

Financial statements 2007

Financial statements of Royal DSM N.V.

Balance sheet at 31 December

x € million	Notes	2007	2006
Assets			
<i>Non-current assets</i>			
Intangible assets	2	409	368
Property, plant and equipment	3	26	31
Financial assets	4	9,738	8,647
		10,173	9,046
<i>Current assets</i>			
Receivables	5	473	513
Financial derivatives		27	46
Cash and cash equivalents		3	1
		503	560
Total		10,676	9,606
Shareholders' equity and liabilities			
<i>Royal DSM N.V. Shareholders' equity</i>	6	5,310	5,784
<i>Non-current liabilities</i>			
Deferred tax liabilities		217	203
Provisions	7	2	2
Borrowings	8	1,417	715
		1,636	920
<i>Current liabilities</i>			
Provisions	7	4	5
Borrowings	8	3	403
Financial derivatives		32	31
Other current liabilities	9	3,691	2,463
		3,730	2,902
Total		10,676	9,606

Income statement

x € million	2007	2006
Share in results of subsidiaries, joint ventures and associates (after income-tax expense)	529	652
Other income and expense	(100)	(105)
Net profit attributable to equity holders of Royal DSM N.V.	429	547

Notes to the Royal DSM N.V. balance sheet

1 General

Unless stated otherwise, all amounts are in € million.

The company financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands.

The accounting policies used are the same as those used in the consolidated financial statements in accordance with the provisions of article 362-8 of Book 2 of the Dutch Civil Code. Investments in subsidiaries are accounted for in accordance with the equity method. In conformity with article 402, Book 2 of the Dutch Civil Code, a condensed income statement is included in the separate financial statements of Royal DSM N.V.

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

2 Intangible assets

The intangible assets mainly comprise goodwill. The intangible assets consist of the goodwill paid for the acquisition of NeoResins in 2005 (€358 million), CRINA in 2006 (€6 million) and Pentapharm in 2007 (€31 million).

3 Property, plant and equipment

This item mainly relates to land and buildings and corporate IT projects. Capital expenditure in 2007 was €10 million, while the depreciation charge in 2007 was €3 million. The historic cost of property, plant and equipment as at 31 December 2007 was €62 million; accumulated depreciation amounted to €36 million.

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4 Financial assets

	Total	Subsidiaries		Other participations	Other loans
		Share in equity	Loans		
Balance at 1 January 2006	8,016	7,500	405	3	108
Changes:					
- Share in profit	652	652	-	-	-
- Dividend received	(1,514)	(1,514)	-	-	-
- Capital payments	312	308	-	4	-
- Goodwill	(6)	(6)	-	-	-
- Net actuarial gains/(losses)	290	290	-	-	-
- Net asset ceiling	(7)	(7)	-	-	-
- Repayments	(17)	-	-	-	(17)
- Transfer to current loans	(91)	-	-	-	(91)
- Intra-group transactions	1,170	1,171	-	(1)	-
- Value adjustments	(32)	(27)	-	(5)	-
- Exchange differences	(140)	(140)	-	-	-
- Other changes	14	15	(1)	-	-
Balance at 31 December 2006	8,647	8,242	404	1	0
Changes:					
- Share in profit	529	529	-	-	-
- Dividend received	(103)	(103)	-	-	-
- Capital payments	485	455	-	30	-
- Goodwill	(31)	(31)	-	-	-
- Net actuarial gains/(losses)	154	154	-	-	-
- Net asset ceiling	(46)	(46)	-	-	-
- Intra-group transactions	234	234	-	-	-
- Value adjustments	(10)	(10)	-	-	-
- Exchange differences	(164)	(164)	-	-	-
- Other changes	43	39	4	-	-
Balance at 31 December 2007	9,738	9,299	408	31	0

5 Receivables

	2007	2006
Receivable from subsidiaries	418	326
Loans	-	92
Other receivables	55	95
Total	473	513

6 Royal DSM N.V. Shareholders' equity

	2007	2006
Balance at 1 January	5,784	5,501
Net profit	429	547
Exchange differences, net of income tax expense	(140)	(128)
Net actuarial gains/(losses) on defined benefit obligations	154	290
Net asset ceiling related to defined benefit plans	(46)	(7)
Dividend paid	(193)	(213)
Repurchase of ordinary shares	(758)	(318)
Proceeds from reissue of ordinary shares	53	55
Other changes	27	57
Balance at 31 December	5,310	5,784

For details see the consolidated statement of changes in equity on page 117.

Legal reserve

Since the profits retained in Royal DSM N.V.'s subsidiaries, joint ventures and associates can be distributed, and received in the Netherlands, without restriction, no legal reserve for retained profits is required. In Royal DSM N.V. Shareholders' equity an amount of €193 million is included for Translation reserve, €48 million for Hedging reserve and €(9) million for Fair value reserve.

7 Provisions

	2007		2006	
	Total	Of which current	Total	Of which current
Environmental costs	3	1	4	1
Other provisions	3	3	3	4
Total	6	4	7	5

The total of non-current and current provisions decreased by €1 million. This is the net effect of the following changes:

	Balance at 1 January 2007	Additions	Releases	Uses	Balance at 31 December 2007
Environmental costs	4	1	-	(2)	3
Other provisions	3	-	-	-	3
Total	7	1	-	(2)	6

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8 Borrowings

	2007		2006	
	Total	Of which current	Total	Of which current
Debenture loans	1,210	-	886	403
Private loans	207	-	232	-
Credit institutions	3	3	-	-
Total	1,420	3	1,118	403

Of the total amount of borrowings outstanding at 31 December 2007, €1,246 million had a remaining term of more than five years.

The repayment schedule for borrowings is as follows:

2008	-
2009	170
2010	-
2011 and 2012	1
2013 through 2017	1,246
After 2017	-
Total	1,417

In agreements governing loans with a residual amount at year-end 2007 of €1,417 million, none of which were of a current nature (31 December 2006: €1,118 million, of which €403 million current), clauses have been included which restrict the provision of security.

9 Other current liabilities

	2007	2006
Owing to subsidiaries	3,612	2,387
Other liabilities	73	74
Deferred items	6	2
Total	3,691	2,463

Contingent liabilities

Guarantee obligations on behalf of affiliated companies and third parties amounted to €247 million (31 December 2006: €268 million). Royal DSM N.V. has declared in writing that it accepts several liability for debts arising from acts-in-law of a number of consolidated companies. These debts are included in the consolidated balance sheet.

10 Remuneration of the members of the Managing Board

Total remuneration

The remuneration of the members of the Managing Board is determined by the Supervisory Board within the framework of the remuneration policy for 2007 and subsequent years as approved by the Annual General Meeting of Shareholders on 28 March 2007. More details about the remuneration policy are included in the remuneration report (page 70).

The total remuneration (including pension expenditure and other commitments) of the members of the Managing Board amounted to €3.8 million (2006: €4.4 million). The remuneration of the individual members of the Managing Board was as follows:

Feike Sijbesma (CEO as of 1 May 2007): salary €609,000 (2006: €476,000), bonus €233,000 (2006: €291,000), pension expenditure zero (2006: €91,000), other items €34,000 (2006: €6,000); Peter Elverding (until 1 May 2007): salary €220,000 (2006: €652,000), bonus €319,000 (2006: €379,000), pension expenditure zero (2006: €111,000), other items €60,000 (2006: €4,000); Jan Zuidam: salary €488,000 (2006: €476,000), bonus €233,000 (2006: €291,000), pension expenditure zero (2006: €82,000), other items €27,000 (2006: €4,000); Nico Gerardu: salary €488,000 (2006: €358,000), bonus €176,000 (2006: zero), pension expenditure zero (2006: €52,000), other items €4,000 (2006: €3,000); Rolf-Dieter Schwalb: salary €488,000 (2006: €120,000), bonus €59,000 (2006: zero), pension expenditure zero (2006: €18,000), other items €5,000 (2006: €2,000); Stephan Tanda (as of 1 May 2007): salary €327,000, bonus zero, pension expenditure zero, other items €5,000.

Outstanding and exercised stock incentives

The following table shows the stock incentives of the individual members of the Managing Board and the rights exercised.

Overview of performance shares and stock options

	Year of issue	Outstanding on 31 Dec. 2006	In 2007			Outstanding on 31 Dec. 2007	Exercise price (€)	Expiry date
			Granted	Exercised	Forfeited/ expired			
Feike Sijbesma								
Stock options	2001	60,000	-	-	-	60,000	19.990	30 March '09
	2002	60,000	-	-	-	60,000	23.505	4 April '10
	2003	60,000	-	-	-	60,000	18.195	4 April '11
	2004	60,000	-	-	-	60,000	17.895	2 April '12
	2005	30,000	-	-	-	30,000	29.050	8 April '13
	2006	30,000	-	-	-	30,000	38.300	31 March '14
	2007	-	30,000	-	-	30,000	33.600	30 March '15
	Total	300,000	30,000	-	-	330,000		
Of which vested		180,000				240,000		
Performance shares	2005	8,000	-	-	-	8,000	29.050	
	2006	8,000	-	-	-	8,000	38.300	
	2007	-	8,000	-	-	8,000	33.600	
	Total	16,000	8,000	-	-	24,000		
Of which vested		-				-		
Jan Zuidam								
Stock options	2001	60,000	-	-	-	60,000	19.990	30 March '09
	2002	60,000	-	-	-	60,000	23.505	4 April '10
	2003	60,000	-	-	-	60,000	18.195	4 April '11
	2004	60,000	-	-	-	60,000	17.895	2 April '12
	2005	30,000	-	-	-	30,000	29.050	8 April '13
	2006	30,000	-	-	-	30,000	38.300	31 March '14
	2007	-	30,000	-	-	30,000	33.600	30 March '15
	Total	300,000	30,000	-	-	330,000		
Of which vested		180,000				240,000		
Performance shares	2005	8,000	-	-	-	8,000	29.050	
	2006	8,000	-	-	-	8,000	38.300	
	2007	-	8,000	-	-	8,000	33.600	
	Total	16,000	8,000	-	-	24,000		
Of which vested		-				-		

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	Year of issue	Outstanding on 31 Dec. 2006	In 2007			Outstanding on 31 Dec. 2007	Exercise price (€)	Expiry date
			Granted	Exercised	Forfeited/ expired			
Nico Gerardu								
Stock options	2002	36,000	-	-	-	36,000	23.505	4 April '10
	2003	36,000	-	-	-	36,000	18.195	4 April '11
	2004	36,000	-	-	-	36,000	17.895	2 April '12
	2005	36,000	-	-	-	36,000	29.050	8 April '13
	2006	30,000	-	-	-	30,000	38.300	31 March '14
	2007	-	30,000	-	-	30,000	33.600	30 March '15
	Total	174,000	30,000	-	-	204,000		
Of which vested		72,000				108,000		
Performance shares	2006	8,000	-	-	-	8,000	38.300	
	2007	-	8,000	-	-	8,000	33.600	
	Total	8,000	8,000	-	-	16,000		
Of which vested		-						
Rolf-Dieter Schwalb								
Stock options	2007	-	30,000	-	-	30,000	33.600	30 March '15
Of which vested		-						
Performance shares	2007	-	8,000	-	-	8,000	33.600	
Of which vested		-						
Stephan Tanda								
Stock options	2007	-	30,000	-	-	30,000	33.600	30 March '15
Of which vested		-						
Performance shares	2007	-	8,000	-	-	8,000	33.600	
Of which vested		-						

	Year of issue	Out- standing on 31 Dec. 2006	In 2007			Out- standing on 1 May 2007	Exercise price (€)	Average share price at exercise (€)	Expiry date
			Granted	Exercised	Forfeited/ expired				
Peter Elverding¹									
Stock options	2000	45,000	-	(45,000)	-	-	18.240	32.515	31 March '08
	2001	75,000	-	-	-	75,000	19.990		30 March '09
	2002	75,000	-	-	-	75,000	23.505		4 April '10
	2003	75,000	-	-	-	75,000	18.195		4 April '11
	2004	75,000	-	-	-	75,000	17.895		2 April '12
	2005	37,500	-	-	(18,750)	18,750	29.050		8 April '13
	2006	37,500	-	-	(18,750)	18,750	38.300		31 March '14
	2007	-	37,500	-	(18,750)	18,750	33.600		30 March '15
	Total	420,000	37,500	(45,000)	(56,250)	356,250			
Of which vested		270,000				356,250			
Performance shares									
	2005	10,000	-	-	(5,000)	5,000	29.050		
	2006	10,000	-	-	(5,000)	5,000	38.300		
	2007	-	10,000	-	(5,000)	5,000	33.600		
	Total	20,000	10,000	-	(15,000)	15,000			
Of which vested		-				15,000			

¹ Upon retirement or early retirement, 50% of any unvested stock options and unvested performance shares vest (and become exercisable); the remaining 50% are forfeited.

Overview of performance shares

	Year of issue	Outstanding on 31 Dec. 2006	In 2007			Outstanding on 31 Dec. 2007	Share price at date of grant (€)
			Granted	Vested	Forfeited		
	2005 ¹	26,000	-	(5,000)	(5,000)	16,000	29.050
	2006 ¹	34,000	-	(5,000)	(5,000)	24,000	38.300
	2007 ¹	-	50,000	(5,000)	(5,000)	40,000	33.600
Total 2007		60,000	50,000	(15,000)	(15,000)	80,000	
Of which vested		-				-	
		At 31 Dec. 2005				At 31 Dec. 2006	
Total 2006		42,000	34,000	-	(16,000)	60,000	
Of which vested		-				-	

¹ Upon retirement or early retirement, 50% of any unvested performance shares vest; the remaining 50% are forfeited.

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Shares

At year-end 2007 the members of the Managing Board together held 12,036 shares (year-end 2006: 1,836 shares) in Royal DSM N.V.

Loans

The company does not provide any loans to members of the Managing Board.

11 Remuneration of the members of the Supervisory Board

The total remuneration (annual fixed fee and annual committee membership fee) of the members of the Supervisory Board amounted to €0.3 million (2006: €0.3 million).

The remuneration of the individual members of the Supervisory Board was as follows:

In €	Annual fixed fee	Committee fee	Other costs	Total
Cor Herkströter, chairman	50,000	8,750	3,241	61,991
Henk Bodt, deputy chairman	35,000	7,500	3,241	45,741
Pierre Hochuli	35,000	-	1,250	36,250
Ewald Kist	35,000	5,000	3,241	43,241
Okko Müller	8,750	1,250	313	10,313
Claudio Sonder	35,000	3,750	1,250	40,000
Tom de Swaan	35,000	5,000	3,241	43,241
Cees van Woudenberg	35,000	5,000	1,748	41,748
Total	268,750	36,250	17,525	322,525

At year-end 2007 the members of the Supervisory Board together held 6,084 shares (2006: 9,584 shares) in Royal DSM N.V. These shareholdings serve as a long-term investment in the company.

The company does not provide any loans to its Supervisory Board members. Rules have been adopted governing ownership of and reporting on transactions in securities (other than securities issued by DSM) by Supervisory Board members.

Heerlen, 11 February 2008

Heerlen, 12 February 2008

MANAGING BOARD,

Feike Sijbesma
Jan Zuidam
Nico Gerardu
Rolf-Dieter Schwalb
Stephan Tanda

SUPERVISORY BOARD,

Cor Herkströter
Henk Bodt
Pierre Hochuli
Ewald Kist
Claudio Sonder
Tom de Swaan
Cees van Woudenberg