

DSM Press Release

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2 May 2001

DSM Q1 2001 operating profit of EUR 159 million clearly surpasses Q4 2000 level (+21%)

- *Continued profit growth in Life Science Products and Performance Materials clusters*
- *Net profit up 28% on Q1 2000 as a result of sale of DSM Engineering Plastic Products*
- *Sales up 8% from Q1 2000*
- *Forecast for Q2 2001: operating profit around Q1 level*

<i>EUR million</i>	first quarter		
	2001	2000	+/-
Net sales	2,125	1,970	+8%
Operating profit plus depreciation & amortization (EBITDA)	289	311	-7%
Operating profit before amortization of goodwill (EBITA)	166	199	-17%
- Life Science Products	58	48	+21%
- Performance Materials	36	35	+3%
- Polymers & Industrial Chemicals	45	97	-54%
- Other activities	27	19	+42%
Operating profit (EBIT)	159	199	-20%
Profit on ordinary activities after taxation	106	137	-23%
Extraordinary profit after taxation	70	-	-
Net profit	177	138	+28%
Per ordinary share in EUR:			
- profit on ordinary activities after taxation	1.05	1.37	-23%
- same as above, before amortization of goodwill	1.12	1.37	-18%
- net earnings	1.79	1.37	+31%
Average number of ordinary shares (x million)	96.0	97.0	

The financial information set out in this quarterly report has not been audited.

DSM Q1 2001 operating profit of EUR 159 million clearly surpasses Q4 2000 level (+21%)

General

DSM posted an operating profit of EUR 159 million in the first quarter of 2001, up 21% on the fourth quarter of 2000 but down 20% on Q1 2000. At EUR 1.79, net earnings per ordinary share were up 31% on Q1 2000 due to the sale of DSM Engineering Plastic Products.

Commenting on the results, DSM Managing Board chairman Peter Elverding said: *“In line with the forecast we issued at the beginning of February, our operating profit in the first quarter of 2001 was higher – in fact substantially higher – than in the fourth quarter of 2000, even though economic growth, especially in the United States and Asia, increasingly showed signs of faltering.*

“I expect our operating profit for the second quarter to be at about the same level as in the first quarter, unless market conditions take an unexpected, drastic turn for the worse.”

Net sales

<i>EUR million</i>	First quarter	
	2001	2000
Life Science Products	555	479
Performance Materials	495	523
Polymers & Industrial Chemicals	957	928
Other activities	118	40
Total	2,125	1,970

Net sales in the first quarter of 2001 amounted to EUR 2.1 billion, matching DSM's highest-ever quarterly sales. Sales were up 8% compared with Q1 2000; 2% of this was due to a change in DSM's consolidation rules, as a result of which all major joint ventures are proportionately consolidated from 2001 onwards. Acquisitions and divestments on balance resulted in a 1% increase in sales. Exchange rate developments accounted for a similar increase. Autonomous volume growth amounted to 1% on balance. Selling prices were up 3% on average, partly as a result of the high dollar exchange rate and an oil-price-related increase in raw material prices. The prices of elastomers, melamine and fertilizers in particular were up; polyethylene prices were lower than in Q1 2000.

Operating profit

The operating profit for the first quarter (after amortization of goodwill, amounting to EUR 7 million) was EUR 159 million. This represents a 20% decrease compared with the first quarter of 2000. The decrease was due to lower margins (selling prices minus variable costs), in particular for polymers and fibre intermediates. Higher margins were recorded for fine chemicals, hydrocarbons, melamine and fertilizers.

Review by cluster

Life Science Products

<i>EUR million</i>	First quarter	
	2001	2000
Net sales including intra-Group supplies	576	502
Operating profit plus depreciation and amortization	94	77
Operating profit	58	48

Sales were up 15% on Q1 2000 as a result of the acquisition of Catalytica Pharmaceuticals and slightly higher selling prices in all business groups, although DSM Fine Chemicals saw its sales volumes decrease slightly. The operating profit increased by 21%. DSM Anti-Infectives and DSM Food Specialties recorded higher profits. At DSM Anti-Infectives the profit increase was due to the lower fixed costs resulting from the restructuring programme and the high dollar exchange rate. DSM Food Specialties recorded higher sales volumes and margins. DSM Bakery Ingredients posted lower profits due to an increase in the price of molasses, a raw material. Catalytica Pharmaceuticals' contribution to the operating profit is developing in line with expectations.

Performance Materials

<i>EUR million</i>	first quarter	
	2001	2000
Net sales including intra-Group supplies	511	533
Operating profit plus depreciation and amortization	58	59
Operating profit	36	35

Q1 sales in this cluster were 4% lower than in Q1 2000. The sales figure adjusted for the divestment of DSM Engineering Plastic Products (1 January 2001) and the Compounds business of DSM Composite Resins (first half of 2000) increased by 9% due to autonomous volume growth, higher selling prices and a high dollar exchange rate. The cluster's autonomous volume growth was attributable to higher sales volumes for all business groups, except DSM Composite Resins. At all business groups, margins were under pressure from an increase in raw material prices. Like the adjusted sales figure, the adjusted operating profit, too, increased substantially. DSM High Performance Fibers and DSM Desotech in particular showed an excellent performance.

Polymers & Industrial Chemicals

<i>EUR million</i>	first quarter	
	2001	2000
Net sales including intra-Group supplies	1,052	1,002
Operating profit plus depreciation and amortization	94	143
Operating profit	45	97

This cluster's sales increased by 5% compared with Q1 2000 because prices were higher (except for polyethylene). Polyethylene and polypropylene sales volumes increased. Caprolactam sales volumes were lower than in Q1 2000 as prices and volumes were under pressure in the USA and Asia. Fertilizer sales volumes, too, were lower than in Q1 2000, because of unfavourable weather conditions. The operating profit for the cluster as a whole was substantially lower, mainly because of a strong decrease in the result for fibre intermediates and on balance lower margins for the petrochemical businesses. The operating profits for fertilizers and melamine improved due to higher margins.

The profit for the cluster as a whole showed a substantial improvement compared with Q4 2000.

Other activities

<i>EUR million</i>	first quarter	
	2001	2000
Net sales including intra-Group supplies	120	40
Operating profit plus depreciation and amortization	43	32
Operating profit	27	19

Sales were up for a number of reasons. In the first place, the ABS tolling business was transferred from Polymers & Industrial Chemicals to Other Activities. Secondly, in line with DSM's new consolidation policy, the Noordgastransport joint venture is no longer accounted for under non-consolidated companies but under Other activities. Thirdly, DSM Energy was able to increase its selling prices. The operating profit for the cluster increased due to the higher contribution from DSM Energy.

Net profit

The *balance of financial income and expense* amounted to an interest expense of EUR 28 million, which is EUR 9 million higher than in Q1 2000. The increase was due mainly to an increase in interest expenses relating to the financing of the acquisition of Catalytica Pharmaceuticals.

At 25%, the *effective tax rate* in Q1 2001 was lower than in Q1 2000 (27%). The decrease was due to the fact that the operating profit included a larger proportion of tax-exempt income and income taxed at a relatively low rate.

The *extraordinary profit* included the book profit on the sale of DSM Engineering Plastic Products. In addition, it included a number of extraordinary expenses relating to the writing down of businesses and assets and the costs of restructuring measures.

Compared with Q1 2000, DSM's *net profit* increased by EUR 39 million (28%) and stood at EUR 177 million.

Cash flow, capital expenditure and financing

The cash flow from operating activities exceeded the level of capital expenditure, as appears from the summary statement of cash flows at the end of this report.

In Q1 2001 the cash flow (net profit plus depreciation and amortization) amounted to EUR 307 million, EUR 57 million more than in Q1 2000. At EUR 99 million, investments were below the Q1 2000 level (EUR 139 million) as a result of the completion of a number of major projects last year, such as the polyethylene plant in Gelsenkirchen (Germany).

Balance sheet

The financial data of Catalytica Pharmaceuticals, whose acquisition was completed at the end of 2000, have been consolidated from the financial year 2001 onwards. In the balance sheet as at year-end 2000, the takeover sum of EUR 883 million was accounted for under Financial fixed assets in its entirety. The consolidation of this company led to major changes in the balance sheet in the first quarter. Of the increase in the balance sheet item Intangible fixed assets, EUR 553 million relates to goodwill arising on the acquisition of Catalytica Pharmaceuticals.

Outlook for 2001

Economic growth was clearly slowing down in the first quarter, especially in the USA but also in Asia. It is highly uncertain how long this slowdown will last. It is also not clear to what extent developments in the USA will affect economic growth in Europe and Asia. As a consequence, there is considerable uncertainty with regard to the development of prices for our principal raw materials and the development of the exchange rate between the euro and the US dollar.

The uncertainties mentioned above will primarily impact profit levels in the Polymers & Industrial Chemicals cluster. However, the Life Science Products and Performance Materials clusters, which are increasingly generating their sales in the USA and Asia, will not remain unaffected by these factors. Nevertheless, barring a further substantial deterioration of market conditions, DSM expects both sales and profits in these two clusters to be higher than in 2000.

All things considered, DSM expects the operating profit for the second quarter to be at about the same level as in the first quarter.

In view of the uncertainties indicated above, the Managing Board has decided not to make a forecast of DSM's results for the whole of 2001.

Heerlen, 2 May 2001
The Managing Board of Directors

Important dates

Publication of Q2 report
Publication of Q3 report
Annual Report for 2001
Annual General Meeting

26 July 2001
25 October 2001
14 February 2002*
27 March 2002

* Yet to be confirmed

For more information

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Consolidated statement of income

<i>EUR million</i>	first quarter	
	2001	2000
Net sales	2,125	1,970
operating profit plus depreciation and amortization (EBITDA)	289	311
operating profit before amortization of goodwill (EBITA)	166	199
amortization of goodwill	-7	-
operating profit (EBIT)	159	199
balance of financial income and expense	-28	-19
profit on ordinary activities before taxation	131	180
tax on profit on ordinary activities	-33	-49
profits of non-consolidated companies	8	6
profit on ordinary activities after taxation	106	137
extraordinary profit after taxation	70	-
group profit after taxation	176	137
minority interests' share in profit	1	1
net profit	177	138
net profit	177	138
dividend on cumulative preference shares	-6	-6
net profit available to holders of ordinary shares	171	132
cash flow	307	250
depreciation & amortization	130	112
capital expenditure	99	139
per ordinary share in EUR:		
- profit on ordinary activities after taxation	1.05	1.37
- same as above, before amortization of goodwill	1.12	1.37
- net earnings	1.79	1.37
- cash flow	3.14	2.53
average number of ordinary shares (x million)	96.0	97.0
number of ordinary shares at end of quarter (x million)	96.0	95.9
workforce	22,475	*21,758
of which in The Netherlands	10,629	*10,662

* year-end 2000

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Consolidated balance sheet

<i>EUR million</i>	end of March 2001	year-end 2000
fixed assets		
intangible fixed assets	654	75
tangible fixed assets	3,515	3,130
financial fixed assets	355	1,326
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	4,524	4,531
current assets		
inventories	1,366	1,224
receivables	2,069	1,888
cash	256	204
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	3,691	3,316
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Total	8,215	7,847
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<i>EUR million</i>	end of March 2001	year-end 2000
group equity		
shareholders' equity	3,088	3,040
minority interests	63	30
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	3,151	3,070
equalization account	32	27
provisions	989	857
long-term liabilities	1,564	1,482
current liabilities		
- interest-bearing	665	870
- non-interest-bearing	1,814	1,541
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	2,479	2,411
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Total	8,215	7,847
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capital employed	5,790	4,776
net debt	1,973	2,148
group equity / balance sheet total	0.38	0.39
net debt / group equity	0.63	0.70

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Statement of cash flows

<i>EUR million</i>	first quarter	
	2001	2000
<i>Cash at beginning of period</i>	204	159
<i>Operating activities:</i>		
- cash flow	307	250
- change in operating capital	-82	-107
- other changes	-89	41
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Cash flow generated by operating activities	136	184
<i>Investment activities:</i>		
- investments and capital contributions	-99	-149
- divestments	202	10
- other changes	28	5
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Cash flow used for investing activities	131	-134
Dividend paid	-	-
Cash flow generated by operating activities	-215	63
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<i>Cash at end of period</i>	256	272

Statement of changes in Shareholders' equity

<i>EUR million</i>	first quarter	
	2001	2000
<i>Shareholders' equity at beginning of period</i>	3,040	2,620
<i>Changes:</i>		
- net profit	177	138
- dividend on ordinary shares	-119	-102
- dividend on cumprefs	-15	-11
- exchange rate differences in valuation of participations	4	39
- repurchased shares	-	-47
- other	1	1
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<i>Shareholders' equity at end of period</i>	3,088	2,638

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