

Financial statements

Financial statements of Royal DSM N.V.

Balance sheet at 31 December

x € million	Notes	2008	2007
Assets			
<i>Non-current assets</i>			
Intangible assets	2	409	409
Property, plant and equipment	3	36	26
Financial assets	4	9,816	9,738
Deferred tax assets		45	-
		10,306	10,173
<i>Current assets</i>			
Receivables	5	155	473
Financial derivatives		1	27
Cash and cash equivalents		0	3
		156	503
Total		10,462	10,676
Shareholders' equity and liabilities			
<i>Royal DSM N.V. Shareholders' equity</i>	6	4,633	5,310
<i>Non-current liabilities</i>			
Deferred tax liabilities		-	217
Provisions	7	2	2
Borrowings	8	1,437	1,417
		1,439	1,636
<i>Current liabilities</i>			
Provisions	7	2	4
Borrowings	8	536	3
Financial derivatives		106	32
Other current liabilities	9	3,746	3,691
		4,390	3,730
Total		10,462	10,676

Income statement

x € million	2008	2007
Share in results of subsidiaries, joint ventures and associates (after income-tax expense)	765	529
Other income and expense	(188)	(100)
Net profit attributable to equity holders of Royal DSM N.V.	577	429

Notes to the Royal DSM N.V. financial statements

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 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 carrying amount of intangible assets mainly comprises goodwill for the acquisition of NeoResins in 2005 (€358 million), Crina in 2006 (€6 million) and Pentapharm in 2007 (€34 million).

3 Property, plant and equipment

This item mainly relates to land and buildings and corporate IT projects. Capital expenditure in 2008 was €20 million, while the depreciation charge in 2008 was €3 million. The historic cost of property, plant and equipment as at 31 December 2008 was €75 million; accumulated depreciation amounted to €39 million.

Financial statements

Financial statements of Royal DSM N.V.

4 Financial assets

	Total	Subsidiaries		Other participations
		Share in equity	Loans	
Balance at 1 January 2007	8,647	8,242	404	1
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
Changes:				
- Share in profit	765	765	-	-
- Dividend received	(85)	(85)	-	-
- Capital payments	176	95	-	81
- Net actuarial gains/(losses)	(944)	(944)	-	-
- Net asset ceiling	64	64	-	-
- Intra-group transactions	(2)	(2)	-	-
- Change of fair value reserve	(30)	-	-	(30)
- Change of hedging reserve	(20)	(20)	-	-
- Exchange differences	165	165	-	-
- Other changes	(11)	17	(15)	(13)
Balance at 31 December 2008	9,816	9,354	393	69

5 Receivables

	2008	2007
Receivable from subsidiaries	93	418
Other receivables	62	55
Total	155	473

6 Royal DSM N.V. Shareholders' equity

	2008	2007
Balance at 1 January	5,310	5,784
Net profit	577	429
Exchange differences, net of income tax	71	(140)
Net actuarial gains/(losses) on defined benefit obligations	(944)	154
Net asset ceiling related to defined benefit plans	64	(46)
Dividend	(220)	(193)
Repurchase of ordinary shares	(250)	(758)
Proceeds from reissue of ordinary shares	47	53
Other changes	(22)	27
Balance at 31 December	4,633	5,310

For details see the consolidated statement of changes in equity (note 18).

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 €(122) million (2007: €(193) million) is included for Translation reserve, €30 million (2007: €48 million) for Hedging reserve and €(31) million (2007: €(9) million) for Fair value reserve.

7 Provisions

	2008		2007	
	Total	Of which current	Total	Of which current
Environmental costs	3	1	3	1
Other provisions	1	1	3	3
Total	4	2	6	4

The total of non-current and current provisions decreased by €2 million. This is the net effect of the following changes:

	Balance at 1 January 2008	Additions	Releases	Uses	Balance at 31 December 2008
Environmental costs	3	1	0	(1)	3
Other provisions	3	0	(2)	0	1
Total 2008	6	1	(2)	(1)	4
Changes 2007		1	-	(2)	

Financial statements

Financial statements of Royal DSM N.V.

8 Borrowings

	2008		2007	
	Total	Of which current	Total	Of which current
Debtenture loans	1,398	177	1,210	-
Private loans	216	-	207	-
Credit institutions / commercial paper	359	359	3	3
Total	1,973	536	1,420	3

Of the total amount of borrowings outstanding at 31 December 2008, € 1,329 million had a remaining term of more than five years.

The repayment schedule for borrowings is as follows:

	2008	2007
2009	177	170
2010	-	-
2011	-	-
2012 and 2013	108	104
2014 through 2018	1,329	1,143
Total	1,614	1,417

In agreements governing loans with a residual amount at year-end 2008 of € 1,614 million, of which € 177 million were of a current nature (31 December 2007: € 1,417 million, none of which were of a current nature), clauses have been included which restrict the provision of security.

9 Other current liabilities

	2008	2007
Owing to subsidiaries	3,649	3,612
Other liabilities	94	73
Deferred items	3	6
Total	3,746	3,691

Contingent liabilities

Guarantee obligations on behalf of affiliated companies and third parties amounted to € 200 million (31 December 2007: € 247 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 2008 and subsequent years as approved by the Annual General Meeting of Shareholders on 26 March 2008. More details about the remuneration policy are included in the Report by the Supervisory Board starting on page 68.

The total remuneration (including pension expenditure and other commitments) of the members of the Managing Board amounted to € 4.6 million (2007: € 3.8 million). The remuneration of the individual members of the Managing Board was as follows:

Feike Sijbesma: salary including other items € 796,000 (2007: € 643,000), bonus € 396,000 (2007: € 233,000), pension expenditure € 57,000 (2007: zero); Jan Zuidam: salary including other items € 529,000 (2007: € 515,000), bonus € 317,000 (2007: € 233,000), pension expenditure € 35,000 (2007: zero); Nico Gerardu: salary including other items € 506,000 (2007: € 492,000), bonus € 317,000 (2007: € 176,000), pension expenditure € 38,000 (2007: zero); Rolf-Dieter Schwalb: salary including other items € 506,000 (2007: € 493,000), bonus € 317,000 (2007: € 59,000), pension expenditure € 38,000 (2007: zero); Stephan Tanda: salary including other items € 508,000 (2007: € 332,000), bonus € 213,000 (2007: zero), pension expenditure € 38,000 (2007: zero).

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. 2007	In 2008			Outstanding on 31 Dec. 2008	Average share price at exercise (€)	Exercise price (€)	Expiry date
			Granted	Exercised	Forfeited/expired				
Feike Sijbesma									
Stock options	2001	60,000	-	(60,000)	-	-	35.490	19.990	30 Mar. 2009
	2002	60,000	-	-	-	60,000		23.505	4 Apr. 2010
	2003	60,000	-	-	-	60,000		18.195	4 Apr. 2011
	2004	60,000	-	-	-	60,000		17.895	2 Apr. 2012
	2005	30,000	-	-	(22,500)	7,500		29.050	8 Apr. 2013
	2006	30,000	-	-	-	30,000		38.300	31 Mar. 2014
	2007	30,000	-	-	-	30,000		33.600	30 Mar. 2015
	2008	-	37,500	-	-	37,500		29.790	28 Mar. 2016
	Total	330,000	37,500	(60,000)	(22,500)	285,000			
Of which vested		240,000				187,500			
Performance shares	2005	8,000	-	-	(6,000)	2,000		29.050	
	2006	8,000	-	-	-	8,000		38.300	
	2007	8,000	-	-	-	8,000		33.600	
	2008	-	10,000	-	-	10,000		29.790	
	Total	24,000	10,000	-	(6,000)	28,000			
Of which vested ¹		-				2,000			
Jan Zuidam									
Stock options	2001	60,000	-	(60,000)	-	-	36.922	19.990	30 Mar. 2009
	2002	60,000	-	-	-	60,000		23.505	4 Apr. 2010
	2003	60,000	-	-	-	60,000		18.195	4 Apr. 2011
	2004	60,000	-	-	-	60,000		17.895	2 Apr. 2012
	2005	30,000	-	-	(22,500)	7,500		29.050	8 Apr. 2013
	2006	30,000	-	-	-	30,000		38.300	31 Mar. 2014
	2007	30,000	-	-	-	30,000		33.600	30 Mar. 2015
	2008	-	30,000	-	-	30,000		29.790	28 Mar. 2016
	Total	330,000	30,000	(60,000)	(22,500)	227,500			
Of which vested		240,000				187,500			
Performance shares	2005	8,000	-	-	(6,000)	2,000		29.050	
	2006	8,000	-	-	-	8,000		38.300	
	2007	8,000	-	-	-	8,000		33.600	
	2008	-	8,000	-	-	8,000		29.790	
	Total	24,000	8,000	-	(6,000)	26,000			
Of which vested ¹		-				2,000			

¹ In line with the Dutch corporate governance code, participants will retain any vested performance shares for a period of five consecutive years or to such moment employment is terminated.

Financial statements

Financial statements of Royal DSM N.V.

	Year of issue	Outstanding on 31 Dec. 2007	In 2008			Outstanding on 31 Dec. 2008	Exercise price (€)	Expiry date
			Granted	Exercised	Forfeited/ expired			
Nico Gerardu								
Stock options	2002	36,000	-	-	-	36,000	23.505	4 Apr. 2010
	2003	36,000	-	-	-	36,000	18.195	4 Apr. 2011
	2004	36,000	-	-	-	36,000	17.895	2 Apr. 2012
	2005	36,000	-	-	(18,000)	18,000	29.050	8 Apr. 2013
	2006	30,000	-	-	-	30,000	38.300	31 Mar. 2014
	2007	30,000	-	-	-	30,000	33.600	30 Mar. 2015
	2008	-	30,000	-	-	30,000	29.790	28 Mar. 2016
	Total	204,000	30,000	-	(18,000)	216,000		
Of which vested		108,000				126,000		
Performance shares	2006	8,000	-	-	-	8,000	38.300	
	2007	8,000	-	-	-	8,000	33.600	
	2008	-	8,000	-	-	8,000	29.790	
	Total	16,000	8,000	-	-	24,000		
Of which vested		-				-		
Rolf-Dieter Schwalb								
Stock options	2007	30,000	-	-	-	30,000	33.600	30 Mar. 2015
	2008	-	30,000	-	-	30,000	29.790	28 Mar. 2016
	Total	30,000	30,000	-	-	60,000		
Of which vested		-				-		
Performance shares	2007	8,000	-	-	-	8,000	33.600	
	2008	-	8,000	-	-	8,000	29.790	
	Total	8,000	8,000	-	-	16,000		
Of which vested		-				-		
Stephan Tanda								
Stock options	2007	30,000	-	-	-	30,000	33.600	30 Mar. 2015
	2008	-	30,000	-	-	30,000	29.790	28 Mar. 2016
	Total	30,000	30,000	-	-	60,000		
Of which vested		-				-		
Performance shares	2007	8,000	-	-	-	8,000	33.600	
	2008	-	8,000	-	-	8,000	29.790	
	Total	8,000	8,000	-	-	16,000		
Of which vested		-				-		

Shares

In addition to the performance shares granted under the DSM Stock Incentive Plan, the members of the Managing Board have themselves invested in DSM shares. At year-end 2008 the members of the Managing Board together held 23,027 shares (year-end 2007: 12,050) 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 (2007: €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	
				2008	2007
Cor Herkströter, chairman	50,000	7,500	3,499	60,999	61,991
Henk Bodt, deputy chairman till 26 March 2008	8,750	1,875	312	10,937	45,741
Ewald Kist, deputy chairman as from 26 March 2008	35,000	5,000	3,499	43,499	43,241
Louise Gunning-Schepers as from 26 March 2008	26,250	-	2,624	28,874	-
Pierre Hochuli	35,000	3,750	1,250	40,000	36,250
Okko Müller	-	-	-	-	10,313
Claudio Sonder	35,000	5,000	1,250	41,250	40,000
Tom de Swaan	35,000	6,875	3,499	45,374	43,241
Cees van Woudenberg	35,000	5,000	3,499	43,499	41,748
Total	260,000	35,000	19,432	314,432	
Total 2007	268,750	36,250	17,525	-	322,525

At year-end 2008 the members of the Supervisory Board held no shares (2007: 6,084 shares) in Royal DSM N.V.

Heerlen, 16 February 2009

Heerlen, 17 February 2009

MANAGING BOARD,

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

SUPERVISORY BOARD,

Cor Herkströter
Ewald Kist
Louise Gunning-Schepers
Pierre Hochuli
Claudio Sonder
Tom de Swaan
Cees van Woudenberg