

DSM Press Release

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Reasonable profit level for DSM in 2001 in spite of difficult economic conditions

- record net profit of EUR 1,415 million, mainly due to sale of EBN
- operating profit (EUR 521 million) under pressure from economic decline
- profit on ordinary activities after taxation: EUR 369 million (-35%); fourth quarter: EUR 56 million (-50%)
- profit on ordinary activities after taxation per ordinary share: EUR 3.61 (-37%)
- dividend unchanged: EUR 1.75 per ordinary share
- so far, business in the first quarter of 2002 seems to be developing in line with the fourth quarter of 2001.

fourth quarter			EUR million	year		
2001	2000	+/-		2001	2000	+/-
1,824	2,124	-14%	Net sales	7,970	8,090	-1%
213	251	-15%	Operating profit plus depreciation & amortization (EBITDA)	1,042	1,254	-17%
89	131	-32%	Operating profit before amortization of goodwill (EBITA)	550	751	-27%
53	49	+8%	- Life Science Products	221	192	+15%
9	34	-74%	- Performance Materials	103	144	-28%
17	35	-51%	- Polymers & Industrial Chemicals	134	337	-60%
10	13	-23%	- Other activities	92	78	+18%
82	131	-37%	Operating profit (EBIT)	521	751	-31%
56	111	-50%	Profit on ordinary activities after taxation	369	571	-35%
975	8		Extraordinary profit after taxation	1,045	10	
1,031	119	+766%	Net profit	1,415	580	+144%
Per ordinary share in EUR*:						
0.53	1.11	-52%	- profit on ordinary activities after taxation	3.61	5.71	-37%
0.61	1.11	-45%	- same as above, before amortization of goodwill	3.91	5.71	-32%
10.67	1.18	+804%	- net profit	14.50	5.80	+150%
96.1	96.0		Average number of ordinary shares (x million)	96.1	96.2	

* After deduction of dividend on cumulative preference shares.

Reasonable profit level for DSM in 2001 in spite of difficult economic conditions

General

DSM's net profit for the **fourth quarter of 2001** was EUR 1,031 million, compared with EUR 119 million in the fourth quarter of 2000. This increase is mainly attributable to the sale of the depositary receipts of Energie Beheer Nederland.

DSM posted a profit on ordinary activities after taxation of EUR 56 million for the fourth quarter of 2001. This is 50% lower than the profit for the fourth quarter of 2000, which was EUR 111 million.

For **the full year 2001**, DSM's net profit was EUR 1,415 million, an increase of 144% compared with 2000 (EUR 580 million). This increase mainly related to book profits on the sale of Energie Beheer Nederland and DSM Engineering Plastic Products. DSM's profit on ordinary activities after taxation was EUR 369 million, down 35% on 2000 (EUR 571 million). The profit on ordinary activities after taxation per ordinary share amounted to EUR 3.61, which is 37% lower than in 2000 (EUR 5.71).

Commenting on the results, DSM Managing Board chairman Peter Elverding said: *"In 2001 we posted a record net profit of EUR 1,415 million, and this has given us a very strong financial base for implementing our strategy Vision 2005: Focus and Value. On the other hand, the profit on ordinary activities was unsatisfactory, but this is hardly surprising against the background of an unfavourable economic climate and tough market conditions. Considering these circumstances, the profit decline remained within reasonable limits."*

With regard to the outlook for 2002, Elverding was cautious: *"I do not expect the economy to bounce back in the first half of 2002. This means that sales volumes and margins in various end-use markets will continue to be under pressure. The situation will probably improve in the second half of 2002, although it is still unclear how the various economic and market-related factors will develop."*

"So far, business in the first quarter of 2002 seems to be developing in line with the fourth quarter of 2001."

Dividend

The proposed dividend per ordinary share for 2001 amounts to EUR 1.75, the same as in 2000. An interim dividend of EUR 0.58 per share having been paid in August 2001, the final dividend will amount to EUR 1.17 per ordinary share. The dividend will be paid out in cash.

Net sales

fourth quarter		<i>EUR million</i>	year	
2001	2000		2001	2000
575	447	Life Science Products	2,237	1,853
418	567	Performance Materials	1,855	2,188
722	1,059	Polymers & Industrial Chemicals	3,453	3,877
109	51	Other activities	425	172
1,824	2,124	Total	7,970	8,090

Net sales in the **fourth quarter of 2001** amounted to EUR 1.8 billion, a decrease of 14% compared with the fourth quarter of 2000. Net sales were negatively affected by lower selling prices (-8%), on average lower autonomous volumes (-9%) and exchange rate developments (-1%). These effects were only partially compensated for by the positive balance of acquisitions and divestments (+1%) and the effect of changes in the consolidation rules as of the financial year 2001 (+3%).

At EUR 8.0 billion, net sales for **the full year 2001** were on virtually the same level as in 2000. The positive contribution of the net effect of acquisitions and divestments (+1%), favourable exchange rate developments (+1%) and a change in consolidation rules as of the financial year 2001 (+2%) was offset by lower selling prices (-3%) and a decrease in sales volumes (-2%). Net sales decreased by 1%.

Operating profit

The operating profit for the **fourth quarter of 2001** was EUR 82 million, which is 37% lower than in the fourth quarter of 2000, when the operating profit amounted to EUR 131 million. This decrease was mainly the result of lower sales volumes.

At EUR 521 million, the operating profit for **the full year 2001** was EUR 230 million (-31%) lower than in 2000 (EUR 751 million). This decrease mainly had to do with lower margins and volumes. The return on average capital employed (ROI) amounted to 9.2% (2000: 16.4%).

Review by cluster

Life Science Products

fourth quarter		<i>EUR million</i>	year	
2001	2000		2001	2000
584	495	Net sales including intra-Group supplies	2,304	1,955
91	80	Operating profit plus depreciation and amortization	367	311
53	49	Operating profit	221	192

Sales of Life Science Products in the fourth quarter of 2001 were up 18% on the corresponding period in 2000 as a result of the consolidation of DSM Catalytica Pharmaceuticals and of DSM Biologics. Better margins, in particular for DSM Anti-Infectives and DSM Food Specialties, pushed the cluster's operating profit up 8%.

The Life Science Products cluster once again achieved a double-digit percentage increase in profits for the full year (15%), with sales showing an increase of 18%. The strong performance of DSM Food Specialties, the restructuring programme at DSM Anti-Infectives and the consolidation of DSM Catalytica Pharmaceuticals provided a structural basis for this result. The results of DSM Fine Chemicals, on the other hand, are temporarily under pressure because of a delay in the introduction of several pharmaceutical products at a number of units, including DSM Catalytica Pharmaceuticals, whose contribution was lower than expected. The exchange rate for the US dollar had a favourable effect.

Performance Materials

fourth quarter		<i>EUR million</i>	year	
2001	2000		2001	2000
436	556	Net sales including intra-Group supplies	1,935	2,204
31	60	Operating profit plus depreciation and amortization	195	244
9	34	Operating profit	103	144

In the Performance Materials cluster, sales in the fourth quarter of 2001 were down 22% on the fourth quarter of 2000 as a result of a decrease in sales volumes in all business groups, the sale of DSM Engineering Plastic Products and lower selling prices for DSM Engineering Plastics. Lower sales volumes depressed the cluster's operating profit.

Taking into account the sale of DSM Engineering Plastics Products (EUR 225 million in sales), Performance Materials' sales and profit for the full year 2001 were almost at the level of 2000. However, in the second half of the year all the business groups in this cluster were confronted with a decrease in sales volumes and profits as a result of the economic downturn.

Polymers & Industrial Chemicals

fourth quarter		<i>EUR million</i>	year	
2001	2000		2001	2000
777	1,151	Net sales including intra-Group supplies	3,755	4,216
68	82	Operating profit plus depreciation and amortization	332	561
17	35	Operating profit	134	337

In the Polymers & Industrial Chemicals cluster, lower volumes and in particular lower prices pushed fourth-quarter sales down 32% compared with the fourth quarter of 2000. The operating profit was cut by half due to volume decreases at virtually all business groups.

In *Petrochemicals*, the shrinking of margins triggered in the second half of 2000 by the coming on stream of new cracker capacity and polyethylene production capacity worldwide continued through 2001, with the economic downturn contributing to the margin squeeze. The cluster's operating profit for 2001 was well below the 2000 level.

In *Industrial Chemicals*, the fibre intermediates business suffered from the extremely high gas prices in the USA in the first half of 2001. Moreover, the economic slowdown resulted in an imbalance between supply and demand. This led to a sharp drop in operating profit for Industrial Chemicals. DSM Fibre Intermediates in fact closed the financial year with a negative result; as against this, DSM Melamine succeeded in raising its profits.

Other activities

fourth quarter		<i>EUR million</i>	year	
2001	2000		2001	2000
113	52	Net sales including intra-Group supplies	442	174
23	29	Operating profit plus depreciation and amortization	148	138
10	13	Operating profit	92	78

Both sales and operating profit for 2001 increased, mainly as a result of the transfer of the ABS tolling business from the Polymers & Industrial Chemicals cluster to Other activities and the fact that, in line with DSM's new consolidation policy, the Noordgastransport joint venture is no longer accounted for under non-consolidated companies but under DSM Energy. Moreover, Other activities now also includes DSM Venturing & Business Development (excluding DSM High Performance Fibers).

Profit from non-consolidated companies

The profit from non-consolidated companies decreased from EUR 48 million in 2000 to EUR 14 million in 2001, mainly as a result of consolidations arising from a change in consolidation rules and lower results for Evergreen (carpet recycling) and Methanor.

Effective tax rate

At 16%, the effective tax rate was markedly lower than in 2000 (24%). 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.

Extraordinary profit (after taxation)

Extraordinary profit in the fourth quarter of 2001 amounted to EUR 1,113 million and related to book profits on the transfer of depositary receipts of Energie Beheer Nederland to the Dutch State. Extraordinary expenses in the fourth quarter amounted to EUR 138 million. These concerned provisions and impairments relating to restructuring measures aimed at optimizing asset utilization and reducing fixed costs, among other things a reduction in the number of sites, so that DSM will not only strengthen its market leadership positions but will also further improve its cost position.

The provisions were made for restructuring operations in fine chemicals, engineering plastics, elastomers and industrial chemicals, among others. These measures are expected to boost DSM's operational results by about EUR 50 million per year in about two years' time.

The extraordinary profit for the fourth quarter of 2001 was on balance EUR 975 million. For the full year 2001, the extraordinary profit was even higher (EUR 1,045 million) as a result of the sale of DSM Engineering Plastic Products.

Cash flow and capital expenditure

The cash flow (net profit plus depreciation and amortization) in the fourth quarter amounted to EUR 1,162 million, which is EUR 923 million more than in the fourth quarter of 2000. Capital expenditure amounted to EUR 253 million, a decrease of EUR 811 million compared with the fourth quarter of 2000, when the acquisition of Catalytica Pharmaceuticals was effected.

The cash flow for the full year 2001 amounted to EUR 1,936 million, 79% higher than in 2000. Capital expenditure amounted to EUR 652 million, which is EUR 852 million lower than the figure for 2000, which included the acquisition amount for Catalytica Pharmaceuticals.

Balance sheet

DSM's balance sheet at year-end 2001 amply meets the company's financial standards and thus provides an excellent basis for implementing DSM's *Vision 2005: Focus and Value* strategy. Group equity as a percentage of total assets increased from 39% at year-end 2000 to 50% at year-end 2001. Net debt decreased from EUR 2,148 million at year-end 2000 to EUR 867 million at year-end 2001. Net debt as a percentage of group equity decreased from 70% at year-end 2000 to 20% at year-end 2001.

Workforce

In 2001 the workforce showed an organic decrease of nearly 900. This decrease was partly offset by the net effect of changes in consolidation rules, acquisitions and divestments. On balance, the workforce decreased by 254.

Outlook

The macro-economic prospects for 2002 are uncertain. We expect that tax incentives and drastic cuts in the interest rates, supported by a favourable development of the oil prices, will revive consumer demand in the USA and Europe and increase the willingness of producers in these regions to make investments. A matter of concern is the upward trend in unemployment rates. So far there have been no signs of the weakening of the US dollar predicted by some analysts. This means that at least for the time being the European chemical industry will continue to benefit from the positive effect of the current exchange rate. Chemical industry production growth in the European Union and the USA is expected to increase slightly in 2002.

DSM does not expect the economy to bounce back in the first half of 2002. This means that sales volumes and margins in various end-use markets, such as the automotive, E&E, telecom, textile and packaging industries, will continue to be under pressure.

The situation will probably improve in the second half of 2002, although it is still unclear how the various economic and market-related factors will develop. Therefore, we are unable to make any statement for the full year 2002.

So far, business in the first quarter of 2002 seems to be developing in line with the fourth quarter of 2001.

The first-quarter results for Life Science Products will be below the level of the fourth quarter of 2001 because profits are still under pressure from the delayed introduction of a number of pharmaceutical products and aspartame margins are showing a strong decline. After the first quarter we expect to resume the year-on-year growth in this cluster.

The combined results of the Performance Materials and Polymers & Industrial Chemicals clusters and Other activities (after being adjusted for the profit of Energie Beheer Nederland) will be slightly better than in the fourth quarter of 2001, especially due to improvements in the Performance Materials cluster.

Heerlen, 14 February 2002
The Managing Board of Directors

Important dates:

Annual General Meeting:	Wednesday, 27 March 2002
Ex-dividend:	Tuesday, 2 April 2002
Publication of first-quarter results:	Friday, 26 April 2002
Publication of second-quarter results:	Thursday, 25 July 2002
Publication of third-quarter results:	Friday, 25 October 2002
Annual Report 2002:	Wednesday, 12 February 2003
Annual General Meeting:	Wednesday, 2 April 2003

The Annual Report (in MS Word) can be downloaded from the DSM website: www.dsm.com. The printed version will be available from 11 March.

Consolidated statement of income

fourth quarter		<i>EUR million</i>	year	
2001	2000		2001	2000
1,824	2,124	net sales	7,970	8,090
213	251	operating profit plus depreciation and amortization (EBITDA)	1,042	1,254
89	131	operating profit before amortization of goodwill (EBITA)	550	751
7	-	amortization of goodwill	29	-
82	131	operating profit (EBIT)	521	751
-19	-11	balance of financial income and expense	-97	-57
63	120	profit on ordinary activities before taxation	424	694
-5	-29	taxes on profit on ordinary activities	-69	-171
-2	20	profit from non-consolidated companies	14	48
56	111	profit on ordinary activities after taxation	369	571
975	8	extraordinary profit after taxation	1,045	10
1,031	119	group profit after taxation	1,414	581
0	0	minority interests' share in profit	1	-1
1,031	119	net profit	1,415	580
1,031	119	net profit	1,415	580
-5	-5	dividend on cumulative preference shares	-22	-22
1,026	114	net profit available to holders of ordinary shares	1,393	558
1,162	239	cash flow	1,936	1,083
131	120	depreciation and amortization	521	503
253	1,064	capital expenditure	652	1,504
0.53	1.11	per ordinary share in EUR*: profit on ordinary activities after taxation	3.61	5.71
0.61	1.11	- same as above, before amortization of goodwill	3.91	5.71
10.67	1.18	- net profit	14.50	5.80
12.04	2.43	- cash flow	19.92	11.03
96.1	96.0	average number of ordinary shares (x million)	96.1	96.2
96.1	96.0	number of ordinary shares, end of period (x million)	96.1	96.0
		workforce	21,504	**21,758
		of which in the Netherlands	10,285	10,662

* After deduction of dividend on cumulative preference shares.

** The overall workforce figure adjusted for the change in consolidation rules, the consolidation of DSM Catalytica Pharmaceuticals and the deconsolidation of DSM Engineering Plastic Products was 22,737.

Consolidated balance sheet

<i>EUR million</i>	year-end 2001	year-end 2000
fixed assets		
intangible fixed assets	594	75
tangible fixed assets	3,607	3,130
financial fixed assets	241	1,326
	-----	-----
	4,442	4,531
current assets		
inventories	1,171	1,224
receivables	1,814	1,888
cash	1,148	204
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	4,133	3,316
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Total	8,575	7,847
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<i>EUR million</i>	year-end 2001	year-end 2000
group equity		
shareholders' equity	4,239	3,040
minority interests' share	59	30
	-----	-----
	4,298	3,070
equalization account	30	27
provisions	809	857
long-term liabilities	1,533	1,482
current liabilities		
- interest-bearing	482	870
- non-interest-bearing	1,423	1,541
	-----	-----
	1,905	2,411
	-----	-----
Total	8,575	7,847
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capital employed	5,763	4,776
net debt	867	2,148
group equity / total assets	0.50	0.39
net debt / group equity	0.20	0.70

Statement of cash flows

<i>EUR million</i>	year	
	2001	2000
Cash at beginning of period	204	159
<i>Operating activities:</i>		
- cash flow (net profit plus amortization and depreciation)	1,936	1,083
- revenue from divestments	-1,229	-13
- change in working capital	-58	-60
- other changes	115	-127
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Net cash provided by operating activities	764	883
<i>Investing activities:</i>		
- capital expenditure	-652	-1,512
- divestments	1,465	34
- other changes	-9	-52
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Net cash provided by / used in investing activities	804	-1,530
Dividend paid	-197	-87
Net cash used in / provided by financing activities	-433	752
Effects of change in consolidation and exchange differences relating to cash held	6	27
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Cash at end of period	1,148	204

Statement of changes in Shareholders' equity

<i>EUR million</i>	year	
	2001	2000
Shareholders' equity at beginning of period	3,040	2,620
<i>Changes:</i>		
- net profit	1,415	580
- dividend	-212	-87
- exchange differences	3	82
- share buy-back	-	-119
- other	-7	-36
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Shareholders' equity at end of period	4,239	3,040