

# DSM Press Release

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## **DSM reports very strong start to 2010 in an improved business environment**

- Q1 operating profit from continuing operations € 196 million (versus € 44 million in Q1 2009 and € 149 million in Q4 2009)
- Organic sales growth from continuing operations +25% compared to Q1 2009
- Life Sciences continues to deliver robust results due to Nutrition
- Materials Sciences demonstrates further strong recovery
- Major step in transformation with the sale of DSM Agro and DSM Melamine
- Robust cash performance continues with € 137 million cash from operating activities
- 2010 is expected to be a good year for DSM

Commenting on the results, [Feike Sijbesma](#), Chairman of the DSM Managing Board, said: *"I am pleased to report that DSM has delivered a very strong start to 2010. Operating profit from our core businesses is not only up very strongly compared to Q1 2009, it has also returned to the level achieved in Q1 2008. This reflects the outstanding performance of our Nutrition business, a continuing strong recovery in our Materials Sciences businesses and cost savings initiatives taken last year which already deliver € 200 million on an annualized basis.*

*"Throughout the downturn, DSM has stayed the course - fully committed to our customers, innovation and sustainability. The announced sale of DSM Agro and DSM Melamine marks another important step in our transformation towards a Life Sciences and Materials Sciences company. Whilst uncertainties remain in the medium term economic outlook, the strong Q1 result and continued positive business conditions give us confidence that 2010 will be a good year for DSM."*

in € million	first quarter		
	2010	2009	+/-
<u>Continuing operations:</u>			
Net sales	2,088	1,690	24%
Operating profit before depreciation and amortization (EBITDA)	304	142	114%
<u>Operating profit (EBIT)</u>	196	44	345%
- Nutrition	138	141	-2%
- Pharma	1	11	-91%
- Performance Materials	43	-17	
- Polymer Intermediates	43	-30	
- Base Chemicals and Materials	18	-15	
- Other activities	-47	-46	
<u>Discontinued operations</u>			
Net sales	142	147	
Operating profit before depreciation and amortization (EBITDA)	31	25	
Operating profit (EBIT)	22	13	
<u>Total DSM:</u>			
<u>Net sales</u>	2,230	1,837	21%
<u>Operating profit (EBIT)</u>	218	57	282%
<u>Net profit before exceptional items</u>	144	25	476%
Net result from exceptional items	-14	-12	
<u>Net profit</u>	130	13	
<u>Net earnings per ordinary share in €:</u>			
- before exceptional items, continuing operations	0.77	0.07	
- including exceptional items, total DSM	0.78	0.06	

*In this report:*

- 'operating profit' (before depreciation and amortization) is understood to be operating profit (before depreciation and amortization) before exceptional items.
- 'net profit' is the net profit attributable to equity holders of Royal DSM N.V.
- 'continuing operations' refers to the DSM operations excluding DSM Energie Holding B.V., Stamicarbon B.V., DSM Agro and DSM Melamine.
- 'discontinued operations' comprise net sales and operating profit of DSM Energie Holding B.V up to and including Q3 2009, Stamicarbon B.V. up to and including Q4 2009, and DSM Agro and DSM Melamine up to and including Q1 2010.

## Overview

DSM had a very strong start to the year, which resulted in a significant improvement in operating profit, not only in comparison with the weak Q1 of 2009 but also in comparison with Q3 and Q4 of last year. DSM benefited from improved business conditions in most geographic areas and end markets.

The Nutrition cluster showed sustained good performance and the Materials Sciences businesses continued their recovery. The growth in emerging markets (especially China) continued to be strong and sales are currently higher than before the economic downturn. In Materials Sciences and Base Chemicals and Materials there are indications that in some businesses the strong demand is not fully aligned with the developments in the end markets, which would imply downstream re-stocking.

The operating profit of the core activities (continuing activities, excluding Base Chemicals and Materials) of € 178 million is back at the level of Q1 2008 (€ 176 million), which was one of the strongest first quarters in DSM's history.

The Nutrition cluster continued to show healthy volume growth at price levels that were comparable to the last quarters of 2009. The Pharma cluster faced lower volumes compared to Q4 2009.

The Materials Sciences businesses continued to recover, driven by strong growth in emerging economies and also supported by further improvement in demand in the automotive, electronics and textile markets.

The Base Chemicals and Materials cluster was significantly reduced in size reflecting the announced divestment of DSM Agro and DSM Melamine. At the end of Q1 these businesses were reclassified to assets held for sale and discontinued operations. The cluster currently contains DSM Elastomers (as the main activity), DSM Citric Acid, DSM Special Products, and the Maleic Anhydride (and derivatives) activity. These businesses benefited from the recovery of the markets with higher volumes at more or less stable price levels.

DSM's focus on cash continued. Working capital increased by € 153 million mainly driven by receivables. Adjusted for the effects of the sale of DSM Agro and DSM Melamine and considerable changes in currency exchange rates, the level of working capital as a % of sales was comparable to the level at the end of 2009. Last year's level was achieved after a substantial reduction during 2009. The strong financial position was maintained and net debt increased slightly to a level of € 871 million as a balance of a positive free cash flow and an increase because of a weaker euro. The cost saving program already delivered substantial benefits of € 200 million on an annualized basis.

## Net sales

<i>in € million</i>	first quarter					
	2010	2009	differ- ence	organic growth	exch. rates	other
Nutrition	732	707	4%	6%	-2%	
Pharma	186	197	-6%	-5%	-1%	
Performance Materials	557	395	41%	41%	-3%	3%
Polymer Intermediates	314	139	126%	135%	-9%	
Base Chemicals and Materials	196	142	38%	38%	0%	
Other activities	103	110				
Total, continuing operations	2,088	1,690	24%	25%	-2%	1%
Discontinued operations	142	147				
<b>Total</b>	<b>2,230</b>	<b>1,837</b>	<b>21%</b>	<b>26%</b>	<b>-3%</b>	<b>-2%</b>

Organic sales growth for continuing operations was +25% compared to Q1 2009. Roughly 35% of this € 400 million increase originated from China. With the exception of Pharma, all businesses delivered an increase. Nutrition is continuing its strong performance and although prices are below the top level of Q1 2009 they are at a similar level compared to recent quarters. In the Materials Sciences businesses and the non-core Base Chemicals and Materials cluster, net sales showed a strong increase in automotive, electronics and textile markets. DSM Dyneema achieved double digit growth and DSM Fibre Intermediates showed strong demand, especially in China, where the economy is growing very fast.

## Operating profit

Operating profit increased substantially, not only against the weak first quarter of last year but also compared to the previous quarter.

Nutrition profitability is at a very good level, which is a reflection of the successful strategy to focus on value via differentiation and innovation. The year-on-year improvement in operating profit was clearly driven by the Materials Sciences businesses, which benefited from a strong demand improvement. Despite strongly increasing raw material prices, margin management was successful in Materials Sciences, reflecting tight market conditions in some markets.

Cost control programs were successfully implemented in all clusters.

## Business review by cluster

### Nutrition

<i>in € million</i>	first quarter	
	2010	2009
Net sales	732	707
Operating profit before depreciation and amortization	171	174
Operating profit	138	141

The first quarter saw a continued strong performance of the Nutrition cluster with similar underlying dynamics in DSM Nutritional Products and DSM Food Specialties. The food and feed markets experienced a healthy growth compared to last year. Organic **sales** growth was +6% compared to Q1 2009, with growth in animal and human nutrition. While emerging economies such as China and Brazil are boosting sales growth, all geographies are performing well. Volumes remained stable and prices were robust compared to Q4 2009.

**Operating profit** remained strong, broadly in line with both Q1 2009 and Q4 2009, reflecting the resilience of this business. The main drivers were a solid volume development, strong pricing, a continued focus on value, a strong production performance and continued strong cost management. Compared with Q1 2009 this improvement was partly offset by negative exchange rate developments.

## Pharma

<i>in € million</i>	<b>first quarter</b>	
	2010	2009
Net sales	186	197
Operating profit before depreciation and amortization	15	25
Operating profit	1	11

In Q1 organic **sales** development in the Pharma cluster was -5%, which was mainly due to a lower sales value within DSM Anti-Infectives. The activity level at DSM Pharmaceutical Products remained low as a result of shifts in industry dynamics. Sales were stable compared to Q1 2009. Lower API sales due to the loss of some important products in 2009 were offset by the completion of the H1N1 vaccine shipments in Q1 2010.

The lower **operating profit** in the cluster was due to the lower sales level and an unfavorable product mix.

## Performance Materials

<i>in € million</i>	<b>first quarter</b>	
	2010	2009
Net sales	557	395
Operating profit before depreciation and amortization	75	6
Operating profit	43	-17

Organic **sales** growth compared to Q1 2009 was a strong +41%. The increase was most prominent in DSM Engineering Plastics as market sentiment improved substantially in the automotive and electronics industries with some indications of re-stocking. DSM Dyneema showed healthy sales growth driven by volumes and a favorable product mix. DSM Resins realized strong volume improvements although building and construction related markets remained weak. Compared to Q4 2009, organic sales growth for the cluster was +15%. This improvement was achieved across all businesses within the cluster thanks to higher volumes and generally favorable price developments.

**Operating profit** for Q1 2010 improved by €60 million compared to Q1 2009, when the industry was in the midst of the economic downturn. Increased volumes, favorable price developments and active cost and margin management contributed to the result improvement despite increasing raw material prices. Operating profit improved by €19 million against Q4 2009, spread across all businesses.

## Polymer Intermediates

<i>in € million</i>	<b>first quarter</b>	
	2010	2009
Net sales	314	139
Operating profit before depreciation and amortization	51	-22
Operating profit	43	-30

Organic **sales** growth was +135% compared to Q1 2009, when the downturn for Polymer Intermediates was at its strongest. Compared to Q4 2009, volumes increased by +5% and prices by +17% reflecting increasing raw material prices (which could be passed on) and strong demand especially in China, where the economy is growing very fast.

As a result, compared to Q1 2009 as well as Q4 2009, **operating profit** showed a significant increase for both the caprolactam and the acrylonitrile businesses.

## Base Chemicals and Materials

<i>in € million</i>	<b>first quarter</b>	
	2010	2009
Net sales	196	142
Operating profit before depreciation and amortization	25	-7
Operating profit	18	-15

Organic **sales** growth amounted to +38% compared to Q1 2009 and +14% compared to Q4 2009. At DSM Elastomers net sales improved due to a pick-up in the automotive industry as well as some re-stocking.

The **operating profit** of € 18 million was mainly driven by DSM Elastomers as a result of a higher sales value combined with higher margins.

## Other activities

<i>in € million</i>	<b>first quarter</b>	
	2010	2009
Net sales	103	110
Operating profit before depreciation and amortization	-33	-34
Operating profit	-47	-46
of which:		
- Defined Benefit Plans	-18	-18
- Innovation Center	-15	-15
- Other	-14	-13

The operating profit of Other activities remained at the same level.

## Exceptional items

In view of the announced sale of DSM Agro and DSM Melamine these business were reclassified to assets held for sale at the end of Q1 2010. The businesses are valued at fair value less costs to sell upon reclassification, resulting in a loss of € 17 million (€ 14 million after tax) that is reported as *exceptional item*.

## Net profit

*Net profit* increased from € 13 million in Q1 2009 to € 130 million in Q1 2010.

*Net earnings per share* increased to €0.78 per ordinary share in Q1 2010 versus €0.06 in Q1 2009.

*Net finance costs* amounted to €21 million in Q1 2010, €6 million lower than last year mainly as a result of a lower average net debt.

The *effective tax rate* for the first quarter was 25%, the same as last year.

## **Cash flow, capital expenditure and financing**

*Cash flow from operating activities* in Q1 amounted to €137 million.

Cash flow related to *capital expenditure* in Q1 2010 amounted to €98 million compared to €116 million in Q1 2009.

Compared to year-end 2009 *net debt* increased by €41 million to €871 million, representing a gearing level of 14%. This increase was the balance of a decrease due to a positive free cash flow and an increase because of a weaker euro.

## **Workforce**

Compared to year-end 2009 the workforce decreased by 133. The workforce stood at 22,605 at the end of Q1 2010, representing an overall decrease of 1,447 since the start of the cost saving program at the end of Q3 2008.

## **Progress update on DSM Strategy Vision 2010**

DSM's acceleration of the strategic program *Vision 2010 – Building on Strengths*, announced in September 2007, focuses on delivering faster growth, higher margins and improved earnings quality from the company's portfolio. The strategy will transform DSM into a Life Sciences and Materials Sciences company capable of sustainable growth fueled by important societal trends.

The key drivers – market-driven growth and innovation, increased presence in emerging economies and operational excellence – remain at the heart of DSM's strategy.

### *Improving earnings quality*

To date, DSM has made substantial progress with the portfolio transformation. Following the divestment of DSM Energy and the urea licensing subsidiary Stamicarbon BV last year and the announced sale of DSM Agro and DSM Melamine this quarter (with an expected closing in Q2 2010) a significant proportion of the planned divestment program will have been completed. The selling process for most of the remaining businesses in Base Chemicals and Materials is underway.

Other actions to improve the portfolio included the closure of the citric acid plant in Wuxi (China) and the reduction in the number of DSM Anti-Infectives' sites (e.g. closure of Strängnäs (Sweden) where mainly clavulanic acid was produced, a management buy out of the side chain business DSM Deretil (Spain) and the closure of the loss-making DSM Anti-Infectives site in Egypt as communicated in April, the costs of which are to be recognized in Q2 2010).

Only a limited number of smaller acquisitions and venturing investments have been made, the most important one being the acquisition of The Polymer Technology Group by DSM Biomedical.

A large proportion of group revenues and earnings are now in high margin, high quality businesses that have significantly lower cyclicality. A testament to the quality of this business is that by the first quarter of 2010 profits from these core operations were at the same level as in 2008.

## *Further progress in the first quarter*

DSM realized record sales in China in Q1 2010. Net sales more than doubled compared to Q1 2009 to USD 405 million, driven by the Materials Sciences clusters although Nutrition also showed a very healthy double digit sales growth. Compared to Q4 2009, sales in China increased by 8%. DSM expects to achieve the USD 1.5 billion target for 2010. The focus on and efforts put into the development of DSM's position in China are clearly paying off.

DSM Engineering Plastics announced that it has signed the contracts with Mitsubishi Chemical Corporation (MCC) enabling DSM to acquire MCC's Novamid® polyamide business in exchange for DSM's Xantar® polycarbonate business. The transaction is subject to various external approvals. Closing is expected in Q2 2010.

DSM has acquired full control of the polyamide 6 polymerization facility of Nylon Polymer Company, LLC (NPC) in Augusta (Georgia, USA). Previously Shaw Industries and DSM Chemicals North America were joint venture partners in NPC. As a result of the transaction, the facility was fully integrated into DSM Engineering Plastics' activities as of 1 January 2010.

DSM Nutritional Products (Animal Nutrition & Health) reached agreement to acquire the industrial premix business from Bayer Korea in March 2010. The acquired business will be fully integrated in DNP Korea Ltd., which will supply the Korean customers with high quality products. The transaction will be completed after approval has been received from the Korean authorities.

DSM also opened a new plant for the production of wet polyesters and other specialty resins in Meppen (Germany). Total investment costs amounted to € 15 million.

In the Emerging Business Areas, where DSM is developing at least two new growth platforms, DSM White Biotechnology made further progress in its cooperation with Roquette. The demonstration plant produced the first commercial bio-based succinic acid in Q1 2010. The development of DSM Biomedical is also well on track.

In line with its continuous efforts to improve its cost base and to strengthen its competitive position, at the beginning of the second quarter DSM announced a number of structural cost-saving actions, such as the closure of the loss-making DSM Anti-Infectives site in Egypt. In Germany, DSM Nutritional Products started a project to improve the viability and competitiveness of the Grenzach site.

During the quarter, DSM announced and introduced many new innovations. More information can be found in the innovation section at [www.dsm.com](http://www.dsm.com).

## **Outlook**

Most of the markets that are relevant to DSM saw a strong recovery in the first quarter with activities in emerging markets well above pre-crisis levels. Going forward, continued growth is expected. Of course there are still macro-economic risks that could affect the sustainability of this global recovery. Whilst DSM has been capturing growth opportunities, a focus on cash generation and cost saving programs remain important. This will secure financial flexibility and a strong balance sheet to take advantage of opportunities that will arise.

The food and feed markets are expected to grow in line with GDP in 2010. The Nutrition cluster is expected to achieve sustained good performance with results approaching those of last year, with an ongoing increase in demand and relatively stable price levels in both the food and feed markets.

For Pharma, results are expected to be lower than in 2009 due to ongoing challenges at DSM Pharmaceutical Products and continued low prices at DSM Anti-Infectives. The Pharma cluster clearly has some very tough quarters ahead of it.

DSM is experiencing recovery in its Materials Sciences end markets and has seen additional demand in the automotive, electronics and textile markets. Demand in building and construction and marine markets remained at relatively low levels compared to the pre-recession situation. The favorable business conditions are currently expected to continue, although with a potentially lower impact on demand in the later part of 2010 from re-stocking. Strict margin management is being applied to pass on the increasing costs of raw materials in the current favorable trading conditions. DSM Dyneema is on track to return to double digit sales growth in 2010. Sales volumes in Polymer Intermediates are expected to be somewhat lower in Q2 and Q3 2010 due to planned turnarounds. Results in the Performance Materials and Polymer Intermediates clusters are expected to be substantially better than in 2009.

Operating profit in the non-core Base Chemicals and Materials is expected to be clearly positive in 2010.

The strong Q1 2010 results and the continued positive business conditions give DSM confidence that 2010 will be a good year for the company.

### **Additional information**

Today DSM will hold a conference call for the media from 8.30 AM - 09.00 AM CET and a conference call for investors and analysts from 10.00 AM - 11.00 AM CET. Details on how to access these calls can be found on the DSM website, [www.dsm.com](http://www.dsm.com). Also, information regarding DSM's Q1 2010 results can be found in the Presentation to Investors, which can be downloaded from the Investors section.

## Condensed consolidated statement of income for the first quarter

first quarter 2010			<i>in € million</i>	first quarter 2009		
before excep- tional items	excep- tional Items	total		before excep- tional items	excep- tional Items	total
2,230		2,230	net sales	1,837		1,837
335	-5	330	operating profit before depreciation and amortization (EBITDA)	167	-17	150
218	-17	201	operating profit (EBIT)	57	-17	40
22	-17	5	operating profit from discontinued operations	13		13
196		196	operating profit from continuing operations	44	-17	27
-21		-21	net finance costs	-27		-27
0		0	share of the profit of associates	-1		-1
175		175	profit before income tax expense	16	-17	-1
-44		-44	income tax expense	-4	5	1
131		131	net profit from continuing operations	12	-12	0
16	-14	2	net profit from discontinued operations	10		10
147	-14	133	profit for the period	22	-12	10
-3		-3	minority interests	3		3
144	-14	130	net profit	25	-12	13
144	-14	130	net profit	25	-12	13
-3		-3	dividend on cumulative preference shares	-3		-3
141	-14	127	net profit used for calculating earnings per share	22	-12	10
117	12	129	depreciation and amortization	110		110
		65	capital expenditure			114
		-8	acquisitions			0
			net earnings per ordinary share in €			
0.87	-0.09	0.78	- net earnings, total DSM	0.13	-0.07	0.06
0.77		0.77	- net earnings, continuing operations	0.07	-0.07	0.00
		163.2	average number of ordinary shares (x million)			162.2
		163.4	number of ordinary shares, end of period (x million)			162.3
		22,605	workforce (headcount) at end of period			*22,738
		7,237	of which in the Netherlands			*7,331

\* Year-end 2009.

This quarterly report has not been audited.

## Consolidated balance sheet

<i>in € million</i>	<b>31 March 2010</b>	<b>year-end 2009</b>
intangible assets	1,061	1,053
property, plant and equipment	3,252	3,477
deferred tax assets	318	322
prepaid pension costs	292	282
associates	20	18
other financial assets	243	233
	-----	-----
<b>non-current assets</b>	<b>5,186</b>	<b>5,385</b>
inventories	1,399	1,359
trade receivables	1,594	1,321
other receivables	104	89
financial derivatives	56	88
current investments	6	7
cash and cash equivalents	1,405	1,340
	-----	-----
<b>current assets</b>	<b>4,564</b>	<b>4,204</b>
assets held for sale	403	25
	-----	-----
<b>total assets</b>	<b>10,153</b>	<b>9,614</b>
<i>in € million</i>	<b>31 March 2010</b>	<b>year-end 2009</b>
shareholders' equity	5,073	4,949
minority interests	81	62
	-----	-----
<b>equity</b>	<b>5,154</b>	<b>5,011</b>
deferred tax liabilities	103	115
employee benefits liabilities	310	298
provisions	93	103
borrowings	2,097	2,066
other non-current liabilities	29	49
	-----	-----
<b>non-current liabilities</b>	<b>2,632</b>	<b>2,631</b>
employee benefits liabilities	21	26
provisions	65	102
borrowings	146	138
financial derivatives	95	61
trade payables	1,329	1,169
other current liabilities	649	469
	-----	-----
<b>current liabilities</b>	<b>2,305</b>	<b>1,965</b>
liabilities held for sale	62	7
	-----	-----
<b>total equity and liabilities</b>	<b>10,153</b>	<b>9,614</b>
capital employed *	5,771	5,673
equity / total assets	51%	52%
net debt	871	830
gearing (net debt / equity plus net debt)	14%	14%
operating working capital (OWC)	1,664	1,511
OWC / net sales	19.9%	18.8%

\* before reclassification to Held for Sale

## Condensed consolidated cash flow statement

<i>in € million</i>	first quarter	
	2010	2009
<i>Cash and cash equivalents at beginning of period</i>	1,340	601
<i>operating activities:</i>		
- earnings before interest, tax, depreciation and amortization	330	150
- change in working capital	-149	77
- other changes:		
- gain from disposals	-	-
- other	-44	-61
	-----	-----
cash flow from operating activities	137	166
<i>investing activities:</i>		
- capital expenditure	-98	-116
- acquisitions	-	-
- disposal of subsidiaries	-	-
- disposal of other non-current assets	2	-
- other	-1	-2
	-----	-----
net cash used in investing activities	-97	-118
dividend	-	-
net cash used in financing activities	12	217
changes in consolidation and exchange differences	13	20
	-----	-----
<i>Cash and cash equivalents at end of period</i>	1,405	886

## Condensed consolidated statement of comprehensive income

<i>in € million</i>	first quarter	
	2010	2009
exchange differences on translation of foreign operations	127	70
changes in actuarial gains and losses and asset ceiling	-2	0
other changes	-9	-31
income tax expense	10	8
	-----	-----
other comprehensive income	126	47
profit for the period	133	10
	-----	-----
Total comprehensive income	259	57

## Condensed consolidated statement of changes in equity

<i>in € million</i>	first quarter	
	2010	2009
Total equity at beginning of period	5,011	4,695
<i>Changes:</i>		
- total comprehensive income	259	57
- dividend	-138	-138
- proceeds from reissue of ordinary shares	8	0
- other changes	14	4
	-----	-----
Total equity at end of period	5,154	4,618

## Condensed report business segments

first quarter 2010 (in € million)

	Continuing operations							Total continuing operations	Discontinued operations	Elimination	Total
	Nutrition	Pharma	Performance Materials	Polymer Intermediates	Base Chemicals and Materials	Other activities	Elimination				
net sales	732	186	557	314	196	103	2,088	142		2,230	
supplies to other clusters	13	2	14	101	14	1	14	37	-51	-	
total supplies	745	188	571	415	210	104	2,102	179	-51	2,230	
operating profit before depreciation and amortization	171	15	75	51	25	-33	304	31		335	
operating profit	138	1	43	43	18	-47	196	22		218	
total assets	4,526	1,271	2,722	876	1,079	9,967	10,153			10,153	
workforce (headcount) at end of period	7,136	4,228	4,723	1,315	1,060	3,459	21,921	684		22,605	

first quarter 2009 (in € million)

	Continuing operations							Total continuing operations	Discontinued operations	Elimination	Total
	Nutrition	Pharma	Performance Materials	Polymer Intermediates	Base Chemicals and Materials	Other activities	Elimination				
net sales	707	197	395	139	142	110	1,690	147		1,837	
supplies to other clusters	14	2	4	52	10	8	5	31	-36	-	
total supplies	721	199	399	191	152	118	1,695	178	-36	1,837	
operating profit before depreciation and amortization	174	25	6	-22	-7	-34	142	25		167	
operating profit	141	11	-17	-30	-15	-46	44	13		57	
total assets *	4,233	1,250	2,555	793	1,049	9,331	9,614			9,614	
workforce (headcount) at end of period *	7,110	4,374	4,633	1,321	1,059	3,454	21,951	787		22,738	

\* year-end 2009

## Notes to the financial statements

- Accounting policies

The consolidated financial statements of DSM for the year ended 31 December 2009 were prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union and valid as of the balance sheet date. These accounting policies and the revised IFRS 3, 'Business Combinations' and the amended IAS 27 'Consolidated and Separate Financial Statements' that became effective on 1 January 2010 are applied in the current interim financial statements, as of 31 March 2010. These statements are in compliance with IAS 34 'Interim Financial Reporting' and need to be read in conjunction with the Annual Report 2009 and the discussion by the Managing Board earlier in this interim report. Neither pensions and similar obligations nor plan assets are subjected to interim revaluation.

- Audit

These interim financial statements have not been audited.

- Scope of the consolidation

Acquisitions since the end of 2009, both individually and in aggregate, were immaterial with respect to IFRS disclosure requirements.

On 31 March 2010 DSM announced that it reached agreement with Orascom Construction Industries (OCI) for the sale of DSM Agro and DSM Melamine to OCI for EUR 310 million on a cash and debt-free basis. The intended sale is expected to close in Q2 2010, subject to regulatory and other customary approvals and notifications. The businesses were reclassified to held-for-sale at the end of the first quarter and reported as discontinued operations. Prior period figures have been adjusted accordingly. Before reclassification DSM Agro and DSM Melamine were reported in the segment Base Chemicals and Materials. From the end of the first quarter onwards depreciation and amortization will no longer be recognized for these activities in accordance with the applicable accounting standards.

- Related party transactions

Transactions with related parties are conducted at arm's length conditions. In the first quarter of 2010 these transactions were not material to DSM as a whole.

- Risks

DSM has a risk management system in place. A description of the system and an overview of potentially important risks for DSM is provided in the Annual Report 2009 and in the governance section on [www.dsm.com](http://www.dsm.com).

- Seasonality

In cases where businesses are significantly affected by seasonal or cyclical fluctuations in sales this is discussed in the 'Business review by cluster' earlier in this report.

Heerlen, 28 April 2010

The Managing Board

**Important dates**

Report for the second quarter:	Tuesday, 3 August 2010
Report for the third quarter:	Tuesday, 2 November 2010
Annual Report 2010:	Wednesday, 23 February 2011
Annual General Meeting of Shareholders:	Thursday, 28 April 2011

**DSM – the Life Sciences and Materials Sciences Company**

Royal DSM N.V. creates solutions that nourish, protect and improve performance. Its end markets include human and animal nutrition and health, personal care, pharmaceuticals, automotive, coatings and paint, electrical and electronics, life protection and housing. DSM manages its business with a focus on the triple bottom line of economic prosperity, environmental quality and social equity, which it pursues simultaneously and in parallel. DSM has annual net sales of about €8 billion and employs some 22,700 people worldwide. The company is headquartered in the Netherlands, with locations on five continents. DSM is listed on Euronext Amsterdam. More information: [www.dsm.com](http://www.dsm.com)

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**Forward-looking statements**

This press release may contain forward-looking statements with respect to DSM's future (financial) performance and position. Such statements are based on current expectations, estimates and projections of DSM and information currently available to the company. DSM cautions readers that such statements involve certain risks and uncertainties that are difficult to predict and therefore it should be understood that many factors can cause actual performance and position to differ materially from these statements. DSM has no obligation to update the statements contained in this press release, unless required by law. The English language version of the press release is leading.