2023

Integrated Annual Report DSM B.V.

dsm-firmenich

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Forward-looking statements

This Integrated Annual Report 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. The information provided in this Integrated Annual Report is provided as of the date of its issue. DSM does not assume any obligation to update any information or forward-looking statement provided in this Integrated Annual Report unless required by law. The English language version of this Integrated Annual Report prevails over other language versions.

REPORT BY THE MANAGING BOARD

Our company

About DSM

DSM is a company organized under Dutch law with its statutory seat in Heerlen, the Netherlands. With the closing of the merger with Firmenich on 8 May 2023, DSM has become part of the dsm-firmenich Group. As part of dsm-firmenich, we are innovators in nutrition and health. We reinvent, manufacture, and combine vital nutrients and flavors to help the world's growing population thrive sustainably.

Our Business Units

Our three Business Units are Taste, Texture & Health – DSM; Health, Nutrition & Care – DSM; and Animal Nutrition & Health. They each strive to address the latest consumer needs and wants in a sustainable way. We are uniquely positioned to help our customers realize their ambitions and address evolving consumer trends. We do this by creatively applying proven science and drawing on our data-driven innovation capabilities as well as our exceptional standards of operational excellence. Our Business Units are supported by Group Business Partners such as Science & Research, Finance, Human Resources, Sustainability, Procurement, Legal, Regulatory, Safety, Health and Environment, and Digital & Tech.

Science & Research

Our approach to Science & Research

DSM drives the development of disruptive products and technologies with an end-to-end innovation approach. Sustainability is embedded from the outset and throughout every stage of the process – from discovery, pre-clinical and clinical studies through application development to scale-up and industrialization. By harnessing the expertise of our scientists and investing in our multidisciplinary approach, Science & Research brings progress to life, driving innovation that addresses global challenges and unmet needs in nutrition and health. We provide industry-leading science and research capabilities to drive the innovation required to deliver on our purpose and to provide differentiated solutions that combine the essential, the desirable, and the sustainable.

IP and licensing

Our group of qualified intellectual property (IP) professionals maximizes the value of DSM innovations and brands through strategic protection and defense of patents and trademark rights in our key markets. The IP team acts as a further differentiator through valuation and protection of IP assets in strategic partnerships, including joint developments, technology licensing (in/out), and IP asset acquisitions or sales.

Pushing the envelope

By combining all our science capabilities, our Science & Research team strives to pioneer solutions that help shape the future of nutrition and health. Analytical science assists the discovery of novel ingredients and allows us to gain greater understanding of complex biochemical mechanisms and interactions. We respond to real-world problems and seek to contribute meaningfully to well-being and a more sustainable future. In 2023, for example, we facilitated the rapid discovery of two glycan leads for 2024 clinical trials aimed at validating mood and stress benefits in humans.

Business

Taste, Texture & Health - DSM

About Taste, Texture & Health - DSM

Building on our science-based heritage, biotech know-how, creation & application capabilities, and intimacy with customers, Taste, Texture & Health - DSM (TTH-DSM) addresses one of society's biggest challenges: how to deliver nutritious, delicious and sustainable food and beverage solutions. TTH-DSM, which primarily encapsulates our Ingredients Solution capabilities, helps accelerate the diet transformation by offering appealing taste and texture and helps feed a growing world population sustainably, while minimizing food loss and waste.

Operating environment

Several macro-economic factors contributed to a challenging business environment for TTH-DSM in 2023. These included continued inflation of input costs, volatile foreign exchange rates, exceptionally low vitamin prices, and customer destocking as companies continued trying to manage their inventories and costs.

The year in review

Financial performance 2023

x € million	2023	2022
Sales	1,435	1,545
EBITDA	213	245

Continued investment in our facilities

In Europe, we began the construction of our new headquarters and application labs at the Biotech Campus in Delft (Netherlands). This building will replace the current offices and facilities in Delft and will feature leading-edge facilities for food application development, especially for co-creation with our customers – including a demonstration kitchen and a sensory room, as well as collaborative office spaces.

Within the framework of our plant-based platform, we opened an extrusion test center in Tau (Norway) to work on dry texturized proteins, high-moisture extruded proteins, and concentrated process flavors. The creation of this new facility will help in our ambition to become a leading provider of integrated solutions for delicious and nutritious meat and fish alternatives.

Innovation

In the food and beverage industry, capitalizing on new scientific and business opportunities increasingly depends on the effective deployment of advanced digital technologies – such as artificial intelligence for fermentation and lab automation – to develop new solutions for food and beverages faster and more accurately.

In 2023, we further increased our investments in the digital transformation of our science and innovation capabilities, with a clear focus on being able to generate and combine consumer, customer, and technical data insights faster. This is with the dual aim of accelerating internal innovation processes and supporting our customers with faster availability of data useful to them.

Partnerships

We signed an agreement with leading global Chinese dairy producer Yili to partner on research, innovation, sustainability, and more. The agreement paves the way for cross-Business Unit collaboration – we can offer Yili our flavors and ingredients from TTH-DSM, nutrition solutions from HNC-DSM, and animal feed from ANH. In China's highly competitive market, our unparalleled combined capabilities in taste, texture, and nutrition are what particularly appeal to Yili.

Health, Nutrition & Care - DSM

About Health, Nutrition & Care - DSM

Health, Nutrition & Care - DSM (HNC-DSM) is dedicated to supporting the health of the world's growing population through nutrition and care solutions. We deliver nutritional solutions that support well-being and proactive health at every stage of life and for every lifestyle. As an end-to-end solutions provider, we partner closely with our customers from product conception to launch, providing unique consumer insights, a broad portfolio of nutritional ingredients, innovative solutions, and expert taste capabilities.

HNC-DSM offers solutions for the early life nutrition, dietary supplement, pharmaceutical, medical nutrition, and biomedical materials markets. We address specific consumer nutritional and wellness needs with our direct-to-consumer i-Health business. We also serve the nutrition improvement sector, providing affordable and accessible nutrition fortification solutions for some of the world's most vulnerable populations.

Operating environment

Our industry experienced challenging market conditions in 2023. External geopolitical factors and inflation drove up energy, raw material procurement and production costs. Simultaneously, the dietary supplements market was impacted by pressure on consumer discretionary spend, especially in North America, and lower demand for immunity-supporting solutions post COVID. The early life nutrition market faced a highly comparable period (due to product shortages in North America), further exacerbated by a continuing decline in birth rates (especially in China – the largest ELN market) and ongoing destocking.

The year in review

Financial performance

x € million	2023	2022
Sales	2,806	2,990
EBITDA	489	669

Acquisition of Adare Biome

In 2023, we further strengthened our 'Health from the gut' offering to meet growing consumer demand for better gut health with nutritional solutions that have scientifically backed health benefits combined with easy application and novel product formats. These clinically proven, multi-ingredient products include our next-generation Humiome® pre-, pro- and postbiotics, GlyCare™ HMOs, Tolerase® digestive enzymes, and Quali® vitamins.

In July, we completed the acquisition of Adare Biome, a pioneer and global leader in the development and manufacture of postbiotics. Our strong infrastructure, commercialization and science capabilities will enable us to substantially scale Adare Biome's industry-leading scientific research. Together with Adare Biome's team of experts, we are poised to accelerate the creation of next-generation biotics faster and more efficiently than was previously possible, to a wider range of people around the world. Further development of postbiotic business-to-business ingredients and solutions presents opportunities in dietary supplements, early life nutrition, and medical nutrition.

Innovation

We have defined a number of strategic innovation priorities based on consumer and customer needs across all our business segments. These include providing novel ingredient solutions as well as novel premix and market-ready solutions that deliver nutritional support in segments such as healthy aging and women's health.

In 2023, we accelerated the shift from fish oil to algal sources with the launch of *life's®OMEGA* O3020, and led the market in infant nutrition innovation in HMOs.

Other notable innovation achievements this year included:

- Increasing the bioavailability of vitamins with our ampli® vitamins range
- The publication by the European Food Safety Authority (EFSA) of the conversion factor for calcidiol (25-hydroxyvitamin D3) in its scientific opinion on the tolerable upper intake level for vitamin D – a major regulatory process milestone for obtaining approval for ampli-D® in the European Union
- Providing new solutions for one of the world's biggest nutrient-related disorders with Tolerase® G, the first and only enzyme demonstrated to effectively break down residual gluten molecules
- Pioneering in biotics-based gut health with the Humiome® brand, an innovative range of 'Health from the gut' solutions. Shaped by microbiome science and consumer needs, Humiome® comprises prebiotics, probiotics and postbiotics, along with multi-ingredient custom solutions delivered via microbiome-targeted technology.

Animal Nutrition & Health

About Animal Nutrition & Health

As the world's population continues to grow, more and more land and resources will be required to feed it. Our innovative offering in Animal Nutrition & Health (ANH) helps meet the rising demand for animal protein and support the sustainable transformation of food systems.

We combine our professional passion and smart science to deliver new approaches to animal health and nutrition that enable the sustainable production of high-quality animal protein while simultaneously reducing emissions and our reliance on natural resources.

Operating environment

Overall global animal protein consumption remained resilient throughout the year, driven by good demand for poultry. Market conditions in China remained subdued, with pork demand stabilizing in the second part of the year but not showing the anticipated recovery.

Our ANH business operated in an exceptionally challenging environment, being impacted by an imbalance in the global feed additive marketplace due to ongoing destocking as farmers' profitability was squeezed as a result of substantially higher input costs. This was most pronounced in China, where pork production was loss-making throughout the year. These difficult market conditions led to unprecedentedly low levels of vitamin prices, as well as underutilization of the vitamins asset base, resulting in a very weak performance of the essential ingredients activities of ANH.

The year in review

Financial performance

x € million	2023	2022
Sales	3,223	3,784
EBITDA	(30)	523

Successful launch of vitamin transformation program

In response to the exceptionally challenging macroeconomic environment in the vitamins industry, in mid-2023 the company embarked on a major restructuring program in its vitamin activities to reduce costs and restore profitability.

Innovation

We offer concrete and measurable solutions that are closely linked to our products, reducing environmental impact while at the same time improving profitability for producers. In 2023, we successfully continued the roll-out of our smart science and innovative solutions, including:

- Sustell™, the world's first intelligent sustainability service, designed to improve the environmental footprint and profitability of animal protein production
- ProAct 360™, our innovative second-generation feed protease, which drives consistent improvements in poultry growth performance and reduces production costs while making animal protein production more sustainable
- Bovaer®, our cattle feed additive that reduces enteric methane emissions by 30%, helping to cut global warming
- Veramaris®, our algae-based omega 3 oil, which helps reduce reliance on marine resources and supports the sustainable growth of aquaculture.

Corporate activities

Any consolidated activities within continuing operations that are outside the three Business Units are reported as Corporate activities. These comprise operating and service activities, as well as a number of costs that cannot be allocated directly to the Business Units. While this segment reports net sales to third parties from its service units, it normally has a negative operating result.

Corporate activities include various holding companies, regional holdings, and corporate overheads. The most significant cost elements are corporate departments and the share-based compensation, see **Note 27 Share-based compensation** to the consolidated financial statements.

Financial performance

Financial results

TTH-DSM's performance was solid. HNC-DSM, and even more so ANH, were weak in the face of exceptionally low vitamin prices and persistent destocking.

In 2023, net sales were € 7,590 million, which was 10% lower than in 2022. The results for the full year were impacted by a combination of unprecedented market dynamics that led to very low vitamin prices, together with a deep destocking cycle.

EBITDA, significantly impacted by the vitamin effect and foreign exchange effects, was 59% lower than in the prior year, resulting in a margin decline of 853 basis points. This includes a negative vitamin effect which is estimated at about €500 million, and one-off restructuring, acquisition and integration costs of about €325 million.

Income statement and key data

x € million	2023	2022	Change
Continuing operations			
Sales	7,590	8,390	-10%
EBITDA	532	1,304	-59%
Operating profit (loss)	(412)	682	-160%
Net profit (loss)	(463)	475	-197%
EBITDA margin (in %)	7.0	15.5	
DSM			
Net profit (loss) for the period	2,326	1,715	36%

Net profit (loss)

Net loss from continuing operations of €463 million represented a fall of €938 million from the net profit from continuing operations of €475 million posted in 2022. The decrease in the net result for the year is mainly attributable to a decrease in net sales of €800 million (9.5%) to €7,590 million in 2023 and an increase in total operating costs of €300 million. The primary driver behind the increase in total operating costs was impairment charges of €308 million, which chiefly related to the vitamins business.

Financial income and expense of continuing operations decreased by €30 million year on year to a net expense of €58 million, which was caused by an increase in interest income of €96 million, partly offset by less favorable fair value changes of derivatives of €59 million.

The total effective tax rate on the taxable result for continuing operations in 2023 was 3.4% (2022: 20.9%). This was mainly caused by the geographical spread, changes in tax rates, and non-deductible expenses.

The total net profit from continuing and discontinued operations increased by €611 million to €2,326 million. This increase was mainly a result of the net book profit of €2,790 million on the sale of DSM Engineering Materials (DEM) (in comparison with a net book profit of €1,018 million in 2022 on the sale of DSM Protective Materials).

Balance sheet

The balance sheet total (total assets) decreased to €15.7 billion at year-end (2022: €17.4 billion). Equity decreased by €1.9 billion, which was attributable to dividend payments of -€3.9 billion, the net profit of €2.3 billion, treasury share transactions of -€0.2 billion, and the effect of exchange rate differences of -€0.1 billion. Equity as a percentage of total assets decreased from 62% to 57%.

Capital expenditure on intangible assets and property, plant and equipment amounted to €546 million for continuing operations in 2023 (€542 million on a cash basis). Including new leases, the additions to intangible assets and property, plant and equipment amounted to €651 million, whereas amortization, depreciation and impairments amounted to €944 million. Acquisitions during the year, mainly related to Adare Biome, resulted in an increase of intangible assets and property, plant and equipment of €326 million.

Cash and cash equivalents amounted to €2,181 million at the end of the year, a decrease of €574 million. This decrease resulted from cash inflows from operating activities of €576 million and from investing activities of €2,711 million, offset by a cash outflow from financing activities of € 3,852 million.

The decrease in other current assets of €1,013 million mainly results from the decrease in assets held for sale of €1,239 million related to DEM and an increase in receivables on related parties of €279 million.

Other liabilities increased by about €245 million, resulting from an increase of payables to related parties of €691 million, were partly offset by a decrease in the liabilities held for sale that mainly related to DEM of €422 million.

Balance sheet profile

	2023		2022	
	x € million	in %	x € million	in %
Goodwill and intangible assets	5,210	33	5,147	30
Property, plant and equipment	3,492	22	3,576	21
Other non-current assets	499	3	552	3
Cash and cash equivalents	2,181	14	2,755	16
Other current assets	4,360	28	5,373	30
Total assets	**15,742**	**100**	**17,403**	**100**
Equity	8,923	57	10,845	62
Provisions	111	1	95	1
Other non-current liabilities	3,363	21	3,950	23
Other current liabilities	3,345	21	2,513	14
Total equity and liabilities	**15,742**	**100**	**17,403**	**100**

Future developments

On 13 February 2024, DSM-Firmenich AG completed the voluntary tender offer for 4.2 million DSM B.V. ordinary shares for a total consideration amounting to €400 million. DSM-Firmenich AG will seek to acquire the remaining 1.5% of shares through the statutory buy-out procedure.

On 15 February 2024, dsm-firmenich announced the initiation of a process to carve out the ANH business and separate it from the Group. dsm-firmenich expects to be in a position to separate the business in the course of 2025.

On 8 March 2024, DSM divested its 100% equity interest in the vitamin C plant DSM Jiangshan.

See also Note 30 Events after the balance sheet date to the consolidated financial statements.

Management expects that DSM will be able to continue as a going concern.

Non-financial information

EU Taxonomy

Taxonomy regulation

The EU Taxonomy entered into force on 12 July 2020, establishing criteria for environmentally sustainable economic activities related to six environmental objectives:

- Climate change mitigation (CCM);
- Climate change adaptation (CCA);
- Sustainable use and protection of water and marine resources (WTR);
- Transition to a circular economy (CE);
- Pollution prevention and control (PPC); and
- Protection and restoration of biodiversity and ecosystems (BIO).

The Taxonomy regulation also amended the EU Accounting Directive (2013/34/EU) on non-financial information by expanding the scope of content that needs to be disclosed by large companies in the Management Report. It requires companies to disclose the proportion of their activities that qualify as environmentally sustainable.

The first delegated act concerning the technical screening criteria for economic activities with substantial contribution to climate change mitigation and adaptation (the Climate Delegated Act, C2021/4987) was formally adopted on 4 June 2021. A delegated act amending the Climate Delegated Act (covering the environmental objectives of climate change mitigation and adaptation) and an Environmental Delegated Act addressing the remaining four environmental objectives were published in 2023.

We welcome the implementation of the EU Taxonomy and assessed its impact on DSM in line with its overall objectives, albeit accepting that parts of the Taxonomy regulation are subject to interpretation, which may lead to variance in its application. Considering the level of complexity as well as the evolving character of the framework, we expect that Taxonomy reporting will develop over time. As such, we shall apply a conservative approach to, and interpretation of, the Taxonomy legislation until we believe it has sufficiently matured. We will periodically revalidate our methodology and our reported KPIs based on the evolution of the regulations and forthcoming guidance from, among others, the European Commission and the European Securities and Markets Authority (ESMA).

Disclosures

Under the Taxonomy regulation, DSM is required to report on how much Turnover, Capital Expenditure ('CapEx') and Operating Expenses ('OpEx') are in scope of the Taxonomy Regulation (i.e., 'Taxonomy-eligible activities'), and how much are aligned with the Taxonomy regulation (i.e., 'Taxonomy-aligned activities'). In 2023, the required disclosures apply in full to climate change mitigation and climate change adaptation, but simplified reporting requirements are applicable to the remaining four environmental objectives. More specifically, whereas DSM has to disclose both the Taxonomy-eligible and the Taxonomy-aligned proportions for Turnover, CapEx, and OpEx with regard to climate change mitigation and climate change adaptation, DSM only has to report on the Taxonomy-eligible proportions of these KPIs for the new economic activities under CCM and CCA and the remaining four objectives applied for the first time in 2023.

Turnover

Total turnover, as defined by the Taxonomy regulation, corresponds to the sales from continuing operations as reported on the basis of the income statements in the **Consolidated financial statements**.

In line with 2022, DSM did not identify any Taxonomy-eligible activities with respect to climate change mitigation and climate change adaptation. The publication of the Environmental Delegated Act addressing the remaining four environmental objectives in 2023 resulted in the identification of DSM's Pharma business (part of HNC-DSM) as an eligible activity under the environmental objective pollution prevention and control. Given the simplified reporting objectives in 2023, DSM only discloses the taxonomy-eligible portion of the revenue related to its Pharma business. Taxonomy-eligible turnover amounted to €253m, or 3.3% of total turnover.

CapEx

Total CapEx is determined based on the 2023 additions to property, plant and equipment, intangible assets, and additions to right-of-use assets, see also **Note 8 Goodwill and intangible assets** and **Note 9 Property, plant and equipment** to the consolidated financial statements. In addition to the CapEx related to the Pharma business, which was identified as an eligible activity, Taxonomy-eligible CapEx includes expenditures related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. Taxonomy-eligible CapEx amounted to €116m, or 14.0% of total CapEx.

DSM does not have to disclose the Taxonomy-aligned proportion of the CapEx related to the Pharma business under the simplified reporting requirements in 2023 and did not establish alignment for the remaining CapEx. Therefore, DSM discloses 0% alignment with respect to the CapEx KPI.

OpEx

Total OpEx consists of maintenance (including building renovations) and R&D costs, excluding costs and income related to bad debts, government grants, depreciation and amortization, and own work capitalized.

Taking into consideration the assessment of the contribution of the Pharma business to both the turnover KPI and the CapEx KPI, the operational expenditure related to this business within DSM's business model is considered immaterial from an EU Taxonomy perspective. As such, the numerator reflecting the eligible OpEx attributable to this business is considered negligible and DSM discloses 0% eligible and aligned OpEx.

Turnover

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code (2)	Absolute Turnover (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (14)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) Turnover 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
			%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which Transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC1.1	253	3.3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		253	3.3%														0%		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		253	3.3%														0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		7,337	96.7%																
Total (A+B)		7,590	100.0%																

CapEx

Economic activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	DNSH criteria ('Do No Significant Harm'): Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (14)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
			%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which Transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Installation, maintenance and repair of energy efficient equipment	CCM7.3	11	1.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance	CCM7.5	2	0.2%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Installation, maintenance and repair of renewable energy technologies	CCM7.6	1	0.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Acquisition and ownership of buildings	CCM 7.7	102	12.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC1.1	n.a.	0.0%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		116	14.0%														0%		
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		116	14.0%														0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		713	86.0%																
Total (A+B)		829	100.0%																

OpEx

				Substantial contribution criteria						DNSH criteria ('Do No Significant Harm')									
Economic activities (1)	Code (2)	Absolute OpEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaption (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaption (12)	Water (13)	Pollution (14)	Circular Economy (14)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx 2022 (18)	Category (enabling activity) (19)	Category (transitional activity) (20)
			%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%		
Of which Enabling		0	0%	0%	0%	0%	0%	0%	0%	N	N	N	N	N	N	N	0%	E	
Of which Transitional		0	0%	0%						N	N	N	N	N	N	N	0%		T
A.2. Taxonomy-eligible but not environmentally sustainabile activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of active pharmaceutical ingredients (API) or active substances	PPC1.1	n.a.	0%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
OpEx of Taxonomy-eligible but not environmentally sustainabile activities (not Taxonomy-aligned activities) (A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%		
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		421	100%																
Total (A+B)		421	100.0%																

Governance and Risk Management

Governance and governance framework

Governance

DSM B.V. is a direct affiliate of DSM-Firmenich AG. It is managed by a Managing Board and supervised by a Supervisory Board. Members of the Managing Board and the Supervisory Board are appointed by the General Meeting of Shareholders.

The Company is governed by Dutch law and by its Articles of Association, which can be consulted on the **Company website**.

DSM is part of the dsm-firmenich Group and is organized in three distinct high-performing Business Units. These Business Units are supported by Group Business Partners. More details about the organization can be found in the **About DSM** section.

Diversity

As part of dsm-firmenich, we strongly value diversity, and we endeavor to reflect this in our Board memberships. The Supervisory Board has formulated diversity policies for the Supervisory Board and the Managing Board. These policies seek a balanced composition of these bodies, taking into account gender, age, knowledge, experience, and nationality / cultural background. In addition, for the composition of the Supervisory Board, the tenure structure is taken into consideration.

In terms of gender diversity, we aim for at least 30% of the positions in our Supervisory Board and Managing Board to be held by women and at least 30% by men. To ensure a balanced composition in terms of nationality / cultural background, our aim is to have not more than 50% of the members of our Supervisory Board drawn from a single nationality. While a diverse composition in terms of nationality / cultural background is also taken into account in the composition of the Managing Board, no quantitative target is set here, given the small number of Managing Board members.

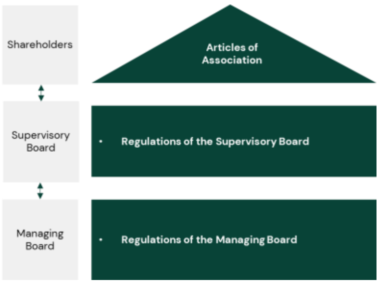
Our diversity policies are implemented by applying them to nominations for (re)appointments of Supervisory Board and Managing Board members.

In 2023, the Supervisory Board consisted of 30% women, which is in line with Dutch legislation on gender diversity and with the Company's own diversity policy. Furthermore, the composition of our Supervisory Board is in line with our target of having not more than 50% of the members drawn from a single nationality.

Until 1 September 2023, the Managing Board was well balanced in terms of gender, comprising 50% women. In May 2023, DSM-Firmenich AG's Board of Directors decided to evolve the then existing CO-CEO structure and to appoint Dimitri de Vreeze as sole CEO of dsm-firmenich, effective 1 September 2023. As of the same date, Géraldine Matchett, until then Co-CEO (and holding Chief Financial Officer responsibility), stepped down from the Executive Committee of DSM-Firmenich AG and as a member of the Managing Board of DSM B.V. Ralf Schmeitz, previously Group Controller, was appointed CFO and Member of the Executive Committee of DSM-Firmenich AG, effective 1 September 2023. In light of the Board of Directors' decision, Ralf Schmeitz was also appointed as Managing Board member of DSM B.V., effective 1 September 2023.

Governance framework

The figure below depicts the Company's governance framework and the most important governance elements and regulations at each level.



The Company's internal corporate governance framework is based on its Articles of Association (the 'Articles of Association'). The Regulations of the Supervisory Board and the Managing Board further clarify the duties, powers and regulations of the governing bodies of the Company.

Risk Management

Our risk management framework is based on the COSO Enterprise Risk Management model. It supports DSM's Group, Business Unit and Business Partner functions in managing risks that might prevent us from achieving our strategic, financial, and operational objectives and in protecting company assets, including reputation. It also supports compliance with laws and regulations, as well as reliable financial and non-financial reporting.

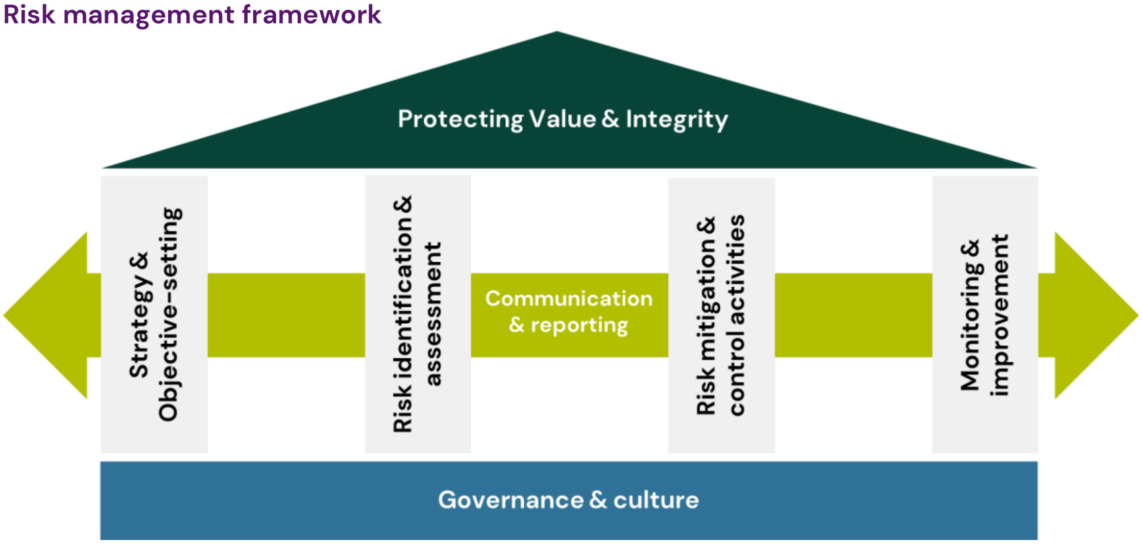
Our approach to Risk Management

Until 9 May 2023, DSM was responsible for its risk management, with its Managing Board bearing the accountability for the management of all risks associated with DSM's strategy and business objectives. With the creation of dsm-firmenich, enterprise risk management for DSM has become part of dsm-firmenich's risk management activities. The Managing Board continues to be accountable for risk management within DSM as part of their responsibilities within dsm-firmenich. The risk management framework of dsm-firmenich - described in the below sections - also applies to DSM as part of the dsm-firmenich Group.

Risk management framework

The building-blocks of our risk management framework are shown in the diagram. Governance and culture form the foundation, on which the pillars of the risk management process – strategy & objective-setting, risk identification & assessment, risk mitigation & control activities, monitoring & improvement – stand to protect our value & integrity. Communication & reporting ensures the connection between the pillars and the sharing of adequate information with internal and external stakeholders. The building-blocks are summarized in the paragraphs below.

Risk management framework



Governance & culture

As part of the dsm-firmenich Group, the DSM Group applies the Operating Model Framework that was determined by the Executive Committee of DSM-Firmenich AG, with the approval of the Board of Directors of DSM-Firmenich AG. The Operating Model Framework functions as guidance for the operations of, and cooperation within, the Group, the Business Units and Business Partners, who are therefore jointly responsible for achieving our objectives and managing the associated risks.

Strategy & objective-setting

Our Group strategy and objectives are determined by the Board of Directors of DSM-Firmenich AG, supported by the Executive Committee of DSM-Firmenich AG. The DSM Group strategy and objectives are translated into specific plans and priorities for Business Unit and Business Partner leadership and are elaborated in further detail for lower levels in the organization.

Risk identification & assessment

The realization of an ambitious strategy will always entail risks. To enable informed decision-making, these risks are identified and assessed at all levels in the organization. Risk assessments may focus on various topics (e.g., Safety, Health and Environment (SHE), security, climate) and are regularly updated.

Risk mitigation & control activities

Mitigating actions and controls are defined and implemented for the most relevant risks. Controls include policies, standards, Segregation of Duties (SoD) management, business continuity management, and business performance reviews. Control activities, which can be preventive or detective, are integrated into our business processes and are executed by the first line.

Monitoring & improvement

The Internal Control department within Legal, Regulatory, Risk & Compliance owns the Internal Control Framework. It defines the standard set of key controls that must be performed by the first line, and it aims to ensure reliable financial reporting, mitigate fraud risks, and safeguard our assets. The effectiveness of the key controls is independently tested by the Internal Control department.

Communication & reporting

Reviewing of risks and incidents takes place via structured processes, and if needed on an ad-hoc basis.

Material risks and uncertainties

Within the framework of the dsm-firmenich risk management process, risk assessments are performed at all levels in the DSM organization and can focus on varying topics. Material risks for our Business Units and Business Partner functions are reported to our CEO twice a year via the Risk & Incident Report.

Our risk profile

The below list details the five most important short-term risks that might have material impact within three years and have the potential to prevent us from successfully implementing our strategy and achieving our targets, despite the mitigations in place.

Top risks and related mitigating actions

<table>
<tr><th colspan="2">Digital transformation</th></tr>
<tr><td>Risk description

Having an integrated digital backbone is essential to implement efficient and robust business processes that meet the expectations of our customers. Therefore, successful execution of our digital transformation roadmap is important to deliver on our strategic and financial targets.

The implementation of this roadmap is complex. This, in combination with some resource constraints, means there is a risk that the digital transformation roadmap is not implemented according to plan or does not bring the full benefits as aimed for.</td><td>Mitigations

In the new operating model of dsm-firmenich including DSM, the Business Partners have allocated dedicated resources to drive digitally-enabled process excellence. Furthermore, the capacity and capability in Digital & Tech are being strengthened.

All key projects are subject to quality reviews by a multi-disciplinary, independent team of experts at specific moments throughout project implementation.</td></tr>
<tr><th colspan="2">Geopolitical instability</th></tr>
<tr><td>Risk description

DSM operates globally and could therefore be affected by geopolitical instability and related economic decline, such as:

• Trade restrictions, raw material and energy shortages, and supply disruptions, hampering our ability to supply our customers
• Lower economic growth and declining disposable income, impacting demand for our products
• Inflation, putting pressure on our margins</td><td>Mitigations

Our business continuity management governance and processes are strengthened as part of the implementation of the new operating model within dsm-firmenich including DSM. To reduce the impact of possible disruptions, preventive actions are taken, such as reducing single-source positions, qualifying back-up manufacturing sites, and optimizing safety stocks.

Continuous monitoring of possible disruptions in our supply chains enables us to act with speed as and when needed.

We hedge part of our exposure to purchasing price fluctuations and currency fluctuations.</td></tr>
</table>

	In economic downturns, we have the flexibility to offer solutions to serve the changing needs of our customers and end-consumers.
Commodity markets	
Risk description	**Mitigations**
DSM operates in highly competitive markets. There is a risk that some competitors may benefit from a lower cost position and where we cannot differentiate ourselves sufficiently, this could impact our sales volumes and margins.	We prioritize high-growth and higher-margin market segments. To address the needs of customers and end-consumers in these segments, we develop innovative products and services and offer differentiating value propositions. We use our wide-ranging expertise, our scientific, technical and data-driven innovation capabilities, and our broad portfolio of natural and renewable ingredients. In all our Business Units, we focus on maximizing operational performance and apply strict cost control. We launched the vitamin transformation program to improve profitability, structurally reduce our exposure to price fluctuations, and deliver significant cost savings.
Talent availability	
Risk description	**Mitigations**
The success of DSM depends on its employees, including – but not limited to – scientists, researchers, flavorists, and experts in digital and data science. In view of the tight labor market, the ongoing challenges of the macro-economic environment, and the demands associated with any major merger and integration process, there is a risk that we cannot attract, retain, develop, and engage the people with the required expertise, experience, and mindset needed for the implementation of our strategy.	We successfully implemented the new operating model and organization within dsm-firmenich including DSM and have launched our new purpose and values. Throughout the entire process, we frequently connect with our employees to update them on the status of the integration and the challenges we face as a company. We answer their questions and address their concerns. Building on this foundation, we are executing our plans for integrated rewards, people development, well-being, engagement, and Diversity, Equity & Inclusion. We continue to monitor retention rates as well as employee engagement and take action as and when needed.

Cyber attack	
Risk description As external cyber threats remain high, DSM is exposed to the risk of cyber attacks. This could lead to discontinuity of operations and loss of integrity or confidentiality of information.	**Mitigations** We are implementing a single, integrated cyber security framework covering the domains of information technology, operations technology, and R&D laboratory systems. Since the 'human firewall' remains critically important, we have intensified our phishing tests to keep employee awareness high – something that is especially important during times of change. To mitigate the impact of a potential cyber attack, we are strengthening our business continuity plans and disaster recovery plans.

Other important risks

There are also more generic business risks, such as business continuity, sourcing, intellectual property, tax, changing legislation and regulations, and increasing non-financial reporting requirements. Our risk management framework is set up to adequately monitor and respond to these risks.

All relevant risks are taken into account in the preparation of our financial statements.

Group structure and shares

Group structure

DSM B.V. and Group companies

DSM B.V. is the parent company of the DSM Group and a direct affiliate of DSM-Firmenich AG. DSM B.V. is a company organized under Dutch law with its statutory seat in Heerlen and its registered office at Wilhelminasingel 39, 6227BE Maastricht, the Netherlands. On 31 May 2023, after the delisting of the DSM Ordinary Shares (see **Delisting Ordinary Shares Koninklijke DSM N.V.**), DSM B.V. became a private limited liability company with the conversion of the former Koninklijke DSM N.V. from a Dutch public limited liability company (*naamloze vennootschap*) into a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*).

Shares

Delisting Ordinary Shares Koninklijke DSM N.V.

The last trading date of the DSM Ordinary Shares was 30 May 2023. The delisting of the DSM Ordinary Shares was effective on 31 May 2023.

Buy-out procedure

DSM-Firmenich AG commenced the statutory buy-out procedure in accordance with Articles 2:359c DCC and 2:201a DCC to acquire the DSM Ordinary Shares that were not tendered in the Exchange Offer (the Buy-Out) (or otherwise acquired by DSM-Firmenich AG) as DSM-Firmenich AG holds more than 95% of DSM's aggregate issued and outstanding ordinary share capital as of the Post-Closing Acceptance Settlement Date as defined on page 4 of the **Offering Circular**. On 14 May 2024, the Enterprise Court of the Amsterdam Court of Appeal awarded DSM-Firmenich AG's claims in the Buy-Out.

Former bearer shares

Former DSM bearer shares are subject to the Buy-Out scenario. Further information can be found in the dsm-firmenich **Offering Circular** dated 22 November 2022; see paragraph 14.27.

Supervisory Board and Managing Board DSM B.V.

Supervisory Board

The Supervisory Board is composed of the following three members.

Thomas Leysen, Chairman of the Supervisory Board, Chairman of the Board of Directors of DSM-Firmenich AG and Member of its Compensation Committee since 2023

Thomas Leysen has spent a large part of his career at Umicore, which was transformed under his leadership from a metals producer to a materials technology group with leading positions in battery materials, automotive catalysts, and precious metals recycling. He was CEO of the company until 2008, after which he became Chairman of the Supervisory Board. He has long been committed to the promotion of sustainability development, and was the founding chair of The Shift, a coalition of businesses and non-governmental organizations in Belgium. He was Chairman of the Federation of Enterprises in Belgium between 2008 and 2011. Between 2011 and 2020, he was Chairman of the Board of KBC Group, a banking and insurance group with activities mainly in Belgium, Central Europe and Ireland. He was Member of the Supervisory Board of Koninklijke DSM N.V. as of 2020 and served as its Chairman from 2021 to 2023, until DSM and Firmenich merged.

Nationality	Belgian
Year of Birth	1960
Education	Master's degree, Law, Katholieke Universiteit Leuven (Belgium)
Listed Company Boards	• Umicore: Non-Executive Chair of the Supervisory Board
Non-Listed Company Boards	• Mediahuis: Non-Executive Chair of the Board
Other Memberships	• King Baudouin Foundation US: Chair of the Foundation • Flemish Heritage Council: Council Chair • Mayer van den Bergh Museum: Chair of the Board of Trustees

John Ramsay, Member of the Supervisory Board, Member of the Board of Directors of DSM-Firmenich AG and Chairman of its Audit & Risk Committee since 2023

John Ramsay started his career at KPMG before entering the corporate world in 1984, when he joined ICI. He held several, increasingly senior, accounting and finance positions within ICI, which would later become AstraZeneca. John played a leading role in planning and executing the merger of AstraZeneca's agribusiness with Novartis, including the integration and disposal of various businesses post-merger. He also played a leading role in the formation and stock exchange listing of the Syngenta business and became its Group Controller in 2001. In that role, he had to build up the group's finance function from scratch, establishing the organization and reporting systems after the IPO. His last executive position was Chief Financial Officer (CFO) and Interim CEO of Syngenta AG, which he held until 2016. He has served as Non-Executive Board Member of G4S and was a was a Member of the Supervisory Board of Koninklijke DSM N.V. during a six-year tenure, until DSM and Firmenich merged in 2023.

Nationality	British
Year of Birth	1957
Education	Chartered Accountant
Listed Company Boards	• RHI Magnesita N.V.: Non-Executive Director • Croda International PLC: Non-Executive Director • Babcock International PLC: Non-Executive Director
Non-Listed Company Boards	N/A
Other Memberships	N/A

Corien Wortmann, Member of the Supervisory Board, Member of the Board of Directors of DSM-Firmenich AG, Member of its Sustainability Committee and Member of its Audit & Risk Commmittee since 2023

Corien Wortmann served as Chair of the Board of ABP Pension Fund, a world leader in responsible investing, from 2015 to 2022. She was a Member of the European Parliament for the European People's Party from (EPP) 2004 to 2014, and the EPP's Vice President Economy, Finance and Environment. She is currently a Non-Executive Member and Vice Chair of the Board of Directors of Aegon Ltd, Member of the Capital Market Advisory Board of the AFM, Board Member of the Impact Economy Foundation, and Chair of the Supervisory Board of Netspar, a network for studies on pensions, aging and retirement. She has served as Chair of the Supervisory Board of Save the Children (Netherlands), as a Jury Member of the Business Woman of the Year Prize at Veuve Clicquot, and as Co-Chair of the European High Level Expert Group Next CMU. She was a Member of the Supervisory Board of Koninklijke DSM N.V. during a two-year tenure, until DSM and Firmenich merged in 2023.

Nationality	Dutch
Year of Birth	1959

Education	Master's Degree in Political Science and Economics, Vrije Universiteit Amsterdam (Netherlands)
Listed Company Boards	Aegon N.V: Non-Executive Vice-Chair of the Board
Non-Listed Company Boards	N/A
Other Memberships	• Impact Economy Foundation: Advisory Board Member • Netspar: Chair of the Supervisory Board • Capital Markets Advisory Board of the Dutch Financial Markets Authority: Member • Koninklijke Hollandsche Maatschappij der Wetenschappen: Member

Managing Board

The Managing Board is composed of the following two members.

Dimitri de Vreeze, Chief Executive Officer since 2023

Dimitri de Vreeze was appointed as member to DSM B.V.'s Managing Board in 2013 and served as DSM's Co-CEO from 2020, having joined the company in 1990. Starting in Finance, he took on leadership roles in various Business Units around the world before being named Young Captain of the Year in the Netherlands in 2006. He has been instrumental in setting DSM's strategy and executing its transformation journey to a fully focused health, nutrition, and bioscience company, including the development of DSM's Food System Commitments, a series of quantifiable 2030 targets aimed at addressing urgent societal and environmental challenges linked to how the world produces and consumes food. He chairs the Young Captain Foundation, awarding and elevating young leadership potential, and is also the Chair of the ALV United World College Maastricht, bringing together young people from all directions of life to work together toward a peaceful and sustainable future.

Nationality	Dutch
Year of Birth	1967
Education	• Master's in Business Economics, University of Groningen (Netherlands) • Master's in Finance and Control from Maastricht University (Netherlands)

Ralf Schmeitz, Chief Financial Officer since 2023

Ralf Schmeitz was appointed as Managing Board member (CFO) of DSM B.V. in September 2023, marking a significant milestone in his journey with the company. He initially joined the company in 2006 , and his path has been marked by outstanding achievements and a track record of strong performance. Ralf has played a pivotal role in propelling the transformation of the Finance function and in navigating substantial portfolio changes. Prior to his CFO role, Ralf held the position of Head of Group Finance, overseeing Finance & Control, Treasury and Taxation. In his last role, he held the position of Group Controller, spearheading both the Business Controlling and Accounting teams. Ralf began his career at PwC, laying strong foundations and building financial and strategic acumen, and then moved to Hewlett Packard, where he assumed diverse leadership responsibilities in Finance.

Nationality	Dutch
Year of Birth	1972
Education	• Master's degree, Economics, Maastricht University (Netherlands) • Master's degree Accountancy, Maastricht University (Netherlands) • Master's degree in Business Valuation, Erasmus University, Rotterdam (Netherlands)

Supervisory Board report

This report provides information on the way the Supervisory Board performed its duties in 2023.

Change in the composition of the Supervisory Board

In 2023, the size of the Supervisory Board decreased from eight to three Board members due to the changes in the Group structure caused by the merger with Firmenich. The composition of DSM's Supervisory Board is diverse in terms of gender, nationality, background, knowledge, and experience. The Supervisory Board comprises two men and one woman. One member is Belgian, one British, and one Dutch. The current Supervisory Board members are Thomas Leysen (Chair), John Ramsay, and Corien Wortmann. For detailed information on their backgrounds, see **Supervisory Board and Managing Board DSM B.V.** For information on the composition of the Supervisory Board prior to the merger between DSM and Firmenich, please refer to page 236 of the **Offering Circular**.

Supervision and advice

The Supervisory Board performs its duties of supervising and advising the Managing Board with respect both to recurring standard agenda items for Supervisory Board meetings and to specific topics that become relevant at any given point in time.

In view of and prior to the merger between DSM and Firmenich, the Supervisory Board was actively involved in the preparations and approval process for the merger. In view of the launch of an industry-wide investigation into the fragrances sector, including Firmenich, by the European, US, UK, and Swiss competition authorities in March 2023, the investigations were discussed in the full Supervisory Board meeting. This resulted in the **Second Supplement to the Offering Circular**. Furthermore, the Supervisory Board was also involved in the discussions leading to the acquisition of Adare Biome.

Another prominent agenda item is an update on business performance, financials, treasury, and investor relations topics. As part of this agenda item, the Supervisory Board tracked the company's financial performance, as well as approved the annual Budget and the annual Finance and Capital Expenditure Plan. It was additionally updated on capital market expectations, and deliberated on any additional treasury topics as needed. A bridge financing facility as part of the annual Finance Plan was approved to cover the financial aspects related to the closing of the merger.

In the area of financials and auditing, discussions were held with KPMG about the audit plan and strategy, DSM B.V.'s reporting requirements, audit report, and financial statements for 2023.

Financial statements 2023

The Report of the Managing Board and the financial statements for 2023 were submitted by the Managing Board to the Supervisory Board, in accordance with the provisions of Articles 17.2 and 22 of the Articles of Association, and were subsequently approved by the Supervisory Board on 14 May 2024. The financial statements were audited by the external auditor KPMG, who issued an unqualified opinion (see the **Independent auditor's report**). The Supervisory Board established that the external auditor was independent of DSM.

The Supervisory Board will submit the 2023 financial statements to the 2024 Annual General Meeting of Shareholders, and will propose that the shareholders adopt them and release the Managing Board from all liability in respect of its managerial activities and release the Supervisory Board from all liability in respect of its supervision of the Managing Board. The profit appropriation as proposed by the Managing Board and approved by the Supervisory Board is presented in **Note 6 Shareholders' equity** to the parent company financial statements.

Auditors

Mandate and term of office

KPMG was appointed as Group and statutory auditors of DSM B.V. for the financial year 2023. The Supervisory Board reconsiders on an annual basis whether the external auditors should be proposed to the Annual General Meeting for re-election.

Assurance fees

The assurance fees paid to KPMG in its capacity as statutory and Group auditor for the 2023 consolidated financial statements, the fees for any other audit instructions, non-audit tax services, as well as for other non-audit services can be found in **Note 29 Service fees paid to external auditors** to the consolidated financial statements. The scope of the audit of the 2023 consolidated financial statements was approved by the Supervisory Board and defined in an engagement and fee letter signed by the CEO and the CFO.

Auditor Rotation

The Audit Rules of the European Union require DSM B.V. to rotate its external auditor for the financial year 2025. In view of this requirement, the Supervisory Board of DSM B.V. initiated an auditor selection process in the third quarter of 2023 and mandated a Selection Committee to conduct a tender process for the selection of the external auditor.

The Selection Committee consisted of Supervisory Board member John Ramsay and the Managing Board. The Selection Committee oversaw the execution of the tender process, which was performed by a Tender Team consisting of the employees from the Finance and Procurement teams. The amended Audit Directive (2014/56/EU) and the Audit Regulation (537/2014/EU) of the European Union, which prescribe specific requirements on the appointment of statutory auditors or audit firms, were considered in the audit tender process. In addition, the Selection Committee considered the report of the Dutch Authority for the Financial Markets (AFM) published in February 2021, which provides recommendations on the external auditor selection. The auditor selection criteria, which were validated by the Supervisory Board, emphasize the requirements for independence, the ability to provide financial & non-financial assurance, global footprint, quality ratings, and an excellent professional knowledge network of IT, systems, processes & controls.

Considering the results of the audit tender process and the recommendation of the Selection Committee, the Supervisory Board approved the recommendation (subject to the powers of the General Meeting of Shareholders). The Supervisory Board of DSM B.V. will propose to the 2024 Annual General Meeting of Shareholders to approve the appointment of PricewaterhouseCoopers as external auditor for DSM B.V. starting from the financial year 2025.

FINANCIAL STATEMENTS

Consolidated financial statements

The financial statements of DSM include the consolidated financial statements and the parent company financial statements. DSM (the ‘Company’ or the ‘Group’) is the former Koninklijke (or Royal) DSM Group, a sub-group of the dsm-firmenich Group, a new group following the merger between DSM and Firmenich that took place on 8 May 2023.

The parent company of the sub-group DSM is DSM B.V., domiciled in Heerlen (Netherlands). Its main shareholder is DSM-Firmenich AG, listed on the Euronext Amsterdam stock exchange.

These consolidated financial statements comprise DSM B.V. and its subsidiaries (the ‘Group’). A list of main participations of the Group can be found in **Note 3 Financial assets** to the parent company financial statements.

The financial year 2023 covers the period from 1 January 2023 to 31 December 2023.

Consolidated income statement

x € million	Notes	2023	2022
Continuing operations			
Net sales	5	7,590	8,390
Cost of sales	5	(6,021)	(5,700)
Gross profit		**1,569**	**2,690**
Marketing & Sales	5	(1,051)	(1,235)
Research & Development	5	(352)	(295)
General & Administrative	5	(619)	(534)
Other operating income	5	155	107
Other operating expense	5	(114)	(51)
Operating profit (loss)		**(412)**	**682**
Finance income	6	129	71
Finance expense	6	(187)	(159)
Profit (loss) before tax		**(470)**	**594**
Income tax expense	7	16	(124)
Share of net profit of associates and joint ventures	10	(8)	12
Other results related to associates and joint ventures	10	(1)	(7)
Net profit (loss) from continuing operations		**(463)**	**475**
Net profit from discontinued operations	3	2,789	1,240
Net profit for the period		**2,326**	**1,715**
Attributable to:			
- Holders of shares parent company	17	2,312	1,694
- Non-controlling interests	16	8	15
- Dividend on cumulative preference shares	16	6	6

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

x € million	Notes	2023	2022
Net profit for the period		**2,326**	**1,715**
Other comprehensive income			
Remeasurements of defined benefit liability	*24*	(35)	10
Fair value changes in other participating interests and other financial instruments	*11*	(37)	(61)
Related tax		9	(10)
Items that will not be reclassified to profit or loss		**(63)**	**(61)**
Exchange differences on translation of foreign operations	*16*		
– Change for the period		(101)	264
– Reclassified to the income statement on loss of significant influence		–	(16)
Hedging reserve	*16*		
– Change for the period		27	(6)
– Reclassified to the income statement		–	53
Equity accounted investees – share of other comprehensive income		(1)	–
Related tax		(2)	(7)
Items that may subsequently be reclassified to profit or loss		**(77)**	**288**
Total other comprehensive income		**(140)**	**227**
Total comprehensive income for the period, net of tax		**2,186**	**1,942**
Attributable to:			
– Holders of shares parent company	*17*	2,184	1,930
– Non-controlling interests	*16*	2	12

Consolidated balance sheet at 31 December

x € million	*Notes*	2023	2022
Assets			
Goodwill and intangible assets	*8*	5,210	5,147
Property, plant and equipment	*9*	3,492	3,576
Deferred tax assets	*7*	169	95
Prepaid pension costs	*24*	15	19
Share in associates and joint ventures	*10*	55	61
Derivatives	*23*	46	82
Other non-current assets	*11*	214	295
Non-current assets		**9,201**	**9,275**
Inventories	*12*	2,318	2,339
Trade receivables	*13*	1,535	1,508
Income tax receivables	*13*	79	36
Other current receivables	*13*	286	78
Derivatives	*23*	35	42
Financial investments	*14*	101	125
Cash and cash equivalents	*15*	2,181	2,755
Assets held for sale	*3*	6	1,245
Current assets		**6,541**	**8,128**
Total assets		**15,742**	**17,403**
Equity and liabilities			
Shareholders' equity		8,814	10,743
Non-controlling interests	*17*	109	102
Equity	*16*	**8,923**	**10,845**
Deferred tax liabilities	*7*	454	476
Employee benefit liabilities	*24*	289	287
Provisions	*18*	77	50
Borrowings	*19*	2,487	2,978
Derivatives	*23*	3	4
Other non-current liabilities	*20*	130	205
Non-current liabilities		**3,440**	**4,000**
Employee benefit liabilities	*24*	2	5
Provisions	*18*	34	45
Borrowings	*19*	631	86
Derivatives	*23*	28	23
Trade payables	*21*	1,364	1,415
Income tax payables	*21*	133	64
Other current liabilities	*21*	1,179	490
Liabilities held for sale	*3*	8	430
Current liabilities		**3,379**	**2,558**
Total equity and liabilities		**15,742**	**17,403**

Consolidated statement of changes in equity (Note 16)

x € million	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total Equity
Balance at 1 January	**328**	**471**	**(177)**	**156**	**8,540**	**9,318**	**79**	**9,397**
Total comprehensive	–	–	–	230	1,700	**1,930**	12	**1,942**
Dividend	–	–	–	–	(459)	**(459)**	–	**(459)**
Options / performance shares granted	–	–	–	34	–	**34**	–	**34**
Options / performance shares vested / canceled	–	–	–	(29)	29	**–**	–	**–**
Repurchase of shares	–	–	(210)	–	–	**(210)**	–	**(210)**
Reissued shares	–	–	191	–	(50)	**141**	–	**141**
Acquisition (divestment) of subsidiary with NCI	–	–	–	–	–	**–**	(4)	**(4)**
Transfer	–	–	–	(28)	17	**(11)**	11	**–**
Other changes	–	–	–	–	–	**–**	4	**4**
Balance at 31 December 2022	328	471	(196)	363	9,777	**10,743**	102	**10,845**
Total comprehensive	–	–	–	(108)	2,292	**2,184**	2	**2,186**
Dividend	–	–	–	–	(3,935)	**(3,935)**	–	**(3,935)**
Options / performance shares granted	–	–	–	23	–	**23**	–	**23**
Options / performance shares vested / canceled	–	–	–	(23)	23	**–**	–	**–**
Reissued shares	–	–	63	–	(39)	**24**	–	**24**
Repurchase of shares	–	–	(256)	–	–	**(256)**	–	**(256)**
Cancellation of shares	(67)	(2)	345	–	(276)	**–**	–	**–**
Acquisition of subsidiary with NCI	–	–	–	–	–	**–**	–	**–**
Divestment of subsidiary with NCI	–	–	–	–	–	**–**	(4)	**(4)**
Transfer	–	–	44	(5)	(4)	**35**	9	**44**
Other changes	–	–	–	–	(4)	**(4)**	–	**(4)**
Balance at 31 December 2023	261	469	–	250	7,834	**8,814**	109	**8,923**

Consolidated cash flow statement (Note 26)

x € million	2023	2022
Operating activities		
Net profit for the period	2,326	1,715
Share of profit of associates and joint ventures (including discontinued operations)[1]	9	(5)
Income tax expenses (including discontinued operations)[1]	21	190
Profit before tax (including discontinued operations)[1]	**2,356**	**1,900**
Finance income and expense (including discontinued operations)[1]	59	94
Operating profit (including discontinued operations)[1]	**2,415**	**1,994**
Depreciation, amortization and impairments (including discontinued operations)[1]	944	652
EBITDA (including discontinued operations)[1]	**3,359**	**2,646**
- (Gain) or loss from disposals	(2,770)	(1,024)
- Acquisition- / divestment-related	-	4
- Changes in provisions	10	(33)
- Changes in employee benefits	(34)	(15)
- Share-based compensation	23	34
- Income taxes paid / received	(107)	(131)
- Other non-cash items	97	(19)
Operating cash flow before changes in working capital	**578**	**1,462**
Changes in:		
Inventories	58	(442)
Trade receivables	46	(133)
Trade payables	(66)	116
Changes in operating working capital	38	(459)
Changes in non-operating working capital	(40)	(38)
Changes in working capital	(2)	(497)
Cash provided by operating activities	**576**	**965**

1 The Consolidated cash flow statement includes an analysis of all cash flows in total, therefore including both continuing and discontinued operations. For the amounts related to discontinued operations split by activities and a reconciliation of profit from continuing operations to total, including discontinued operations, see **Note 3 Change in the scope of the consolidation** to the consolidated financial statements.

Consolidated cash flow statement (Note 26) continued

x € million	2023	2022
Cash provided by operating activities	**576**	**965**
Investing activities		
Capital expenditure for intangible assets	(103)	(138)
Capital expenditure for property, plant and equipment	(439)	(506)
Proceeds from disposal of property, plant and equipment	20	17
Payments regarding drawing rights	(8)	(7)
Acquisition of subsidiaries	(389)	(74)
Disposal of subsidiaries	3,533	1,366
Payments for short-term financial investments	(150)	(638)
Proceeds from short-term financial investments	187	1,001
Other financial assets (incl. associates):		
- Dividends received	4	4
- Capital payments and acquisitions	(15)	(33)
- Proceeds from disposals	26	30
- Additions to loans granted	(35)	(152)
- Repayment of loans granted	31	-
Interest received	49	6
Cash from / (used in) investing activities	**2,711**	**876**
Financing activities		
Contributions from non-controlling interests	-	5
Proceeds from borrowings	2	51
Repayment of borrowings	(21)	(29)
Payments of lease liabilities	(52)	(57)
Change in debt to credit institutions	(1)	(21)
Proceeds from re-issued treasury shares	8	25
Repurchase of shares	(256)	(210)
Dividend paid	(3,935)	(345)
Interest paid	(14)	(52)
Funding cash pool	425	-
Other	(8)	(12)
Cash (used in) / from financing activities	**(3,852)**	**(645)**
Cash and cash equivalents at the beginning of the period	**2,755**	**1,561**
Net increase / (decrease) in cash and cash equivalents	(565)	1,196
Effect of movements in exchange rates on cash held	(9)	(2)
Cash and cash equivalents at the end of the period	**2,181**	**2,755**

See Note 26 Notes to the cash flow statements to the consolidated financial statements for selected comments on statement of cash flow.

Notes to the consolidated financial statements

1 General information

Basis of preparation

DSM's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of section 362-8 of Book 2 of the Dutch Civil Code.

In the following notes, all amounts are shown in millions of euros (€), unless otherwise stated.

Changes in accounting policies

DSM adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. DSM applies the temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately.

Pillar Two legislation has been enacted or substantively enacted in a number of jurisdictions in which DSM operates. Since the newly enacted tax legislation was not yet in effect in these jurisdictions in 2023, there is no current tax impact for the group for the year ended 31 December 2023.

DSM actively monitors developments and the global legislative status of Pillar Two implementation in the jurisdictions where it operates. Furthermore, an assessment is made regarding the potential Pillar Two impact. Based on this assessment and considering the jurisdictions where the Pillar Two legislation is currently enacted or substantively enacted, DSM does not expect Pillar Two to have a material impact for the financial year 2024.

Other new or amended standards that are effective from 1 January 2023 do not have a material effect on DSM's consolidated financial statements. In addition, new or amended standards effective after 1 January 2023 were neither adopted early, nor are they expected to have significant impact.

Group material accounting policies

The below information outlines the general Group material accounting policies. Other specific material accounting policies that management considers to be the most important for the presentation of the financial position and results of DSM's operations are included in the relevant notes and applied throughout the consolidated financial statements.

Principles of consolidation

As a parent company, DSM is exposed, or has a right, to the variable returns from its involvement with its subsidiaries and has the ability to affect the returns through its power over the subsidiaries. The financial data of subsidiaries are fully consolidated. Non-controlling interests in the Group's equity and profit and loss are stated separately. Subsidiaries are consolidated from the acquisition date until the date on which DSM ceases to have control. From the acquisition date onwards, all intra-group balances and transactions and unrealized profits or losses from intra-group transactions are eliminated.

A joint arrangement is an entity in which DSM holds an interest and which is jointly controlled by DSM and one or more other venturers under a contractual arrangement. A joint arrangement can either be a joint venture whereby DSM and the other partner(s) have rights to the net assets of the arrangement, or a joint operation where DSM and the partner(s) have rights to the assets and obligations for the liabilities of the arrangement. For joint ventures, the investment in the net assets is recognized and accounted for in accordance with the equity method, see also **Note 10 Associates and joint arrangements** to the consolidated financial statements. For a joint operation, assets, liabilities, revenues, and expenses are recognized in the financial statements of DSM in accordance with the contractual entitlement or obligations of DSM.

Foreign currencies

The DSM's presentation currency is the euro (€), which is also the parent company's functional currency.

Each entity of the Group records transactions and balance sheet items in its functional currency. Transactions denominated in a currency other than the functional currency are recorded at the spot exchange rates prevailing at the date of the transactions.

Monetary assets and liabilities denominated in a currency other than the functional currency of the entity are translated at the closing rates. Exchange differences resulting from the settlement of these transactions and from the translation of monetary items are recognized in the income statement.

Non-monetary items that are measured on the basis of historical costs denominated in a currency other than the functional currency continue to be translated against the rate at initial recognition and will not result in exchange differences.

On consolidation, the balance sheets of subsidiaries that do not have the euro as their functional currency are translated into euros at the closing rate. The income statements of these entities are translated into euros at the average rates for the relevant period. The functional currency in which goodwill paid on acquisition is recorded is based on the business case underlying the corresponding business combination. Exchange differences arising from the translation of the net investment in entities with a functional currency other than the euro are recorded in Other comprehensive income. The same applies to exchange differences arising from borrowings and other financial instruments insofar as those instruments hedge the currency risk related to the net investment. On disposal of an entity with a functional currency other than the euro, the cumulative exchange differences relating to the translation of the net investment are recognized in profit or loss.

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

1 euro =	**Exchange rate at 31 December**		**Average exchange rate**	
	2023	2022	**2023**	2022
US dollar	1.11	1.07	1.08	1.05
Swiss franc	0.93	0.98	0.97	1.00
Brazilian real	5.36	5.64	5.40	5.44
Chinese renminbi	7.85	7.36	7.66	7.08

Emission rights

DSM is subject to legislation encouraging reductions in greenhouse gas emissions and has been awarded emission rights (principally CO_2 emission rights) in a number of jurisdictions. Emission rights are reserved for meeting delivery obligations and are recognized at cost. Income is recognized when surplus emission rights are sold to third parties. When actual emissions exceed the emission rights available to DSM, a liability is recognized for the expected additional costs.

Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual outcomes could differ from those estimates. The estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Furthermore, the application of the Group's accounting policies may require management to make judgments, apart from those involving estimates, that can have a significant effect on the amounts recognized in the financial statements.

Areas of management estimates and judgments that have the most significant effect on the amounts recognized in the financial statements are disclosed, along with the material accounting policies, in the relevant notes.

Presentation of Consolidated income statement

DSM presents expenses in the Consolidated income statement in accordance with their function. This allows the presentation of gross profit on the face of the income statement, which is a widely used performance measure in the industry. The composition of the costs allocated to the individual functions is explained below.

Cost of sales encompasses all manufacturing costs (including raw materials, employee benefits, and depreciation and amortization) related to goods and services captured in net sales. These are measured at their actual cost based on weighted average cost, or FIFO.

Marketing & Sales relates to the selling and marketing of goods and services, and also includes all costs that are directly related to the sale of goods but are not originated by the manufacturing of the goods (e.g., outbound freight).

Research & Development consists of:

- Research, which is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding
- Development, which is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use that do not meet the accounting requirements for capitalization

General & Administrative relates to the strategic and governance role of the general management of the company as well as the representation of DSM as a whole in the financial, political, or business community. It also relates to business support activities of staff departments that are not directly related to the other functional areas.

2 Alternative performance measures

Accounting policy

In monitoring the financial performance of DSM, management uses EBITDA as an Alternative performance measure (APM) not defined by IFRS. An APM should not be viewed in isolation as an alternative to the equivalent IFRS measure and should be used as supplementary information in conjunction with the most directly comparable IFRS measure. An APM does not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies.

In line with common industry practice, EBITDA is used as a metric to review DSM's financial performance.

Earnings before interest, tax, depreciation and amortization (EBITDA) is defined as the IFRS metric operating profit plus depreciation, amortization, and impairments.

Reconciliation of Alternative performance measures (continuing operations)

	2023	2022
Operating profit (loss)	**(412)**	**682**
Depreciation, amortization and impairments	944	622
EBITDA	**532**	**1,304**

3 Change in the scope of consolidation

Accounting policy

Business combinations

Business combinations are accounted for using the acquisition method from the moment control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, including assets transferred, shares issued, and liabilities incurred, measured at acquisition date fair value. Acquisition-related costs incurred are expensed, except if related to the issue of debt or equity securities. As of the acquisition date, identifiable assets acquired, liabilities assumed, and any non-controlling interest in the acquiree are recognized separately from goodwill. Identifiable assets acquired and the liabilities assumed are measured at acquisition date fair value. For each business combination, DSM elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any contingent consideration payable is measured at fair value at the acquisition date; subsequent changes in the fair value of the contingent consideration resulting from events after the acquisition date are recognized in profit or loss.

For business combinations with the acquisition date in the prior reporting period, comparative information is revised in case adjustments are made during the measurement period to the provisional amounts, determined as part of the purchase price allocation (PPA), based on information available at the acquisition date.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups (assets and liabilities relating to an activity that is to be sold) are classified as 'held for sale' if their carrying amount is to be recovered principally through a sales transaction rather than through continuing use. The reclassification takes place when the assets are available for immediate sale and the sale is highly probable. These conditions are usually met as from the date on which a letter of intent or agreement to sell is ready for signing. Non-current assets and disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortized.

Discontinued operations
Discontinued operations comprise those activities that were disposed of during the period, or which were classified as held for sale at the end of the period and represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes. Classification as a discontinued operation occurs when the operation meets the criteria to be classified as held for sale.

Estimates and judgments

Key estimates DSM makes in the accounting for changes in the scope of consolidation relate to the determination of fair values for assets acquired and liabilities assumed in business combinations. These estimates are based on historical quoted market prices plus past experience, and are validated by external valuation specialists where deemed necessary by management.

Acquisitions

In 2023, DSM acquired businesses for a total consideration of €292 million (in 2022: €77 million).

Adare Biome
On 1 July 2023, DSM acquired a 100% interest in Adare Biome, headquartered in Houdan (France) for a total cash consideration of €290 million. Adare Biome is a pioneer in the development and manufacturing of postbiotics, a rapidly emerging segment of the gut health market. All identified synergies of this acquisition are revenue synergies.

In accordance with IFRS 3, the purchase price was provisionally allocated to identifiable assets and liabilities acquired, pending final confirmation of the local valuator. This allocation resulted in a non-tax-deductible goodwill amount of €146 million and intangible assets for technology of €105 million, customer relations of €45 million, and trade names of €11 million.

The goodwill relates to the value of future intangible assets, the Culturelle® synergy, and the assembled workforce. As the Adare Biome workforce does not qualify for separate recognition as an intangible asset under IFRS, it was valued to estimate a contributory asset charge for the valuation of technology and rationalize part of the residual goodwill.

The acquisition of Adare Biome contributed €12 million to net sales, -€5 million to operating result, and €2 million to EBITDA during the second half year. If the acquisition had occurred on 1 January 2023, additional net sales would have been approximately €29 million, operating result -€5 million, and EBITDA €6 million.

Finalization of Prodap PPA
In the reporting year, the Purchase Price Allocation (PPA) related to the acquisition of Prodap in Brazil in 2022 was finalized without any changes in relation to the purchase price allocation as disclosed in the DSM Integrated Annual Report of 2022.

Valuation techniques intangible assets
Part of a PPA is the recognition of intangible assets which are recognized apart from goodwill. The valuation techniques DSM used for measuring the fair value of these intangible assets in 2023 were as follows:

Technology was identified as the key business driver and leading intangible assets of Adare Biome, and therefore the multi-period excess earnings method (MEEM) was applied to value it.

The trade names were valued by applying the relief from royalty (RfR) method, a form of the income approach whereby the value of an asset is estimated by capitalizing the royalties saved as a result of owning the asset.

The fair values of customer relationships were determined by applying the MEEM approach, considering the present value of the projected cash flow revenues and adjusted for retention.

Summary acquisitions in 2023

The accounting of the acquisitions upon closing impacted DSM's consolidated balance sheet 2023 as shown in the below table (measured at the date of acquisition).

Impact acquisitions on balance sheet in 2023

Fair value	Adare Biome	Other acquisitions	Total
Assets			
Intangible assets	161	1	162
Property, plant and equipment	17	–	17
Inventories	8	–	8
Receivables and other current assets	13	–	13
Cash and cash equivalents	1	–	1
Total assets	**200**	**1**	**201**
Non-controlling interests and liabilities			
Non-current liabilities	46	–	46
Current liabilities	10	–	10
Total non-controlling interests and liabilities	**56**	**–**	**56**
Net assets	**144**	**1**	**145**
Acquisition price (in cash)	290	2	292
Other	–	–	–
Consideration	**290**	**2**	**292**
Goodwill	**146**	**1**	**147**
Acquisition costs (excluding inventory step-up)	4	–	4

The fair value of the acquired receivables is based on the gross contractual amounts, adjusted for estimated contractual cash flows not expected to be collected.

Divestments

Divestment of Engineering Materials

On 1 April 2023, the company completed the divestment of its Engineering Materials business (DEM) to Advent International and LANXESS. Prior to this divestment, the results of this business (the 'disposal group') were reclassified to discontinued operations.

Summary of divestments in 2023

See below table for the book result of the divestments that took place in the reporting year.

	Engineering Materials (DEM)	Other	Total
Assets			
Goodwill and intangible assets	(217)	-	**(217)**
Property, plant and equipment	(374)	-	**(374)**
Other non-current assets	(32)	-	**(32)**
Inventories	(329)	-	**(329)**
Receivables and other current assets	(264)	(1)	**(265)**
Cash and cash equivalents	(161)	(8)	**(169)**
Total assets	**(1,377)**	**(9)**	**(1,386)**
Non-controlling interests and liabilities			
Non-current liabilities	(74)	-	**(74)**
Current liabilities	(439)	(5)	**(444)**
Total liabilities	**(513)**	**(5)**	**(518)**
Net assets	(864)	(4)	**(868)**
Non-controlling interest	(3)	-	**(3)**
Net assets dsm-firmenich shareholders	**(861)**	**(4)**	**(865)**
Consideration (net of selling costs, translation differences and net debt)	3,689	1	**3,690**
Book result 2023	2,828	(3)	**2,825**
Income tax	(38)	-	**(38)**
Net book result	**2,790**	**(3)**	**2,787**

Impact on comprehensive income

The impact of the business that has been presented as discontinued operations in the income statement and statement of comprehensive income is presented in the below tables.

	2023 Continuing operations	2023 Discontinued operations	2023 Total	2022 Continuing operations	2022 Discontinued operations	2022 Total
Net sales	7,590	388	**7,978**	8,390	2,090	10,480
EBITDA	532	2,827	**3,359**	1,304	1,342	2,646
Total expenses	8,272	(2,439)	**5,833**	7,708	778	8,486
Operating profit	(412)	2,827	**2,415**	682	1,312	1,994
Financial income and expense	(58)	(1)	**(59)**	(88)	(6)	(94)
Profit (loss) before income tax expense	**(470)**	**2,826**	**2,356**	**594**	**1,306**	**1,900**
Income tax expense	16	(37)	**(21)**	(124)	(66)	(190)
Results related to associates and joint ventures	(9)	-	**(9)**	5	-	5
Net profit (loss) for the year	**(463)**	**2,789**	**2,326**	**475**	**1,240**	**1,715**
Of which:						
- Attributable to non-controlling interests	8	-	**8**	13	2	15
- Dividend on Cumulative Preference Shares	6	-	**6**	6	-	6
- Available to holders of ordinary shares	(477)	2,789	**2,312**	456	1,238	1,694

The operating profit in discontinued operations amounting to €2,827 million comprises the regular activities of the DEM business in the first three months of the reporting year (-€1 million) and the book profit on the sale of the DEM business on 1 April 2023 (€2,828 million). The business results reclassified to discontinued operations include also intercompany recharges that ceased to be earned/incurred on disposal. Corporate costs have been excluded from the reclassification to discontinued operations. The comparative numbers in the Income statement and the Statement of comprehensive income are re-presented as if the activities of the DEM business had been discontinued from the start of the comparative year 2022. In addition, these comparative numbers also include eight months of results related to former DSM's Protective Materials business, which was divested in September 2022.

See also the section Assets and liabilities held for sale here below.

	2023	2022
Net profit from discontinued operations	**2,789**	**1,240**
Other comprehensive income		
Remeasurements of defined benefit pension plans	–	1
Fair value changes in Other participating interests and other financial instruments	–	(1)
Items that will not be reclassified to profit or loss	**-**	**-**
Exchange differences on translation of foreign operations		
– Change for the year	(4)	(44)
Items that may subsequently be reclassified to profit or loss	**(4)**	**(44)**
Total comprehensive income discontinued operations	**2,785**	**1,196**
Of which:		
– Attributable to non-controlling interests	–	1
– Available to equity holders of DSM	2,785	1,195

Impact on cash flow statement

The impact of the business that has been included as discontinued operations in the cash flow statement is shown in the following table.

	2023	2022
Net cash provided by / (used in):		
– Operating activities	70	190
– Investing activities	3,517	1,291
Net change in cash and cash equivalents	**3,587**	**1,481**

See also Note 26 Notes to the cash flow statements to the consolidated financial statements.

Assets and liabilities held for sale

Jiangshan

The production of vitamin C in Jiangshan, China, which had already been significantly reduced since the end of 2022, was completely shut down in mid-May. At the end of 2023, the assets and liabilities of Jiangshan met the criteria for classification as held for sale.

Impact on balance sheet

The impact of the reclassification of the above-mentioned activities on the DSM consolidated balance sheet is presented in the following table.

	2023
Assets	
Non-current assets	
Other non-current assets	1
Current assets	
Inventories	4
Receivables	1
Total assets	**6**
Liabilities	
Non-current liabilities	2
Current liabilities	6
Total liabilities	**8**
Net assets	**(2)**

4 Segment information

Accounting policy

DSM has segmented its operations by business activity from which revenues are earned and expenses incurred. These operating results are regularly reviewed by the Managing Board, DSM's Chief Operating Decision Maker (CODM), to make decisions about resources to be allocated to the operating segments and assess their performance. DSM uses EBITDA as the main indicator to evaluate the consolidated performance as well as the performance per operating segment. Discrete financial information is available for each identified operating segment. DSM has determined that Taste, Texture & Health - DSM (TTH-DSM), Health, Nutrition & Care - DSM (HNC-DSM), and Animal Nutrition & Health (ANH) represent reportable operating segments in addition to the reportable segment Corporate Activities.

The same accounting policies that are applied for the consolidated financial statements of DSM are also applied for the operating segments. Prices for transactions between segments are determined on an arm's length basis at market-based prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can reasonably and consistently be allocated. Interest income, interest expense, and income tax expense or income are not allocated to segments as these amounts are not included in the measure of segment profit or loss reviewed by the Managing Board.

Selected information on a country and regional basis is provided in addition to the information about operating segments.

Operating segments

DSM is organized into three Business Units:

- **Taste, Texture & Health - DSM (TTH-DSM)** helps customers create food and beverage products that are delicious, nutritious, affordable, and sustainable. This Business Unit provides enjoyment and nourishment for consumers, business success for customers, and better health for people and planet This Business Unit mainly consists of the Ingredients Solutions business
- **Health, Nutrition & Care - DSM (HNC-DSM)** provides people solutions to help them look after their health by adding critical nutrients to diet. This Business Unit drives medical innovation forward, helping to accelerate recovery times and enhancing quality of life. This Business Unit mainly consists of DSM's former Health, Nutrition & Care business, including the Personal Care & Aroma Ingredients business
- **Animal Nutrition & Health (ANH)** delivers healthy animal proteins efficiently and sustainably, harnessing the power of data to make animal farming practices more sustainable, productive, and transparent

For 2023, these Business Units have been identified as the reportable operating segments of DSM.

Any consolidated activities outside the three reportable operating segments above are reported as the reportable segment 'Corporate Activities'. These consist of corporate operating and service activities that are not further allocated to the operating segments.

DSM does not have a single external customer that represents 10% or more of total sales.

Geographical information

	Netherlands	Switzerland	Rest of EMEA	North America	Latin America	China	Rest of Asia	Total
2022								
Net sales (by destination)								
In € millions	402	156	2,305	1,869	1,507	803	1,348	**8,390**
In %	5	2	26	22	18	10	17	**100**
Workforce at year-end (headcount)[1]	2,642	2,232	4,366	2,618	2,302	4,591	1,931	**20,682**
Intangible assets and property, plant and equipment at year-end (carrying amount)	1,304	1,852	2,105	2,143	404	774	141	**8,723**
2023								
Net sales (by destination)								
In € millions	388	165	2,072	1,711	1,331	780	1,143	**7,590**
In %	5	2	27	23	18	10	15	**100**
Workforce at period-end (headcount)	1,783	2,274	4,274	2,447	2,555	3,785	1,737	**18,855**
Intangible assets and property, plant and equipment at period-end (carrying amount)	1,665	1,950	2,220	1,937	422	423	85	**8,702**

1 Refers to total Group, including discontinued operations.

Reportable segments

	Taste, Texture & Health - DSM	Health, Nutrition & Care - DSM	Animal Nutrition & Health	Corporate Activities	Total continuing operations	Discontinued operations	TOTAL
2022							
Net sales	1,545	2,990	3,784	71	**8,390**	2,090	**10,480**
EBITDA[1]	245	669	523	(133)	**1,304**	1,342	**2,646**
Operating profit	115	420	328	(181)	**682**	1,312	**1,994**
2023							
Net sales	1,435	2,806	3,223	126	**7,590**	388	**7,978**
EBITDA[1]	213	489	(30)	(140)	**532**	2,827	**3,359**
Operating profit	85	211	(504)	(204)	**(412)**	2,827	**2,415**

[1] See **Note 2 Alternative performance measures** to the consolidated financial statements for the reconciliation to IFRS performance measures.

5 Net sales and costs

Accounting policy

Revenue from contracts with customers is recognized by identifying the contract and its performance obligations as well as determination and allocation of the transaction price to these performance obligations. Net sales represent the invoice value less estimated rebates, cash discounts, and indirect taxes. No element of financing is deemed present as sales are made with a short-term credit term.

The payment terms are determined per business segment on a customer basis. DSM has neither specific obligations for returns or refunds, nor specific warranties or other related obligations.

Sale of goods

At DSM, revenue related to the sale of goods is recognized in the income statement when the performance obligation is satisfied. This is at the point in time when transfer of control of the goods passes to the buyer. Fulfilment of the performance obligations related to goods sold is measured using the commercial shipment terms as an indicator for the transfer of control. Revenue recognized is measured at the fair value of the contractual transaction price allocated to the performance obligation that is satisfied.

Rendering of services

Income coming from the rendering of services is recognized when the service, i.e., the performance obligation, has been performed. Fulfillment of the performance obligations for services rendered is identified according to the individual contract. The revenue recognized is measured at the fair value of the contractual transaction price allocated to the performance obligation that is satisfied.

Licensing (royalties)

Income related to the sale or licensing of technologies or technological expertise is recognized in the income statement either at a point in time or over time, depending on when the contractually identified performance obligations are satisfied. Performance obligations related to license income include the transfer of rights and obligations associated with those technologies. License income is reported in Net sales when the income is part of the ordinary and recurring activities of the business and, if this is not the case, it is reported in Other operating income.

Net sales

	2023	2022
Goods sold	7,325	8,191
Services rendered	253	193
Royalties	12	6
Total	**7,590**	**8,390**

Disaggregation of net sales

	2023	2022
Taste, Texture & Health - DSM (TTH-DSM)	1,435	1,545
Health, Nutrition & Care - DSM (HNC-DSM)	2,806	2,990
Animal Nutrition & Health (ANH)	3,223	3,784
Corporate Activities	126	71
Total	**7,590**	**8,390**

Total costs

In 2023, total operating costs (the total costs included in operating profit) amounted to €8.0 billion, €0.3 billion higher than in 2022, when these costs stood at €7.7 billion. Total operating costs in 2023 included Cost of sales amounting to €6.0 billion (2022: €5.7 billion); gross profit as a percentage of net sales stood at 21% (2022: 32%).

Employee benefit costs

	2023	2022
Wages and salaries	1,426	1,353
Social security costs	181	169
Pension costs (see also Note 24)	96	102
Share-based compensation (see also Note 27)	23	35
Total	**1,726**	**1,659**

Depreciation, amortization and impairments

	2023	2022
Amortization of intangible assets	245	234
Depreciation of property, plant and equipment owned	340	325
Depreciation of right-of-use assets	51	49
Impairment losses	308	14
Total	**944**	**622**

Impairments of PPE, goodwill, and intangible assets of €308 million mainly relate to the vitamins business. Due to the weakening of the vitamins market, the company has taken several measures, including the restructuring of its vitamin asset footprint, to significantly reduce the costs. This includes the closure of the Xinghuo vitamin B6 plant in China and the refocusing of the company's vitamin C activities on its specialty Quali®-C from Dalry (UK) only. The production of vitamin C in Jiangshan (China), which had already been significantly reduced since the end of 2022, was completely shut down in mid-May. At the end of 2023, the assets and liabilities of Jiangshan met the criteria for classification as held for sale.

Other operating income

	2023	2022
Release of provisions	–	10
Gain on sale of assets and activities	23	31
Insurance benefits	22	12
Amendments / settlements to pension plans	1	2
Earn-out payments and other settlements	57	9
Lease income	4	7
Royalties	2	4
Sale of emission rights	8	–
Sundry	38	32
Total	**155**	**107**

Other operating expense

	2023	2022
Additions to provisions	22	4
Exchange differences	13	18
Acquisitions / disposals	56	3
Damages w.r.t insurance	–	4
Sundry	23	22
Total	**114**	**51**

6 Finance income and expense

	2023	2022
Finance income		
Interest income from third parties	93	22
Interest income from related parties	25	–
Fair value change in derivatives	6	46
Sundry	5	3
Total finance income	**129**	**71**
Finance expense		
Interest expense from third parties	(91)	(101)
Interest expense from related parties	(20)	–
Interest relating to lease liabilities	(5)	(6)
Interest relating to defined benefit plans	(7)	(3)
Fair value change in derivatives	(33)	(14)
Capitalized interest during construction	4	3
Exchange differences	(8)	(2)
Unwinding of discounted payables	(22)	(23)
Sundry	(5)	(13)
Total finance expense	**(187)**	**(159)**
Total finance income and expense	**(58)**	**(88)**

In 2023, the interest rate applied in the capitalization of interest during construction was 2.5% (same as in 2022).

7 Income tax

Accounting policy

Income tax expense is recognized in the income statement except to the extent that it relates to an item recognized directly in Other comprehensive income or Shareholders' equity.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years. The current tax position also reflects any uncertainty related to income taxes. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the balance sheet date, and reflect any uncertainty related to income taxes and are expected to apply when the related deferred tax assets are realized or the deferred tax liabilities are settled. Deferred tax assets, including assets arising from losses carried forward and tax credits, are reassessed over time and recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax assets and liabilities are stated at nominal value.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset and presented net when there is a legally enforceable right to offset, and the assets and liabilities relate to income taxes levied by the same taxation authority.

Estimates and judgments

Key estimates for income tax generally relate to uncertain tax positions that could result from different interpretation of tax legislation by local tax authorities in the countries where DSM operates. For the measurement of the uncertainty, DSM uses the most likely amount or the expected value method to estimate the underlying risk. This requires judgements and final outcome may deviate from the estimates.

Income tax

The income tax benefit on continuing operations was €16 million, which represents an effective income tax rate of 3.4% (2022: tax expense of €124 million, representing an effective income tax rate of 20.9%). The amount excludes tax expense from discontinued operations of €37 million (2022: €66 million) and can be broken down as follows.

	2023	2022
Current tax (expense) / benefit:		
– Current year	(121)	(121)
– Prior-year adjustments	8	16
– Tax credits compensated	10	3
– Non-recoverable withholding tax	(4)	(5)
Total current tax (expense) / benefit	**(107)**	**(107)**
Deferred tax (expense) / benefit:		
– Originating from temporary differences and their reversal	139	(16)
– Prior-year adjustments	4	(17)
– Change in tax rate	4	15
– Changes arising from write-down of deferred tax assets	(33)	7
– Changes in previously and newly recognized tax losses and tax credits	9	(6)
Total deferred tax (expense) / benefit	**123**	**(17)**
Total tax (expense) / benefit	**16**	**(124)**

The relationship between the income tax rate in the Netherlands and the effective tax rate on the taxable result can be explained as follows.

Effective tax rate (continuing operations)

In %	2023	2022
Domestic income tax rate	25.8	25.8
Tax effects of:		
– Deviating rates	(22.0)	(5.4)
– Change in tax rates	0.8	(2.4)
– Tax-exempt income and non-deductible expense	5.2	1.9
– Other effects	(6.4)	1.0
Effective tax rate	**3.4**	**20.9**

The total effective tax rate on the taxable result in 2023 was 3.4% (2022: 20.9%).

The variation in effective tax rate arises due to changes in the total Group result in combination with the geographical spread of our results within the Group, changes in tax rates under local tax law, tax-exempt income and non-deductible expenses. Due to the loss position in 2023, items such as the geographical spread of our results and non-deductible expenses led to a reduction of our effective tax rate.

The balance of the deferred tax assets and deferred tax liabilities fell by €96 million owing to the changes presented in the following table.

Deferred tax assets and liabilities

	2023	2022
Balance at 1 January		
Deferred tax assets	95	203
Deferred tax liabilities	(476)	(490)
Total	**(381)**	**(287)**
Changes:		
– Income tax income / (expense) in income statement	106	(52)
– Income tax: change in tax percentage	4	15
Total income statement	110	(37)
– Income tax expense in OCI	7	(17)
– Acquisitions and disposals	(44)	(6)
– Exchange differences	3	(13)
– Reclassification to held for sale	–	(21)
– Transfer	20	–
Balance at 31 December	**(285)**	**(381)**
Of which:		
– Deferred tax assets	169	95
– Deferred tax liabilities	(454)	(476)

In various countries, DSM has taken standpoints regarding its tax position which may at any time be challenged, or have already been challenged, by the tax authorities, because the authorities in question interpret the law differently. For particular tax treatments whose acceptance by the relevant tax authorities is uncertain, DSM either recognizes a liability or reflects the uncertainty in the recognition and measurement of its current and deferred tax assets and liabilities.

The deferred tax assets and liabilities relate to the following balance sheet items.

Deferred tax assets and liabilities by balance sheet item

	2023		2022	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	11	(378)	28	(368)
Property, plant and equipment	29	(167)	15	(181)
Right-of-use assets	–	(24)	–	(34)
Financial assets	35	(14)	28	(25)
Inventories	59	(7)	36	(46)
Receivables	7	(13)	5	(22)
Lease liabilities non-current	18	–	25	–
Other non-current liabilities	1	(2)	1	(2)
Non-current provisions	49	–	41	–
Other current liabilities	45	(2)	66	(6)
Lease liabilities current	9	–	11	–
	263	**(607)**	**256**	**(684)**
Tax losses carried forward and credits	59	–	47	–
Set-off	(153)	153	(208)	208
Total	**169**	**(454)**	**95**	**(476)**

No deferred tax assets were recognized for loss carryforwards amounting to €188 million (2022: €153 million). Unrecognized loss carryforwards amounting to €78 million will expire in the years up to and including 2028 (2022: €54 million up to and including 2027), €1 million between 2029 and 2033 (2022: €30 million between 2028 and 2032) and the remaining €110 million in 2034 and beyond (2022: €69 million between 2033 and beyond). In addition, an amount of €9 million (2022: €17 million) of withholding taxes was unrecognized.

No deferred tax liability is recognized on temporary differences relating to unremitted retained earnings of subsidiaries as the group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. The amount of unremitted retained earnings on which no deferred tax liability has been provided for represents €592 million (2022: €875 million).

The valuation of deferred tax assets depends on the probability of the reversal of temporary differences and the utilization of tax loss carryforwards, tax credits and withholding tax. Deferred tax assets are recognized for future tax benefits arising from temporary differences and for tax loss carryforwards to the extent that the tax benefits are probable. DSM has to assess the likelihood that deferred tax assets will be recovered from future taxable profits. Deferred tax assets are reduced if, and to the extent that, it is not probable that all or some portion of the deferred tax assets will be realized. In the event that actual future results differ from estimates and depending on tax strategies that DSM may be able to implement, changes to the measurement of deferred taxes could be required, which could have an impact on the company's financial position and profit for the year.

8 Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over DSM's share in the net fair value of the identifiable assets and liabilities in a business combination. Goodwill paid on acquisition of subsidiaries is included in intangible assets. Goodwill paid on acquisition of joint ventures or associates is included in the carrying amount of these entities. Goodwill recognized as an intangible asset is tested for impairment annually, and when there are indications that the carrying amount may exceed the recoverable amount. A gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Intangible assets acquired as part of a business combination

Intangible assets acquired in a business combination are recognized at fair value on the date of acquisition and subsequently amortized on a straight-line basis over their expected useful lives. The expected useful lives vary from 4 to 20 years.

Separately acquired intangible assets

Separately acquired licenses, patents, application software and other purchased rights are carried at historical cost less straight-line amortization and less any impairment losses. The expected useful lives vary from 4 to 20 years.

Capital expenditure that is directly related to the development of application software is recognized as an intangible asset and amortized over its estimated useful life (5 to 8 years). Costs of software maintenance are expensed when incurred.

Internally generated intangible assets

Research costs are expensed when incurred. An internally generated intangible asset arising from development expenditure is recognized if it is demonstrated that it is technically feasible to complete the asset; that the entity intends to complete the asset; that the entity is able to sell the asset; that the asset is capable of generating future economic benefits; that adequate resources are available to complete the asset; and that the expenditure attributable to the asset can be reliably measured. Development expenditure that meets the recognition criteria is amortized over the asset's useful life on a straight-line basis.

As long as internally generated intangible assets are under construction, these intangible assets are not amortized as they are not yet available for use. Instead, they are subject to a review for impairment annually, or more frequently if events or circumstances indicate this is necessary. Any impairment is charged to the income statement as it arises.

Impairment of non-financial assets

When there are indications that the carrying amount of a non-financial asset (goodwill, an intangible asset or an item of property, plant and equipment) may exceed the estimated recoverable amount (the higher of its value in use and fair value less costs of disposal), the possible existence of an impairment loss is investigated. If an asset does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market interest rates and the risks specific to the asset or CGU.

When the recoverable amount of a non-financial asset or a CGU is less than its carrying amount, the carrying amount is impaired to its recoverable amount and an impairment charge is recognized in profit or loss. An impairment loss is reversed when there has been a change in estimate that is relevant for the determination of the asset's recoverable amount since the last impairment loss was recognized. Impairment losses for goodwill are never reversed.

Estimates and judgments

Key estimates and judgments DSM makes in the accounting for goodwill and intangible assets relate to:

- The amortization period of intangible assets, which depends on their useful lives
- The determination of CGUs, which depends on the capacity of the asset or group of assets to generate independent cash flows
- The estimation and allocation of future cash flows, growth rates, discount rates and fair values minus costs of disposal for the impairment testing of goodwill and intangible assets. These estimates are based on historical and current market rates, quoted prices, experience, current business outlooks, and validated by external valuation specialists, where deemed necessary by management.

Goodwill and intangible assets

	Goodwill	Customer base	Brands and trademarks	Technology and formulas	Software, licenses and patents	Internally generated	Other	Total
Balance at 1 January 2022								
Cost	2,943	1,140	117	898	592	570	659	**6,919**
Amortization and impairment losses	14	468	52	161	395	174	345	**1,609**
Carrying amount	2,928	672	65	737	197	396	314	**5,309**
Changes in carrying amount:								
– Capital expenditure	–	–	–	–	8	130	–	**138**
– Put into operation	–	–	–	–	90	(100)	10	**–**
– Acquisitions	52	11	4	17	–	2	–	**86**
– Disposal subs	(46)			–	(7)	(7)	(4)	**(64)**
– Amortization	–	(66)	(10)	(58)	(49)	(34)	(23)	**(240)**
– Impairment losses	(4)	–	–	–	(3)	5	–	**(2)**
– Exchange differences	80	14	3	16	6	10	–	**129**
– Reclassification to held for sale	(26)	–	–	–	–	(11)	(182)	**(219)**
– Transfers	–	22	–	22	(1)	–	(43)	**–**
– Other	–			1	8	(1)	2	**10**
	56	(19)	(3)	(2)	52	(6)	(240)	**(162)**
Balance at 31 December 2022								
Cost	2,989	1,249	124	1,005	612	576	270	**6,825**
Amortization and impairment losses	5	596	62	270	363	186	196	**1,678**
Carrying amount	2,984	653	62	735	249	390	74	**5,147**
– Of which acquisition related	2,984	653	62	735	2	–	36	**4,472**
Changes in carrying amount:								
– Capital expenditure	–	1	–	–	2	98	2	**103**
– Put into operation	–	2	2	1	57	(62)	–	**–**
– Acquisitions	147	45	11	105	–	–	1	**309**
– Disposal subs	–	–	–	–	–	–	–	**–**
– Amortization	–	(61)	(8)	(63)	(66)	(38)	(9)	**(245)**
– Impairment losses	(28)	(3)	–	(13)	(1)	(13)	(7)	**(65)**
– Exchange differences	(63)	5	–	4	7	11	(4)	**(40)**
– Reclassification to held for sale	–	–	–	–	–	2	–	**2**
– Transfers	–	3	20	12	(5)	(12)	(11)	**7**
– Other	–	–	–	–	–	–	(8)	**(8)**
	56	(8)	25	46	(6)	(14)	(36)	**63**
Balance at 31 December 2023								
Cost	3,061	1,305	158	1,127	673	612	258	**7,194**
Amortization and impairment losses	21	660	71	346	430	236	220	**1,984**
Carrying amount	3,040	645	87	781	243	376	38	**5,210**
– Of which acquisition-related	3,040	645	87	781	–	–	13	**4,566**

The amortization and impairment losses of goodwill and intangible assets are included in Cost of sales, Marketing & Sales, Research & Development and General & Administrative expenses.

Where DSM acquired entities in business combinations, they were accounted for by the acquisition method, resulting in recognition of mainly goodwill, customer- and marketing-related, and technology-based intangible assets. The amounts assigned to the acquired assets and liabilities are based on assumptions and estimates about their fair values. In making these estimates, management consults independent, qualified appraisers where appropriate.

Other significant intangibles were mainly obtained during the acquisitions of Erber Group and Glycom in 2020, and F&F Amyris and First Choice Ingredients in 2021. Intangible assets are amortized on a straight-line basis and subject to impairment trigger testing. There are no intangible assets with an indefinite useful life (same as in 2022).

The carrying amount of the internally generated intangible assets includes €133 million (2022: €143 million) that relates mainly to strategic projects which are not being amortized yet. The recoverable amount of these projects was estimated based on the present value of the future cash flows expected to be derived from the projects (value-in-use).

Goodwill

The CGUs DSM identified in 2023 were Taste, Texture & Health – DSM (TTH-DSM), (F&B), Health, Nutrition & Care (HNC), and Animal Nutrition & Health (ANH).

Goodwill per Cash generating unit

	2023	2022
Taste, Texture & Health - DSM (TTH-DSM)	577	544
Health, Nutrition & Care - DSM (HNC-DSM)	1,480	1,429
Animal Nutrition & Health (ANH)	983	1,011
Total	**3,040**	**2,984**

The annual impairment tests of goodwill are performed in the fourth quarter. The recoverable amount of the CGUs is based on a value-in-use calculation.

The cash flow projections are derived from dsm-firmenich's overall business plan as DSM does not operate in isolation from the dsm-firmenich Group. DSM's derived business plan is adopted by the Managing Board. The DSM specific cash flow projections are based on the derived budget for 2024, as approved by DSM's management, which is extrapolated throughout the remainder of the forecast period using management's internal forecasts. The key assumptions in the cash flow projections relate to the market growth for the CGUs and the related revenue projections, EBITDA developments, and the rates used for discounting cash flows. For the CGUs HNC-DSM and ANH, which are considered mature businesses, a forecast period of five years is applied before they come to a terminal value. For TTH-DSM, an initial forecast period of ten years was applied, reflecting the extended period of time during which the identified synergies arising from the merger are expected to contribute to the growth of this CGU. The terminal value growth rate is determined with the assumption of inflationary growth.

Key assumptions for goodwill impairment tests

	2023	2022
Forecast period (years)		
- Mature business	5	5
- Emerging business	10	10
Terminal value growth	2.0%	1.5%
Pre-tax discount rate		
Taste, Texture & Health - DSM (TTH-DSM)	8.3%	8.7%
Health, Nutrition & Care - DSM (HNC-DSM)	7.9%	9.1%
Animal Nutrition & Health (ANH)	9.2%	10.7%
Organic sales growth (year 1–5)		
Taste, Texture & Health - DSM (TTH-DSM)	3%–8%	5%–8%
Health, Nutrition & Care - DSM (HNC-DSM)	6%–7%	5%–8%
Animal Nutrition & Health (ANH)	4%–8%	4%–7%

For ANH and HNC-DSM, the growth assumptions are based on the growth of the global food and feed markets, and the vitamin transformation program; for TTH-DSM, on the growth assumptions of the global food and beverage markets. A sensitivity test was performed on the impairment tests of the CGUs and showed that the conclusions of these tests would not have been different if a reasonable possible adverse change in key parameters had been assumed.

9 Property, plant and equipment

Accounting policy

Property, plant and equipment owned

Items of Property, plant and equipment owned are measured at cost less depreciation calculated on a straight-line basis over their estimated useful lives and less any impairment losses. Borrowing costs during construction are capitalized when the underlying asset under construction meets the recognition criteria of a qualifying asset.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the Group. Expenditures relating to major scheduled turnarounds are capitalized and depreciated over the period up to the next turnaround.

The estimated remaining lives of assets are reviewed every year, taking account of commercial and technological obsolescence as well as normal wear and tear. The initially assumed expected useful lives are in principle as follows:

- Buildings 10–50 years
- Plant and equipment 4–15 years
- Land is not depreciated

An item of property, plant and equipment owned is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use or the sale of the asset. Any gain or loss arising on derecognition of the asset is recorded in profit or loss.

Right-of-use assets (leases)

DSM mainly leases offices, warehouses, vehicles, machinery, and other equipment.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are measured at cost less any depreciation on a straight-line basis over the expected lease term, less any impairment losses, and adjusted for remeasurements of the lease liability. In line with the initially assumed expected useful life of the corresponding asset class within Property, plant and equipment, the minimum expected lease term for building leases is in principle 10 years. However, the contractual terms or specific circumstances could require applying the shorter non-cancellable period in determining the expected lease term. For vehicle leases, the expected lease term is set equal to the contractual term (4–5 years).

Impairment of Property, plant and equipment

If there is an indication of impairment, the carrying amount of an item of Property, plant and equipment or the cash generating unit (CGU) to which it belongs is reviewed and the recoverable amount of the asset or the CGU is estimated. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. An impairment loss is reversed when there has been a change in estimate that is relevant for the determination of the asset's recoverable amount since the last impairment loss was recognized.

Estimates and judgments

Key estimates and judgments DSM makes in the accounting for items of property, plant and equipment relate to:

- The depreciation period of items of property, plant and equipment, which depend on their useful lives

- The determination of the lease term for lease contracts based on assessment of available renewal options. Estimates are based on the underlying asset class, past practices and current business outlooks
- The estimation and allocation of future cash flows, growth rates, discount rates and fair values minus costs of disposal for the impairment testing of items of property, plant and equipment. These estimates are based on historical and current market rates, experience, and current business outlooks

Composition of Property, plant and equipment

	2023	2022
Property, plant and equipment owned	3,266	3,402
Right-of-use assets	226	174
Total	**3,492**	**3,576**

Property, plant and equipment owned

	Land and buildings	Plant and equipment	Under construction	Not used for operating activities	Total
Balance at 1 January 2022					
Cost	2,108	5,707	564	8	**8,387**
Depreciation and impairments	946	3,673	1	–	**4,620**
Carrying amount at 1 January 2022	**1,162**	**2,034**	**563**	**8**	**3,767**
Changes in carrying amount:					
– Capital expenditure	7	48	443	–	**498**
– Put into operation	70	303	(373)	–	**–**
– Acquisitions	2	1	–	–	**3**
– Disposals and deconsolidations	(55)	(161)	(22)	–	**(238)**
– Depreciation	(71)	(271)	–	–	**(342)**
– Impairment losses	(2)	(16)	–	–	**(18)**
– Exchange differences	28	42	9	–	**79**
– Reclassification to held for sale	(55)	(243)	(42)	–	**(340)**
– Transfer to RoU assets	2	(2)	(6)	(2)	**(8)**
– Other changes	2	(1)	–	–	**1**
	(72)	**(300)**	**9**	**(2)**	**(365)**
Balance at 31 December 2022					
Cost	1,929	4,625	572	6	**7,132**
Depreciation and impairments	839	2,891	–	–	**3,730**
Carrying amount at 31 December 2022	**1,090**	**1,734**	**572**	**6**	**3,402**
Changes in carrying amount:					
– Capital expenditure	7	42	394	–	**443**
– Put into operation	38	259	(297)	–	**–**
– Acquisitions	6	7	3	–	**16**
– Disposals and deconsolidations	(3)	(2)	–	–	**(5)**
– Depreciation	(71)	(269)	–	–	**(340)**
– Impairment losses	(64)	(187)	8	–	**(243)**
– Exchange differences	4	(11)	3	–	**(4)**
– Reclassification to held for sale	–	–	–	–	**–**
– Other reclassifications	13	72	(88)	–	**(3)**
	(70)	**(89)**	**23**	**–**	**(136)**
Balance at 31 December 2023					
Cost	1,937	4,965	595	6	**7,503**
Depreciation and impairments	917	3,320	–	–	**4,237**
Carrying amount at 31 December 2023	**1,020**	**1,645**	**595**	**6**	**3,266**

In 2023, impairment losses of €243 million (2022: €18 million) were recognized on Property, plant and equipment, which mainly relate to the impairment of the Jiangshan site (€119 million) and the impairment of the vitamin B6 production line on the Xinghuo site (€106 million). For acquisitions, see Note 3 Change in the scope of consolidation to the consolidated financial statements.

Right-of-use assets

	Land and buildings	Plant and equipment	Total
Balance at 1 January 2022	136	61	**197**
Changes in carrying amount:			
New leases / terminations	8	14	**22**
Remeasurements	12	–	**12**
Depreciation	(33)	(17)	**(50)**
Derecognition	(2)	–	**(2)**
Exchange rate differences	4	1	**5**
Reclassification to held for sale	(6)	(4)	**(10)**
	(17)	**(6)**	**(23)**
Balance at 31 December 2022			
Cost	219	92	**311**
Depreciation and impairments	100	37	**137**
Carrying amount at 31 December 2022	**119**	**55**	**174**
Changes in carrying amount:			
Acquisition	1	–	**1**
New leases / terminations	92	13	**105**
Depreciation	(34)	(17)	**(51)**
Exchange rate differences	(4)	1	**(3)**
Impairments	–	–	**–**
	55	**(3)**	**52**
Balance at 31 December 2023			
Cost	289	95	**384**
Depreciation and impairments	115	43	**158**
Carrying amount	**174**	**52**	**226**

For the disclosures on the lease liabilities that correspond with the right-of-use assets, see Note 19 Borrowings to the consolidated financial statements.

10 Associates and joint arrangements

Accounting policy

An associate is an entity over which DSM has significant influence but no control or joint control, usually evidenced by a shareholding that entitles DSM to between 20% and 50% of the voting rights. A joint venture is an entity over which DSM has joint control and is entitled to its share of the net assets and liabilities.

Investments in associates and joint ventures are initially recognized at cost, including transaction costs. Subsequent to initial recognition, these investments are accounted for by the equity method, which involves recognition in the income statement of DSM's share of the associate's or joint venture's profit or loss for the year determined in accordance with the accounting policies of DSM. Any other results at DSM in relation to associated companies are recognized under Other results related to associates and joint ventures. DSM's interest in an associate or joint venture is carried in the balance sheet at its share in the net assets of the associate or joint venture together with goodwill paid on acquisition, less any impairment loss.

When DSM's share in the loss of an associate or joint venture exceeds the carrying amount of that entity, the carrying amount is reduced to zero. No further losses are recognized unless DSM has responsibility for obligations relating to the entity.

Associates and joint ventures

The following table analyses, in aggregate, the carrying amount and share of profit of associates and joint ventures.

	2023			2022
	Associates	Joint ventures	Total	Total
Balance at 1 January	**53**	**8**	**61**	**64**
– Share of the profit of associates and joint ventures	(9)	1	(8)	10
– Other comprehensive income	(2)	–	(2)	–
– Capital payments	5	–	5	4
– Dividends received	(1)	–	(1)	(2)
– Acquisitions	–	–	–	–
– Disposals	–	–	–	(9)
– Other	–	–	–	(6)
Balance at 31 December	**46**	**9**	**55**	**61**

Joint operations

The operations Veramaris®[1] (2017) and Avansya (2019) are accounted for in accordance with IFRS 11 for joint operations. DSM therefore recognizes their amounts for the assets, liabilities, revenues, and expenses in accordance with the contractual entitlement and obligations of DSM, see also **Note 1 General Information** to the consolidated financial statements.

11 Other non-current assets

Accounting policy

Other non-current assets comprise loans to associates and joint ventures, other participating interests and other long-term investments and receivables.

Other participating interests comprise equity interests in entities in which DSM has no significant influence. DSM generally applies the irrevocable election upon initial recognition to present subsequent changes in the fair values of these interests in Other comprehensive income (OCI). Fair value changes in OCI will not be recycled through profit and loss upon disposal of the interest. All dividends received will be presented in profit or loss.

DSM's business model objective for loans granted is 'held-to-collect contractual cash flows only'. Held to collect loans, other receivables and other deferred items, for which the contractual cash flows consist solely of principal and interest, are measured at amortized cost, using the effective interest method, which generally corresponds to the nominal value,

[1] This trademark is owned by Veramaris V.O.F.

less an adjustment for expected credit loss. Upon disposal of these assets, the gain or loss is recognized in profit or loss. Other long-term investments and receivables, for which the contractual cash flows are not solely principal and interest, are recognized at fair value, with changes in fair value recognized in profit or loss.

	Loans associates and joint ventures	Other participating interests	Other receivables	Other	Total
Balance at 1 January 2022	**1**	**191**	**31**	**4**	**227**
Changes:					
– Charged to the income statement	–	–	1	(1)	**-**
– Disposals	–	(24)	–	–	**(24)**
– Capital payments	–	28	–	–	**28**
– Loans granted / prepayments	1	–	127	–	**128**
– Repayments / (receipts)	–	–	1	3	**4**
– Exchange differences	–	–	(7)	–	**(7)**
– Transfers	–	–	16	–	**16**
– Changes in fair value	–	(66)	–	–	**(66)**
– Expected credit loss (ECL) adjustment and impairments	–	–	(11)	–	**(11)**
– Reclassification from/to held for sale	–	(4)	–	–	**(4)**
– Other changes	–	–	–	4	**4**
Balance at 31 December 2022	**2**	**125**	**158**	**10**	**295**
Changes:					
– Charged to the income statement	–	–	(1)	–	**(1)**
– Acquisitions	–	–	–	–	**-**
– Disposals	–	(10)	–	–	**(10)**
– Capital payments	–	10	–	–	**10**
– Loans granted / prepayments	3	–	13	–	**16**
– Repayments / (receipts)	–	–	–	(4)	**(4)**
– Exchange differences	–	–	(1)	(1)	**(2)**
– Transfer shares held in DSM-Firmenich AG from treasury shares	–	44	–	–	**44**
– Other transfers	–	–	(24)	4	**(20)**
– Changes in fair value through OCI	–	(37)	–	–	**(37)**
– Other changes	(1)	7	(82)	(1)	**(77)**
Balance at 31 December 2023	**4**	**139**	**63**	**8**	**214**

Other participating interests' increased mainly due to the transfer of shares held in DSM-Firmenich AG (€44 million) from treasury shares. The transfer is the result of the exchange of shares of former DSM N.V. to DSM-Firmenich AG shares, prior to the merger with Firmenich.

'Changes in fair value through OCI' consists mainly of the value decrease of our minority share in Amyris, Inc. (-€24 million) and of the value adjustment of shares held in DSM-Firmenich AG from cost price to market value (-€8 million). These changes are posted to the Fair value reserve in Other comprehensive income.

12 Inventories

Accounting policy

Inventories are stated at the lower of cost and net realizable value. The cost of intermediates, work-in-progress and finished goods includes directly attributable costs and related production overhead expenses.

Net realizable value is determined as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Products whose manufacturing cost cannot be calculated because of joint cost components are stated at net realizable value after deduction of a margin for selling and distribution efforts. Allowances for slow-moving and obsolete inventories have been made.

Cost is generally determined using the weighted average cost formula, unless the nature of the inventories warrants the use of the first in, first out (FIFO) method of valuation.

	2023	2022
Raw materials and consumables	676	596
Intermediates and finished goods	1,716	1,809
	2,392	**2,405**
Adjustments to lower net realizable value	(74)	(66)
Total	**2,318**	**2,339**

Changes in the adjustment to net realizable value

	2023	2022
Balance at 1 January	**(66)**	**(82)**
Additions charged to income statement	(29)	(31)
Utilization / reversals	21	20
Exchange differences	1	(2)
Disposal	28	15
Transfer	(2)	(10)
Reclassification to held for sale	(27)	24
Balance at 31 December	**(74)**	**(66)**

13 Current receivables

Accounting policy

Current receivables, for which the contractual cash flows are solely principal and interest, are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost, which generally corresponds to their nominal, non-discounted value, less an adjustment for expected credit loss.

Loss allowances for trade receivables are always measured at lifetime expected credit loss – see also Note 23 Financial Instruments and risks to the consolidated financial statements.

	2023	2022
Trade receivables		
Trade accounts receivable	1,183	1,306
Other trade receivables	231	182
Other receivables from related parties	101	–
Deferred items	38	31
Receivables from associates	–	1
	1,553	**1,520**
Expected credit loss	(18)	(12)
Total Trade receivables	**1,535**	**1,508**
Income tax receivable	**79**	**36**
Other current receivables		
Other taxes and social security contributions	17	23
Related party cash pool	178	–
Employee-related receivables	7	3
Acquisition-/disposal-related receivables	5	7
Interest	–	1
Loans	69	24
Other receivables	9	8
Deferred items	1	12
Total Other current receivables	**286**	**78**
Total current receivables	**1,900**	**1,622**

Information about the expected credit loss that relates to trade accounts receivable resulting in a loss allowance is included under Credit risk in Note 23 Financial instruments and risks to the consolidated financial statements.

Deferred items comprised €39 million (2022: €43 million) in prepaid expenses that include advance payments for any expenditure that would have otherwise been made during the next 12 months.

Related party cash pool relates to the receivables from DSM Finance B.V., the dsm-firmenich finance entity, with entities of the dsm-firmenich Group. See Note 26 Notes to the cash flow statements to the consolidated financial statements for further info.

14 Current investments

Accounting policy

Current investments are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Deposits with banks with a maturity between three and 12 months are classified as current investments.

	2023	2022
Fixed term deposits	101	125
Total	**101**	**125**

All fixed-term deposits have been placed with institutions with a high credit rating in line with our counterparty policy. The purpose of the deposits is either to meet short-term cash commitments, or to manage liquidity to such extent that yields are optimized while allowing DSM sufficient freedom in fulfilling its (strategic) goals.

For more information regarding the counterparty policy, see Note 23 Financial instruments and risks to the consolidated financial statements.

15 Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash at banks and in hand and deposits held at call with banks with a maturity of less than three months at inception.

Deposits will be classified as 'cash equivalent' if held at banks with a maturity of less than three months at inception. Deposits will be classified as 'current investments' if the maturity is more than three months but less than or equal to one year. Bank overdrafts are included in current liabilities. Included in cash and cash equivalents are investments in money-market funds that do not meet the SPPI (Solely Payments of Principal & Interest) criterion but are held to meet short-term cash demand. Money-market fund investments have been placed with institutions with a high credit rating in line with our counterparty policy.

Cash and cash equivalents are measured at amortized cost, or at fair value through profit and loss.

Composition of cash and cash equivalents

	2023	2022
Deposits	284	23
Money-market funds	931	1,493
Cash at bank and in hand	964	1,221
Payments in transit	2	18
Total	**2,181**	**2,755**

The purpose of the deposits and money-market funds is either to meet short-term cash commitments, or to manage liquidity to such an extent that yields are optimized, while allowing DSM sufficient freedom in fulfilling its (strategic) goals.

Cash at year-end 2023 was not being used as collateral and therefore was not restricted (same as in 2022).

In a few countries, DSM faces cross-border foreign exchange controls and/or other legal restrictions that limit its ability to make these balances available at short notice for general use by the Group. The amount of cash held in these countries was €64 million at year-end 2023 (2022: €105 million). The cash will generally be invested or held in the relevant country and, given the other liquidity resources available to the Group, does not significantly affect the ability of the Group to meet its obligations.

For more information regarding the counterparty policy, see **Note 23 Financial instruments and risks** to the consolidated financial statements.

16 Equity

Accounting policy

DSM classifies ordinary shares and other financial instruments, for which settlement of the contractual obligations is at the sole discretion of DSM, as equity.

The price paid for repurchased DSM shares (treasury shares) is deducted from DSM shareholders' equity until the shares are reissued. Treasury shares are presented in the treasury share reserve. When treasury shares are sold or reissued, the amount received is recognized as an increase in equity.

Dividend to be distributed to holders of ordinary shares is recognized as a liability when the Annual General Meeting of Shareholders approves the profit appropriation.

Movements in equity

	2023	2022
Balance at 1 January	**10,845**	**9,397**
Net profit for the year	2,326	1,715
Other comprehensive income	(140)	227
Options / share units granted	23	34
Dividend	(3,935)	(459)
Proceeds from reissue of ordinary shares	24	141
Acquisition of NCI without a change in control	–	–
Acquisition (divestment) of subsidiary with NCI	(4)	(4)
Repurchase of shares	(256)	(210)
Transfer	44	–
Other changes	(4)	4
Balance at 31 December	**8,923**	**10,845**

Share capital

On 31 December 2023, the capital amounted to €261 million, consisting of 174 million ordinary shares, distributed over 167.3 million shares held by its parent DSM-Firmenich AG, and 6.7 million by the non-tendered shareholders. All shares have a nominal value of €1.50 each. The outstanding shares provide an entitlement of one vote per share at the General Meeting of Shareholders. All rights attached to the company's shares held by the Group (treasury shares) are suspended until those shares are reissued.

The changes in the number of issued and outstanding shares in 2022 and 2023 are shown in the following table.

Development issued and outstanding shares of DSM B.V. (Koninklijke DSM N.V. until 31 May 2023)

	Issued shares	Issued shares	Treasury shares
	Ordinary	Cumprefs A	Ordinary
Balance at 1 January 2022	**174,786,029**	**44,040,000**	**1,817,299**
Reissue of shares in connection with share-based payments			(617,967)
Repurchase of shares			1,330,000
Dividend in the form of ordinary shares			(818,700)
Balance at 31 December 2022	**174,786,029**	**44,040,000**	**1,710,632**
Number of treasury shares at 31 December 2022	(1,710,632)		
Number of shares outstanding at 31 December 2022	**173,075,397**	**44,040,000**	
Balance at 1 January 2023	**174,786,029**	**44,040,000**	**1,710,632**
Reissue of shares in connection with share-based payments			(280,021)
Treasury shares DSM N.V. swapped to DSM-Firmenich AG shares	-		(662,616)
Cancellation of shares	(767,995)	(44,040,000)	(767,995)
Balance at 31 December 2023	**174,018,034**	**-**	**-**

On 28 April 2023, 44.0 million outstanding Cumulative preference shares A Koninklijke DSM N.V. were repurchased for the amount of €256 million. On 31 May 2023, all Cumulative preference shares A and B were canceled.

Share premium

The share premium decreased by €2 million due to the cancellation of 0.8 million ordinary shares.

Treasury shares

In 2023, the Group did not repurchase own shares to fulfil its obligations under the share-based compensation plans.

During the merger process, the DSM N.V. treasury shares were swapped into shares of DSM-Firmenich AG, the parent of the Group. Hence, these shares are no longer considered treasury shares for DSM. The DSM-Firmenich AG shares held by DSM are recognized in Other participating interests (OPI).

Other reserves in Shareholders equity

	Translation reserve	Hedging reserve	Reserve for share-based compensation	Fair value reserve	Total
Balance at 1 January 2022	**177**	**(77)**	**39**	**17**	**156**
Changes:					
Fair-value changes of derivatives	–	(6)	–	–	**(6)**
Release to income statement	(16)	53	–	–	**37**
Fair-value changes of other financial assets	–	–	–	(61)	**(61)**
Exchange differences	267	–	–	–	**267**
Options and performance shares granted	–	–	34	–	**34**
Options and performance shares exercised/canceled	–	–	(29)	–	**(29)**
Transfer to retained earnings	–	–	–	(28)	**(28)**
Income tax	(4)	(3)	–	–	**(7)**
Total changes	247	44	5	(89)	**207**
Balance at 31 December 2022	**424**	**(33)**	**44**	**(72)**	**363**
Changes:					
Fair-value changes of derivatives	–	27	–	–	**27**
Release to income statement	–	–	–	–	**–**
Fair-value changes of other financial assets	–	–	–	(37)	**(37)**
Exchange differences	(96)	–	–	–	**(96)**
Options and performance shares granted	–	–	23	–	**23**
Options and performance shares exercised/canceled	–	–	(23)	–	**(23)**
Transfer to retained earnings	–	–	–	(5)	**(5)**
Income tax	(1)	(1)	–	–	**(2)**
Total changes	(97)	26	–	(42)	**(113)**
Balance at 31 December 2023	**327**	**(7)**	**44**	**(114)**	**250**

For information on the reserves, see Note 6 Shareholders' equity to the parent company financial statements.

Dividend

Prior to the merger, dividend was paid to the holders of cumulative preference shares A and of non-tendered ordinary shares of Koninklijke DSM N.V.

Dividend distribution in the reporting year

	2023	2022
Shareholders DSM B.V. (formerly Koninklijke DSM N.V.)		
Per cumulative preference share A: €0.14 (2022: €0.13)	6	6
Per ordinary share:		
Interim dividend ordinary shares: €0 (2022: 0.93)	–	161
Final dividend listed ordinary shares: €1.66 (2022: €1.70)	11	292
Final dividend ordinary shares held by DSM-Firmenich AG: €1.66	278	–
Special dividend listed ordinary shares: €20.92	140	–
Special dividend ordinary shares held by DSM-Firmenich AG: €20.92	3,500	–
Total	**3,935**	**459**

17 Non-controlling interests

Accounting policy

Non-controlling interests in subsidiaries are measured at the proportionate share of the subsidiaries' identifiable net assets.

	2023				2022
	Andre Pectin	**Yimante**	**Other**	**Total**	
% of non-controlling interest	25%	25%			
Balance at 1 January	**46**	**47**	**9**	**102**	**79**
Changes:					
– Share of profit/charged to income statement	5	8	(5)	**8**	15
– Acquisitions	–	–	–	**–**	–
– Divestments	–	–	(4)	**(4)**	(4)
– Transfers	–	9	–	**9**	11
– Capital payments	–	–	–	**–**	4
– Exchange differences	(3)	(3)	–	**(6)**	(3)
Total changes	2	14	(9)	**7**	23
Balance at 31 December	**48**	**61**	**–**	**109**	**102**

The shareholding by DSM in Yimante Health Ingredients (Jingzhou) Company Ltd. is 75%. The profit will be distributed in a 50:50 proportion. The impact of this arrangement has led to a transfer of €9 million (2022: €11 million) within equity from shareholders' equity to non-controlling interest.

Not fully-owned subsidiaries on a 100% basis

	2023				2022
	Andre Pectin	Yimante	Other	Total	
Assets					
Intangible assets	42	20	12	**74**	92
Property, plant and equipment	38	127	50	**215**	310
Other non-current assets	2	37	37	**76**	91
Inventories	42	18	1	**61**	68
Receivables	35	47	14	**96**	109
Current investments	51	–	–	**51**	44
Cash and cash equivalents	1	7	4	**12**	41
Total assets	**211**	**256**	**118**	**585**	**755**
Liabilities					
Provisions (non-current)	10	1	–	**11**	14
Borrowings (non-current)	–	–	74	**74**	167
Other non-current liabilities	–	1	1	**2**	2
Borrowings and derivatives (current)	–	66	–	**66**	50
Other current liabilities	8	21	40	**69**	112
Total liabilities	**18**	**89**	**115**	**222**	**345**
Net assets (100% basis)	**193**	**167**	**3**	**363**	**410**
Net sales	95	219	25	**339**	159
Net profit for the year	21	35	(23)	**33**	56
Cash provided by / (used in) operating activities	15	55	(7)	**63**	91

18 Provisions

Accounting policy

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. The underlying assumptions in the recognition of provisions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In cases where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as financial expense.

Differences between the final obligations and the initial estimates are recognized in the consolidated income statement in the period in which such determination is made.

Estimates and judgments

Key estimates made in the accounting for provisions relate to the estimates made in determining the likelihood and timing of potential cash flows included in their measurement.

	Restructuring costs and termination benefits	Environmental costs	Other provisions	Total
Balance at 1 January 2022	**53**	**37**	**34**	**124**
Of which current	49	4	10	**63**
Changes:				
– Additions	44	–	8	**52**
– Releases	(15)	(5)	(8)	**(28)**
– Uses	(41)	(3)	(7)	**(51)**
– Other change	–	–	(2)	**(2)**
Total changes	(12)	(8)	(9)	**(29)**
Balance at 31 December 2022	**41**	**29**	**25**	**95**
Of which current	39	2	4	**45**
Changes:				
– Additions	48	4	24	**76**
– Releases	(9)	–	–	**(9)**
– Uses	(41)	(3)	(7)	**(51)**
– Other change	–	3	(3)	**-**
Total changes	(2)	4	14	**16**
Balance at 31 December 2023	**39**	**33**	**39**	**111**
Of which current	25	3	6	**34**

In cases where the effect of the time value of money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The rate used for discounting decreased from 4.2% to 3.5%. Depending on the risk profile, the discount rates used at the end of 2023 vary from 3.5% to 5.7% (2022: 4.2% to 5.8%). The balance of provisions measured at present value increased by less than €2 million in 2023 in view of the passage of time (similar to 2022).

The provisions for restructuring costs and termination benefits mainly relate to the costs of redundancy schemes connected to the dismissal of employees and costs of termination of contracts. These provisions generally have a term of one to three years.

The restructuring program following up on the change in strategy, aiming to concentrate on Health, Nutrition and Bioscience, which was launched at the end of 2021, was finalized in 2023, with €8 million being used during the year. Furthermore, a restructuring program following up on (the preparation of) the merger of DSM with Firmenich, which was launched in 2022, was also continued. An additional €8 million was recognized for this program, and €9 million was used during the year. A restructuring provision of €26 million was created, following the announced restructuring of the vitamin asset footprint, of which €12 million had been used by the end of 2023. The other additions to the provisions for restructuring costs and termination benefits in 2023 relate mainly to the various smaller restructuring projects (same as in 2022).

The provisions for environmental costs relate to soil clean-up obligations, among other things. These provisions have an average life of around 30 years.

Several items have been combined under Other provisions, for example, demolition costs, onerous contracts and legal claims. These provisions have an average life of one to 10 years.

19 Borrowings

Accounting policy

Borrowings

Borrowings, including bonds, are not held for trading and are initially recognized at fair value of the proceeds received, net of transaction costs. Subsequently, borrowings are stated at amortized cost using the effective interest method with any discount or premium on the borrowing amortized over the applicable term. The corresponding interest expenses are recorded as financial expense in profit or loss.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, DSM uses its incremental borrowing rate as the discount rate. In determining the incremental borrowing rate, DSM applies the practical expedient to use a single discount rate to portfolios of leases with reasonably similar characteristics, as reflected in the contractual currency and expected lease term of these contracts.

In general, DSM splits the contractual consideration into a lease and a non-lease component based on their relative stand-alone prices. For vehicle leases, however, DSM applies the practical expedient not to make this split but rather accounts for the fixed consideration as a single lease component.

Over time, the lease liability is increased by the interest expense related to the unwinding of the lease liability and decreased by the lease payments made. The lease liability is remeasured when DSM reassesses or modifies the contractual terms and conditions, including indexation.

Payments related to short-term leases (leases with a term shorter than 12 months) are recognized on a straight-line basis in profit or loss.

Borrowings

	2023		2022	
	Total	Of which current	Total	Of which current
Bonds	2,743	500	2,741	-
Private loans	108	56	116	14
Lease liabilities	240	48	179	44
Credit institutions	27	27	28	28
Total	**3,118**	**631**	**3,064**	**86**

In agreements governing loans with a residual amount at year-end 2023 of €2,743 million (31 December 2022: €2,741 million), negative pledge clauses have been included that restrict the provision of security.

At 31 December 2023, there was €617 million in borrowings outstanding with a remaining term of more than 5 years (at 31 December 2022, €1,044 million).

The schedule of repayment of borrowings is as follows.

Borrowings by maturity

	2023	2022
2023	–	86
2024	631	558
2025	538	579
2026	788	775
2027 and 2028	544	528
After 2028	617	538
Total	**3,118**	**3,064**

A breakdown by currency is given in the following table.

Borrowings by currency

	2023	2022
EUR	2,843	2,833
CNY	50	80
USD	78	84
CHF	99	20
BRL	16	19
Other	32	28
Total	**3,118**	**3,064**

On balance, total borrowings increased by €54 million due to the following changes.

Movements of borrowings

	2023	2022
Balance at 1 January	**3,064**	**3,098**
Loans taken up	–	51
Repayments	(33)	(29)
Unwinding (interest)	6	9
Acquisitions / consolidation changes	–	9
Transfers	28	–
Disposals	–	(28)
Reclassification to held for sale	–	(8)
Changes in debt to credit institutions	–	(21)
New lease arrangements (incl. remeasurements)	102	34
Payment of lease liabilities	(49)	(57)
Exchange differences	–	6
Balance at 31 December	**3,118**	**3,064**

A breakdown of bonds is given below.

Bonds

			Nominal amount	2023	2022
EUR loan	2.38%	2014—2024	500	500	500
EUR loan	1.00%	2015—2025	500	500	499
EUR loan	0.75%	2016—2026	750	749	749
EUR loan	0.25%	2020—2028	500	498	496
EUR loan	0.63%	2020—2032	500	496	498
Total			**2,750**	**2,743**	**2,741**

The bonds issued by DSM B.V. have a fixed interest rate and are listed on the AEX.

- The 2.375% EUR bond 2014–2024 of €500 million was pre-hedged by means of forward starting swaps, resulting in an effective interest rate for this bond of 3.97%, including the settlement of the pre-hedge
- The 1% EUR bond 2015–2025 of €500 million was pre-hedged by means of forward starting swaps, resulting in an effective interest rate for this bond at 3.65%, including the settlement of the pre-hedge
- The 0.75% EUR bond 2016–2026 of €750 million was pre-hedged by means of a collar resulting in an effective interest rate for this bond of 1.08%, including the settlement of the pre-hedge
- The 0.25% EUR bond 2020–2028 of €500 million has an effective interest rate of 0.29%
- The 0.625% EUR bond 2020–2032 of €500 million has an effective interest rate of 0.70%

A breakdown of private loans is given below.

Private loans

	2023	2022
CNY loan	39	63
Other loans	69	53
Total	**108**	**116**

A breakdown of the lease liabilities is given below.

Lease liabilities by maturity

	2023	2022
2023	–	49
2024	49	40
2025	37	28
2026	29	20
2027	22	15
2028	17	10
After 2028	140	50
Total undiscounted lease liabilities at 31 December	294	212
Lease liabilities included in the Balance Sheet at 31 December	**240**	**179**
Current	48	44
Non-current	192	135

In addition to the contractual lease commitments, DSM has identified explicit renewal options available to DSM, which are currently not reasonably certain to be exercised and are therefore not included in the measurement of the lease. The associated future lease payments which are uncommitted and optional for DSM, are estimated around €181 million (undiscounted; 2022: €86 million). The interest expense on the lease liabilities was €5 million (2022: €6 million) and the total repayments of the lease liabilities amounted to €52 million in 2023 (2022: €57 million). These cash flows are reported as financing cash flows. DSM's policy regarding financial risk management is described in Note 23 Financial instruments and risks to the consolidated financial statements.

20 Other non-current liabilities

Accounting policy

Other liabilities are measured at amortized cost, which generally corresponds to the nominal value, or at fair value through profit and loss. The latter is mainly applied to acquisition-related liabilities.

Government grants are recognized at their fair value if there is reasonable assurance that the grant will be received and all related conditions will be complied with. Cost grants, which are grants that compensate DSM for expenses incurred, are recognized as income over the periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate. If the grant is an investment grant, its fair value is initially recognized as deferred income in Other non-current liabilities and then released to profit or loss over the expected useful life of the relevant asset.

	2023	2022
Investment grants / customer funding	54	55
Deferred items	30	25
Acquisition-/divestment-related liabilities	45	123
Other	1	2
Total	**130**	**205**

The change in the Other non-current liabilities includes the settlement of an earn-out liability relating to a previous acquisition. See also Note 3 Change in the scope of the consolidation to the consolidated financial statements.

21 Current liabilities

Accounting policy

Other liabilities are measured at amortized cost, which generally corresponds to the nominal value, or at fair value through profit and loss. The latter is mainly applied to acquisition-related liabilities.

	2023	2022
Trade payables		
Received in advance	8	4
Trade accounts payable	1,356	1,410
Notes and cheques due	–	1
Total Trade payables	**1,364**	**1,415**
Income tax payable	**133**	**64**
Other current liabilities		
Other taxes and social security contributions	56	46
Interest	20	23
Pensions	1	2
Investment creditors	117	118
Employee-related liabilities	218	246
Payables associates and joint ventures relating to cash facility	3	2
Related party cash pool	691	–
Acquisition-/divestment-related liabilities	73	53
Other	–	–
Total Other current liabilities	**1,179**	**490**
Total current liabilities	**2,676**	**1,969**

Included in trade accounts payable are amounts due to suppliers which could be part of a supply chain finance arrangement between the supplier and a third-party bank. DSM suppliers have the option to enter into such supply chain finance arrangements with third party banks, which provides them with the option of earlier payment based on terms linked to DSM's investment grade credit rating. If a supplier chooses to participate in such an arrangement, this does not impact the classification of the trade payable for DSM, as these supply chain finance arrangements are concluded between the banks and the suppliers and do not alter the payment conditions between the supplier and DSM. Therefore, these amounts remain classified as trade payables.

Related party cash pool relates to the payable of DSM Finance B.V., the DSM finance entity within the dsm-firmenich group. See Note 26 Notes to the cash flow statements to the consolidated financial statements for further info.

22 Contingent liabilities and other financial obligations

The contingent liabilities and other financial obligations in the following table are not recognized in the balance sheet.

	2023	2022
Guarantee obligations on behalf of associates and third parties	170	178
Outstanding orders for projects under construction	–	6
Other	76	104
Total	**246**	**288**

Guarantee obligations are principally related to VAT and duties on the one hand and to financing obligations of associated companies or related third parties on the other. Guarantee obligations will only lead to a cash outflow when called upon. At year-end, no obligations had been called upon. Most of the outstanding orders for projects under construction will be completed in 2024. Other relates mainly to contingent liabilities in contracts for catalysts.

Litigation

DSM has a process in place to monitor legal claims periodically and systematically. DSM is involved in several legal proceedings, most of which are related to the ordinary course of business. DSM does not expect these proceedings to result in liabilities that have a material effect on the company's financial position. In cases where it is probable that the outcome of the proceedings will be unfavorable, and the financial outcome can be measured reliably, a provision has been recognized in the financial statements and disclosed in **Note 18 Provisions** to the consolidated financial statements.

In 2015, an award was issued against DSM Sinochem Pharmaceuticals India Private Ltd. (DSP India) in a protracted arbitration case in India going back to 2004 involving a joint venture that DSP India had formed with Hindustan Antibiotics Ltd., which suspended its operations in 2003. DSP India (renamed to Centrient Pharmaceuticals after divestment by former DSM in 2018) is covered by an indemnity from DSM B.V. for this case. In 2015, DSP India made an application with the Civil Court in Pune (India) to set aside the arbitral award. The award amounts to INR 127.5 crore (€14 million as at year-end 2023) excluding interest of 12% per year as of 2004. In 2019, former DSM provided the Bombay High Court a bank guarantee of INR 150 crore (€16 million as at year-end 2023). At the end of 2023, the application proceedings were still pending. DSM views this case as unfounded and is of the opinion that the likelihood of the award being ultimately set aside is high. Therefore, no liability is recognized in respect of this case.

In 2019, Brazilian tax authorities disagreed with certain tax treatment as applied by the company in 2014–2016, which would have an effect on such prior year income tax returns of around BRL 100 million (€19 million as at year-end 2023), including penalties and interest. DSM views this case as unfounded and considers that the possibility of winning this case is high, as confirmed by external legal counsel. Therefore, no liability relating to this case is recognized. During 2023 no relevant developments took place that alter this view.

23 Financial instruments and risks

Policies on financial risks

As an international company, DSM is exposed to financial risks in the normal course of business. A major objective of Group Treasury is to minimize the impact of market, liquidity and credit risk on the value of the company and its profitability. In order to achieve this, a systematic financial and risk management system has been established. Furthermore an internal control framework is in place, and the controls are monitored and tested periodically.

The derivatives contracts used by DSM are entered into exclusively in connection with the corresponding underlying transaction (hedged item) relating to normal operating business. The instruments used are customary products, such as currency swaps, cross-currency interest rate swaps, collars, forward exchange contracts and interest rate swaps.

An important element of DSM's capital management is the allocation of cash flow. DSM primarily allocates cash flow to investments aimed at strengthening its business positions and securing the payment of dividends to its shareholders. The remaining cash flow is further used for acquisitions and partnerships that strengthen DSM's competences and market positions. The net debt to equity ratio (gearing) is 8.1 (2022: 0.8), see also **Note 25 Net debt** to the consolidated financial statements.

Liquidity risk

Liquidity risk is the financial risk that an entity does not have and/or cannot access enough liquid cash and/or assets to meet its obligations. This can happen if the entity's credit rating falls, or when it experiences sudden unexpected cash outflows or an unexpected drop in cash inflows, or some other event that causes counterparties to avoid trading with or lending to the entity. Additionally, an entity can be indirectly exposed to market liquidity risk if the financial markets on which it depends are subject to loss of liquidity.

The primary objective of liquidity management is to optimize the corporate cash position, among other things, by securing availability of sufficient liquidity for execution of payments by DSM entities, at the right time and in the right place.

At 31 December 2023, DSM had cash and cash equivalents of €2,181 million (2022: €2,755 million).

At the end of 2023, DSM B.V has a committed credit facility amounting to €1.0 billion, maturing on 28 May 2025. The agreement for the committed credit facility has neither financial covenants nor material adverse changes clauses. The committed credit facility links the interest rate to DSM's greenhouse gas (GHG) emission reduction. At year-end 2023, no loans had been taken up under the committed credit facilities.

The bridge financing facility contracted in 2022 by DSM was cancelled in 2023 and there were no drawings under the facility.

In 2023, a bridge financing facility amounting to €1.0 billion was contracted by DSM B.V., maturing on 13 December 2025 and there is no drawing under the facility at year-end.

Furthermore, DSM B.V. has a commercial paper program amounting to €2.0 billion (2022: €2.0 billion). The company will use the commercial paper program to a total of not more than €1.0 billion (2022: €1.0 billion). At 31 December 2023, no commercial paper had been issued (same as 2022).

DSM has no derivative contracts to manage currency risk or interest rate risk outstanding under which margin calls by the counterparty would be permitted.

Floating-rate and fixed-rate borrowings and monetary liabilities analyzed by maturity are summarized in the following table. Borrowings excluding credit institutions are shown after taking into account related interest rate derivatives in designated hedging relationships. DSM manages financial liabilities and related derivative contracts on the basis of the remaining contractual maturities of these instruments. The remaining maturities presented in the following table provide an overview of the timing of the cash flows related to these instruments. Financial assets are not linked to financial liabilities in order to meet cash outflows on these liabilities.

Financial liabilities

	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
2022							
Borrowings	3,064	86	558	579	775	22	1,044
Monetary liabilities	2,110	1,969	45	59	15	10	12
Guarantees	178	14	28	–	–	–	136
Derivatives	27	23	3	1	–	–	–
Interest payments	100	27	27	15	10	4	17
Cash at redemption[1]	9	2	2	1	1	1	2
Total	**5,488**	**2,121**	**663**	**655**	**801**	**37**	**1,211**
2023							
Borrowings	3,118	631	538	788	17	527	617
Monetary liabilities	2,739	2,682	35	6	3	3	10
Guarantees	170	18	1	4	–	–	147
Derivatives	30	27	–	3	–	–	–
Interest payments	78	29	18	10	4	4	13
Cash at redemption[1]	7	2	1	1	1	1	1
Total	**6,142**	**3,389**	**593**	**812**	**25**	**535**	**788**

1 Difference between nominal redemption and amortized costs.

The following table reflects the exposure of the derivatives to liquidity risk. It contains the cash flows from derivatives with positive fair values and from derivatives with negative fair values so as to provide a complete overview of the derivative-related cash flows. The amounts are gross and undiscounted.

Derivatives cash flow

	2023	2024	2025	2026	2027	**Total**
2022						
Inflow	2,287	52	33	29	4	**2,405**
Outflow	(2,270)	(52)	(34)	(33)	(4)	**(2,393)**
2023						
Inflow		2,407	23	13	5	**2,448**
Outflow		(2,396)	(23)	(16)	(4)	**(2,439)**

Market risk

Market risk can be subdivided into interest rate risk, currency risk and price risk.

Interest rate risk

Interest rate risk is the risk that adverse movements of interest rates lead to high costs on interest-bearing debt or assets, which negatively impact the company's capability to honor its commitments. The aim is to minimize the interest rate risks associated with the financing of the company and thus at the same time optimizing the net interest costs. This translates into a certain desired profile of fixed-interest and floating-interest positions, including cash and cash equivalents, with the floating-interest position not exceeding 60% of net debt.

There were no outstanding fixed-floating interest rate swaps (end of 2022 none).

The following analysis of the sensitivity of borrowings, assets and related derivatives to interest rate movements assumes an instantaneous 1% change in interest rates for all maturities from their level on 31 December 2023, with all other variables held constant. A 1% reduction in interest rates would result in a €21 million pre-tax loss in the income statement and equity on the basis of the composition of financial instruments on 31 December 2023, as floating-rate borrowings are more than compensated for by floating-rate assets (mainly cash). The opposite applies in the case of a 1% increase in interest rates. The sensitivity of financial instruments with a floating interest rate on 31 December 2023 to changes in interest rates is set out in the following table.

For more information regarding fixed or floating interest, see **Note 19 Borrowings** to the consolidated financial statements.

Sensitivity to change in interest rate

	2023			2022		
	Carrying amount	Sensitivity		Carrying amount	Sensitivity	
		+1%	(1%)		+1%	(1%)
Loans to associates and joint ventures	4	–	–	2	–	–
Current investments	101	1	(1)	125	1	(1)
Cash and cash equivalents	2,181	22	(22)	2,755	28	(28)
Short-term borrowings	(631)	(1)	1	(86)	–	–
Long-term borrowings	(2,487)	(1)	1	(2,978)	(1)	1

Currency risk

Currency risk is the risk that adverse movements of foreign currencies negatively impact the results of operations and the financial condition of the company, for example due to losses on assets or liabilities in foreign currencies. The aim is to hedge 100% of the currency risks resulting from sales and purchases at the moment of recognition of the receivables and payables. This is realized by transferring at spot rates the respective exposures to the Group, which are, consequently (on a netted basis), hedged externally.

In addition, operating companies may — under strict conditions — opt for hedging currency risks from firm commitments and forecast transactions. The currencies giving rise to these risks are primarily USD, CHF and JPY. The risks arising from currency exposures are regularly reviewed and hedged when appropriate. DSM uses currency forward contracts, spot contracts, and average-rate currency forwards and options to hedge the exposure to fluctuations in foreign exchange rates. At year-end, these instruments had remaining maturities of less than one year. For the hedging of currency risks from firm commitments and forecast transaction cash flows, hedge accounting is applied. Hedge accounting is not applied for hedges of recognized trade receivables and trade payables hedged with short-term derivatives.

To hedge intercompany loans, receivables and payables denominated in currencies other than the functional currency of the subsidiaries, DSM uses currency swaps or forward contracts.

The following analysis of the sensitivity of net borrowings and derivative financial instruments to currency movements against the euro assumes a 10% change in all foreign currency rates against the euro from their level on 31 December 2023, with all other variables held constant. A +10% change indicates a strengthening of the foreign currencies against the euro. A -10% change represents a weakening of the foreign currencies against the euro.

Sensitivity to change in exchange rate

	2023			2022		
	Carrying amount	Sensitivity		Carrying amount	Sensitivity	
		+10%	(10%)		+10%	(10%)
Loans to associates and joint ventures	4	–	–	2	–	–
Current investments	101	7	(7)	125	5	(5)
Cash and cash equivalents	2,181	21	(21)	2,755	29	(29)
Short-term borrowings (excluding lease liabilities)	(583)	(9)	9	(42)	(4)	4
Long-term borrowings (excluding lease liabilities)	(2,295)	(1)	1	(2,843)	(6)	6
Lease liabilities	(240)	(19)	19	(179)	(14)	14
Currency forward contracts	(19)	(36)	36	1	14	(14)
Average-rate forwards used for economic hedging[1]	25	(5)	5	18	(19)	19
Other derivatives	44	(6)	6	78	1	(1)

1 Fair-value change reported in Hedging reserve.

Sensitivity changes on these positions will generally be recognized in profit or loss or in the translation reserve in equity, with the exception of the instruments for which cash flow hedge accounting or net-investment hedge accounting is applied.

In case of a strengthening or weakening of the euro against USD, CHF and CNY (being the key currencies), this would affect the translation of financial instruments denominated in these currencies taking into account the effect of hedge accounting and assuming all other variables being constant.

	Profit or loss		Equity	
	Strengthening	Weakening	Strengthening	Weakening
EUR				
USD (10% movement)	(19)	19	(299)	299
CHF (10% movement)	26	(26)	(167)	167
CNY (10% movement)	(128)	128	(66)	66

Price risk

Financial instruments that are subject to changes in stock exchange prices or indexes are subject to a price risk. At year-end 2023, mainly other participating interests are subject to price risks.

Credit risk

Credit risk is the risk that a (commercial or financial) counterparty may not be able to honor a financial commitment according to the contractual agreement with DSM. The company manages the credit risk to which it is exposed by applying credit limits per institution and by dealing exclusively with institutions that have a high credit rating.

At the balance sheet date, there were no significant concentrations of credit risks.

For all financial assets measured at amortized cost, the estimation of the loss allowance for doubtful accounts receivable is based on an expected credit loss (ECL) model.

For trade receivables, DSM uses an allowance matrix to measure the lifetime ECL for trade receivables. The loss rates depend among other things on the specified aging categories and are based on historical write-off percentages, taking market developments into account.

For other financial assets, DSM applies an ECL model that reflects the size and significance of DSM's exposure to credit loss. The ECL is based on the allocation of a credit risk grade which is based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Moody's.

Risk of default is herewith considered as the risk of bankruptcy, or any legal impediment to the timely payment of either interest and/or principal, as well as missed or delayed disbursement of either interest and/or principal.

The loss allowance on non-current financial assets that has been taken into consideration at the end of 2023 was €0 million (2022: €2 million).

With regard to treasury activities (for example cash, cash equivalents and derivatives held with banks or financial institutions) it is ensured that financial transactions are only concluded with counterparties that have at least a Moody's credit rating of A3 for long-term instruments. At Business Unit level, outstanding receivables are continuously monitored by management. Appropriate allowances are made for any credit risks that have been identified in line with the expected credit loss policy.

The development of the outstanding trade accounts receivable per aging category is as follows.

	2023	**2022**
Neither past due nor impaired	1,090	1,117
1–29 days overdue	56	69
30–89 days overdue	16	100
90 days or more overdue	21	20
Total	**1,183**	**1,306**

The table below provides information about the credit risk exposure per aging category and the ECL for trade accounts receivable of €18 million at 31 December 2023 (31 December 2022: €12 million), see **Note 13 Current receivables** to the consolidated financial statements.

	2023			**2022**		
	Weighted average loss rate	**Gross carrying amount**	**Expected credit loss**	**Weighted average loss rate**	**Gross carrying amount**	**Expected credit loss**
Neither past due nor impaired	0.2%	1,090	**(2)**	0.1%	1,117	(1)
1–29 days overdue	0.0%	56	**-**	0.0%	69	-
30–89 days overdue	0.0%	16	**-**	1.0%	100	(1)
90 days or more overdue	76.2%	21	**(16)**	53.0%	20	(10)
Total		**1,183**	**(18)**		**1,306**	**(12)**

The changes in the expected credit loss for trade accounts receivable are as follows.

	2023	2022
Balance at 1 January	**(12)**	**(23)**
Net remeasurement of expected credit loss	(7)	7
Deductions	1	3
Disposals	–	1
Exchange differences	–	–
Balance at 31 December	**(18)**	**(12)**

The maximum exposure to credit risk is represented by the carrying amounts of financial assets that are recognized in the balance sheet, including derivative financial instruments. DSM has International Swaps and Derivatives Association (ISDA) agreements in place with its financial counterparties that allow for the netting of exposures in case of a default of either party, but do not meet the criteria for offsetting in the balance sheet. The following table presents the carrying amounts of the derivative financial instruments subject to these agreements. No significant agreements or financial instruments were available at the reporting date that would reduce the maximum exposure to credit risk.

Exposure to credit risk related to derivatives

	2023	2022
Receivables from derivatives presented in the balance sheet	81	124
Related amounts not offset in the balance sheet	(12)	(23)
Net amount	**69**	**101**
Liabilities from derivatives presented in the balance sheet	(31)	(27)
Related amounts not offset in the balance sheet	12	23
Net amount	**(19)**	**(4)**

Notional value of derivative financial instruments

	2023			2022		
	Non-current	Current	Total	Non-current	Current	Total
Cross-currency interest rate swaps	(25)	(31)	**(56)**	(29)	(87)	(116)
Forward exchange contracts, currency options, currency swaps	(2)	(761)	**(763)**	(7)	(973)	(980)
Other derivatives	–	–	**–**	–	(1)	(1)
Total	**(27)**	**(792)**	**(819)**	**(36)**	**(1,061)**	**(1,097)**

Information about financial assets is presented in **Note 10 Associates and joint arrangements**, **Note 11 Other financial assets**, **Note 13 Current receivables**, **Note 14 Current investments** and **Note 15 Cash and cash equivalents** to the consolidated financial statements.

DSM may grant corporate guarantees for credit support of subsidiaries and associates, to get access to credit facilities which are necessary for their operating working capital needs and which cannot be funded by the corporate cash pools and/or for bank guarantees needed for local governmental requirements. Information on guarantees is presented in **Note 22 Contingent liabilities and other financial obligations** to the consolidated financial statements.

Hedge accounting

DSM uses derivative financial instruments to manage financial risks relating to business operations and does not enter into speculative derivative positions. The purpose of cash flow hedges is to minimize the risk of volatility of future cash flows. These may result from a recognized asset or liability or a forecast transaction that is considered highly probable (firm commitment). DSM determines the existence of an economic relationship between the hedging instrument and hedging item based on currency, amount and timing of their respective cash-flows. The hedge ratio is dependent on the risk analysis related to the specific cash flow, and can vary from 50% to 100%. Changes in fair value as a result of changes in interest (for cash flows hedges) or as a result of changes in exchange rate (for firm commitment hedges) are recognized in Other comprehensive income (Hedging reserve), and ineffectiveness (mainly as a result of changes in timing of the hedged transactions) will be recognized in the income statement. As soon as the forecast transaction is realized (the underlying hedged item materializes), the amount recognized in the Other comprehensive income will be reclassified to the income statement. In case the hedged future transaction is a non-financial asset or liability, the gain or loss recognized in Other comprehensive income will be included in the cost of acquisition of the asset or liability.

The purpose of a hedge of a net investment is to reduce the foreign currency translation risk of an investment in a company whose functional currency is not the euro. Changes in fair value are recognized in Other comprehensive income (Translation reserve), and ineffectiveness will be recognized in the income statement. The amount recognized in Other comprehensive income will be reclassified to the income statement, upon divestment of the respective foreign subsidiary.

The purpose of a fair value hedge is to hedge the fair value of assets or liabilities reflected on the balance sheet. Changes of fair value in hedging instruments, as well as hedged items, will be recognized in the income statement.

Cash flow hedges

In 2023, DSM hedged USD 498 million (2022: USD 611 million) of its 2024 projected net cash flow in USD against the EUR by means of average-rate currency forward contracts at an average exchange rate of USD 1.10 per EUR for the four quarters of 2024. Each quarter, the relevant hedges for that quarter will be settled and recognized in the income statement.

In 2023, DSM also hedged JPY 7,535 million (2022: JPY 5,687 million) of its 2024 projected net cash flow in JPY against the EUR by means of average-rate currency forward contracts at an average exchange rate of JPY 147.11 per EUR for the four quarters of 2024. DSM also hedged the projected CHF obligations against the EUR, namely CHF 393 million (2022: CHF 417 million) at an average exchange rate of CHF 0.95 per EUR. These hedges have fixed the exchange rate for part of the USD and JPY receipts and CHF payments in 2024. Cash flow hedge accounting is applied for these hedges. As a result of similar hedges concluded in 2022 for the year 2023, €24 million positive was recognized in the 2023 operating profit of the segments involved in accordance with the realization of the expected cash flows. There was no ineffectiveness in relation to these hedges.

Net investment hedges

The partial hedging of the currency risk associated with the translation of DSM's CHF-denominated investments was zero at end of 2023 (same as 2022).

	Cash flow hedges Foreign currency risk	
	Inventory purchases	Other
2022		
Nominal amount hedged item	29	194
Carrying amount assets	1	18
Carrying amount liabilities	–	–
Line item balance sheet	Derivatives	Derivatives
Change in the value of the hedging instrument	4	(28)
Costs of hedging recognized in OCI	4	1
Reclassified from hedging reserve to income statement	10	30
Line item income statement	Cost of sales	Sales
2023		
Nominal amount hedged item	12	108
Carrying amount assets	1	25
Carrying amount liabilities	–	(1)
Line item balance sheet	Derivatives	Derivatives
Change in the value of the hedging instrument	–	(6)
Costs of hedging recognized in OCI	–	(30)
Reclassified from hedging reserve to income statement	2	(24)
Line item income statement	Cost of sales	Sales

Fair value of financial instruments

The fair value of derivatives and long-term instruments are based on calculations, quoted market prices or quotes obtained from intermediaries.

The portfolio of derivatives consists of average-rate forward contracts that are valued against average foreign exchange forward rates obtained from Bloomberg and other derivatives that are valued using a discounted cash flow model, applicable market yield curves and foreign exchange spot rates. Inputs for the fair value calculations represent observable market data that are obtained from external sources that are deemed to be independent and reliable.

DSM uses the following hierarchy for determining the fair value of financial instruments:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the fair value that are not based on observable market data

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for the financial assets and financial liabilities measured at amortized cost if the carrying amount is a reasonable approximation of the fair value.

Fair value of financial instruments

	Carrying amount					Fair Value			
	Amort. Cost	Fair value hedging instr.	FVTPL	FVOCI	Total	Level 1	Level 2	Level 3	Total
Assets 2022									
Non-current derivatives	–	4	78	–	**82**	–	82	–	**82**
Other participating interests	–	–	–	125	**125**	27	62	36	**125**
Non-current loans to associates and JVs	2	–	–	–	**2**				
Other non-current receivables	158	–	–	–	**158**				
Trade receivables	1,508	–	–	–	**1,508**				
Other current receivables	78	–	–	–	**78**				
Current derivatives	–	42	–	–	**42**	–	42	–	**42**
Current investments	125	–	–	–	**125**				
Cash and cash equivalents	1,262	–	1,493	–	**2,755**	1,493	–	–	**1,493**
Liabilities 2022									
Non-current borrowings	(2,978)	–	–	–	**(2,978)**	(2,432)	–	–	**(2,432)**
Non-current derivatives	–	(4)	–	–	**(4)**	–	(4)	–	**(4)**
Other non-current liabilities	(82)	–	(123)	–	**(205)**	–	–	(123)	**(123)**
Current borrowings	(86)	–	–	–	**(86)**	–	–	–	**–**
Current derivatives	–	(23)	–	–	**(23)**	–	(23)	–	**(23)**
Trade payables	(1,415)	–	–	–	**(1,415)**				
Other current liabilities	(490)	–	–	–	**(490)**				
Assets 2023									
Non-current derivatives	–	2	44	–	**46**	–	46	–	**46**
Other participating interests	–	–	–	139	**139**	38	78	23	**139**
Non-current loans to associates and JVs	4	–	–	–	**4**				
Other non-current receivables	63	–	–	–	**63**				
Trade receivables	1,535	–	–	–	**1,535**				
Other current receivables	286	–	–	–	**286**				
Current derivatives	–	35	–	–	**35**	–	35	–	**35**
Current investments	101	–	–	–	**101**				
Cash and cash equivalents	1,250	–	931	–	**2,181**	931	–	–	**931**
Liabilities 2023									
Non-current borrowings	(2,487)	–	–	–	**(2,487)**	(2,065)	–	–	**(2,065)**
Non-current derivatives	–	(3)	–	–	**(3)**	–	(3)	–	**(3)**
Other non-current liabilities	(85)	–	(45)	–	**(130)**	–	–	(45)	**(45)**
Current borrowings	(631)	–	–	–	**(631)**	(498)	–	–	**(498)**
Current derivatives	–	(28)	–	–	**(28)**	–	(28)	–	**(28)**
Trade payables	(1,364)	–	–	–	**(1,364)**				
Other current liabilities	(1,179)	–	–	–	**(1,179)**				

24 Employee benefits

Accounting policy

Short-term employee benefits
Short-term employee benefits are generally recognized as an expense in the period the employee renders services to DSM.

Post-employment benefits: Defined contribution plans
For DSM's defined contribution plans, the obligations are limited to the payment of contributions, which are recognized as Employee benefit costs.

Post-employment benefits: Defined benefit plans
For defined benefit plans, the aggregate of the value of the defined benefit obligation and the fair value of plan assets for each plan is recognized as a net defined benefit liability or asset. Defined benefit obligations are determined using the projected unit credit method. Plan assets are recognized at fair value. If the fair value of plan assets exceeds the present value of the defined benefit obligation, a net asset is only recognized to the extent that the asset is available for refunds to the employer or for reductions in future contributions to the plan. Defined benefit pension costs consist of three elements: service costs, net interest, and remeasurements. Service costs are part of Employee benefit costs and consist of current service costs. Past service costs and results of plan settlements are included in Other operating income or expense. Net interest is part of Finance income and expense and is determined on the basis of the value of the net defined benefit asset or liability at the start of the year, and on the interest on high-quality corporate bonds. Remeasurements are actuarial gains and losses, the return (or interest cost) on net plan assets (or liabilities) excluding amounts included in net interest and changes in the effect of the asset ceiling. These remeasurements are recognized in Other comprehensive income as they occur and are not recycled through profit or loss at a later stage.

Post-employment defined benefit plans include pension plans and other post-employment benefits.

Other employee benefits
The service cost, the net interest on the net defined liability (asset) and remeasurements of the net defined liability (asset) related to other long-term employee benefits, such as jubilee and incentive plans, are recognized in profit or loss.

Estimates and judgments
Management makes assumptions regarding variables such as discount rate, future salary increases, life expectancy, and future healthcare costs. Management consults with external actuaries regarding these assumptions at least annually for significant plans. Changes in these key assumptions can have a significant impact on the projected defined benefit obligations, funding requirements and periodic costs incurred.

The Employee benefit liabilities of €291 million (2022: €292 million) consist of €249 million related to pensions (2022: €247 million), €20 million related to other post-employment benefits (2022: €16 million) and €22 million related to other employee benefits (2022: €29 million). See also the table below.

	2023	2022
Employee benefit liabilities		
Pension plans and other post-employment benefits	269	263
Other employee benefits	22	29
Total	**291**	**292**
Of which current	2	5

The Group operates a number of defined benefit plans and defined contribution plans throughout the world, the assets of which are generally held in separately administered funds. The pension plans are generally funded by payments from employees and from the relevant group companies. The Group also provides certain additional healthcare benefits to retired employees in the US and Switzerland.

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit accounting is intended to reflect the recognition of post-employment benefits over the employee's approximate service period, based on the terms of the plans and the investment and funding.

The charges for post-employment benefit costs recognized in the income statement (**Note 5 Net sales and costs** to the consolidated financial statements) relate to the following.

Post-employment benefit costs

	2023	2022
Defined benefit plans:		
- Current service costs pension plans	30	38
- Other post-employment benefits	3	3
Defined contribution plans	63	61
Total pension costs included in employee benefit costs	**96**	**102**
- Pension costs included in Other operating (income) / expense	(1)	(2)
Total in operating profit, continuing operations	**95**	**100**
Pension costs included in Financial income and expense	7	3
Total continuing operations	**102**	**103**
Discontinued operations	4	19
Total	**106**	**122**
Of which:		
- Defined contribution plans	65	79
- Defined benefit plans	41	43

For 2024, costs for the defined benefit plans relating to pensions are expected to be €43 million (2023: €40 million).

Changes in net liabilities of the post-employment benefits recognized in the balance sheet are shown in the following overview.

	Funded and unfunded defined benefit obligations	Fair value of plan assets	Impact of minimum funding requirement/ asset ceiling	Net liabilities/ (assets) recognized in the balance sheet
Balance at 1 January 2022	2,156	(1,887)	–	**269**
Included in income statement:				
– Current service cost	40	–	–	**40**
– Interest expense / (income)	19	(16)	–	**3**
Total included in income statement	59	(16)	–	**43**
Included in other comprehensive income:				
– Loss / (gain) from change in financial assumptions	(500)	–	–	**(500)**
– Return on plan assets excluding interest income	–	369	–	**369**
– Asset ceiling change, excluding movement through income statement	–	–	126	**126**
Total included in other comprehensive income	(500)	369	126	**(5)**
Other				
– Benefits paid (including transfers in and out)	(84)	70	–	**(14)**
– Contributions by plan participants	19	(19)	–	**–**
– Employer contributions	–	(42)	–	**(42)**
– Currency translation adjustment and other	63	(68)	3	**(2)**
– Reclassification held for sale	(5)	–	–	**(5)**
Total other	(7)	(59)	3	**(63)**
Balance at 31 December 2022	**1,708**	**(1,593)**	**129**	**244**
Net defined benefit assets				**(19)**
Net defined benefit liabilities				**263**
Total				**244**
– Current service cost	35	–	–	**35**
– Interest (expense) / income	49	(45)	3	**7**
Total included in income statement	84	(45)	3	**42**
Included in other comprehensive income:				
– Loss / (gain) from change in demographic assumptions	(3)	–	–	**(3)**
– Loss / (gain) from change in financial assumptions	112	–	–	**112**
– Experience loss / (gain)	26	–	–	**26**
– Return on plan assets excluding interest income	–	(43)	–	**(43)**
– Asset ceiling change, excluding movement through income statement	–	–	(58)	**(58)**
Total included in other comprehensive income	135	(43)	(58)	**34**
Other				
– Benefits paid (including transfers in and out)	(90)	67	–	**(23)**
– Contributions by plan participants	20	(20)	–	**–**
– Employer contributions	–	(46)	–	**(46)**
– Settlements	(190)	186	–	**(4)**
– Balance sheet transfer	4	–	–	**4**
– Acquisition / disposals	3	–	–	**3**
– Currency translation adjustment and other	79	(84)	5	**–**
Total other	(174)	103	5	**(66)**
Balance at 31 December 2023	**1,753**	**(1,578)**	**79**	**254**
Net defined benefit assets				**(15)**
Net defined benefit liabilities				**269**
Total				**254**

The fair value of the plan assets consists of 93% of quoted assets (2022: 94%).

Pension-plan assets by category

	2023	2022
Equities	445	389
Bonds	606	730
Derivatives	–	–
Property	362	350
Insurance policies	2	1
Other	140	108
Cash and bank deposits	22	15
Total plan assets	**1,577**	**1,593**

The pension-plan assets include neither ordinary DSM shares nor property occupied by DSM.

The countries with the most significant defined benefit obligations for DSM are specified in the following table.

Defined benefit plans in core countries

	Switzerland	United States of America	United Kingdom	Germany	Other countries	Total
Defined benefit plans 2022						
Funded and unfunded defined benefit obligations	1,096	201	159	244	8	**1,708**
Fair value of plan assets	(1,228)	(203)	(154)	(8)	–	**(1,593)**
Net excess of liabilities/(assets) over obligations	**(132)**	**(2)**	**5**	**236**	**8**	**115**
Unrecognized assets due to asset ceiling	124	4	1	–	–	**129**
Net excess of liabilities/(assets) over obligations recognized	**(8)**	**2**	**6**	**236**	**8**	**244**
Composed of						
Net defined benefit assets	(9)	(10)	–	–	–	**(19)**
Net defined benefit liabilities	1	12	6	236	8	**263**
Total changes	**(8)**	**2**	**6**	**236**	**8**	**244**
Defined benefit plans 2023						
Funded and unfunded defined benefit obligations	1,320	9	164	244	16	**1,753**
Fair value of plan assets	(1,407)	(6)	(154)	(11)	–	**(1,578)**
Net excess of liabilities/(assets) over obligations	**(87)**	**3**	**10**	**233**	**16**	**175**
Unrecognized assets due to asset ceiling	79	–	–	–	–	**79**
Net excess of liabilities/(assets) over obligations recognized	**(8)**	**3**	**10**	**233**	**16**	**254**
Composed of						
Net defined benefit assets	(9)	(6)	–	–	–	**(15)**
Net defined benefit liabilities	1	9	10	233	16	**269**
Total changes	**(8)**	**3**	**10**	**233**	**16**	**254**

The main actuarial assumptions for the year (weighted averages) are:

Actuarial assumptions for major plans

	Switzerland	United States of America	United Kingdom	Germany
2022				
Discount rate	2.20%	5.40%	4.80%	3.70%
Price inflation	1.25%	0.00%	3.35%	0.00%
Salary increase	2.25%	3.00%	0.00%	3.20%
Pension increase	0.00%	0.00%	3.15%	2.60%
2023				
Discount rate	1.30%	5.00%	4.50%	3.20%
Price inflation	1.25%	0.00%	3.15%	0.00%
Salary increase	2.25%	3.00%	0.00%	2.80%
Pension increase	0.00%	0.00%	3.00%	2.20%

The above-mentioned actuarial assumptions are harmonized for all defined benefit plans in a country.

Sensitivities of significant actuarial assumptions

The discount rate, the future increase in wages and salaries and the pension increase rate were identified as significant actuarial assumptions. The following impacts on the defined benefit obligation are to be expected.

- A 0.25% increase/decrease in the discount rate would lead to a decrease/increase of 2.6% (2022: 2.5%) in the defined benefit obligation
- A 0.25% increase/decrease in the expected increase in salaries/wages would lead to an increase/decrease of 0.3% (2022: 0.3%) in the defined benefit obligation
- A 0.25% increase/decrease in the expected rate of pension increase would lead to an increase/decrease of less than 1.4% (2022: 0.6%) in the defined benefit obligation

The sensitivity analysis is based on realistically possible changes as at the end of the reporting year. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

Main defined benefit plans description

The DSM Group companies have various pension plans, which are geared to the local regulations and practices in the countries in which they operate. As these plans are designed to comply with the statutory framework, tax legislation, local customs, and economic situation of the countries concerned, it follows that the nature of the plans varies from country to country. The plans are based on local legal and contractual obligations.

DSM's current policy is to offer defined contribution retirement benefit plans to new employees wherever possible. However, DSM still has a (small) number of defined benefit pension and healthcare schemes from the past or in countries where legislation does not allow us to offer a defined contribution scheme. Generally, these schemes have been funded through external trusts or foundations, where DSM faces the potential risk of funding shortfalls.

The most significant defined benefit schemes are:

- DSM Nutritional Products (DNP) AG Pension Plan in Switzerland (DNP AG)
- DSM UK Pension Scheme in the UK
- Consolidated Pension Plan of DSM North America, Inc. in the US
- Pension Plan at DSM Nutritional Products GmbH in Germany (DNP GmbH)

For each plan, the following characteristics are relevant:

DNP AG Pension Plan in Switzerland

The DNP AG Pension Plan is a typical Swiss Cash Balance plan. For accounting purposes, this plan is qualified as a defined benefit plan. It is a contribution-based plan, with no promise of indexation for on-going pensions. The Swiss state minimal requirements for occupational benefit plans have however to be respected.

The purpose of the plan is to protect the (legacy) DSM employees against the economic consequences of retirement, disability and death. The employer and employees pay contributions to the pension plan at rates set out in the pension plans rules based on a percentage of salary. The amount of the retirement account can be taken by the employee at retirement in the form of pension or capital.

The weighted average duration of the defined benefit obligation is 10.8 years (2022: 10.0 years) which could be seen as an indication of the maturity profile of the scheme.

According to the Swiss Federal Law on Occupational Retirement, Survivors and Disability (LPP/BVG), the Swiss Pension plans are managed by independent and legally autonomous entities which have the legal structure of foundation. The Pension Boards are composed of equal numbers of employee and employer representatives. Each year, the Pension Boards decide the level of interest, if any, to apply to the retirement accounts in accordance with the pension policy.

It is also responsible for the investment of the assets and defining the investment strategy for long-term returns with an acceptable level of risk. The plan assets are collectively invested (no individual investment choice).

DSM UK Pension Scheme

The DSM UK Pension Scheme was closed as of 30 September 2016 for all pension accruals. An unconditional indexation policy is applicable for the vested pension rights.

The weighted average duration of the defined benefit obligation is 13.9 years (2022: 14.3 years), which could be seen as an indication of the maturity profile of the scheme.

The pension plan is managed and controlled by a DSM company pension fund. The Board of Trustees consists of representatives of the employer and the employees who have an independent role. Till last year, there were two company guarantees in place: (1) a guarantee from DNP AG (capped at GBP 14 million) related to the 2012 valuation, and (2) a guarantee from DSM B.V. (capped at GBP 11 million) related to arrangements with respect to former UK divestments. Both guarantees were surrendered by a one-time payment of the company.

There is a long-term de-risking strategy for the DSM UK Pension Scheme in place with the objective to align the company's intentions and the Trustees responsibility with respect to this plan.

Consolidated Plan of DSM North America, Inc. in the US

The Consolidated Plan in the US has been closed to new entrants since 2014. As of 31 December 2016, the plan was closed for pension accrual of the non-unionized employees, and as a result of the DRF divestment in 2021, it was fully frozen for all unionized employees as well. In December 2023, all pension liabilities within the plan were fully settled with an insurance company.

As a result of the settlement, the weighted average duration of the defined obligations is 0.0 years (2022: 9.7 years).

The pension plan was managed and controlled by a DSM company pension fund. The pension fund will finalize the last formalities and will finally be liquidated.

DNP GmbH Pension Plan in Germany

The DNP GmbH Pension Plan in Germany has been closed to new entrants as of 31 December 2008. The accrual is still applicable for employees who have been participating in the plan since 2008. The pension plan is a final-pay pension plan (averaged over the last 12 months prior to retirement) and service-related benefit.

The liability is on the balance sheet of DSM Nutritional Products GmbH. No assets are allocated to this liability. All reimbursements will be paid out by the local company.

The weighted average duration of the defined benefit obligation is 12.0 years (2022: 12.9 years), which could be seen as an indication of the maturity profile of the scheme.

Other employee benefits

Other employee benefits comprise jubilees, long-term incentive (LTI) plans to senior management and deferred compensation liabilities. The changes in other employee benefits are listed below.

	Other employee benefits
Balance at 1 January 2022	**40**
Of which current	5
Changes:	
- Additions	(3)
- Uses	(4)
- Reclassification to held for sale	(4)
Total changes	(11)
Balance at 31 December 2022	**29**
Of which current	5
Changes:	
- Acquisition	-
- Additions	2
- Releases	(2)
- Uses	(7)
- Other change	-
Total changes	(7)
Balance at 31 December 2023	**22**
Of which current	2

25 Net debt

The development of the components of net debt is as follows.

	Cash and cash equivalents	Current investments	Non-current borrowings	Current borrowings	Derivatives	Total
Balance at 1 January 2022	**1,561**	**489**	**(2,995)**	**(103)**	**29**	**(1,019)**
Change from operating activities	965	-	(9)	-	65	**1,021**
Change from investing activities	876	(364)	7	20	-	**539**
Reclassification from non-current to current	-	-	40	(40)	-	**-**
Transfers	(58)	-	17	39	2	**-**
Dividend	(345)	-	-	-	-	**(345)**
Interest	(52)	-	-	-	-	**(52)**
Proceeds from reissued shares	25	-	-	-	-	**25**
New/unwinding leases	-	-	(34)	-	-	**(34)**
Repurchase of shares	(210)	-	-	-	-	**(210)**
Other	(5)	-	-	-	(5)	**(10)**
Change from financing activities	**(645)**	**-**	**23**	**(1)**	**(3)**	**(626)**
Exchange differences	(2)	-	(4)	(2)	6	**(2)**
Total changes	**1,194**	**(364)**	**17**	**17**	**68**	**932**
Balance at 31 December 2022	**2,755**	**125**	**(2,978)**	**(86)**	**97**	**(87)**
Change from operating activities	576	-	-	-	(51)	**525**
Change from investing activities	2,711	(24)	-	(13)	-	**2,674**
Reclassification from non-current to current	-	-	544	(544)	-	**-**
Transfers	(73)	-	57	12	4	**-**
Dividend to shareholders on AEX	(3,935)	-	-	-	-	**(3,935)**
Interest	(14)	-	(2)	-	-	**(16)**
Proceeds from reissued shares	8	-	-	-	-	**8**
New/unwinding leases	-	-	(108)	-	-	**(108)**
Repurchase of shares	(256)	-	-	-	-	**(256)**
Funding cash pool	425	-	-	-	-	**425**
Other	(7)	-	-	-	-	**(7)**
Change from financing activities	**(3,852)**	**-**	**491**	**(532)**	**4**	**(3,889)**
Exchange differences	(9)	-	-	-	-	**(9)**
Total changes	**(574)**	**(24)**	**491**	**(545)**	**(47)**	**(699)**
Balance at 31 December 2023	**2,181**	**101**	**(2,487)**	**(631)**	**50**	**(786)**

For the explanation of change related to Funding cash pool, see Note 26 Notes to the cash flow statements to the consolidated financial statements.

In 2023, the gearing (net debt / equity plus net debt) was 8.1% (in 2022: 0.8%).

26 Notes to the cash flow statements

The cash flow statement provides an explanation of the changes in cash and cash equivalents. It is prepared on the basis of a comparison of the balance sheets at 1 January and 31 December. Changes that do not involve cash flows, such as changes in exchange rates, amortization, depreciation, impairment losses and transfers to other balance sheet items, are eliminated.

Changes in working capital due to the acquisition or disposal of consolidated companies are included under Investing activities.

The Consolidated cash flow statement includes an analysis of all cash flows in total, therefore including both continuing and discontinued operations. For the amounts related to discontinued operations split by activities and a reconciliation of results from continuing operations to total, see **Note 3 Change in the scope of the consolidation** to the consolidated financial statements.

Most of the changes in the cash flow statement can be traced back to the detailed statements of changes for the balance sheet items concerned.

Acquisition of subsidiaries of €389 million consists of the cash related part of the consideration for Adare Biome of €290 million and acquisition/integration/earn-out related costs of €100 million, offset partly by the cash held by the acquired entities of €1 million. The disposal of subsidiaries, businesses and associates of €3,533 million consists primarily of the cash impact of the divestment of the Engineering Materials business for €3,553 million. See also **Note 3 Change in the scope of the consolidation** to the consolidated financial statements.

Funding Cash pool

Funding cash pool relates to Group cash management facility within the dsm-firmenich Group. Cash balances of the dsm-firmenich Group are pooled and transferred to a centralized treasury function within DSM to the extent legally and fiscally possible. Cash balances of dsm-firmenich subsidiaries are swept daily to bank accounts centrally held by DSM Finance B.V., to the extent legally possible, which as such result in a receivable balance on or payable balance to DSM Finance B.V.

27 Share-based compensation

Accounting policy

Share-based compensation at DSM consists of the granting of Performance Share Units (PSUs) and Restricted Share Units (RSUs), and stock option plans to eligible employees.

PSUs and RSUs generally vest after three years on the achievement of predefined vesting conditions. The cost of PSUs and RSUs is measured by reference to the fair value of the DSM-Firmenich AG and former Koninklijke DSM N.V. shares on the date on which the PSUs and RSUs were granted or modified. The cost is recognized in profit or loss (Employee benefit costs) during the vesting period, together with a corresponding increase in equity. The transaction is classified as an equity-settled transaction because DSM has no obligation to settle the transaction with its eligible employees. The obligation to settle was transferred to DSM-Firmenich AG (the parent and issuing entity) following the swap of shares after the merger. Vesting conditions other than market conditions are considered by adjusting the number of equity instruments, so that the amount recognized during the vesting period in employee benefit costs is based on the number of share units that eventually vest.

Estimates and judgments

Key estimates related to share-based compensation costs for PSUs and RSUs are the estimation of fair values of the shares on the grant or modification date, and the number of shares that will vest. An independent third party conducts the fair value calculation as far as vesting is tied to market conditions, using the Monte Carlo method.

Restricted- and Performance Share Unit Plan

Following the merger, all shares in the Restricted- and Performance Share Unit Plan based on former Koninklijke DSM N.V shares of the plans were converted to shares of DSM-Firmenich AG.

The DSM and dsm-firmenich Restricted- and Performance Share Unit Plans provide rules for the grant of RSUs and/or PSUs to eligible employees. Considering the plan rules that allow multiple grant dates, best practice is to effectuate the grant of share units on the last trading day at the Amsterdam Stock Exchange in March. In principle PSUs will be granted; RSUs may be granted in specific circumstances.

The number of share units to be granted is based on job level, contribution, and the face value of the dsm-firmenich share over a reference period. As a result, the number of share units to be granted annually will fluctuate with the share price development.

RSUs and PSUs are subject to a vesting period of 3 years starting at the grant date. Vesting of RSUs is subject to continued employment until the vesting date ('time vesting'). In addition, vesting of PSUs is also subject to the achievement of predefined performance targets at the end of the performance period. In view of the merger of equals between DSM and Firmenich, it was decided (as included in the **Offering Circular**) that the PSUs granted under DSM's Long-Term Incentive plan in 2021 and 2022, respectively, shall vest against the average of the vesting result achieved over the vesting that occurred in 2020, 2021 and 2022. Non-vested share units will be forfeited. If employment is terminated prior to the vesting date, specific rules regarding vesting and forfeitures apply.

As included in the **Offering Circular**, all rights of eligible persons recorded as outstanding immediately prior to the settlement of the merger related to equity grants made under DSM legacy plans related to DSM stock, such as PSUs, RSUs or stock options, have been exchanged for equivalent rights related to dsm-firmenich stock ('roll-over').

The 2023 grant of PSUs under the dsm-firmenich Restricted- and Performance Share Unit Plan to Members of the Executive Committee and other eligible employees is based on the at target level; in 2023 this concerned 156,299 share units.

At DSM, grants to the Executive Committee were based on the maximum number to vest while the grant to other eligible employees is – as of 2021 – based on the 'at-target' grant level (in previous years this was the 'maximum number' that could vest). This 'at-target' grant level includes RSUs as well as PSUs. The 2020 grant vested 31 March 2023. The vesting percentage for the Managing Board / Executive Committee was 105% of the at target grant (or 70% of the maximum to vest i.e., the number initially granted). For other eligible employees, all outstanding RSUs vested the vesting date, while the vesting % for the PSUs was 135% of the at target grant. In total 110,985 share units of this series vested.

Overview of share units eligible employees from DSM

Year of grant	Outstanding at 31 Dec. 2022	In 2023 Granted	Vested[1]	Forfeited/ expired	Outstanding at 31 Dec. 2023	Share price at date of grant (€)	Expiry date
2020	97,386	14,762	(110,985)	(1,163)	–	103.50	31 Mar 2023
2021	83,711	–	(11,650)	(2,178)	69,883	144.30	31 Mar 2024
2022	85,707	–	(10,165)	(3,033)	72,509	162.50	31 Mar 2025
2023	–	156,299	(1,546)	(2,864)	151,889	97.67	31 Mar 2026
2023 Total	**266,804**	**171,061**	**(134,346)**	**(9,238)**	**294,281**		
	at 31 Dec. 2021				at 31 Dec. 2022		
2022 Total	236,833	90,486	(35,885)	(24,630)	266,804		

1 Restricted- and Performance Share Units may partly vest upon termination of employment in connection with, for example, divestments, retirement or early retirement.

In September 2022, a group of senior key employees (excluding the Co-CEOs) at DSM received an RSU grant, which was subject to completion of the merger between DSM and Firmenich. As the merger was completed, the RSUs were finally granted. Upon vesting, the respective grant will be settled in cash. These cash-settled RSUs vest in September 2025 and have a fair value on 31 December 2023 of €92.00.

Overview of cash-settled RSUs

Year of grant	Outstanding at 31 Dec. 2022	In 2023 Granted	Vested	Forfeited/ expired	Outstanding at 31 Dec. 2023	Share price at date of grant (€)	Expiry date
2022	92,861	194	(4,141)	(4,130)	84,784	117.45	30 Sep 2025

Measurement of fair value

The following assumptions were used to determine the fair value of the equity-settled share units at grant date.

Assumptions equity-settled share units

	2023	2022
Share units granted to certain executives		
Risk-free rate[1]	2.79%	0.25%
Expected share life in years	3	3
Nominal share life in years	3	3
Share price in €[1]	100.50	162.50
Expected dividend in €	1.00	2.50
Fair value of share granted in €	97.67	156.37

1 The differences in the risk-free rate and share price are due to different grant dates.

Share-based compensation

An amount of €23 million is included in the costs for wages and salaries for share-based compensation (2022: €35 million). The following table specifies the share-based compensation.

Share-based compensation

	2023	2022
Stock options	–	7
Equity-settled share units	18	27
Cash-settled share units	5	1
Total expense	**23**	**35**

28 Related parties

Accounting policy

DSM has identified its key management personnel, the other entities from the dsm-firmenich Group and its associates and joint ventures as related parties. For associates and joint ventures, see also **Note 10 Associates and joint arrangements** to the consolidated financial statements.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, as defined by IAS 24 'Related Parties'. IAS 24 requires disclosure of key management personnel split in the total of short-term employee benefits (salary and short-term incentive), post-employment (pension expenditure) and other long-term benefits, termination benefits and share-based payment cost (share-based compensation).

Transactions with related parties

	2023	2022
DSM-Firmenich AG (equity holder)		
Sales to	17	-
Receivables from	33	-
In-house cash receivables (payables)	(692)	
Interest from	4	-
Firmenich entities		
Sales to	62	-
Receivables from	46	-
In-house cash receivables (payables)	177	-
Associates and joint ventures		
Sales to	8	18
Purchases from	96	35
Loans to	4	1
Receivables from	16	17
Payables to	3	4
Interest from	-	1
Commitments to	6	-

DSM issued dividends to DSM-Firmenich AG for respectively €3.5 billion as part of the merger with Firmenich group and €278 million as regular dividends in 2023. See **Note 26 Notes to the cash flow statements** and **Note 16 Equity** to the consolidated financial statements for more information on those transactions. DSM recharged to DSM-Firmenich AG €14 million of cost recharge.

DSM may issue guarantees as credit enhancement of associates to acquire bank facilities for these associates. DSM has provided guarantees to third parties for debts of associates for an amount of €28 million (2022: €60 million). Expected credit losses for receivables from related parties amount to zero (same as 2022).

Other related-parties disclosures relate entirely to key management of DSM, being represented by the company's management. For further details about their remuneration, see below.

Key management personnel

The remuneration of key personnel concerns the Supervisory Board and Executive Committee (which includes the Managing Board) of Koninklijke DSM N.V., renamed DSM B.V.

On April 18, 2023, DSM-Firmenich AG, the parent company of the merger combination DSM and Firmenich, was listed on Euronext Amsterdam. As a result, the expenses reported herein concern two periods. The first period is about the remuneration awarded to the members of the Supervisory Board and the Executive Committee (including the Managing Board) of DSM, insofar as their appointment in such capacity relates to the period from 1 January 2023 until 18 April 2023. The second period concerns the remuneration awarded to the members of the Supervisory Board and the Managing Board DSM B.V., insofar as their appointment in such capacity relates to the period from 18 April 2023 until 31 December 2023. For that period, their costs were borne by DSM-Firmenich AG and not directly charged to DSM.B.V. or its subsidiaries.

Remuneration expenses Supervisory Board, Managing Board, and Executive Committee of DSM awarded to members of the Supervisory Board, Managing Board and Executive Committee of DSM appointed in that capacity for the period 1 January 2023 until 18 April 2023

x € thousand	2023	2022
Base salary / Supervisory Board fees	2,391	6,521
Employer pension contribution	471	1,197
Short-Term Incentive[1]	869	3,399
Share-based compensation[2]	2,518	7,778
Other[3]	16,562	6,612
Total	**22,811**	**25,507**

1 Short-Term Incentive based on target level minus weight of EBITDA target.

2 Represents the expenses of Performance Share Units (PSUs) awarded according to IFRS rules. These costs are considered over the vesting period and therefore cover several years.

3 Includes benefits, severance payments for Executive Committee members that left the Company because of the merger, special payments as included in the Offering Circular (issued 22 November 2022) related to the merger, settlement DSM STI Deferral and Matching Plan, social security contributions and obligations following Article 32bb of the Dutch Wage Tax Act (1964).

29 Service fees paid to external auditors

The service fees recognized in the financial statements 2023 for the services of KPMG amounted to €6.4 million (2022: €8.8 million). The amounts per service category are shown in the following table.

	Total service fee		Of which	
	KPMG	KPMG	**KPMG NL**	KPMG NL
	2023	2022	**2023**	2022
Audit of the Group financial statements	5.5	4.7	3.7	3.2
Audit of other (statutory) financial statements	0.7	0.9	–	0.1
Other assurance services	0.1	3.2	0.1	2.8
Permitted non-assurance services	0.1	–	0.1	–
Total assurance services charged to DSM	**6.4**	**8.8**	**3.9**	**6.1**

The service fees mentioned in the table for the audit of the financial statements 2023 (2022) relate to the total fees for the audit of the financial statements 2023 (2022), irrespective of whether the activities were performed during the financial year 2023 (2022).

The other assurance services rendered by KPMG in 2023 mainly relate to a review engagement. KPMG did provide permitted non-assurance services related to regulatory filings, agreed-upon procedures on certain information for the (external) pension fund and their auditor.

30 Events after the balance sheet date

On 13 February 2024, DSM-Firmenich AG completed the voluntary tender offer of 8 January 2024 for 4,163,287 DSM B.V. ordinary shares for a total consideration amounting to €400 million. DSM-Firmenich AG now holds 98.5% of the shares of DSM B.V. The company will seek to acquire the remaining 1.5% shares through the statutory buy-out procedure at the Enterprise Chamber of the Amsterdam Court of Appeal, which started on 17 July 2023. On 14 May 2024, the Enterprise Court of the Amsterdam Court of Appeal awarded DSM-Firmenich AG's claims in the Buy-Out.

On 15 February 2024, dsm-firmenich announced the initiation of a process to carve-out and separate out the Animal Nutrition & Health (ANH) business from the Group. The company believes that the full potential of the ANH business could be best realized through a different ownership structure for which all potential separation options will be considered. dsm-firmenich would expect to be in a position to separate the business in the course of 2025

On 8 March 2024, DSM successfully sold and transferred its 100% equity interest in the vitamin C plant DSM Jiangshan Pharmaceutical Co., Ltd. (Jinjiang, China) to Jingjiang Cosfocus Health Technology Co., Ltd.

Parent company financial statements

Balance sheet at 31 December of DSM B.V. before profit appropriation

x € million	Notes	2023	2022
Assets			
Intangible assets	2	469	466
Financial assets	3	13,110	15,634
Deferred tax assets	4	53	52
Other deferred items		2	1
Non-current assets		**13,634**	**16,153**
Receivables	5	81	51
Cash and cash equivalents		–	1
Current assets		**81**	**52**
Total		**13,715**	**16,205**
Shareholders' equity and liabilities			
Share capital	6	261	328
Share premium	6	469	471
Treasury shares	6	–	(196)
Legal reserves	6	778	829
Other reserves, incl. retained earnings	6	4,988	7,774
Undistributed results:	6		
– Net profit for the year	6	2,318	1,700
– Less: interim dividend	6	–	(163)
Shareholders' equity	6	**8,814**	**10,743**
Borrowings	7	2,243	2,741
Other non-current liabilities		8	8
Non-current liabilities		**2,251**	**2,749**
Current liabilities			
Borrowings	7	500	–
Other current liabilities	8	2,150	2,713
Current liabilities		**2,650**	**2,713**
Total		**13,715**	**16,205**

The accompanying notes are an integral part of these parent company financial statements.

Income statement of DSM B.V.

x € million	Notes	2023	2022
Other income	1	**1**	**18**
Cost of outsourced work and other external costs		(1)	(21)
Wages and salaries	10	(4)	(8)
Other movements in the value of intangible assets		-	-
Other operating expense		(1)	(1)
Total operating expenses		**(6)**	**(30)**
Operating profit (loss)		**(5)**	**(12)**
Financial income	11	83	7
Financial expense	11	(229)	(114)
Profit (loss) before income tax		**(151)**	**(119)**
Income tax	4	44	25
Share of the profit of subsidiaries	3	2,425	1,794
Profit after income tax		**2,318**	**1,700**
Income from receivables attributable to non-current assets and from investments		-	-
Net profit available to equity holders of DSM B.V.		**2,318**	**1,700**

Notes to the parent company financial statements

1 General

Unless stated otherwise, all amounts are in € million.

Summary of the accounting policies

These separate financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. The accounting policies used are the same as those used in the consolidated EU-IFRS financial statements, in accordance with the provisions of article 362-8 of Book 2 of the Dutch Civil Code.

In these separate financial statements, investments in subsidiaries are accounted for using the net asset value, with separate presentation of the goodwill component under intangible fixed assets. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves are eliminated to the extent that they can be considered as not realized. For an appropriate interpretation of these statutory financial statements, the separate financial statements should be read in conjunction with the consolidated financial statements.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognized if and to the extent that the cumulative unrecognized share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognized accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

Information on the use of financial instruments and on related risks for the group is provided in **Note 23 Financial instruments and risks** to the consolidated financial statements. The Company makes use of the option to eliminate intragroup expected credit losses against the book value of loans and receivables from the Company to participating interests, instead of elimination against the equity value / net asset value of the participating interests.

Other income consists mainly of the charge out of the parent company related corporate overhead and services to the group companies, which is fully realized in the Netherlands.

Statutory and fiscal seat

The entity Koninklijke DSM N.V. changed its legal form to DSM B.V on 31 May 2023 as a result of the merger with Firmenich group.

The statutory seat of DSM B.V. is Heerlen (Netherlands). A list of DSM B.V.'s participations has been filed with the Chamber of Commerce (Netherlands) and is available from the company upon request. DSM is registered in the Dutch Commercial Register under number 14022069.

The company forms a fiscal unity for corporate income tax and VAT purposes together with the group companies in the Netherlands. Each of the companies recognizes the portion of corporate income tax that the relevant company would owe as an independent tax payer, taking into account tax liabilities applicable to the company, as well as the tax position of the fiscal unity.

2 Intangible assets

The carrying amount of intangible assets comprises goodwill on the acquisition of the Erber Group in 2020 (€423 million), Pentapharm in 2007 (€36 million) and Crina in 2006 (€10 million). For full information on these assets including the discussion of the related impairment tests, see Note 8 Goodwill and intangible assets to the consolidated financial statements.

Intangible assets of DSM B.V.

	Total
Balance at 1 January 2022	
Cost	469
Amortization and impairment losses	5
Carrying amount	**464**
Changes in carrying amount:	
– Exchange rate difference	2
Balance at 31 December 2022	
Cost	471
Amortization and impairment losses	5
Carrying amount	**466**
Changes in carrying amount:	
– Exchange rate difference	3
Balance at 31 December 2023	
Cost	475
Amortization and impairment losses	6
Carrying amount	**469**

3 Financial assets

	Share in Subsidiaries	Other participating interests	Receivables	Total
Balance at 1 January 2022	**13,784**	**5**	**-**	**13,789**
Changes:				
– Share in profit	1,794	–	–	**1,794**
– Dividend received	(99)	–	–	**(99)**
– Disposal of subsidiaries	(74)	–	–	**(74)**
– Net actuarial gains/(losses)	(3)	–	–	**(3)**
– Change in Fair value reserve	(62)	–	–	**(62)**
– Change in Hedging reserve	22	–	–	**22**
– Exchange differences	272	–	–	**272**
– Intra-group transfers	–	–	–	**-**
– Other	(7)	2	–	**(5)**
Balance at 31 December 2022	**15,627**	**7**	**-**	**15,634**
Changes:				
– Share in profit	2,425	–	–	**2,425**
– Capital payments	1,089	–	–	**1,089**
– Dividend received	(5,540)	–	–	**(5,540)**
– Disposal of subsidiaries	(411)	–	–	**(411)**
– Net actuarial gains/(losses)	(25)	–	–	**(25)**
– Change in Fair value reserve	(34)	(8)	–	**(42)**
– Change in Hedging reserve	26	–	–	**26**
– Exchange differences	(87)	–	–	**(87)**
– Intra-group transfers	–	–	–	**-**
– Transfer	–	44		**44**
– Other	(3)	–	–	**(3)**
Balance at 31 December 2023	**13,067**	**43**	**-**	**13,110**

The disposal of subsidiaries relates to the divestment of the DSM Engineering Materials business. The dividend received mainly relates to the proceeds of the disposal.

A list of DSM participations can be downloaded from the **company website**.

4 Deferred tax assets and income tax

The deferred tax asset of €53 million (2022: €52 million) relates to net operating losses and temporary differences in the Dutch fiscal unity. The effective tax rate in 2023 was 29% (2022: 21%).

The variation in the effective tax rate arises due to changes in the result in combination with among others changes in tax exempt income, tax positions and non-deductible expenses.

5 Receivables

	2023	2022
Receivables from subsidiaries	75	13
Other receivables	6	38
Total	**81**	**51**

The carrying values of the receivables are a reasonable approximation of their respective fair values, given the short maturities of the positions and the fact that allowances for doubtful debts have been recognized, if necessary. All receivables have an estimated maturity shorter than one year.

The Receivables from subsidiaries of €75 million (2022: €13 million) mainly include receivables relating to the Dutch fiscal unity. Other receivables €6 million (2022: €38 million) mainly consist of VAT and other tax receivables and prepaid expenses.

6 Shareholders' equity

x € million	Share capital	Share prem.	Treas. shares	Legal reserves Trans-lation res.	Capital dev. costs	Part. inte-rest	Reval. reserve	Hedg. reserve	Other reserves Fair value res.	Share-based comp.	Ret. Earn.	Undistri buted results	Total share-holder equity
Balance at 31 December 2021	328	471	(177)	177	239	121	-	(77)	17	39	6,644	1,536	9,318
Added to other reserves	-	-	-	-	-	-	-	-	-	-	1,536	(1,536)	-
Net profit	-	-	-	-	-	-	-	-	-	-	-	1,700	1,700
Dividend	-	-	-	-	-	-	-	-	-	-	(296)	(163)	(459)
Reissued shares	-	-	191	-	-	-	-	-	-	-	(50)	-	141
Repurchase of shares	-	-	(210)	-	-	-	-	-	-	-	-	-	(210)
Fair value changes of derivatives	-	-	-	-	-	-	-	(6)	-	-	-	-	(6)
Release to income statement	-	-	-	(16)	-	-	-	53	-	-	-	-	37
Fair value changes of other financial assets	-	-	-	-	-	-	-	-	(61)	-	-	-	(61)
Exchange differences	-	-	-	267	-	-	-	-	-	-	-	-	267
Options and performance shares granted	-	-	-	-	-	-	-	-	-	34	-	-	34
Options and performance shares exercised/cancel ed	-	-	-	-	-	-	-	-	-	(29)	29	-	-
Transfer to retained earnings	-	-	-	-	17	61	-	-	(28)	-	(50)	-	-
Changes in joint ventures and associates	-	-	-	-	-	-	-	-	-	-	(11)	-	(11)
Income tax	-	-	-	(4)	-	-	-	(3)	-	-	(10)	-	(17)
Remeasurement s of defined benefit pension plans	-	-	-	-	-	-	-	-	-	-	10	-	10
Balance at 31 December 2022	328	471	(196)	424	256	182	-	(33)	(72)	44	7,802	1,537	10,743
Added to other reserves	-	-	-	-	-	-	-	-	-	-	1,537	(1,537)	-
Net profit	-	-	-	-	-	-	-	-	-	-	-	2,318	2,318
Dividend	-	-	-	-	-	-	-	-	-	-	(3,935)	-	(3,935)
Reissued shares	-	-	63	-	-	-	-	-	-	-	(39)	-	24
Repurchase of shares	-	-	(256)	-	-	-	-	-	-	-	-	-	(256)
Cancellation of shares	(67)	(2)	345	-	-	-	-	-	-	-	(276)	-	-
Fair value changes of derivatives	-	-	-	-	-	-	-	27	-	-	-	-	27
Release to income statement	-	-	-	6	-	-	-	-	-	-	-	-	6
Fair value changes of other financial assets	-	-	-	-	-	-	-	-	(37)	-	-	-	(37)
Exchange differences	-	-	-	(102)	-	-	-	-	-	-	(1)	-	(103)
Options and performance shares granted	-	-	-	-	-	-	-	-	-	23	-	-	23

				Legal reserves					Other reserves				
x € million	Share capital	Share prem.	Treas. shares	Trans-lation res.	Capital dev. costs	Part. inte-rest	Reval. reserve	Hedg. reserve	Fair value res.	Share-based comp.	Ret. Earn.	Undistri buted results	Total share-holder equity
Options and performance shares exercised/canceled	–	–	–	–	–	–	–	–	–	(23)	23	–	–
Transfer to other participating interests	–	–	44	–	–	–	–	–	–	–	–	–	44
Transfer to retained earnings	–	–	–	–	(17)	37	–	–	(5)	–	(15)	–	–
Changes in joint ventures and associates	–	–	–	–	–	–	–	–	–	–	(9)	–	(9)
Income tax	–	–	–	(1)	–	–	–	(1)	–	–	9	–	7
Remeasurements of defined benefit pension plans	–	–	–	–	–	–	–	–	–	–	(34)	–	(34)
Other	–	–	–	–	–	–	–	–	–	–	(4)	–	(4)
Balance at 31 December 2023	261	469	–	327	239	219	–	(7)	(114)	44	5,058	2,318	8,814

For details see the consolidated statement of changes in **Note 16 Equity** to the consolidated financial statements.

Legal reserves

In Shareholders' equity, a total amount of €778 million (2022: €829 million) is included for legal reserves required by Dutch law. The translation reserve relates to exchange gains and losses arising from the translation of the functional currency of foreign operations to the reporting currency of DSM B.V. Further, a legal reserve is recorded for capitalized development costs. The legal reserve for participating interests is recorded to the extent that there are limitations for DSM B.V. to arrange profit distributions from its participating interests. The hedging reserve relates to cash flow hedge accounting. The negative hedge reserve of -€7 million (2022: -€33 million) as part of the legal reserve should be deducted from the freely distributable reserve. In addition, a revaluation reserve has been included for fair value changes of unquoted equity instruments of participating interests with no frequent notations owned by DSM; debit balances are recorded as part of Other reserves, which are considered freely distributable reserves.

Other reserves

The Other reserves comprise a Fair value reserve for fair value changes of unquoted equity instruments of participating interests with frequent notations, debit balances of the legal reserve for fair value changes of unquoted equity instruments of participating interests owned by DSM, and a Reserve for share-based compensation.

In the 'Consolidated financial statements', the Other reserves consist of the Translation reserve, Fair value reserve, Hedging reserve and Reserve for share-based compensation. See **Note 16 Equity** to the consolidated financial statements.

Profit appropriation

According to article 23 of the Articles of Association of DSM B.V. and with the approval of the Supervisory Board, every year the Managing Board determines the portion of the net profit to be appropriated to the reserves. For the year 2023, the net profit is €2,318million (2022: €1,700 million) and the amount to be appropriated to the reserves has been established at €1,645 million (2022: €1, 533 million).

The remaining undistributed profit of €673 million (2022: €161 million after distribution of dividends on the Cumulative Preference Shares A) will be put at the disposal of the Annual General Meeting of Shareholders in accordance with the provisions of Article 32, section 5 of the Articles of Association.

The Managing Board proposes to add the remaining undistributed profit to the reserves (2022: dividend on ordinary shares of €0.93 per share). No interim dividend for the year 2023 was paid.

If the Annual General Meeting of Shareholders decides in accordance with the proposal, the net profit will be appropriated as follows.

in € million	2023	2022
Net profit for the year	**2,318**	**1,700**
Profit appropriation:		
– To be added to the reserves	2,318	1,533
– Dividend on Cumulative Preference Shares A	–	6
– Interim dividend on ordinary shares	–	161
– Final dividend distributable on ordinary shares	–	-

7 Borrowings

	2023		2022	
	Total	Of which current	Total	Of which current
Bonds	2,743	500	2,741	–
Total	**2,743**	**500**	**2,741**	**-**

At 31 December 2023, there were five bonds (€2,743 million, maturing in 2024, 2025, 2026 and from 2026 through 2032). The repayment schedule for borrowings is as follows.

Borrowings by maturity

	2023	2022
2024	500	500
2025 and 2026	1,249	1,248
After 2026	994	993
Total	**2,743**	**2,741**

In agreements governing loans with a residual amount at year-end 2023 of €2,743 million (31 December 2022: €2,741 million), clauses have been included which restrict the provision of security. More information on borrowings is provided in Note 19 Borrowings to the consolidated financial statements.

8 Other current liabilities

	2023	2022
Liabilities to subsidiaries	2,109	2,691
Other liabilities	41	22
Total	**2,150**	**2,713**

The Liabilities to subsidiaries concern mainly the current account toward the DSM internal financing company. These liabilities carry a short-term maturity and are interest-bearing. The decrease of this current account in 2023 is mainly caused by changing financing needs.

The carrying values of the recorded liabilities are a reasonable approximation of their respective fair values, given the short maturities of the positions. All liabilities have an estimated maturity shorter than one year.

9 Contingent liabilities

Guarantee obligations on behalf of affiliated companies and third parties amounted to €569 million (31 December 2022: €591 million). DSM B.V. has declared in writing that it accepts several liabilities for debts arising from acts in law of a number of consolidated companies (including relating to the Dutch fiscal unity for income tax and VAT). These debts are included in the consolidated balance sheet.

10 Personnel

During the 2023 financial year, the number of staff employed by DSM B.V. amounted to 2 employees from 1 January until 18 April and no employees from 18 April till the end of the year (full year 2022: 2 employees). Both were employed inside the Netherlands.

11 Financial income and expense

Financial income of €83 million (2022: €7 million) consists of interest income on outstanding in-house cash balances; financial expense of €229 million (2022: €114 million) mainly consists of the interest expense on debit in-house cash balances (€176 million) and interest costs on bonds issued and the counterpart of the net investment hedge (€53 million). See also **Note 19 Borrowings** and **Note 23 Financial instruments and risks** to the consolidated financial statements.

12 Remuneration of key personnel

Introduction

The remuneration of key personnel concerns the Supervisory Board and the Executive Committee (which includes the Managing Board) of Koninklijke DSM N.V., renamed DSM B.V.

On April 18, 2023, DSM-Firmenich AG, the parent company of the merger combination DSM and Firmenich, was listed on Euronext Amsterdam. As a result, the expenses reported herein concern two periods. The first period is about the remuneration awarded to the members of the Supervisory Board and the Executive Committee (including the Managing Board) of Royal DSM, insofar as their appointment in such capacity relates to the period from 1 January 2023 until 18 April 2023. The second period concerns the remuneration awarded to the members of the Supervisory Board and the Managing Board DSM B.V., insofar as their appointment in such capacity relates to the period from 18 April 2023 until 31 December 2023.

Remuneration of members of the Supervisory Board, Managing Board and Executive Committee appointed in that capacity for the period 1 January 2023 until 18 April 2023

The remuneration policy for the Supervisory Board and the Managing Board as approved by the 2019 Annual General Meeting of DSM applied.

The remuneration awarded to members of the Supervisory Board, the Executive Committee (that includes the Managing Board) of DSM, insofar as their appointment in such capacity relates to the period from 1 January 2023 until 18 April 2023 is laid out in the below table. It concerns:

- The remuneration (for the period between 1 January until 18 April 2023) of the members of the Supervisory Board of DSM who transferred to the Board of Directors of DSM-Firmenich AG on 18 April 2023. The 2023 remuneration awarded by DSM-Firmenich AG for the period after 18 April 2023 is accounted for in the remuneration report included in the Integrated Annual Report of DSM-Firmenich AG

- The remuneration (for the period between 1 January and 18 April 2023) of the members of the Managing Board and Executive Committee of DSM who transferred to the Executive Committee of DSM-Firmenich AG on 18 April 2023. The 2023 remuneration awarded by DSM-Firmenich AG for the period after 18 April 2023 is accounted for in the remuneration report included in the Integrated Annual Report of DSM-Firmenich AG
- The remuneration (for the period between 1 January and 18 April 2023) for members of the Executive Committee of DSM who remained employed by DSM-Firmenich AG in another capacity and who no longer meet the criteria of key personnel as of 18 April 2023
- Remuneration expenses incurred in financial year 2023 for members of the Supervisory Board or the Executive Committee of DSM who were not appointed as a member of the Board of Directors or Executive Committee DSM-Firmenich AG nor in another capacity and who left the organization after and due to the merger.

The total remuneration expenses incurred, amount to €22.8 million (2022: €25.5 million). Comparing the remuneration expenses reported for 2023 with those of 2022 can only be done with extreme caution, because the expenses for 2023 are characterized by the special circumstance of the merger and contain several one-off items.

Total remuneration expenses awarded to members of the Supervisory Board, Managing Board and Executive Committee of DSM appointed in that capacity for the period 1 January 2023 until 18 April 2023

	2023	2022
Base salary/Supervisory Board fees	2,391	6,521
Pension contributions	471	1,197
Short-Term Incentive[1]	869	3,399
Share-based compensation[2]	2,518	7,778
Other[3]	16,562	6,612
Total remuneration	**22,811**	**25,507**
Of which Managing Board remuneration	3,613	6,717
Of which Supervisory Board remuneration	243	844

1 Short-Term Incentive based on at-target level minus the weight of EBITDA target pro-rated for the period 1 January to 1 April 2023 or at target pay-out over the period of employment in 2023

2 Represents the expenses of Performance Share Units (PSUs) awarded according to IFRS rules. These costs are considered over the vesting period and therefore cover several years

3 Includes:

(i) Settlement of the STI Deferral and Matching scheme (€4.6m) and special bonus payments (€3.5m) as included in the Offering Circular (issued 22 November 2022) related to the merger
(ii) Severance payments for ExCo members that left the Company because of the merger (€1.8m); payments in lieu of notice (€1.3m) and obligations following Article 32bb of the Dutch Wage Tax Act (1964) (€2.2m)
(iii) Social security contributions (€0.6m) and contractual items related to International Assignment arrangements (€1.6m)
(iv) Other (€1.0m)

Remuneration members Supervisory Board and Managing Board appointed in that capacity for the period 18 April 2023 until 31 December 2023

No remuneration was awarded to members of the Supervisory Board and the Managing Board of DSM B.V. appointed in that capacity for the period from 18 April 2023 to 31 December 2023.

Maastricht, 14 May 2024

Managing Board,

Dimitri de Vreeze, CEO

Ralf Schmeitz, CFO

Maastricht, 14 May 2024

Supervisory Board,

Thomas Leysen, Chair

John Ramsay, Deputy Chair

Corien Wortmann

OTHER INFORMATION

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of DSM B.V.

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of DSM B.V. as at 31 December 2023 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying parent company financial statements give a true and fair view of the financial position of DSM B.V. as at 31 December 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2023 of DSM B.V. (the 'Company' or 'DSM') based in Heerlen. The financial statements include the consolidated financial statements and the parent company financial statements.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2023;
2. the following consolidated statements for 2023: the income statement, the statements of comprehensive income and changes in equity, and the cash flow statement; and
3. the notes comprising group material accounting policies and other explanatory information.

The company financial statements comprise:

1. the parent company balance sheet as 31 December 2023;
2. the parent company income statement for 2023; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of DSM in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations, climate and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Summary

Materiality
Materiality of EUR 30 million
3.1% of the 5-years' averaged earnings before interest, taxes, depreciation and amortization

Group audit
Audit coverage of 77% of total assets
Audit coverage of 75% of revenue

Risk of material misstatements related to Fraud, NOCLAR, Going concern and Climate risks
Fraud risks: presumed risk of management override of controls, presumed risk of revenue recognition and goodwill impairment testing Animal Nutrition & Health identified and further described in the section 'Audit response to the risk of fraud and non-compliance with laws and regulations'.
Non-compliance with laws and regulations (NOCLAR) risks: no reportable risk of material misstatements related to NOCLAR risks identified.
Going concern risks: no going concern risks identified.
Climate-related risks: We have considered the impact of climate-related risks on the financial statements and described our approach and observations in the section 'Audit response to climate-related risks'.

Key audit matters
Goodwill impairment testing Animal Nutrition & Health
Vitamin transformation program

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 30 million (2022: EUR 32.5 million). The materiality is determined with reference to the 5-years' averaged earnings before interest, taxes, depreciation and amortization ('EBITDA') to reflect the volatility in the vitamins market and the significant impairments and merger-related costs in 2023. Materiality as a percentage of the 5-years' averaged EBITDA is 3.1%. Compared to the previous year, we have changed the benchmark for determining materiality from profit before income tax to EBITDA. We consider EBITDA a more representative metric to assess the Company's performance than profit before income tax expense. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements identified during our audit in excess of EUR 1.5 million would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

DSM is at the head of a group of components. The financial information of this group is included in the financial statements of DSM.

In our group audit we identified significant components. These are components that are (i) of individual financial significance to the group, or (ii) that, due to their specific nature or circumstances, are likely to include significant risks of material misstatement to the group financial statements. We identified five significant components in Switzerland, the Netherlands, the United States and Brazil.

We have:

- performed audit procedures at group level in respect of the parent entity, the group consolidation, the financial statement disclosures, treasury, shared service center activities and a number of more complex accounting and valuation items. This included procedures performed regarding the annual goodwill impairment tests, other asset impairment (trigger) assessments, income tax for the Dutch fiscal unities, acquisitions of subsidiaries and accounting for divestments.
- used the work of local KPMG auditors ('component auditors') when auditing reporting packages or performing specified audit procedures at component level.
- for the residual population we performed analytical procedures in order to corroborate that our scoping remained appropriate throughout the audit.

By performing the procedures mentioned above at components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our procedures as described above can be summarized as follows:

Total assets

66%	11%	23%
Audit of the complete reporting package	Specified audit procedures	Covered by additional procedures performed at group level

Revenue

56%	19%	25%
Audit of the complete reporting package	Specified audit procedures	Covered by additional procedures performed at group level

Audit response to the risk of fraud and non-compliance with laws and regulations

As part of our audit, we have gained insights into DSM and its business environment and the DSM's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the code of business ethics, alert cases (whistleblowing procedures), compliance policies and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with the Managing Board, Supervisory Board and other relevant functions, such as Corporate Operational Audit department, Legal Counsel and Fraud Committee and evaluated correspondence with relevant supervisory authorities and regulators. We have also incorporated elements of unpredictability in our audit, such as: changes in the scope of the group audit and specific risk assessment procedures on possible non-compliance with local laws and regulations within the group, and involved forensic specialists in our audit procedures.

As a result from our risk assessment, we identified the following laws and regulations as those most likely to have a material effect on the financial statements in case of non-compliance:

- Health and safety regulation (reflecting the nature of DSM's production and distribution processes);
- Environmental regulation (reflecting the environmental clean-up responsibilities related to mainly DSM's former production and distribution processes);
- Competition legislation (reflecting DSM's operations across the world and potential investigations by national competition authorities);
- Consumer product law relating to product safety (reflecting the nature of DSM's diverse product base).
- Anti-bribery and corruption (reflecting DSM's significant operations in jurisdictions with high perceived levels of public sector corruption)

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Management override of controls (a presumed risk)

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks, such as controls related to journal entries.
- We performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by management, including retrospective reviews of prior years' estimates such as with respect to impairment testing of goodwill, acquisition-related and internally generated intangibles and employee benefit liabilities. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.

Revenue recognition (a presumed risk)

Risk:

- We identified a fraud risk in relation to the recognition of revenue of goods sold. This risk inherently includes the fraud risk that management deliberately overstates revenue in the cut-off period, as management may feel pressure to achieve planned results for the current year.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks with respect to revenue recognition.

- In June 2023, dsm-firmenich AG issued a trading update in which it lowered the full year 2023 outlook. As DSM forms a significant part of the dsm-firmenich group, we assessed the effect thereof on our fraud risk assessment, and concluded to focus the fraud risk with respect to revenue recognition specifically to sales cut-off before year-end. This was also confirmed by the risk assessment of our component auditors based on an assessment of local facts and circumstances.
- To assess whether revenue was recognized in the appropriate period, for selected sales transactions recognized before year-end we inspected agreements with the customers and shipping documents.
- Further, we inspected selected credit notes issued before year-end to assess whether revenue was recognized appropriately.
- We performed journal entry testing, specifically taking into account high risk criteria in relation to revenues.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit. Our evaluation of procedures performed related to fraud did not result in a key audit matter.

We communicated our risk assessment, audit responses and results to the Managing Board and the Supervisory Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The managing board has performed its going concern assessment and has not identified any going concern risks. To assess the management board's assessment, we have performed, among other things, the following procedures:

- we considered whether the Managing Board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we inspected the financing agreements for terms or conditions that could lead to significant going concern risks;
- we analyzed the operating results forecast and the related cash flows compared to the actual results of 2023, developments in the business sector, macro-economic developments impacting amongst others vitamins prices and any information of which we are aware as a result of our audit;
- we analyzed the company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Audit response to climate-related risks

Management prepared the financial statements, including considering whether the implications from climate-related risks and commitments have been appropriately accounted for and disclosed, in accordance with the applicable financial reporting framework. The climate-related risks are managed by DSM as part of its regular risk management process and as such are taken into account in the preparation of the financial statements.

As part of our audit we performed a risk assessment of the impact of climate-related risk and the commitments and ambitions made by DSM in respect of climate change on the 2023 financial statements and our audit approach. Based on the procedures performed we considered whether there is a risk of material misstatement specific to climate relative to the going concern assumption and valuation of long-lived assets. Considering the risk assessment work performed, we did not identify a risk of material misstatement specific to climate and thus no further audit response was considered necessary.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

Compared to last year the key audit matter with respect to the transformation of the DSM businesses and divestment of Protective Materials business are not included, as these specifically relate to the financial year 2022 and previous years. The announced divestment of Engineering Materials business is also not included as a key audit matter considering the measurement and presentation was already assessed in previous year and the level of subjectivity is considered relatively limited. Furthermore, compared to last year the key audit matter with respect to the goodwill impairment testing Animal Nutrition & Health and the vitamins transformation have been added as both were related to 2023 events which were most significant to our audit.

Goodwill impairment testing Animal Nutrition & Health

Description

As of 31 December 2023, the consolidated financial statements included goodwill amounting to EUR 3,040 million of which EUR 983 million is allocated to the Animal Nutrition and Health ('ANH') cash generating unit.

Goodwill is assessed for impairment by management at least annually by determining the recoverable amount (the higher of its value in use and fair value less costs of disposal), which is then compared to the carrying amount.

Management applies judgment in assessing the cash flow projections of the (groups of) cash generating units at which level goodwill is allocated and determining the relevant valuation assumptions.

Valuation of goodwill is a key audit matter because the impairment test process is complex. It involves a high degree of management judgment and assumptions, such as cash flow forecasts, growth rates and discount rates of the CGU, being used in the Group's impairment tests.

As disclosed in note 30 to the financial statements on 15 February 2024, dsm-firmenich AG announced to separate business unit Animal Nutrition & Health (ANH) from the Group. Management considered the effects of the decision in the preparation of the consolidated financial statements.

Our response

We obtained and documented our understanding of the impairment testing process, the sensitivity analysis and tested the design and implementation of the relevant controls therein.

We assessed the determination of the CGUs taking into account the IFRS accounting standards and our knowledge of the organisation, structure and governance of the DSM Group.

We assessed the Group's ability to accurately prepare cash flow projections for their CGUs by comparing the actual financial performance to the projections made earlier.

We evaluated the accuracy of impairment test, the reasonableness of the key assumptions used to determine the recoverable amounts – including long term growth rates and discount rates based on our understanding of the related CGUs' cash flow projections – and the methodology used by management to prepare its cash flow forecasts.

We involved our in-house valuation specialists with specialized skills and knowledge who assisted in assessing the reasonableness of the discount rates and long term growth rates through testing the source information underlying their determination, and in developing a range of independent estimates and comparing those to the discount and long term growth rates applied by management.

We inquired and challenged BU management on their initiatives to realize sales and margin growth and we have spoken with the Vitamins Transformation program director.

We also considered the adequacy of the disclosures on impairment testing and sensitivity tests in the consolidated financial statements.

We have also considered the accuracy of the disclosure regarding the ANH separation.

Our observation

We consider that the outcome of management's impairment testing of the ANH cash generating unit is appropriate and adequately disclosed in Note 8 to the financial statements.

Vitamins transformation program

Description

During 2023 the Group decided to implement a vitamins transformation program to enable acceleration of strategic actions. This company-wide program is designed to improve the profitability of its vitamin activities and structurally reduce exposure to volatility from price fluctuations.

The plan included a restructuring of the vitamin asset footprint resulting in the closure of the vitamin B6 plant in Xinghuo (China) and the termination of vitamin C production in the plant in Jiangshan (China).

As the company has ceased to use these plants. management prepared an impairment assessment for the plants and related assets on a stand-alone basis. Based on the impairment assessment, losses for the affected property, plant and equipment were recognized in the amount of EUR 106 million for the vitamin B6 Xinghuo plant respectively EUR 125 million for the vitamin C Jiangshan plant. Furthermore, a liability was recognized for remaining contractual obligations.

As per 31 December 2023 the assets and liabilities related to the vitamin C business in Jiangshan are classified as held for sale.

Given the financial impact and the non-recurring nature of these events, the accounting for these impairments is significant to our audit of the financial statements.

Our response

We inquired management and inspected relevant documentation to gain an understanding of the vitamins transformation program. Further, we evaluated management's assessment of impairment indicators as a result of the restructuring of the vitamins assets footprint for the Xinghuo and Jiangshan plants in China and tested the design and implementation of the relevant controls therein.

As a result of the identified impairment indicators, the management has prepared impairment tests. We assessed the results of management's impairment tests and evaluated the appropriateness of the recoverable amount determined for both plants.

For both plants we inspected underlying documentation, amongst others related to internal and external communication of the closure and applicable contractual obligations.

In addition for the closure of the Xinghuo vitamin B6 plant, we performed a site visit and observed that the plant is no longer in use. We enquired local employees and management about future plans and relevant government regulations.

We also considered the adequacy of the disclosures on the impairments in the consolidated financial statements.

Our observation

We consider that the impairments are appropriately reflected in the financial statements and adequately disclosed in Note 9 to the financial statements

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Managing Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were initially appointed by the Annual General Meeting of Shareholders as auditor of DSM on 7 May 2014 (at that time Royal DSM N.V.), as of the audit for the year 2015 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Managing Board and the Supervisory Board for the financial statements

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Managing Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Managing Board, under supervision of the Supervisory Board, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Managing Board is responsible for assessing DSM's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless the Managing Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the DSM's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in appendix of this auditor's report. This description forms part of our auditor’s report.

Amstelveen, 14 May 2024

KPMG Accountants N.V.

P. J. Groenland – van der Linden RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DSM's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managing Board;
- concluding on the appropriateness of the Managing Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on DSM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Special statutory rights

DSM does not hold any special statutory rights. Together with DSM B.V.'s conversion into a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*), the Articles of Association of the Company were amended. By virtue of the amended Articles of Association, Cumulative Preference Shares B can no longer be issued. The DSM Preference Shares Foundation that had the right to acquire such Preference Shares (call option), ceased to exist on July 17, 2023.