyamide 6 prices were slightly lower, due to lower caprolactam prices. DSM Resins & Functional Materials saw good volume growth, while prices were down due to lower input costs and some product mix effects. DSM Dyneema Q2 sales were lower compared to same period last year as a result of the timing of large orders.

EBITDA in Performance Materials for the quarter was up by 10% compared to Q2 2013 largely driven by volume growth, good cost control and improved efficiencies. DSM Resins & Functional Materials showed a strong improvement in EBITDA. DSM Engineering Plastics also reported a higher EBITDA despite lower results in the polyamide 6 value chain. In Q2 DSM Dyneema delivered EBITDA that was in line with last year after a substantially higher EBITDA in Q1.

Polymer Intermediates

second quarter				first half		
2014	2013	yoy	*In € million*	2014	2013	yoy
429	375	14%	Net sales	834	812	3%
		17%	Organic growth			5%
17	27	-37%	EBITDA	37	55	-33%
4.0%	*7.2%*		*EBITDA margin*	*4.4%*	*6.8%*	
2	17	-88%	EBIT	9	37	-76%
			Capital employed	732	570 *	

*year-end 2013

Organic **sales** growth in Q2 was 17% compared to the same quarter of 2013, with 25% higher volumes and 8% lower prices. Sales were negatively impacted by currency effects of 3%. Volumes were up due to increased caprolactam production from the 2nd line in China.

EBITDA for the quarter declined compared to Q2 2013 resulting from the maintenance stop of the caprolactam plants in Europe and lower caprolactam margins resulting from lower prices, while benzene costs remained high. Acrylonitrile results were in line with last year.

Innovation Center

second quarter				first half		
2014	2013	yoy	*In € million*	2014	2013	yoy
38	39	-3%	Net sales	72	76	-5%
-5	-2		EBITDA	-11	-4	
-12	-10		EBIT	-26	-21	
			Capital employed	*473*	*469* *	

*year-end 2013

Sales in Q2 2014 were slightly down compared to Q2 2013 due to negative currency effects (-5%). Organic growth in DSM Biomedical is progressing well, with new products in the pipeline. DSM Advanced Surfaces continues to make progress by testing its new anti-reflecting coatings at large solar parks. In Bio-based Products and Services the second generation advanced biofuels plant of the POET/DSM joint venture in Iowa is in the start-up phase.

EBITDA declined due to increased costs resulting from intensified innovation programs. The underlying business did well.

Corporate Activities

second quarter			first half	
2014	2013	*In € million*	2014	2013
46	48	Net sales	86	103
-29	-23	EBITDA	-51	-42
-44	-35	EBIT	-78	-65

EBITDA in Q2 2014 benefitted from lower project costs, but the captive insurance was negatively impacted by a fire at an intermediates plant at DSM Nutritional Products in Sisseln, Switzerland. Of the total damages caused by the fire, an amount of €15 million is retained by DSM's captive insurances and as such accounted for in Q2. Nutrition incurred €1 million. Costs above these €16 million are covered by external insurers.

Pharma activities and other associates

Total Q2 2014 sales of joint ventures amounted to €116 million (100% base) of which €108 million coming from DSM Sinochem Pharmaceuticals (Q2 2013: €98 million).

DPx Holdings (49% DSM) realized total sales (100%) of €217 million from 11 March up to and including April with good margins. The DSM share in the net result of DPx was impacted by €25 million exceptional items related to the formation and start-up of the new company.

Financial overview

Exceptional items
Total *exceptional items from fully consolidated companies* in the second quarter amounted to a loss of €10 million before tax (€8 million after tax). This includes €12 million in expenses related to ongoing restructuring activities.

Net profit
Financial income and expense in Q2 2014 amounted to -€36 million equal to Q2 2013.

The effective tax rate in Q2 2014 was 18%, in line with the full year 2013.

Net profit from continuing operations before exceptional items in Q2 2014 amounted to €110 million compared to €137 million in Q2 2013.

Net earnings per ordinary share (continuing operations, before exceptional items) amounted to €0.64 in Q2 2014 compared to €0.80 in Q2 2013.

Cash flow, capital expenditure and financing
Cash provided by operating activities in Q2 2014 was €126 million (Q2 2013: €251 million).

Operating working capital increased from €1,843 million at year-end of 2013 to €2,178 million at the end of Q2 2014 due to higher inventories and receivables. Expressed as a percentage of annualized sales this represents 23.8% compared to 23.2% in Q2 2013.

Cash used for *capital expenditure* amounted to €117 million in Q2 2014 compared to €148 million in Q2 2013.

Net debt increased by €552 million compared to year-end 2013 and stood at €2,393 million (gearing 29%).

Interim dividend
DSM's policy is to provide a stable and preferably rising dividend. It has been decided to pay an interim dividend of €0.55 per ordinary share for 2014. As usual, this represents one third of the total dividend paid for the previous year. The interim dividend should not be taken as an indication of the total dividend for the year 2014. The dividend will be payable in cash or in the form of ordinary shares, at the option of the shareholder. Dividend in cash will be paid after deduction of 15% Dutch dividend withholding tax. The ex-dividend date is 6 August 2014. The interim dividend will be payable as from 27 August 2014.

DSM in motion: *driving focused growth*

Strategy update

DSM is firmly committed to its strategy, which has delivered and will continue to deliver sustainable value. DSM in motion: *driving focused growth* is the strategy that the company embarked on in September 2010, which was updated in September 2013. The next update is planned for Q4 2015. DSM in motion: *driving focused growth* marks the shift from an era of intensive portfolio transformation to a strategy of maximizing sustainable and profitable growth. DSM's strategic focus on Life Sciences and Materials Sciences is fueled by three main societal trends: Global Shifts, Climate & Energy and Health & Wellness. DSM aims to meet the unmet needs resulting from these societal trends with innovative and sustainable solutions.

Below are some highlights of DSM's Q2 2014 achievements.

High Growth Economies: from reaching out to being truly global

Sales to High Growth Economies reached a level of 42% of total sales in Q2 2014 versus 39% in Q2 2013. Sales in China amounted to USD 487 million, versus USD 395 million in Q2 2013, largely driven by substantially higher volumes for caprolactam resulting from the second caprolactam facility.

DSM opened its China Animal Nutrition Center in Bazhou, south of Beijing. With its focus on swine and poultry nutrition and the capabilities to conduct world-class scientific and application research, the facility will support the development of tailored solutions to meet the needs of the fast growing poultry and swine markets in China.

Innovation: from building the machine to doubling innovation output

Innovation sales in the first half of 2014 – measured as sales from innovative products and applications introduced in the last five years – amounted to 18% of total sales equal to the first half of 2013, which is close to DSM's 2015 target of approximately 20%. Examples of innovations, recently launched are:

- The world's first high-heat plastic air intake manifold with integrated charge air cooler made from Stanyl® Diablo, DSM's high temperature resistant polyamide 46.
- Rapidase® Pro Color, DSM's fruit enzymes that help to obtain the highest possible juice yield.
- A high intensity sweetener platform based on fermentation of steviol glycosides, the sweet tasting molecules present in Stevia plants. This breakthrough technology will provide clean taste and a secure and scalable supply.
- A new coagulant, Maxiren® XDS that helps cheese producers to maximize their value.

Sustainability: from responsibility to business driver

It is DSM's goal to have an injury and incident-free working environment. DSM has set itself the target of reducing the Frequency Index of Recordable Injuries by 50 percent or more by the year 2020 compared to 2010. This will require an index score that is less than or equal to 0.25 by 2020, compared to the 0.57 achieved in 2010. At the end of the first half of 2014 this index amounted to 0.43.

The share of ECO+ products in DSM's innovation pipeline was well above 90% in H1 2014, higher than the 2015 aspiration of 80%. The Eco+ share in the running business in H1 2014 was slightly ahead of the 45% in 2013, well on track towards the 2015 aspiration of 50%. DSM's energy efficiency is well on target: 16% improvement in the first half year of 2014 compared to 2008. The aspiration calls for a 20% improvement in 2020 compared to 2008. Greenhouse-gas emissions in CO_2 equivalents were 7% less than in 2008. DSM's aspiration is a 25% reduction by 2020, compared to 2008.

In India DSM completed construction of a 1MW solar facility adjacent to its plant in Ranjangaon.

Acquisitions & Partnerships: from portfolio transformation to driving focused growth

DSM reached agreement to acquire Aland (HK) Holding Limited ("Aland"), a Hong Kong-based company producing vitamin C in mainland China. Subject to customary conditions, the transaction is expected to close in the next six to nine months.

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

Outlook 2014

DSM targets for 2014 to deliver an improved underlying business performance in a challenging macro environment. DSM is on track to meet current market expectations, notwithstanding the adverse impact from foreign exchange rates of about €70 million and weakness in the caprolactam supply-chain.

Additional information

Today DSM will hold a conference call for the media from 08.00 AM to 08.30 AM CET and a conference call for investors and analysts from 09.00 AM to 10.00 AM CET. Details on how to access these calls can be found on the DSM website, www.dsm.com. Also, information regarding DSM's half year result 2014 can be found in the Presentation to Investors, which can be downloaded from the Investors section of the DSM website.

Important dates

Ex interim dividend quotation	Wednesday, 6 August 2014
Record date	Friday, 8 August 2014
Interim dividend payable	Wednesday, 27 August 2014
Report for the third quarter of 2014	Tuesday, 4 November 2014
Capital Markets Day	Wednesday, 5 November 2014
Full year results 2014	Wednesday, 11 February 2015
Report for the first quarter of 2015	Wednesday, 29 April 2015
Report for the second quarter of 2015	Tuesday, 4 August 2015
Report for the third quarter of 2015	Tuesday, 3 November 2015

Condensed consolidated statement of income for the second quarter

second quarter 2014			*in € million*	second quarter 2013		
before exceptional items	exceptional items	total		before exceptional items	exceptional items	total
2,288	0	2,288	net sales*	2,421	0	2,421
293	-10	283	EBITDA from continuing operations	332	-28	304
0	0	0	EBITDA from discontinued operations	13	-13	0
293	-10	283	EBITDA	345	-41	304
165	-10	155	operating profit (EBIT)	212	-41	171
0	0	0	operating profit from discontinued operations	4	-13	-9
165	-10	155	operating profit from continuing operations	208	-28	180
-36	0	-36	net finance costs	-36	0	-36
129	-10	119	profit before income tax	172	-28	144
-23	2	-21	income tax	-33	9	-24
4	-25	-21	share of the profit of associates / Joint Control entities	-2	0	-2
110	-33	77	net profit from continuing operations	137	-19	118
0	0	0	net profit from discontinued operations	3	-10	-7
110	-33	77	profit for the period	140	-29	111
1	0	1	non-controlling interests	1	0	1
111	-33	78	net profit	141	-29	112
111	-33	78	net profit	141	-29	112
-2	0	-2	dividend on cumulative preference shares	-2	0	-2
109	-33	76	net profit used for calculating earnings per share	139	-29	110
			net earnings per ordinary share in €:			
0.64	-0.19	0.45	- net earnings, total DSM	0.81	-0.17	0.64
0.64	-0.19	0.45	- net earnings, continuing operations	0.80	-0.11	0.69
0.73			- core earnings per share	0.89		
		171.4	average number of ordinary shares (x million)			171.2
		172.4	number of ordinary shares, end of period (x million)			172.9
128	0	128	depreciation and amortization	133	0	133
		125	capital expenditure			172
		0	acquisitions			447
		21,453	workforce (headcount) at end of period, continuing operations			20,993 **
		5,369	of which in the Netherlands			5,383 **

* Excluding net sales of joint ventures: €116 million in Q2 2014 and €108 million in Q2 2013 (based on 100%)
** Year-end 2013

This report has not been audited.

Condensed consolidated statement of income for the first half

first half 2014			*in € million*	first half 2013		
before exceptional items	exceptional items	total		before exceptional items	exceptional items	total
4,586	0	4,586	net sales*	4,741	0	4,741
565	-51	514	EBITDA from continuing operations	633	-63	570
-2	22	20	EBITDA from discontinued operations	20	-13	7
563	-29	534	EBITDA	653	-76	577
309	-29	280	operating profit (EBIT)	397	-76	321
-2	22	20	operating profit from discontinued operations	1	-13	-12
311	-51	260	operating profit from continuing operations	396	-63	333
-59	-7	-66	net finance costs	-66	0	-66
252	-58	194	profit before income tax	330	-63	267
-45	9	-36	income tax	-59	18	-41
2	-25	-23	share of the profit of associates / Joint Control entities	-9	24	15
209	-74	135	net profit from continuing operations	262	-21	241
-2	22	20	net profit from discontinued operations	0	-10	-10
207	-52	155	profit for the period	262	-31	231
4	0	4	non-controlling interests	0	0	0
211	-52	159	net profit	262	-31	231
211	-52	159	net profit	262	-31	231
-5	0	-5	dividend on cumulative preference shares	-5	0	-5
206	-52	154	net profit used for calculating earnings per share	257	-31	226
			net earnings per ordinary share in €:			
1.20	-0.30	0.90	- net earnings, total DSM	1.51	-0.18	1.33
1.21	-0.43	0.78	- net earnings, continuing operations	1.51	-0.12	1.39
1.39			- core earnings per share	1.67		
		172.1	average number of ordinary shares (x million)			170.2
		172.4	number of ordinary shares, end of period (x million)			172.9
254	0	254	depreciation and amortization	256	0	256
		223	capital expenditure			289
		0	acquisitions			459
		21,453	workforce (headcount) at end of period, continuing operations			20,993 **
		5,369	of which in the Netherlands			5,383 **

* Excluding net sales of joint ventures: €221 million in H1 2014 and €212 million in H1 2013 (based on 100%)
** Year-end 2013

This report has not been audited.

Consolidated balance sheet: assets

in € million	30 June 2014		year-end 2013	
intangible assets	2,720		2,690	
property, plant and equipment	3,664		3,611	
deferred tax assets	358		364	
prepaid pension costs				
associates and joint ventures	673		295	
other financial assets	293		152	
non-current assets		**7,708**		**7,112**
inventories	1,824		1,638	
trade receivables	1,662		1,477	
other receivables	190		120	
financial derivatives	93		126	
current investments	15		19	
cash and cash equivalents	527		770	
		4,311		4,150
assets held for sale				637
current assets		**4,311**		**4,787**
total assets		**12,019**		**11,899**

Consolidated balance sheet: equity and liabilities

in € million	30 June 2014		year-end 2013	
shareholders' equity	5,780		5,908	
non-controlling interest	206		188	
equity		**5,986**		**6,096**
deferred tax liabilities	375		375	
employee benefits liabilities	331		326	
provisions	124		97	
borrowings	2,236		1,725	
other non-current liabilities	73		75	
non-current liabilities		**3,139**		**2,598**
employee benefits liabilities	31		34	
provisions	53		65	
borrowings	607		841	
financial derivatives	185		190	
trade payables	1,308		1,272	
other current liabilities	710		573	
		2,894		2,975
liabilities held for sale				230
current liabilities		**2,894**		**3,205**
total equity and liabilities		**12,019**		**11,899**
capital employed*		7,995		8,060
equity / total assets*		50%		51%
net debt*		-2,393		-1,841
gearing (net debt / equity plus net debt)*		29%		23%
operating working capital, continuing operations		2,178		1,843
OWC / net sales, continuing operations		23.8%		21.2%

* Before reclassification to held for sale

Condensed consolidated cash flow statement

in € million	first half 2014		2013	
cash, cash equivalents and current investments at beginning of period		**789**		**1,108**
current investments at beginning of period		19		19
cash and cash equivalents at beginning of period		**770**		**1,089**
operating activities:				
- earnings before interest, tax, depreciation and amortization	563		653	
- change in working capital	-398		-349	
- income tax	-42		-20	
- other	-34		-82	
cash provided by operating activities		**89**		**202**
investing activities:				
- capital expenditure	-268		-300	
- acquisitions	-2		-453	
- disposal of subsidiaries and businesses	82		74	
- disposal of other non-current assets	8		4	
- change in fixed-term deposits	5		12	
- interest received	13		11	
- other	-52		-17	
cash used in investing activities		**-214**		**-669**
- dividend	-121		-114	
- interest paid	-134 *		-50	
- repurchase of shares	-189			
- proceeds from re-issued shares	16		91	
- other cash from/used in financing activities	309 **		60	
cash used in financing activities		**-119**		**-13**
changes exchange differences		1		-7
cash and cash equivalents end of period		**527**		**602**
current investments end of period		15		29
cash, cash equivalents and current investments end of period		**542**		**631**

* Impacted by -€77 million due to the settlement of the interest rate pre-hedge of the €500 million bond in Q1 2014.
** Of which €330 million change in commercial paper (H1 2013: €50 million)

Condensed consolidated statement of comprehensive income

in € million	first half	
	2014	2013
items that will not be reclassified to profit or loss		
remeasurements of defined benefit pension plans	5	0
items that may susbsequently be reclassified to profit or loss		
exchange differences on translation of foreign operations	90	-27
change in fair value reserve	0	2
change in hedging reserve	-9	6
other comprehensive income, before tax	86	-19
income tax expense	2	-8
other comprehensive income, net of tax	88	-27
profit for the period	155	231
total comprehensive income	**243**	**204**

Condensed consolidated statement of changes in equity

in € million	first half	
	2014	2013
Total equity at beginning of period	6,096	6,040
changes:		
total comprehensive income	243	204
dividend	-307	-274
repurchase of shares	-189	0
proceeds from reissue of ordinary shares	106	166
other changes	37	12
total equity end of period	**5,986**	**6,148**

Geographical information (continuing operations)

first half 2014	The Nether-lands	Rest of Western Europe	Eastern Europe	North America	Latin America	China	India	Japan	Rest of Asia	Rest of the world	Total
net sales by origin											
in € million	1,509	1,171	57	701	298	550	26	29	114	29	4,484
in %	34	26	1	16	6	12	1	1	2	1	100
net sales by destination											
in € million	338	1252	269	851	473	662	70	101	372	96	4,484
in %	8	28	6	19	11	14	2	2	8	2	100
total assets in € million	3,881	2,158	115	3,100	859	1,314	70	99	349	74	12,019
workforce (headcount) at end of period	5,369	5,000	412	3,636	1,866	3,485	468	142	838	237	21,453

first half 2013	The Nether-lands	Rest of Western Europe	Eastern Europe	North America	Latin America	China	India	Japan	Rest of Asia	Rest of the world	Total
net sales by origin											
in € million	1,498	1,136	56	925	232	447	19	38	101	18	4,470
in %	34	26	1	21	5	10		1	2		100
net sales by destination											
in € million	333	1,245	263	926	417	618	60	112	393	103	4,470
in %	7	28	6	21	9	14	1	3	9	2	100
total assets in € million*	3,494	2,540	114	3,186	755	1,247	53	85	328	97	11,899
workforce (headcount) at end of period*	5,383	5,028	388	3,679	1,759	3,084	406	151	878	237	20,993

*year-end 2013

Notes to the financial statements

- Accounting policies and presentation

The consolidated financial statements of DSM for the year ended 31 December 2013 were prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union and valid as of the balance sheet date. These accounting policies are applied in the current interim financial statements except for the implementation of IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' that came into effect from 1 January 2014. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The application of this new standard did not result in material changes in the entities that are being consolidated by DSM. IFRS 11 changed the presentation of jointly controlled entities that meet the new definition of a joint venture. For these entities proportionate consolidation is no longer permitted and they are now presented in accordance with the equity method. Results of these entities are reported in 'Share of the profit of associates' and no longer included in EBITDA. Furthermore, to enhance insight in the development of the cash flow from operating activities, interest receipts and payments are no longer included in the cash flow from operating activities in the cash flow statement but reported in investing activities (interest received) and financing activities (interest paid) from 2014 onwards. The most important change as a result of the introduction of IFRS 11 relates to the presentation of DSM Sinochem Pharmaceuticals that is now accounted for on the basis of the equity method and presented as an associate. 2013 comparative information has been restated accordingly.

These interim statements are in compliance with IAS 34 'Interim Financial Reporting' and need to be read in conjunction with the Integrated Annual Report 2013 and the discussion by the Managing Board earlier in this interim report.

- Audit

These interim financial statements have not been audited.

- Related party transactions

Transactions with related parties are conducted at arm's length conditions.

- Scope of the consolidation

In the first half year of 2014 no significant acquisitions were closed.

JLL Partners and DSM completed the transaction announced in November 2013 combining DSM Pharmaceutical Products and Patheon Inc. into a new privately held company, named DPx, in which DSM holds a 49% share. From 11 March 2014 onwards DSM Pharmaceutical Products, which was classified held for sale at the end of 2013 is no longer consolidated by DSM. The 49% investment in DPx is reported as an associate and accounted in accordance with the equity method. The result on the contribution of DSM Pharmaceutical Products (DPP) to DPx recognized in the first quarter amounted to a loss of €130 million which is specified in the table below. This is lower than the estimated loss that was recognized upon classification of the business as asset held for sale at the end of 2013. The difference of €22 million was mainly attributable to lower tax costs than earlier estimated and was reversed in the first quarter. Certain elements of the contribution agreement are still subject to change and therefore the final result may still be modified during the year.

Result on contribution of DSM Pharmaceutical Products to DPx.

	In € million
<u>Net assets</u>	
- Book value DPP assets and liabilities	445
- Release related items in other comprehensive income	22
Subtotal net assets in DSM books 10 March 2014	467
- Impairment upon held for sale classification in 2013	<u>152</u>
Total net assets	619
<u>Consideration / fair value</u>	500
Transaction costs in 2014	-4
Liability for demolition costs	-5
Cancellation intercompany positions	<u>-2</u>
Consideration net of costs	489
Total book loss	**-130**
Of which:	
- Goodwill impaired in 2013 (exceptional item)	-152
- Reversal in 2014 (exceptional item)	22

After formation DPx applies an accounting year that runs form November 1st until October 31st. DSM will recognize results from the associate with a two month delay to be in line with the closing and reporting processes of the company to ensure reliability of the information. When required by material events or incidents after the DPx reporting date appropriate adjustments to the reported results will be made. In accordance with IFRS the value of the assets and liabilities of the associate needs to be based on fair value at the time of acquisition by DSM. To determine the fair value for accounting purposes of the assets and liabilities contributed by JLL Partners a so-called purchase price allocation is being performed. The results of this purchase price allocation are not yet available and related adjustments are not yet accounted for.

- Employee benefits (pensions)

From 1 January 2013 onwards DSM applies the revised IAS 19 'Employee Benefits'. Neither pensions and similar obligations nor plan assets are subjected to interim revaluation.

- Risks

DSM has a risk management system in place. A description of the system and an overview of potentially important risks for DSM is provided in the Integrated Annual Report 2013 and in the governance section on www.dsm.com. DSM has reviewed the developments and incidents in the first half of 2014 and assessed the risks for the year. On this basis DSM has concluded that the most important risks and responses reported in the Integrated Annual Report 2013 are still applicable.

- Seasonality

In cases where businesses are significantly affected by seasonal or cyclical fluctuations in sales, this is discussed in the 'Review by cluster' earlier in this report.

- Dividends and equity

On 3 June the final dividend of €1.15 per share for the year 2013 was paid to holders of ordinary shares and a dividend of €0.15 per share was paid to holders of cumulative preference shares A. The total distribution to shareholders amounting to €203 million, of which €88 million was paid as stock dividend, was recorded against retained earnings. In addition to the final dividend for 2013, the interim dividend of €0.55 per ordinary share for 2014 was recognized in the second quarter of 2014. This distribution to shareholders amounts to €98 million.

In the first half of 2014 2.1 million shares were issued in connection with stock dividend, the exercise of options and delivery of performance shares. 3.7 million shares were repurchased in the same period.

Statement of the Managing Board

The half-yearly financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of DSM and its consolidated companies; and the half-yearly report gives a true and fair view of DSM's position as at the balance sheet date, the development during the period of DSM and its group companies included in the half-yearly financial statements, together with the expected developments.

Heerlen, 5 August 2014

The Managing Board

Feike Sijbesma, CEO/Chairman
Rolf-Dieter Schwalb, CFO
Stefan Doboczky
Geraldine Matchett
Stephan Tanda
Dimitri de Vreeze

DSM – Bright Science. Brighter Living.™
Royal DSM is a global science-based company active in health, nutrition and materials. By connecting its unique competences in Life Sciences and Materials Sciences DSM is driving economic prosperity, environmental progress and social advances to create sustainable value for all stakeholders simultaneously. DSM delivers innovative solutions that nourish, protect and improve performance in global markets such as food and dietary supplements, personal care, feed, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials. DSM's 24,500 employees deliver annual net sales of around €10 billion. The company is listed on NYSE Euronext. More information can be found at www.dsm.com.

Or find us on:

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Forward-looking statements
This press release may contain forward-looking statements with respect to DSM's future (financial) performance and position. Such statements are based on current expectations, estimates and projections of DSM and information currently available to the company. DSM cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. DSM has no obligation to update the statements contained in this press release, unless required by law.