

Explanation of some financial concepts and ratios

General

In calculating financial profitability ratios use is made of the average of the opening and closing values of balance sheet items in the year under review.

The financial indicators per ordinary share are calculated on the basis of the average number of ordinary shares outstanding (average daily number). In calculating Royal DSM N.V. Shareholders' equity per ordinary share, however, the number of shares outstanding at year-end is used.

In calculating the figures per ordinary share and the 'net profit as a percentage of average Royal DSM N.V. Shareholders' equity available to holders of ordinary shares', the amounts available to the holders of cumulative preference shares are deducted from the profits and from Royal DSM N.V. Shareholders' equity.

Definitions

Capital employed

The total of the carrying amount of intangible assets and property, plant and equipment, inventories, trade receivables and other receivables, less trade payables and other current liabilities.

Capital expenditure

This includes all investments in intangible assets and property, plant and equipment as well as the acquisition of subsidiaries and associates.

Cash flow

Cash flow is net profit plus depreciation and amortization.

Cash flow return on investment (CFROI)

Cash flow return on investment is the sustainable cash flow (recurring EBITDA minus related annual tax and minus 1% depreciation on weighted average historic asset base) divided by weighted average asset base plus average working capital.

Disposals

This includes the disposal of intangible assets and property, plant and equipment as well as the disposal of participating interests and other securities.

Earnings before interest, tax, depreciation and amortization (EBITDA)

EBITDA is the sum total of operating profit plus depreciation and amortization.

Earnings per ordinary share

Net profit attributable to equity holders of Royal DSM N.V. minus dividend on cumulative preference shares, divided by the average number of ordinary shares outstanding.

Operating working capital

The total of inventories and trade receivables, less trade payables.

Return on capital employed (ROCE)

Operating profit as a percentage of average capital employed.

Total shareholder return (TSR)

Total shareholder return is capital gain plus dividend paid.