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# Press Release

Heerlen (NL), 7 August 2012.

21E

## DSM reports robust Q2 in challenging environment

- Q2 EBITDA from continuing operations €290 million (Q2 2011: €339 million)
- Life Sciences continues to deliver robust performance, driven by Nutrition
- Materials Sciences improved, except for caprolactam which had an EBITDA impact of - €70 million
- Q2 cash flow from operating activities at €197 million, higher than comparable and prior quarter
- Profit Improvement Program announced: expected annual EBITDA benefits of €150 million by 2014
- Interim dividend of €0.48 declared, in line with DSM's dividend policy
- Outlook 2012 largely unchanged with the exception of caprolactam

Commenting on the results, Feike Sijbesma, CEO/Chairman of the DSM Managing Board, said:
*"Despite the challenging macro-economic environment, I am pleased that DSM was able to deliver another robust set of results demonstrating the strength of our strategy, as evidenced by the ongoing strong performance of Nutrition. Our Life Sciences clusters accounted for around 70% of Q2 EBITDA. This strength has helped to offset the weakness caused by caprolactam in Materials Sciences. The other Materials Sciences businesses improved despite a challenging macro-economic environment.*

*"The global outlook for the second half of the year is more uncertain due in part to Europe's inability to find an effective and sustainable solution to the financial challenges facing the Eurozone. Because of the increased economic uncertainty, we are announcing today a Profit Improvement Program that includes structural cost reduction and other initiatives that will generate €150 million EBITDA benefits by 2014.*

*"While we remain cautious on the macro-economic outlook for the rest of the year, the robustness of our portfolio reinforces our confidence that DSM's strategic focus is the right one. As evidenced by the recent Kensey Nash and Ocean Nutrition Canada acquisitions, we continue to deliver on our strategy by investing in new, exciting growth opportunities. We are confident that the Profit Improvement Program, together with our broad geographic spread with a significant presence in high growth economies and our very strong balance sheet, leaves us well placed to face the near term challenges. We continue to execute our strategy to achieve stronger, more stable growth and profitability for DSM overall also based on our sustainable innovative solutions addressing the key global trends."*

| second quarter | | | | first half | | |
|---|---|---|---|---|---|---|
| 2012 | 2011 | +/- | *in € million* | 2012 | 2011 | +/- |
| | | | Continuing operations | | | |
| **2,268** | **2,265** | **0%** | Net sales | **4,558** | **4,499** | **1%** |
| | | | Operating profit before depreciation and | | | |
| **290** | **339** | **-14%** | amortization (EBITDA) | **596** | **664** | **-10%** |
| 195 | 193 | | - Nutrition | 387 | 366 | |
| 17 | 12 | | - Pharma | 22 | 12 | |
| 77 | 82 | | - Performance Materials | 156 | 173 | |
| 30 | 93 | | - Polymer Intermediates | 99 | 192 | |
| -10 | -13 | | - Innovation center | -25 | -26 | |
| -19 | -28 | | - Corporate activities | -43 | -53 | |
| 168 | 238 | -29% | Operating profit (EBIT) | 368 | 469 | -22% |
| | | | Discontinued operations | | | |
| | 34 | | Net sales | | 145 | |
| | | | Operating profit before depreciation and | | | |
| | 6 | | amortization (EBITDA) | | 29 | |
| | 6 | | Operating profit (EBIT) | | 29 | |
| | | | **Total DSM** | | | |
| **2,268** | **2,299** | **-1%** | Net sales | **4,558** | **4,644** | **-2%** |
| | | | Operating profit before depreciation and | | | |
| 290 | 345 | -16% | amortization (EBITDA) | 596 | 693 | -14% |
| **114** | **166** | **-31%** | **Net profit before exceptional items** | **259** | **338** | **-23%** |
| -73 | 226 | | Net result from exceptional items | -73 | 220 | |
| **41** | **392** | **-90%** | Net profit | **186** | **558** | **-67%** |
| | | | Net profit per share in €: | | | |
| 0.67 | 0.97 | -31% | - before exceptional items, continuing operations | 1.54 | 1.88 | -18% |
| 0.23 | 2.35 | -90% | - including exceptional items, total DSM | 1.10 | 3.33 | -67% |

*In this report:*

- *'operating profit' (before depreciation and amortization) is understood to be operating profit (before depreciation and amortization) before exceptional items;*
- *'net profit' is the net profit attributable to equity holders of Koninklijke DSM N.V.;*
- *'continuing operations' refers to the DSM operations excluding DSM Elastomers;*
- *'discontinued operations' comprise net sales and operating profit (before depreciation and amortization) of DSM Elastomers up to and including Q2 2011.*

## Overview

The world economy developed less positively than expected, mainly due to the continuing Eurozone challenges, which are prolonging weak consumer sentiment and resulting in a recession in parts of Europe. China experienced an economic slowdown owing to weaker exports though growth is still at a high level. The US continued to grow, although at a moderate level.

Despite these developments the results of DSM were robust and in line with expectations, with the exception of Polymer Intermediates.

The Q2 EBITDA (€290 million) was 14% lower than in Q2 2011. The drop in EBITDA was fully attributable to Polymer Intermediates, which had experienced record results in 2011 which were not expected to continue. The combined effect of the weakness in caprolactam on DSM Fiber Intermediates and DSM Engineering Plastics in Q2 amounted to €70 million.

Nutrition once again delivered a strong performance. With acquisitions in the Nutrition cluster such as Martek in 2011 and Ocean Nutrition Canada in 2012 DSM is moving towards achieving €4 billion in Nutrition sales.

Pharma had a relatively good quarter, partly supported by temporarily higher than usual deliveries in DSM Pharmaceutical Products.

Performance Materials' performance was slightly below Q2 2011 and in line with Q1 2012. The negative impact of caprolactam on DSM Engineering Plastics was partly compensated for by improved results in DSM Resins, which began to benefit from the restructuring programs announced in 2011.

The EBITDA of Polymer Intermediates declined significantly versus the very high Q2 2011 result.

Cash provided by operating activities amounted to €197 million in Q2 2012 versus €133 million in the same quarter of last year and €97 million in Q1. Net debt increased by €464 million compared to Q1 2012 to a level of €729 million, among other things due to the acquisition of Kensey Nash.

**Net sales**

| *in € million* | second quarter | | | | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | differ-ence | organic growth | exch. rates | other |
| Nutrition | 899 | 839 | 7% | 2% | 5% | 0% |
| Pharma | 182 | 178 | 2% | 9% | 2% | -9% |
| Performance Materials | 713 | 709 | 1% | -7% | 6% | 2% |
| Polymer Intermediates | 389 | 423 | -8% | -14% | 6% | |
| Innovation center | 18 | 14 | | | | |
| Corporate activities | 67 | 102 | | | | |
| **Total (continuing operations)** | **2,268** | **2,265** | **0%** | **-3%** | **5%** | **-2% *** |
| Discontinued operations | | 34 | | | | |
| Total | 2,268 | 2,299 | | | | |

* Including the effect of the deconsolidation of DSM's interest in Sitech Manufacturing Services, which was reported in Corporate activities in 2011.

Q2 2012 organic sales development was -3% compared to Q2 2011. The decline was due mainly to volumes in Performance Materials and pricing in Polymer Intermediates.

Nutrition continued to deliver organic growth through increasing volumes as well as prices.

The two Pharma businesses also showed organic growth via volumes as well as prices.

In Performance Materials, the development of organic growth was mainly due to lower volumes at DSM Engineering Plastics and DSM Resins.

Polymer Intermediates sales decreased mainly due to lower prices.

## DSM initiates Profit Improvement Program

Considering the economic uncertainty, especially in Europe, and challenging developments in some markets, DSM has decided to implement a company wide Profit Improvement Program, mainly focused on cost reductions and efficiency improvements, but also on sales growth and pricing. This program, which will be implemented over the next 18 months, is expected to deliver structural annual EBITDA benefits of €150 million by 2014. This program is in addition to the already announced restructuring initiatives at DSM Resins that will deliver annual savings of €25-30 million by 2013.

The program contains several projects. DSM Nutritional Products is improving the competitiveness of key vitamins (Bs and C) with restructuring projects in Grenzach, Germany and Dalry, United Kingdom. In Switzerland projects have started to reduce the Swiss franc dependency via cost reductions. The LTP plant in Sweden is being closed. In Martek efficiency gains are being realized via integration into the global Nutrition business. In Pharma, the Percivia joint venture will focus on the existing PER.C6® technology licensing business. The Biosimilar product development business of Percivia is being terminated. Cost reductions are also ongoing in all other areas in the Pharma cluster.

In Materials Sciences, programs designed to ensure DSM's global competitiveness are being executed. At DSM Dyneema the organization is being aligned with the development of the vehicle protection business and further programs to accelerate the growth will be implemented. At DSM Engineering Plastics a comprehensive program will be executed to cut fixed costs, to improve the operational efficiency and margin management and to accelerate the growth of innovative specialty products. DSM Resins will intensify its program that started in 2011.

The above-mentioned actions result in provisions and related other cash costs for a total amount of €62 million, which were recognized as an exceptional item in Q2. Additional costs will need to be recognized in the second half of the year.

In the second half of the year programs which aim to standardize and off shore transactional services in accounting and ICT services will start to have impact.

As a result of this program DSM expects the global headcount to be reduced by approximately 1000 positions. One-off cash costs for the Profit Improvement Program are expected to total about €125 million, half of which has been recognized as an exceptional item in Q2. The remainder is expected to be recognized as an exceptional item in the second half of 2012.

DSM will continue to look for opportunities to expand this Profit Improvement Program.

The Profit Improvement Program will help DSM to meet its ambitious financial targets as well as reinforcing DSM’s continued strong balance sheet and financial position. As a result, DSM will be even better placed to capture growth opportunities both now and in the future while maintaining its strategic course as outlined in DSM in motion: *driving focused growth* with all four growth drivers (High Growth Economies, Innovation, Sustainability and Acquisitions & Partnerships) firmly in place.

## Business review by cluster

**Nutrition**

| second quarter | | *in € million* | first half | |
|---|---|---|---|---|
| 2012 | 2011 | | 2012 | 2011 |
| 899 | 839 | Net sales | 1,799 | 1,637 |
| 195 | 193 | EBITDA | 387 | 366 |
| 153 | 154 | EBIT | 302 | 294 |
| 21.7% | 23.0% | EBITDA margin | 21.5% | 22.4% |

In the second quarter of 2012 **sales** growth in Nutrition was 7% compared to Q2 2011, supported by healthy organic growth (2%) in all segments. More favorable exchange rates added 5%. Growth fundamentals for the business remained strong and unchanged. In Q2 2012, DSM announced the acquisition of Ocean Nutrition Canada, which will further contribute to the sustainable growth of the cluster moving towards €4 billion in sales. The acquisition was finalized at the beginning of Q3.

Feed markets continued to experience strong demand for animal protein in all geographic areas. Food markets continued growth in all regions and segments with some softening in Europe. The cross-selling of Martek products through the DSM global sales network resulted in double digit growth of Nutritional Lipids in infant nutrition outside USA.

**EBITDA** for the cluster further increased to €195 million as a result of stable growth at stable margins. This more than compensated for the negative impact of the strong Swiss franc and the absence of the hedge gain as realized in Q2 2011.

**Pharma**

| second quarter | | *in € million* | first half | |
|---|---|---|---|---|
| 2012 | 2011 | | 2012 | 2011 |
| 182 | 178 | Net sales | 357 | 341 |
| 17 | 12 | EBITDA | 22 | 12 |
| -4 | 0 | EBIT | -12 | -10 |
| 9.3% | 6.7% | EBITDA margin | 6.2% | 3.5% |

In Q2 2012 net **sales** growth was 2%, despite the negative impact from the 50% deconsolidation of DSM Sinochem Pharmaceuticals. Organic sales growth was 9%, caused by higher volumes and prices from both DSM Sinochem Pharmaceuticals and DSM Pharmaceutical Products.

**EBITDA** for the quarter increased compared to last year. In addition to the improved performance of both businesses, the cluster EBITDA also benefited from a one-off effect coming from the restructuring of the Biosimilar activities. At the same time, DSM impaired these assets. These factors compensated for the negative effect of the 50% deconsolidation of DSM Sinochem Pharmaceuticals as of September 2011.

**Performance Materials**

| second quarter | | in € million | first half | |
|---|---|---|---|---|
| 2012 | 2011 | | 2012 | 2011 |
| 713 | 709 | Net sales | 1,414 | 1,414 |
| 77 | 82 | EBITDA | 156 | 173 |
| 42 | 53 | EBIT | 90 | 115 |
| 10.8% | 11.6% | EBITDA margin | 11.0% | 12.2% |

In Q2 2012 **sales** growth was 1% compared to Q2 2011, with positive currency developments and the impact of acquisitions more than compensating for lower volumes in DSM Engineering Plastics and DSM Resins. DSM Dyneema delivered solid volume growth, despite the absence of new large vehicle protection tenders.

Q2 2012 **EBITDA** was below Q2 last year, which was fully due to lower margins in the polyamide-6 value chain of DSM Engineering Plastics offsetting the improved performance in the rest of DSM Engineering Plastics' portfolio. DSM Resins showed strong improvement of its results due to better margins and the implementation of cost saving actions and despite ongoing subdued market conditions, mainly in building and construction in Europe. DSM Dyneema's result was in line with the prior year.

**Polymer Intermediates**

| second quarter | | in € million | first half | |
|---|---|---|---|---|
| 2012 | 2011 | | 2012 | 2011 |
| 389 | 423 | Net sales | 819 | 880 |
| 30 | 93 | EBITDA | 99 | 192 |
| 23 | 86 | EBIT | 85 | 176 |
| 7.7% | 22.0% | EBITDA margin | 12.1% | 21.8% |

**Sales** development was -8% compared to Q2 2011, due to 11% lower prices and 3% lower volumes, partly compensated for by 6% more favorable currencies. Sales prices declined significantly during the quarter due to uncertain macro-economic conditions causing weakening customer demand and destocking and due to some smaller new entrants.

Q2 2012 **EBITDA** was significantly below the record levels of 2011. This was due to weak margins arising from increasing benzene prices combined with falling caprolactam prices. At the end of the quarter, margins were significantly below the levels at the beginning of the quarter. Acrylonitrile margins declined too. In addition, the decline in EBITDA was also caused by the turnaround of the caprolactam plant in the Netherlands, which was the largest turnaround project in DSM's caprolactam history.

**Innovation Center**

| second quarter | | in € million | first half | |
|---|---|---|---|---|
| 2012 | 2011 | | 2012 | 2011 |
| 18 | 14 | Net sales | 34 | 28 |
| -10 | -13 | EBITDA | -25 | -26 |
| -14 | -16 | EBIT | -31 | -32 |

Results were above the usual level as a result of somewhat higher Biomedical sales as well as lower costs. The acquisition of Kensey Nash was completed on June 22; Kensey Nash will contribute to the EBITDA as from Q3 2012 by about €10 million for the second half of the year. This acquisition positions DSM as a major supplier to the medical device industry, where Kensey Nash is a leader in biomaterial products for tissue repair and regeneration. Good progress was made in biofuels with new approvals gained for enzymes (Dong Energy, Denmark) and yeasts (GraalBio, Brazil) for cellulosic bioethanol.

**Corporate activities**

| second quarter | | in € million | first half | |
|---|---|---|---|---|
| 2012 | 2011 | | 2012 | 2011 |
| 67 | 102 | Net sales | 135 | 199 |
| -19 | -28 | EBITDA | -43 | -53 |
| -32 | -39 | EBIT | -66 | -74 |

The lower **sales** in Q2 2012 compared to Q2 2011 were the result of the deconsolidation of Sitech Manufacturing Services mid 2011 and the re-integration of the Maleic Anhydride and Derivatives business into the Pharma cluster.

**EBITDA** in Q2 2012 improved compared to Q2 2011, mainly as a result of lower share-based payments cost, lower costs in shared service organizations and lower project costs.

## Exceptional items

In Q2 total exceptional items amounted to a loss of €92 million before tax (€73 million after tax). In connection with the implementation of the Profit Improvement Program, restructuring provisions were recognized for an amount of €58 million together with related other costs of €4 million. In addition, impairment charges of €26 million were recognized that were mainly related to the restructuring of the asset base of the Dalry facility of DNP Nutritional Products and the closure of the LTP plant. Acquisition related costs in the period amounted to €4 million.

## Net profit

*Net finance costs* increased by €11 million compared to Q2 2011 to a level of €29 million, as a result of an impairment of Other participating interest and some negative effects from exchange rate and interest rate developments.

*The effective tax rate* was 18%, being 1% lower than full year 2011.

*Net profit before exceptional items* decreased by €52 million compared to Q2 2011 to a level of €114 million, which was due to the lower operating profit within Polymer Intermediates.

*Total net profit* showed a decrease of €351 million compared to Q2 2011 to a level of €41 million. This was due to the fact that Q2 2011 included the book profit on the sale of DSM Elastomers and the result on the sale of the Danisco shares (total profit of €226 million), while in Q2 2012 restructuring costs and impairments were included for €73 million.

*Net earnings per ordinary share (continuing operations, before exceptional items*) amounted to €0.67 in Q2 2012 compared to €0.97 in Q2 2011.

## Cash flow, capital expenditure and financing

*Cash provided by operating activities* was €197 million in Q2 2012 which is higher than the comparable (€133 million) and the previous quarter (€97 million).

Cash flow related to *capital expenditure* amounted to €162 million in Q2 2012 compared to €88 million in Q2 2011. The increase is among other things due to the confluence of several large projects across all business groups.

*Net debt* increased by €411 million compared to year-end 2011 and stood at €729 million (gearing 11%).

## Interim dividend

DSM's policy is to provide a stable and preferably rising dividend. It has been decided to pay an interim dividend of €0.48 per ordinary share for the year 2012. As usual, this represents one third of the total dividend paid for the previous year. The interim dividend is no indication of the total dividend for 2012. 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 8 August 2012. The interim dividend will be payable as from 30 August 2012.

## DSM in motion: *driving focused growth*

DSM in motion: *driving focused growth* marks the shift from an era of intensive portfolio transformation to a strategy for the coming years of maximizing sustainable and profitable growth of 'the new DSM'. The current businesses compose the new core of DSM in Life Sciences and Materials Sciences.

DSM's focus on Life Sciences (Nutrition and Pharma) and Materials Sciences (Performance Materials and Polymer Intermediates) is fueled by three main societal trends: *Global Shifts, Climate and Energy* and *Health and Wellness*. DSM aims to meet the unmet needs resulting from these societal trends with innovative and sustainable solutions.

It is DSM's ambition to fully leverage the unique opportunities in Life Sciences and Materials Sciences, using four growth drivers (*High Growth Economies, Innovation, Sustainability* and *Acquisitions & Partnerships*) and bringing all four drivers to the next level.

Below is an update on DSM's achievements and progress with regard to each of the four growth drivers.

*High Growth Economies: from reaching out to being truly global*

Sales to High Growth Economies reached a level of 39% of total sales in Q2 2012 versus 37% in Q2 2011 driven by the Nutrition and Performance Materials clusters that showed strong double digit growth numbers in the High Growth Economies.

Net sales to China amounted to USD 430 million, versus USD 489 million in Q2 2011 which was fully due to lower sales prices at Polymer Intermediates.

*Innovation: from building the machine to doubling innovation output*

Innovation sales – measured as sales from innovative products and applications introduced in the last five years – reached 18% of total net sales in Q2, close to the company's 2015 target of approximately 20%.

*Sustainability: from responsibility to a business driver*
The share of Eco+ products in DSM's running business portfolio has increased gradually to 42% in the first half of 2012 from 39% the same period a year earlier. This is aligned with DSM's efforts of expanding Eco+ products in its portfolio and shows that Eco+ products are increasingly well received by customers. In the first half of 2012, the share of Eco+ products in DSM's innovation pipeline was 65%.

In June, DSM received two Sustainability Awards from investment fund SAM, based on SAM's yearly corporate sustainability assessment. The awards represent recognition for DSM's Gold status and for being Sustainability Leader in the Chemical Sector of the Dow Jones Sustainability World Index.

*Acquisitions & Partnerships: from portfolio transformation to driving focused growth*
DSM completed the acquisition of Kensey Nash a leading supplier to the medical device industry. The acquisition strengthens and complements DSM's biomedical business, one of the Emerging Business Areas of DSM. The acquisition positions DSM Biomedical as a profitable growth platform for DSM.

DSM successfully completed the acquisition of Ocean Nutrition Canada, the leading global provider of fish-oil derived nutritional products to the dietary supplement and food & beverage markets. The acquisition strengthens and complements DSM's newly established, global Nutritional Lipids growth platform. Nutritional Lipids are the largest, double digit growing segment of the nutritional ingredients market.

In July, DSM announced the acquisition of Cilpaz Srl, the Italian animal nutrition premix specialist. Although relatively minor in size, this acquisition underlines DSM's strategy of focused growth. Continued value growth in the Nutrition cluster is a key component of this strategy.

To date DSM has completed €1.7 billion worth of growth enhancing acquisitions since it embarked on its current strategic plan less than two years ago. Nearly €1.3 billion has been spent in the Nutrition cluster as the company continues to further improve its attractive portfolio in health, nutrition and materials to deliver shareholder value with stronger, more stable growth and profitability.

## Outlook

Considering the economic uncertainty, especially in Europe, and challenging developments in some markets, DSM has decided to implement a company wide Profit Improvement Program that is expected to generate annual recurring EBITDA benefits of around €150 million by 2014. Benefits for 2012 are estimated to be limited. One-off cash costs for the Profit Improvement Program are expected to total about €125 million, half of which has been recognized as an exceptional item in Q2. The remainder is expected to be recognized as an exceptional item in the second half of 2012. This program is in addition to the already announced restructuring initiatives at DSM Resins which will deliver annual savings of €25-30 million by 2013.

Nutrition continues to demonstrate its resilience with EBITDA now expected to be clearly above 2011. Ocean Nutrition Canada will add about €20 million in EBITDA for the remainder of the year.

Business conditions in Pharma are likely to remain challenging, although DSM anticipates that it will make further strategic progress. DSM expects to deliver a slightly improved EBITDA despite the 50% deconsolidation of the anti-infectives business.

Based on current insights regarding economic developments, trading conditions in Performance Materials continue to be volatile and are not expected to improve in the remainder of the year. Full year EBITDA is expected to be in line with 2011 despite the weak market conditions for caprolactam.

The adverse market conditions for Polymer Intermediates that materialized at the end of Q2 are not expected to improve significantly during the remainder of the year. The results will be further impacted as a consequence of turnaround shutdowns of the caprolactam plants in China and North America in the second half of the year. DSM expects EBITDA to be clearly below the exceptional result in 2011.

Overall, DSM is cautious with regard to the economic outlook for the remainder of 2012. DSM's expectations for the year are broadly in line with its previous cluster guidance, with the exception of the weakness in caprolactam.

Assuming no further deterioration of the economic conditions, and based on its strategy, financial strength, and the additional actions now taken, DSM will move towards the 2013 strategic targets.

### Additional information

Today DSM will hold a conference call for the media from 07.30 AM to 08.00 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 first half year result 2012 can be found in the Presentation to Investors, which can be downloaded from the Investors section of the DSM website.

## Condensed consolidated statement of income for the second quarter

| second quarter 2012 | | | *in € million* | second quarter 2011 | | |
|---|---|---|---|---|---|---|
| before exceptional items | exceptional items | total | | before exceptional items | exceptional items | total |
| 2,268 | | 2,268 | net sales | 2,299 | | 2,299 |
| 290 | -67 | 223 | EBITDA from continuing operations | 339 | -8 | 331 |
| | | | EBITDA from discontinued operations | 6 | 110 | 116 |
| 290 | -67 | 223 | EBITDA total DSM | 345 | 102 | 447 |
| 168 | -92 | 76 | operating profit (EBIT) total DSM | 244 | 102 | 346 |
| | | | operating profit from discontinued operations | 6 | 110 | 116 |
| 168 | -92 | 76 | operating profit from continuing operations | 238 | -8 | 230 |
| -29 | | -29 | net finance costs | -18 | 140 | 122 |
| 1 | | 1 | share of the profit of associates | 2 | | 2 |
| 140 | -92 | 48 | profit before income tax | 222 | 132 | 354 |
| -23 | 19 | -4 | income tax | -47 | -17 | -64 |
| 117 | -73 | 44 | net profit from continuing operations | 175 | 115 | 290 |
| | | | net profit from discontinued operations | 4 | 111 | 115 |
| 117 | -73 | 44 | profit for the period | 179 | 226 | 405 |
| -3 | | -3 | non-controlling interests | -13 | | -13 |
| 114 | -73 | 41 | net profit | 166 | 226 | 392 |
| 114 | -73 | 41 | net profit | 166 | 226 | 392 |
| -2 | | -2 | dividend on cumulative preference shares | -2 | | -2 |
| 112 | -73 | 39 | net profit used for calculating earnings per share | 164 | 226 | 390 |
| 122 | 25 | 147 | depreciation and amortization | 101 | | 101 |
| | | 174 | capital expenditure | | | 98 |
| | | 272 | acquisitions | | | 4 |
| | | | net earnings per ordinary share in €: | | | |
| 0.67 | -0.44 | 0.23 | - net earnings, total DSM | 0.99 | 1.36 | 2.35 |
| 0.67 | -0.44 | 0.23 | - net earnings, continuing operations | 0.97 | 0.68 | 1.65 |
| | | 164.8 | average number of ordinary shares (x million) | | | 165.5 |
| | | 166.0 | number of ordinary shares, end of period (x million) | | | 166.2 |
| | | 22,624 | workforce (headcount) at end of period | | | 22,224 * |
| | | 6,108 | of which in the Netherlands | | | 6,205 * |

* Year-end 2011

This report has not been audited.

## Condensed consolidated statement of income for the first half

| first half 2012 | | | *in € million* | first half 2011 | | |
|---|---|---|---|---|---|---|
| before exceptional items | exceptional items | total | | before exceptional items | exceptional items | total |
| 4,558 | | 4,558 | net sales | 4,644 | | 4,644 |
| 596 | -67 | 529 | EBITDA from continuing operations | 664 | -17 | 647 |
| | | | EBITDA from discontinued operations | 29 | 110 | 139 |
| 596 | -67 | 529 | EBITDA total DSM | 693 | 93 | 786 |
| 368 | -92 | 276 | operating profit (EBIT) total DSM | 498 | 93 | 591 |
| | | | operating profit from discontinued operations | 29 | 110 | 139 |
| 368 | -92 | 276 | operating profit from continuing operations | 469 | -17 | 452 |
| -40 | | -40 | net finance costs | -39 | 140 | 101 |
| 2 | | 2 | share of the profit of associates | 3 | | 3 |
| 330 | -92 | 238 | profit before income tax | 433 | 123 | 556 |
| -59 | 19 | -40 | income tax | -91 | -14 | -105 |
| 271 | -73 | 198 | net profit from continuing operations | 342 | 109 | 451 |
| | | | net profit from discontinued operations | 21 | 111 | 132 |
| 271 | -73 | 198 | profit for the period | 363 | 220 | 583 |
| -12 | | -12 | non-controlling interests | -25 | | -25 |
| 259 | -73 | 186 | net profit | 338 | 220 | 558 |
| 259 | -73 | 186 | net profit | 338 | 220 | 558 |
| -5 | | -5 | dividend on cumulative preference shares | -5 | | -5 |
| 254 | -73 | 181 | net profit used for calculating earnings per share | 333 | 220 | 553 |
| 228 | 25 | 253 | depreciation and amortization | 195 | | 195 |
| | | 280 | capital expenditure | | | 154 |
| | | 300 | acquisitions | | | 801 |
| | | | net earnings per ordinary share in €: | | | |
| 1.54 | -0.44 | 1.10 | - net earnings, total DSM | 2.00 | 1.33 | 3.33 |
| 1.54 | -0.44 | 1.10 | - net earnings, continuing operations | 1.88 | 0.65 | 2.53 |
| | | 164.2 | average number of ordinary shares (x million) | | | 166.1 |
| | | 166.0 | number of ordinary shares, end of period (x million) | | | 166.2 |
| | | 22,624 | workforce (headcount) at end of period | | | 22,224 * |
| | | 6,108 | of which in the Netherlands | | | 6,205 * |

* Year-end 2011

This report has not been audited.

## Consolidated balance sheet: assets

| *in € million* | 30 June 2012 | | year-end 2011 | |
|---|---|---|---|---|
| intangible assets | 2,064 | | 1,786 | |
| property, plant and equipment | 3,578 | | 3,405 | |
| deferred tax assets | 340 | | 292 | |
| associates | 38 | | 35 | |
| other financial assets | 148 | | 135 | |
| **non-current assets** | | **6,168** | | **5,653** |
| inventories | 1,776 | | 1,573 | |
| trade receivables | 1,727 | | 1,551 | |
| other receivables | 276 | | 153 | |
| financial derivatives | 15 | | 50 | |
| current investments | 13 | | 89 | |
| cash and cash equivalents | 1,851 | | 2,058 | |
| | | 5,658 | | 5,474 |
| assets held for sale | | | | 30 |
| **current assets** | | **5,658** | | **5,504** |
| **total assets** | | **11,826** | | **11,157** |

## Consolidated balance sheet: equity and liabilities

| *in € million* | 30 June 2012 | | year-end 2011 | |
|---|---|---|---|---|
| shareholders' equity | 5,882 | | 5,784 | |
| non-controlling interest | 224 | | 190 | |
| **equity** | | **6,106** | | **5,974** |
| deferred tax liability | 201 | | 192 | |
| employee benefits liabilities | 304 | | 322 | |
| provisions | 135 | | 116 | |
| borrowings | 2,056 | | 2,029 | |
| other non-current liabilities | 103 | | 69 | |
| **non-current liabilities** | | **2,799** | | **2,728** |
| employee benefits liabilities | 16 | | 6 | |
| provisions | 67 | | 43 | |
| borrowings | 155 | | 160 | |
| financial derivatives | 397 | | 326 | |
| trade payables | 1,499 | | 1,348 | |
| other current liabilities | 787 | | 557 | |
| | | 2,921 | | 2,440 |
| liabilities held for sale | | | | 15 |
| **current liabilities** | | **2,921** | | **2,455** |
| **total equity and liabilities** | | **11,826** | | **11,157** |

| | | |
|---|---|---|
| capital employed* | 7,135 | 6,581 |
| equity / total assets* | 52% | 54% |
| net debt* | 729 | 318 |
| gearing (net debt / equity plus net debt)* | 11% | 5% |
| operating working capital, continuing operations | 2,004 | 1,795 |
| OWC / net sales, continuing operations | 22.1% | 20.2% |

***** Before reclassification to held for sale

## Condensed consolidated cash flow statement

| | first half | | | |
|---|---|---|---|---|
| *in € million* | | 2012 | | 2011 |
| **cash, cash equivalents and current investments** | | | | |
| **at beginning of period** | | **2,147** | | **2,290** |
| current investments at beginning of period | | **89** | | **837** |
| **cash and cash equivalents at beginning of period** | | **2,058** | | **1,453** |
| | | | | |
| *operating activities:* | | | | |
| - earnings before interest, tax, depreciation and amortization | 529 | | 786 | |
| - change in working capital | -199 | | -416 | |
| - interest and income tax | -69 | | -71 | |
| - other | 33 | | -143 | |
| **cash provided by operating activities** | | **294** | | **156** |
| | | | | |
| *investing activities:* | | | | |
| - capital expenditure | -288 | | -160 | |
| - acquisitions | -236 | | -800 | |
| - disposal of subsidiaries and businesses | 4 | | 326 | |
| - disposal of other non-current assets | 4 | | 222 | |
| - change in fixed-term deposits | 76 | | -24 | |
| - other | 3 | | 2 | |
| **cash used in investing activities** | | **-437** | | **-434** |
| | | | | |
| - dividend | -93 | | -105 | |
| - repurchase of shares | | | -220 | |
| - proceeds from re-issued shares | 32 | | 108 | |
| - other cash from/used in financing activities | -14 | | 5 | |
| **cash used in financing activities** | | **-75** | | **-212** |
| changes exchange differences | | **11** | | **59** |
| **cash and cash equivalents end of period** | | **1,851** | | **1,022** |
| current investments end of period | | **13** | | **861** |
| | | | | |
| **cash, cash equivalents and current investments end of period** | | **1,864** | | **1,883** |

### Condensed consolidated statement of comprehensive income

| *in € million* | **first half** 2012 | 2011 |
|---|---|---|
| exchange differences on translation of foreign operations | 100 | -116 |
| actuarial gains and losses and asset ceiling | 0 | 0 |
| change in fair value reserve | -2 | -84 |
| change in hedging reserve | -40 | 12 |
| income tax expense | 16 | 23 |
| other comprehensive income | 74 | -165 |
| profit for the period | 198 | 583 |
| **total comprehensive income** | 272 | 418 |

### Condensed consolidated statement of changes in equity

| *in € million* | **first half** 2012 | 2011 |
|---|---|---|
| Total equity at beginning of period | 5,974 | 5,577 |
| changes: | | |
| total comprehensive income | 272 | 418 |
| dividend | -254 | -242 |
| repurchase of shares | 0 | -220 |
| proceeds from reissue of ordinary shares | 94 | 169 |
| other changes | 20 | 18 |
| **total equity end of period** | **6,106** | 5,720 |

## Condensed report business segments

**first half 2012** ***(in € million)***

| | continuing operations | | | | | | | | Discon-tinued operations | Elimi-nation | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nutrition | Pharma | Performance Materials | Polymer Intermediates | Innovation center | Corporate activities | Elimi-nation | Total continuing operations | | | |
| net sales | 1,799 | 357 | 1,414 | 819 | 34 | 135 | | 4,558 | | | 4,558 |
| supplies to other clusters | 43 | 16 | 11 | 224 | 2 | 1 | -297 | | | | |
| total supplies | 1,842 | 373 | 1,425 | 1,043 | 36 | 136 | -297 | 4,558 | | | 4,558 |
| EBITDA | 387 | 22 | 156 | 99 | -25 | -43 | | 596 | | | 596 |
| EBIT | 302 | -12 | 90 | 85 | -31 | -66 | | 368 | | | 368 |
| total assets | 4,141 | 1,156 | 2,332 | 860 | 653 | 2,684 | | 11,826 | | | 11,826 |
| workforce (headcount) at end of period | 8,397 | 3,455 | 5,489 | 1,456 | 684 | 3,143 | | 22,624 | | | 22,624 |

**first half 2011** ***(in € million)***

| | continuing operations | | | | | | | | Discon-tinued operations | Elimi-nation | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nutrition | Pharma | Performance Materials | Polymer Intermediates | Innovation center | Corporate activities | Elimi-nation | Total continuing operations | | | |
| net sales | 1,637 | 341 | 1,414 | 880 | 28 | 199 | | 4,499 | 145 | | 4,644 |
| supplies to other clusters | 41 | 17 | 8 | 226 | 1 | 14 | -306 | 1 | 6 | -7 | |
| total supplies | 1,678 | 358 | 1,422 | 1,106 | 29 | 213 | -306 | 4,500 | 151 | -7 | 4,644 |
| EBITDA | 366 | 12 | 173 | 192 | -26 | -53 | | 664 | 29 | | 693 |
| EBIT | 294 | -10 | 115 | 176 | -32 | -74 | | 469 | 29 | | 498 |
| total assets* | 3,826 | 1,104 | 2,085 | 835 | 255 | 3,052 | | 11,157 | | | 11,157 |
| workforce (headcount) at end of period* | 8,329 | 3,324 | 5,599 | 1,439 | 383 | 3,150 | | 22,224 | | | 22,224 |

*Year-end 2011

**Geographical information (continuing operations)**

| first half 2012 | 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 | 1,518 | 1,388 | 54 | 795 | 126 | 462 | 46 | 59 | 87 | 23 | 4,558 |
| in % | 33 | 30 | 1 | 17 | 3 | 10 | 1 | 2 | 2 | 1 | 100 |
| net sales by destination | | | | | | | | | | | |
| in € million | 284 | 1,377 | 265 | 874 | 327 | 683 | 79 | 162 | 395 | 112 | 4,558 |
| in % | 6 | 30 | 6 | 19 | 7 | 15 | 2 | 4 | 9 | 2 | 100 |
| total assets in € million | 4,189 | 2,410 | 103 | 2,932 | 300 | 1,274 | 82 | 153 | 315 | 68 | 11,826 |
| workforce (headcount) at end of period | 6,108 | 6,338 | 333 | 4,056 | 776 | 3,536 | 484 | 143 | 705 | 145 | 22,624 |

| first half 2011 | 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 | 1,661 | 1,267 | 35 | 739 | 121 | 461 | 68 | 57 | 67 | 23 | 4,499 |
| in % | 37 | 28 | 1 | 16 | 3 | 10 | 2 | 1 | 1 | 1 | 100 |
| net sales by destination | | | | | | | | | | | |
| in € million | 322 | 1,400 | 241 | 871 | 276 | 675 | 91 | 148 | 382 | 93 | 4,499 |
| in % | 7 | 33 | 5 | 19 | 6 | 15 | 2 | 3 | 8 | 2 | 100 |
| total assets in € million* | 4,184 | 2,594 | 93 | 2,342 | 269 | 1,121 | 72 | 150 | 273 | 59 | 11,157 |
| workforce (headcount) at end of period* | 6,205 | 6,398 | 334 | 3,650 | 824 | 3,423 | 481 | 146 | 627 | 136 | 22,224 |

*year-end 2011

## Notes to the financial statements

**Accounting policies and presentation**
The consolidated financial statements of DSM for the year ended 31 December 2011 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, as of 30 June 2012. These statements are in compliance with IAS 34 'Interim Financial Reporting' and need to be read in conjunction with the Integrated Annual Report 2011 and the discussion by the Managing Board earlier in this interim report. Neither pensions and similar obligations nor plan assets are subjected to interim revaluation.

**Audit**
These interim financial statements have not been audited.

**Scope of the consolidation**
On 26 March 2012 DSM acquired certain assets, licenses and other agreements in the area of food enzymes and oilseed processing from Verenium for a total consideration including transaction and related expenses of USD 37 million. This is not sufficiently material to warrant individual disclosures.

On 22 June 2012 DSM obtained control of Kensey Nash Corporation. From that date onwards the financial statements of Kensey Nash are consolidated by DSM and reported in the segment Innovation Center. Kensey Nash has annual sales of approximately USD 90 million and employs about 325 people. In accordance with IFRS 3 the purchase price of Kensey Nash needs to be allocated to identifiable assets and liabilities acquired. This so-called purchase price allocation is currently ongoing. The results of the purchase price allocation are not yet available and therefore the book values of assets and liabilities of Kensey Nash were used in consolidation with the remainder of the purchase price being allocated to goodwill.

The impact of the acquisition of Kensey Nash on DSM's consolidated balance sheet, at the date of acquisition, is shown in the following table. This information will change when the purchase price allocation is completed and fair values of assets and liabilities have been established.

| **Acquisition of Kensey Nash** *in € million* | | Book value |
|---|---|---|
| intangible assets | 17 | |
| property, plant and equipment | 47 | |
| other non-current assets | 18 | |
| inventories | 12 | |
| receivables | 12 | |
| cash and cash equivalents | 30 | |
| **total assets** | | **136** |
| non-current liabilities | 28 | |
| current liabilities | 50 | |
| **total liabilities** | | **78** |
| **net assets at book value** | | **58** |
| total consideration | | 272 |
| **preliminary goodwill** | | **214** |

The acquisition of Kensey Nash did not significantly contribute to net sales or profit in the first half of 2012.

In view of the fact that DSM stopped actively trying to dispose of the Maleic Anhydride and Derivatives business of DSM Pharmaceutical Products in Linz (Austria) this business is no longer classified as 'assets/liabilities held for sale' and re-integrated in the Pharma Cluster from Q1 2012 onwards.

**Related party transactions**
Transactions with related parties are conducted at arm's length conditions. In the first half of 2012 these transactions were not material to DSM as a whole.

**Risks**
DSM has a risk management system in place. A description of the system and an overview of potentially important risks for DSM are provided in the Integrated Annual Report 2011 and in the governance section on www.dsm.com. DSM has reviewed the developments and incidents in the first half of 2012 and assessed the risks for the rest of the year. On this basis DSM concluded that the most important risks and responses as reported in the Integrated Annual Report 2011 are still applicable but that risks related to global economic developments have increased. The Profit Improvement Program discussed earlier in this report is one of the responses to these increased risks.

**Seasonality**
In cases where businesses are significantly affected by seasonal or cyclical fluctuations in sales this is discussed in the 'Business review by cluster' earlier in this report.

**Dividends and equity**
On 6 June the final dividend of €1.00 per share for the year 2011 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 €171 million, of which €62 million was paid as stock dividend, was recorded against retained earnings. In addition to the final dividend for 2011 the interim dividend of €0.48 per ordinary share for 2012 was recognized in the second quarter of 2012. This distribution to shareholders amounted to €83 million.

In the first half of 2012 2.7 million shares were issued in connection with stock dividend, the exercise of options and delivery of performance shares.

**New accounting standards**
For 2013 the amended IAS 19, 'Employee Benefits' becomes effective, introducing important changes in accounting for defined benefit pension plans. The option to defer actuarial gains and losses or costs of plan changes will be terminated and the determination and presentation of interest costs and return on plans assets will be changed. The first change will not impact DSM because the recognition of actuarial gains and losses in Other Comprehensive Income, which becomes compulsory from 2013 onwards, was already adopted voluntarily by DSM in 2006. From 2013 onwards, expected return on plan assets (and interest costs) will no longer be presented in EBITDA. The revised standard requires that the interest income or expense is calculated on the net balance of the recognized assets and liabilities against the rate used to discount the defined benefit obligation and that it is presented in financial income and expense. This change will have a limited positive effect on EBITDA but will also result in a limited increase in total pension costs.

**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, 7 August 2012

The Managing Board

Feike Sijbesma, CEO/Chairman
Rolf-Dieter Schwalb, CFO
Stefan Doboczky
Nico Gerardu
Stephan Tanda

**Important dates**

| | |
|---|---|
| Ex interim dividend quotation | Wednesday, 8 August 2012 |
| Record date | Friday, 10 August 2012 |
| Interim dividend payable | Thursday, 30 August 2012 |
| Report for the third quarter 2012 | Tuesday, 6 November 2012 |
| Annual Report 2012 | Wednesday, 20 February 2013 |
| Report for the first quarter 2013 | Thursday, 2 May 2013 |
| Report for the second quarter 2013 | Tuesday, 6 August 2013 |
| Report for the third quarter 2013 | Tuesday, 5 November 2013 |

**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. DSM delivers innovative solutions that nourish, protect and improve performance in global markets such as food and dietary supplements, personal care, feed, pharmaceuticals, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials. DSM's 22,000 employees deliver annual net sales of about €9 billion. The company is listed on NYSE Euronext. More information can be found at www.dsm.com

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