DSM Press Release

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DSM

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Solid increase in sales and profits in first quarter

- *Sales up 11% from Q1 2005.*
- *Operating profit from continuing operations 13% higher than in Q1 2005.*
- *Net profit up 23% to EUR 161 million.*
- *Strong autonomous volume growth (+10%) in Performance Materials.*
- *Q2 2006 operating profit expected to be clearly (approx. 5-10%) above Q2 2005 (EUR 210 million).*

in EUR million	first quarter		
	2006	2005	+/-
Continuing operations:			
Net sales	2,061	1,851	11%
Operating profit plus depreciation & amortization (EBITDA)	314	299	5%
Operating profit (EBIT)	206	182	13%
- Nutrition	82	78	5%
- Pharma	15	8	88%
- Performance Materials	84	67	25%
- Industrial Chemicals	40	43	-7%
- Other activities	-15	-14	
Discontinued / discontinuing operations			
Net sales	7	133	
Operating profit plus depreciation & amortization (EBITDA)	-1	11	
Operating profit (EBIT)	-1	6	
Total DSM:			
Net sales	2,068	1,984	4%
Operating profit (EBIT)	205	188	9%
Net profit excluding exceptional items	140	131	7%
Net result from exceptional items	21	-	
Net profit	161	131	23%
Per ordinary share in EUR:			
- net earnings excluding exceptional items	0.72	0.66	9%
- net earnings	0.83	0.66	26%
Average number of ordinary shares outstanding (x million)	191.1	191.7	-0%

In this report, 'operating profit' (plus depreciation and amortization) is understood to be operating profit (plus depreciation and amortization) excluding exceptional items. 'Net profit' is the net profit attributable to equity holders of Royal DSM N.V.

In this report, 'continuing operations' refers to the DSM operations excluding DSM Bakery Ingredients, the SBR business, DSM Minera and Holland Sweetener Company.

This report is based on the new clustering of activities. The 2005 quarterly figures according to the new clustering of activities are given in the Annex.

Solid increase in sales and profits in first quarter

General
At EUR 206 million, the *Operating profit from continuing operations* was EUR 24 million higher than in the first quarter of 2005. *Net profit excluding exceptional items* amounted to EUR 140 million, up 7% from the first quarter of 2005. *Net profit* amounted to EUR 161 million, up 23% from Q1 2005 (EUR 131 million). The net profit includes a positive amount (EUR 21 million) from exceptional items, which is the balance of the profit on the sale of DSM Minera (Chile) and the cost of the termination of the aspartame activities.

Peter Elverding, chairman of the DSM Managing Board, made the following comment on the results: "*The start to the year 2006 has been excellent, even better than in the record year 2005. The Performance Materials cluster in particular is performing very well, with growth figures that are considerably higher than general economic growth.*

"As part of our new corporate strategy Vision 2010 – Building on Strengths we have made a successful start on additional efforts in the field of market-driven innovation. We have high expectations for these programs; obviously, the costs will exceed the revenues for the time being.

"The prospects for our markets for this year continue to be good, although there are still economic and monetary uncertainties. I remain confident about the year as a whole and I expect that our second-quarter operating profit will also be clearly above last year's."

Net sales

in EUR million	**first quarter**	
	2006	**2005**
Nutrition	613	573
Pharma	237	205
Performance Materials	680	564
Industrial Chemicals	427	409
Other activities	104	100
Total, continuing operations	2,061	1,851
Discontinued / discontinuing operations	7	133
Total	2,068	1,984

Net sales from continuing operations in Q1 2006 increased by more than 11% compared with Q1 2005. Sales volumes increased by 4%. Selling prices were up 3% on average. Exchange rate developments, in particular the higher exchange rate for the US dollar, had a positive effect of 3% on sales. Acquisitions contributed 1%.

Operating profit
The operating profit from continuing operations amounted to EUR 206 million in the first quarter, which represents a 13% increase compared with the first quarter of 2005. Higher sales volumes, higher selling prices and lower fixed costs more than compensated for the increase in raw material costs. The largest increase in operating profit was recorded in the Performance Materials cluster.

Business review by cluster

Nutrition

in EUR million	first quarter 2006	first quarter 2005
Net sales including intra-Group supplies	626	594
Operating profit plus depreciation and amortization	119	115
Operating profit	82	78

Sales in this cluster grew by 5% due to the combined effect of higher sales volumes and the higher exchange rate for the US dollar.

DSM Nutritional Products saw its sales volumes in both Human Nutrition & Health (HNH) and Animal Nutrition & Health (ANH) grow compared to Q1 2005, which provided ample compensation for the slightly lower prices for some products. Although the effect of avian flu on ANH sales volumes was once again limited in this quarter, it remains an important risk factor. DSM Nutritional Products saw its operating profit improve slightly as a result of lower fixed costs and an improvement of its product mix. Sales at DSM Food Specialties remained at virtually the same level. The effects of the planned phasing-out of the feed-enzymes tolling activities that is taking place this year began to become visible. The business group nevertheless managed to improve its operating profit thanks to savings on fixed costs.

Pharma

in EUR million	first quarter 2006	first quarter 2005
Net sales including intra-Group supplies	247	217
Operating profit plus depreciation and amortization	36	30
Operating profit	15	8

Sales were up 14% due to higher volumes, slightly increased prices and the stronger US dollar.

The operating profit was substantially higher due to a clear increase in sales volumes at DSM Anti-Infectives and a lower level of fixed costs thanks to the successful implementation of restructuring projects. DSM Anti-Infectives saw its operating result improve considerably, as expected, and was close to break-even.

Performance Materials

in EUR million	first quarter 2006	first quarter 2005
Net sales including intra-Group supplies	682	568
Operating profit plus depreciation and amortization	108	93
Operating profit	84	67

Sales were up 20% due to a 10% increase in sales volumes, higher selling prices, the higher exchange rate for the US dollar and the contribution from DSM NeoResins (which contributed for only two months in Q1 2005).

The operating profit for the cluster rose substantially (25%) due to higher sales volumes and higher margins. DSM Engineering Plastics and DSM Resins in particular contributed to this performance. DSM Dyneema's operating profit remained at a high level in the run-up to capacity expansions in the second half of the year.

Industrial Chemicals

in EUR million	first quarter 2006	first quarter 2005
Net sales including intra-Group supplies	490	458
Operating profit plus depreciation and amortization	57	64
Operating profit	40	43

Sales for this cluster were up 7% from Q1 2005, mainly due to higher prices and the stronger US dollar. DSM Fibre Intermediates posted a slightly higher operating profit than in Q1 2005. DSM Melamine's results came under further pressure and were negative. DSM Agro recorded a lower operating profit due to a shift in the sales volume pattern resulting from the very late start of the fertilizer spreading season, which in turn was due to prolonged winter conditions. High energy prices were responsible for a higher profit at DSM Energy.

Other activities

in EUR million	first quarter 2006	first quarter 2005
Net sales including intra-Group supplies	107	103
Operating profit plus depreciation and amortization	-6	-3
Operating profit	-15	-14

The operating profit for Other activities was virtually unchanged from Q1 2005. Noordgastransport and the service organizations in particular saw their results improve, but this was offset by the higher costs of share-based compensation due to the strong increase (11%) in the price of the DSM share in the first quarter of 2006.

Net profit
The *Net profit* increased relative to Q1 2005, from EUR 131 million to EUR 161 million (23%), because of the higher operating profit and the exceptional items.

Net finance costs amounted to EUR 19 million in Q1 2006. This is in line with the previous few quarters.

At 25%, the *effective tax rate* in Q1 2006 was slightly lower than in Q1 2005 (26%).

The *Net profit excluding exceptional items* amounted to EUR 140 million, which is EUR 9 million (7%) higher than in the first quarter of 2005.

The *Exceptional items* related to, on the one hand, the sale of DSM Minera, yielding a book profit of EUR 31 million after taxation, and on the other hand the cost of the proposed termination of the aspartame business, amounting to EUR 10 million after taxation.

Net earnings per ordinary share increased by 26%. The increase was favorably influenced by a reduction in the dividend on Class A cumulative preference shares from EUR 16 million to EUR 10 million per annum. This was a consequence of the contractual revision of the dividend percentage for the next ten years.

Cash flow, capital expenditure and financing
The cash flow (net profit plus amortization and depreciation) in the first quarter of 2006 amounted to EUR 271 million, up EUR 18 million from Q1 2005. At EUR 75 million, capital expenditure (excluding acquisitions) was below the level of amortization and depreciation (EUR 110 million), but above the level of Q1 2005 (EUR 56 million). The working capital increased compared to year-end 2005. This was due mainly to a one-off increase in inventories (especially at DSM Agro, due to the late start of the fertilizer spreading season) and the seasonal increase in working capital following the low level of activity at the end of the year.

Net debt decreased by EUR 76 million to EUR 756 million in Q1 2006.

Workforce
New consolidations in China and the sale of DSM Minera added on balance 40 employees to the workforce. Since restructuring operations and attrition resulted in a decrease of 87, the workforce decreased on balance by 47.

Outlook
The generally good conditions in DSM's markets are expected to continue in the next few quarters. A particularly favorable circumstance is the fact that economic growth is now picking up in Europe as well. DSM continues to be positive about the prospects for the full year 2006.

The main risks are the development of the US dollar exchange rate and the (volatility in) raw material prices.

Against this background, DSM expects its results from continuing operations for the second quarter of 2006 to show a clear (approx. 5-10%) improvement on the strong results of Q2 2005 (EUR 210 million).

Heerlen, 28 April 2006

The Managing Board

Important dates:

Publication of second-quarter results:	Thursday, 27 July 2006
Publication of third-quarter results:	Thursday, 26 October 2006
Annual Report 2006:	Wednesday,14 February 2007
Annual General Meeting:	Wednesday, 28 March 2007

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Forward-looking statements

Condensed consolidated statement of income

first quarter 2006 excl. exceptional items	first quarter 2006 exceptional items	first quarter 2006 total	*in EUR million*	first quarter 2005 excl. exceptional items	first quarter 2005 exceptional items	first quarter 2005 total
2,068	-	2,068	net sales	1,984	-	1,984
313	20	333	operating profit plus depreciation and amortization (EBITDA)	310	-	310
205	18	223	operating profit (EBIT)	188	-	188
1	-	1	minus discontinued / discontinuing operations	-6	-	-6
206	18	224	operating profit from continuing operations	182	-	182
-19	-	-19	net finance costs	-12	-	-12
0	-	0	profit from associates	1	-	1
187	18	205	result before taxation	171	-	171
-46	3	-43	taxation	-44	-	-44
141	21	162	net profit from continuing operations	127	-	127
0	-	0	net profit from discontinued / discontinuing operations	2	-	2
141	21	162	profit for the quarter	129	-	129
-1	-	-1	minority interests	2	-	2
140	21	161	net profit	131	-	131
140	21	161	net profit	131	-	131
-3	-	-3	dividend on cumulative preference shares	-4	-	-4
137	21	158	net profit used for calculating earnings per share	127	-	127
248	23	271	cash flow	253	-	253
108	2	110	depreciation and amortization	122	-	122
		73	capital expenditure			56
		-	acquisitions			520
			per ordinary share in EUR*:			
0.72		0.83	- net earnings	0.66		0.66
1.28		1.40	- cash flow	1.30		1.30
		191.1	average number of ordinary shares outstanding (x million)			191.7
		190.9	number of ordinary shares outstanding, end of period (x million)			191.3
		21,773	workforce at end of period			**21,820
		7,221	of which in the Netherlands			**7,258

* After deduction of dividend on cumulative preference shares.
** Year-end 2005.

This quarterly report has not been audited.

Consolidated balance sheet

in EUR million		**31 March 2006**		**year-end 2005**
intangible assets	1,004		1,003	
tangible assets	3,675		3,750	
deferred tax assets	508		517	
associates	33		43	
pre-paid pension costs	420		405	
other financial assets	194		189	
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total non-current assets		5,834		5,907
inventories	1,590		1,535	
receivables	1,705		1,597	
financial derivatives	55		36	
current investments	7		5	
cash and cash equivalents	983		902	
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total current assets		4,340		4,075
assets held for sale		-		43
		---------		---------
total assets		10,174		10,025

in EUR million		**31 March 2006**		**year-end 2005**
shareholders' equity	5,472		5,474	
minority interests	70		67	
	---------		---------	
equity		5,542		5,541
deferred tax liabilities	204		198	
pension liabilities	355		363	
provisions	159		145	
borrowings	1,358		1,381	
other non-current liabilities	54		53	
	---------		---------	
total non-current liabilities		2,130		2,140
pension liabilities	32		25	
provisions	179		218	
borrowings	388		329	
financial derivatives	55		65	
other current liabilities	1,848		1,699	
	---------		---------	
total current liabilities		2,502		2,336
liabilities held for sale		-		8
		---------		---------
total liabilities		10,174		10,025
capital employed		6,126		6,221
equity / total assets		0.54		0.55
net debt		756		832
net debt / equity plus net debt		0.12		0.13

This quarterly report has not been audited.

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Condensed statement of cash flows

in EUR million	first quarter 2006		2005	
cash and cash equivalents at beginning of period		902		1,261
operating activities:				
- net profit plus depreciation and amortization	271		253	
- change in working capital	-193		-184	
- other changes	-55		-66	
	---------		---------	
cash flow from operating activities		23		3
investing activities:				
- capital expenditure	-75		-56	
- acquisitions	-		-520	
- sale of subsidiaries	74		-	
- divestments	-		4	
- other changes	6		-4	
	---------		---------	
net cash from investing activities		5		-576
dividend		-		-
net cash from financing activities		60		-5
effects of changes in consolidation and exchange differences		-7		-
		---------		---------
cash and cash equivalents at end of period		983		683

Condensed statement of changes in shareholders' equity

in EUR million	first quarter 2006	2005
shareholders' equity at beginning of period	5,474	4,835
changes:		
- net profit	161	131
- dividend	-146	-
- exchange differences	-24	47
- repurchased shares	-33	-75
- repurchased shares used in servicing option rights	19	40
- reclassification of class A cumprefs	-	233
- change in hedging reserve	16	-3
- other	5	-3
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shareholders' equity at end of period	5,472	5,205

This quarterly report has not been audited.

Annex

In the framework of Vision 2010 DSM has decided to slightly modify the clustering of businesses as from the start of 2006. The main changes relate to the activities that were previously included in the Life Science Products cluster.

The continuing nutrition-related operations of the former Life Science Products cluster, viz. the DSM Food Specialties business group and some activities of the former DSM Fine Chemicals business group, have been grouped into a new **Nutrition** cluster together with DSM Nutritional Products. The pharma-related activities of the former Life Science Products cluster, viz. the DSM Anti-Infectives and DSM Pharmaceutical Products business groups, together with the activities relating to the custom manufacturing of active ingredients for the agrochemical industry of the former DSM Fine Chemicals business group, have been grouped into a new **Pharma** cluster. The composition of the **Performance Materials** and **Industrial Chemicals** clusters has remained unchanged.

To enable a meaningful comparison, the figures published in 2005 are presented on the next page in such a way as to reflect the new clustering of activities.

In this table, moreover, the figures relating to the activities that have been discontinued in the period since the beginning of last year (DSM Bakery Ingredients, the SBR business and DSM Minera, which have meanwhile been divested) have been separated from the rest, and the same holds for the figures relating to aspartame production and marketing. The latter activities will be discontinued later this year, as announced in March 2006.

2005 quarterly figures according to new clustering of activities

in EUR mln	Q1'05	Q2'05	Q3'05	Q4'05	2005
Nutrition					
Net sales incl intragroup supplies	594	615	615	634	2458
Net sales external	573	605	613	608	2399
EBITDA	115	127	134	111	487
EBIT	78	85	94	72	329
Pharma					
Net sales incl intragroup supplies	217	238	251	282	988
Net sales external	205	222	224	273	924
EBITDA	30	32	31	50	143
EBIT	8	9	8	16	41
Performance Materials					
Net sales incl intragroup supplies	568	633	616	642	2459
Net sales external	564	633	608	642	2447
EBITDA	93	102	114	101	410
EBIT	67	77	88	73	305
Industrial Chemicals					
Net sales incl intragroup supplies	458	484	454	503	1899
Net sales external	409	435	399	444	1687
EBITDA	64	76	59	47	246
EBIT	43	54	38	30	165
Other					
Net sales incl intragroup supplies	103	88	92	93	376
Net sales external	100	83	86	90	359
EBITDA	-3	-6	-2	3	-8
EBIT	-14	-15	-13	-11	-53
Total continuing operations					
Net sales	1851	1978	1930	2057	7816
EBITDA	299	331	336	312	1278
EBIT	182	210	215	180	787
Discontinued / discontinuing operations					
Net sales incl intragroup supplies	133	145	65	36	379
Net sales external	133	145	65	36	379
EBITDA	11	12	6	4	33
EBIT	6	7	5	3	21