Akzo

# Annual Report 1974

*Akzo is a multinational industrial group of companies. Products include chemical fibers, salt, basic and specialty chemicals, coatings, pharmaceuticals and consumer products. The Group has operations in some 50 countries, and employs over 105,000 people. Invested capital is Hfl 7,100 million; 1974 Group sales totaled Hfl 10,800 million.*

**Contents**



Annual meeting of stockholders to be held at the RAI Congress Center, 6 Europaplein, Amsterdam, on Tuesday, May 6, 1975, at 10.30 a.m.

**Agenda**

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3 Approval of the balance sheet and statement of income, with notes; consideration of the dividend proposal

4 Determination of the number of members of the supervisory council

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7 Annual decision concerning issues as required by the London Stock Exchange*

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* annually recurring agenda item in re compliance with the requirements of the London Stock Exchange concerning the listing of Akzo shares on that stock exchange

# Supervisory council and board of management

**Supervisory council**

J. R. M. van den Brink, chairman
H. M. van Mourik Broekman, deputy chairman
P. M. H. van Boven
P. M. van Doormaal
E. L. Fuller
H. L. Merkle
E. F. Philipp
Y. Scholten
Mrs. K. Schudel-van Zwanenberg
K. Soesbeek
W. F. G. L. Starrenburg
F. H. Ulrich
L. Vaubel
J. de Vries
O. Wolff von Amerongen

**Board of management**

G. Kraijenhoff, president
L. H. Meerburg, senior deputy president
S. C. Bakkenist, deputy president
H. J. Schlange-Schöningen, deputy president
A. G. van den Bos
H. van Doodewaerd
A. van Driel
H. Kramers
D. W. van Krevelen
H. J. Kruisinga
J. Veldman
J. A. Wolhoff
H. G. Zempelin
B. Zevenbergen

Adviser: W. K. N. Schmelzer

**Secretary**

A. H. M. Wentholt

Akzo

Akzo N.V., 82 IJssellaan, Arnhem, the Netherlands

Translation

# Report of the supervisory council

At the annual meeting of stockholders held May 9, 1974, stockholders accepted the resignation from the supervisory council of J. S. A. J. M. van Aken, who had reached the retirement age. Appreciation was expressed for his many valuable contributions to Akzo.

P. M. H. van Boven, E. L. Fuller and Y. Scholten, whose terms of office had ended, were re-elected to the supervisory council.

At the same meeting, H. van Doodewaerd and J. Veldman were appointed to the board of management.

L. H. Meerburg, senior deputy president of the board of management, will retire on May 6, 1975, the date of the annual meeting of stockholders. As of that date, he will be appointed adviser to the supervisory council and the board of management. For a period of 32 years, Mr. Meerburg has devoted his best energies to the company. His wide-ranging knowledge, notably in the field of the chemical fiber industry, has consistently been a great asset to us. We are most pleased that we will continue to have the benefit of his knowledge and experience.

On May 6, 1975, B. Zevenbergen will succeed Mr. Meerburg as coordinator of the chemical fiber interests and will be appointed a deputy president. On the same date, Mr. Zevenbergen will resign the presidency of the board of management of Enka Glanzstoff, which will be assumed by H. G. Zempelin. Simultaneously, J. van den Driest will be appointed deputy president of Enka Glanzstoff.

Accordingly, at the annual meeting convened for May 6, 1975, stockholders will be asked to appoint Mr. van den Driest to the Akzo N.V. board of management.

We herewith submit to you the balance sheet and statement of income, with notes, including the consolidated statements of the Group, prepared by the board of management for the 1974 financial year. These financial statements have been examined by Klynveld Kraayenhof & Co., *Registeraccountants*. Their report appears on page 24.

We approve these financial statements, as well as the proposal made therein with regard to the allocation of profit.

We propose that you also approve the financial statements, thus discharging the responsibility of the members of the board of management for their conduct of the business and of the members of the supervisory council for their supervision.

Arnhem, March 26, 1975

For the supervisory council,

J. R. M. van den Brink,
chairman

# Financial highlights

| | 1974 | 1973 | percentage change |
|---|---|---|---|
| in Hfl million | | | |
| sales | 10,761 | 9,418 | 14 |
| operating income[a] | 772 | 764 | 1 |
| net income[a] | 380 | 291 | 30 |
| profit available for allocation | 210 | 241 | (13) |
| distributed income | 118 | 107[b] | 11 |
| funds from operations[c] | 972 | 1,045 | (7) |
| property, plant and equipment | | | |
| capital expenditures | 799 | 549 | 46 |
| depreciation | 531 | 540 | (2) |
| personnel costs (salaries, wages and social charges) | 3,144 | 2,764 | 14 |
| stockholders' equity | 3,474 | 3,287 | 6 |
| common stock (par value) | 592 | 561 | 5 |
| common stock, in thousands of shares of Hfl 20 par value | 29,594 | 28,062 | 5 |
| number of employees | 105,400 | 105,800 | |
| per share of common stock, in Hfl | | | |
| net income | 12.83 | 10.37 | 24 |
| profit available for allocation | 7.08 | 8.59 | (18) |
| dividend | 4.00 | 3.80[d] | 5 |
| stockholders' equity | 117.36 | 117.08 | |
| ratios | | | |
| operating income as percentage of sales | 7.2 | 8.1 | |
| personnel costs as percentage of sales | 29.2 | 29.3 | |
| net income as percentage of stockholders' equity | 10.9 | 8.9 | |
| distributed income as percentage of net income | 31.2 | 36.6 | |
| distributed income as percentage of profit available for allocation | 56.4 | 44.2 | |
| Group equity : liabilities | 0.71 | 0.73 | |
| Group equity : non-current assets | 0.84 | 0.83 | |
| current assets : current liabilities | 1.89 | 1.98 | |

a including inventory profits; see page 4

b of which Hfl 35 million in cash

c Group income plus depreciation plus changes in provisions included in long-term liabilities

d of which Hfl 2.60 in cash or, at stockholder's option, in common stock

# Report of the board of management

## General review

The oil crisis and the subsequent quadrupling of prices of crude oil had far-reaching consequences for the world economy in 1974. In many countries, the balance of payments now exhibits large deficits. International trade is clearly showing signs of disarrangement, as a result of fundamental shifts in purchasing power. Inflationary pressures have increased. The world economy is moving on a downward trend, causing growing unemployment, especially in the countries of the West.

These turbulent developments make high demands on government to take corrective action. We record our hopes that the efforts to control inflation will continue unremittingly and that no recourse will be had to unilateral, protectionist-type measures that can only lead to retaliatory action from others and that in the end will be harmful to prosperity in all countries.

The developments outlined above, which heavily tax industry's capacity to respond in a timely fashion to these drastic changes in the global economic order, have not failed to leave their mark on the Group's operations in the year under review. In addition, 1974 was a singularly imbalanced year for the Group because of a drastic change in the pattern of developments for chemical fibers.

At the beginning of the year, our prime objective was to insure adequate raw material supplies for this main product group. Thanks to the resourcefulness and energy of our employees and the cooperation of our suppliers we largely succeeded in realizing this objective. As a result, our chemical fiber sector was able to make a substantial contribution to the satisfactory development of income in the first half of the year, strengthening our hopes for gratifying Group results for 1974.

During the third quarter, however, we were suddenly confronted with a dramatic fall in demand for textile filament and staple. The resulting progressive decline in shipments, which proved to be worldwide, caused inventories to mount strongly, thus compelling curtailment of production in the last few months of the year. This resulted in the unfortunate necessity of the introduction of short-time working (in the Netherlands, West Germany and Belgium), and of layoffs (in the United States). A large number of employees were affected by these measures.

Both the decline in shipments and losses resulting from under-capacity operation due to the production cutbacks increasingly depressed Group results, so that income for the second half of the year was well below the level for the first six months.

Business in the other sectors of the Group was, by and large, quite satisfactory. The salt and heavy chemicals product group, in particular, showed a very favorable development; however, for the coatings product group the year was difficult.

Consolidated sales in the year under review increased 14% to Hfl 10,800 million due to higher selling prices of our products, while operating income was up only 1% to Hfl 772 million. Net income was Hfl 380 million against Hfl 291 million in 1973.

In the context of our policy to so state annual results as to permit comparison across national frontiers, 1974 income includes inventory profits, which were not included in the quarterly reports made in 1974. These profits, which arise from the increase in the value of inventories due to price rises, amounted to Hfl 390 million. In view of the present unstable economic situation, we have deemed it necessary to earmark one-third, or Hfl 130 million, of these inventory profits to cover special risks entailed by the high year-end inventory level. Consequently, 1974 operating income includes inventory profits in the amount of Hfl 260 million (1973: Hfl 25 million). After deduction of taxes and minority interest, inventory profits included in 1974 net income total Hfl 110 million (1973: Hfl 10 million).

On page 25, an approximation is given of the effects in 1974 of the price rises of both inventories and property, plant and equipment on Group equity and income.

This approximation shows that 1974 net income includes an amount of Hfl 170 million attributable to increases in the value of assets. As in the previous year, we have reserved this part of net income, pursuant to article 38 of the articles of association. The profit available for allocation pursuant to the provisions of the articles of association after this reservation has been made, decreased from Hfl 241.5 million in 1973 to Hfl 210.1 million in 1974, which we consider a disappointing development.

Nevertheless, stockholders will be asked to approve declaration of the 1974 dividend at Hfl 4.00 per share of common stock, par value Hfl 20 per share (1973 dividend: Hfl 3.80). Acceptance of the proposal means that of the profit of Hfl 210.1 million available for allocation, an amount of Hfl 118.5 million will be distributed, while an amount of Hfl 91.6 million will be retained. Together with the amount reserved under article 38 of the articles of association, this will add Hfl 261.6 million to stockholders' equity.

Also in view of the interest rates in force during the past few years, we consider the level of our net income distinctly too low. For this reason, our policy will continue to be energetically aimed at improving profitability. We hope that the authorities and trade unions in the countries where we have operations share our conviction as to the necessity of a sound level of profitability of industry and will adopt a positive attitude in this regard.

Sharp price rises and inadequate levels of income are confronting companies with major problems in the financing of investment projects that are essential to their continuity and healthy development.

The difference between present and historical cost of the factors of production is in most cases not recognized as a cost item by the fiscal authorities and, hence, cannot be offset against taxable income. This adversely affects the financial position of companies. We deem it urgently necessary that the authorities involved should adapt the principles of the determination of taxable income to the inflationary conditions.

In today's financial climate, in which we are faced with extremely low stock market prices, issues of stock are not practicable. Consequently, to finance our capital expenditures we have to rely for the time being on self-financing and on borrowings. Our borrowing capacity is sufficient to absorb temporary setbacks in self-financing.

The consultations between Philips and Akzo on a merger between Philips-Duphar and Akzo Pharma, which are both active in the pharmaceutical-chemical field, have been discontinued, as it proved impossible to insure that integration of the organizations, which was essential to the success of the merger, could be completed within a reasonable period of time. However, Philips-Duphar and Akzo Pharma will continue to evaluate possibilities for cooperation in a limited number of fields.

In the year under review, multinational companies were again the subject of critical public attention, due in part to the publication of a report, prepared by a 'group of eminent persons' appointed by the United Nations, on the place and functioning of multinationals. Although we disagree with a number of statements contained in this report, we favor the establishment of an international code of conduct for company operations that transcend national frontiers. However, such a code of conduct must be free from discrimination and must also be observed by other groups involved in economic life, such as governments and trade unions.

Meanwhile, we ourselves are making efforts to present our policy as clearly as possible and are striving for the greatest possible degree of openness in regard to both the economic and the social aspects of our corporate efforts.

The structural economic factors referred to at the beginning of this report will make their influence strongly felt in 1975. An added factor is that the duration and intensity of the resulting recessionary trends are still difficult to predict. As far as the chemical fibers main product group is concerned, there is still no certainty as to the time when the gravely upset market situation for our textile filament and staple will show a change for the better.

The two other main product groups should generally continue to show a satisfactory development.

Due to the still substantial under-capacity operation losses that are being incurred by most of our chemical fiber companies as a result of both cyclical and structural problems, Group results for 1975 will be heavily depressed.

Despite the present difficulties and uncertainties, we have confidence in the further development of the Group. It is toward this that we will continue to direct our policy, sustained by the dedication, creativeness and energy of our employees.

# Activities

The pattern of consolidated sales developed as follows:

| in Hfl million and in % | 1974 | | 1973 | |
|---|---|---|---|---|
| chemical fibers for: | | | | |
| textile uses | 3,386 | 32 | 3,497 | 37 |
| industrial uses | 1,142 | 11 | 901 | 9 |
| | 4,528 | 43 | 4,398 | 46 |
| chemical products | | | | |
| salt and heavy chemicals | 1,653 | 15 | 1,204 | 13 |
| specialty chemicals | 991 | 9 | 753 | 8 |
| coatings | 772 | 7 | 638 | 7 |
| | 3,416 | 31 | 2,595 | 28 |
| other products | | | | |
| pharmaceuticals | 819 | 8 | 706 | 7 |
| consumer products | 679 | 6 | 539 | 6 |
| miscellaneous products* | 1,319 | 12 | 1,180 | 13 |
| | 2,817 | 26 | 2,425 | 26 |
| total | 10,761 | 100 | 9,418 | 100 |

* including plastics, technical products, leather and synthetic leather, and various industrial products

Due to the developments outlined in the foregoing, chemical fiber shipments decreased 14% compared with 1973. For the two other main product groups, shipments were up; however, this increase did not offset the loss of chemical fiber business.

For *chemical fibers*, the Group ranks second in the world, with a production capacity of nearly 1 million metric tons per annum and a market share of 7%.

For *chemical products*, our position on the world market is more modest, although some of our products play an important role in meeting the needs of industry and of the consumer in a number of geographical areas. Instances are salt in northwest Europe, the United States and Brazil; basic chemicals (such as chlorine, alkali products, vinyl chloride, sulfuric acid) in Western Europe; and special auxiliary chemicals for, *inter alia*, the plastics industry in Europe, the United States and Japan. For coatings, we are among the leading producers in Western Europe.

With regard to the *other products*, and notably pharmaceuticals, we are internationally important suppliers of hormone preparations, including oral contraceptives.

For none of these products do we have a dominant market position. Our main strength is in the knowledge and experience that our companies have in manufacturing and marketing high-grade products with a maximum of technical and economic efficiency.

In order to turn this knowledge and experience to the best account and to create the strong financial capability that will enable us to pursue our research activities and provide for the expenditures involved in running the organization, we seek to cover as large a geographical sales area as possible.

The table below shows the breakdown of consolidated sales by area of destination.

| | sales by area of destination | | | |
|---|---|---|---|---|
| in Hfl million and in % | 1974 | | 1973 | |
| the Netherlands | 1,302 | 12 | 1,126 | 12 |
| West Germany | 2,115 | 20 | 1,925 | 21 |
| other EEC countries | 2,229 | 21 | 1,904 | 20 |
| total EEC countries | 5,646 | 53 | 4,955 | 53 |
| rest of Europe | 1,531 | 14 | 1,302 | 13 |
| total Europe | 7,177 | 67 | 6,257 | 66 |
| North America | 2,318 | 21 | 2,182 | 23 |
| rest of the world | 1,266 | 12 | 979 | 11 |
| total | 10,761 | 100 | 9,418 | 100 |

The bulk of sales is made in the European and North American markets. However, the other parts of the world, and notably Latin America, are of growing importance. It is here that a significant proportion of our expansion projects will be realized, jointly with local interest groups. Our general policy is for the Group to take a minority interest in the equity of new companies so formed. We believe that this structure, with which we are experienced, is best suited to do justice to national aspirations in these parts of the world.

Aggregate 1974 sales of all companies in which we have a minority interest were Hfl 1,700 million. This amount has not been included in consolidated sales.

Consolidated sales in the areas listed in the above table are accounted for by sales of products manufactured in the relevant areas and sales of imported products.

A breakdown of consolidated sales by area of origin presents the following picture:

| in Hfl million and in % | sales by area of origin 1974 | | 1973 | |
|---|---|---|---|---|
| the Netherlands | 3,554 | 33 | 2,903 | 31 |
| West Germany | 2,819 | 26 | 2,520 | 27 |
| other EEC countries | 1,124 | 11 | 1,093 | 11 |
| total EEC countries | 7,497 | 70 | 6,516 | 69 |
| rest of Europe | 691 | 6 | 617 | 7 |
| total Europe | 8,188 | 76 | 7,133 | 76 |
| North America | 2,163 | 20 | 2,008 | 21 |
| rest of the world | 410 | 4 | 277 | 3 |
| total | 10,761 | 100 | 9,418 | 100 |

Especially our Group companies in the Netherlands and West Germany export a substantial proportion of their output. In the case of our Dutch companies, the share of exports in sales is almost 70%.

It is therefore a matter of major importance – particularly in regard to employment – that the social and fiscal climate in the Netherlands should be such as to enable us to maintain and, if possible, further strengthen our position, notably as exporters.

Our position in the various areas is also illustrated by the 1974 and 1973 year-end figures for invested capital and number of employees of consolidated companies.

| in Hfl million and in % | invested capital 1974 | | 1973 | |
|---|---|---|---|---|
| the Netherlands | 2,268 | 33 | 2,235 | 34 |
| West Germany | 1,856 | 27 | 1,811 | 27 |
| other EEC countries | 595 | 9 | 593 | 9 |
| total EEC countries | 4,719 | 69 | 4,639 | 70 |
| rest of Europe | 475 | 7 | 438 | 7 |
| total Europe | 5,194 | 76 | 5,077 | 77 |
| North America | 1,392 | 20 | 1,326 | 20 |
| rest of the world | 250 | 4 | 213 | 3 |
| total | 6,836 | 100 | 6,616 | 100 |

| in numbers and in % | employees 1974 | | 1973 | |
|---|---|---|---|---|
| the Netherlands | 30,600 | 29 | 29,700 | 28 |
| West Germany | 28,800 | 27 | 28,500 | 27 |
| other EEC countries | 14,700 | 14 | 14,400 | 14 |
| total EEC countries | 74,100 | 70 | 72,600 | 69 |
| rest of Europe | 8,100 | 8 | 8,200 | 8 |
| total Europe | 82,200 | 78 | 80,800 | 77 |
| North America | 17,100 | 16 | 20,100 | 19 |
| rest of the world | 6,100 | 6 | 4,900 | 4 |
| total | 105,400 | 100 | 105,800 | 100 |

Group investments in non-consolidated companies amounted to Hfl 285 million at December 31, 1974. At the same date, the total invested capital of these companies was Hfl 1,100 million; their total number of employees was approximately 16,000.

The economic importance of the Group may be expressed in terms of the value added to the aggregate of raw materials, supplies, utilities and services which it bought and used. Net of depreciation, the amount for value added in 1974 was Hfl 4,000 million, or 37% of sales. The ratio of added value to sales has not significantly changed over the last few years.

The funds needed to pay our employees, the providers of capital and the governments must come from added value. It also is a source of capital for the strengthening of Group equity. Subject to approval of our proposal on allocation of income, the categories named will share in the added value for 1974 as shown below:

| | | Hfl million | % |
|---|---|---|---|
| personnel (salaries, wages, social charges) | | 3,144 | 78 |
| governments (taxes on income) | | 190 | 5 |
| providers of loans (interest paid) | | 235 | 6 |
| stockholders (dividends paid) | | | |
| Akzo N.V. stockholders | 118 | | |
| minority stockholders | 26 | | |
| | | 144 | 4 |
| | | 3,713 | 93 |
| Akzo group (addition to Group equity) | | 304 | 7 |
| total | | 4,017 | 100 |

# Investments and financing

### Investments in consolidated companies

Capital expenditures for property, plant and equipment in 1974 were Hfl 799 million.

The table below shows the percentage breakdown of capital expenditures by main product group and geographical area for the past three years.

| | 1974 | 1973 | 1972 |
|---|---|---|---|
| capital expenditures for property, plant and equipment, in Hfl million | 799 | 549 | 555 |
| main product groups | | | |
| chemical fibers | 60% | 48% | 59% |
| chemical products | 24% | 34% | 29% |
| pharmaceuticals, consumer products and miscellaneous products | 16% | 18% | 12% |
| geographical areas | | | |
| Europe | 72% | 70% | 68% |
| North America | 21% | 22% | 25% |
| rest of the world | 7% | 8% | 7% |

The setbacks since mid-1974 have induced us to restrain capital expenditures until clear signs of recovery are apparent. It is therefore difficult to estimate capital expenditures for 1975 and 1976. However, for these two years together, they will probably not exceed a level of Hfl 1,500 million.

### Investments in non-consolidated companies; acquisitions

Expenditures with respect to investments in non-consolidated companies as well as acquisitions decreased from Hfl 101 million in 1973 to Hfl 99 million in the year under review. Expenditures in 1974 related largely to chemical fiber companies in Latin America and to the acquisition of a number of companies which are mainly active in the chemical field.

In the year under review, we entered into cooperative ventures primarily with local entities for the execution of four projects – two in Brazil and one each in Indonesia and Nigeria.

The projects concerned consist of the construction of chemical fiber facilities in Brazil (Companhia Bahiana de Fibras), in Indonesia (Indonesia Enka Fibre Industry), and in Nigeria, where we will acquire a holding in an existing company, Nichemtex Industries. In addition, jointly with Companhia Nacional de Alcalis, we will set up a dense soda ash plant in Brazil (Alcalis do Rio Grande do Norte – Alcanorte).

### Financing

Our favorable liquid position at the beginning of the year and the good results for the first half of 1974 enabled us at first to adequately meet the sharp rise in financing needs that resulted from the dramatically increased raw materials prices and our higher capital expenditures.

Subsequently, the rapid swelling of chemical fiber inventories in the latter half of the year, added to the marked reduction in operating income of this sector, imposed an additional burden on our finance management.

In 1974, working capital increased by Hfl 113 million to Hfl 2,300 million. Expressed as a percentage of sales, inventories plus trade receivables, which are included in working capital, increased from 37% in 1973 to 40% in 1974. This was due to the rise in inventories. We are using our best efforts to effect a decrease in this percentage through stricter control of working capital.

The turnover rate of invested capital increased from 1.42 in 1973 to 1.57 in the year under review.

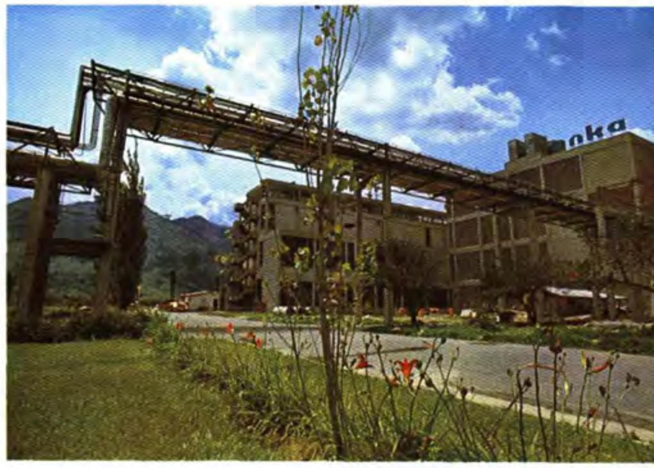
The table below shows the development of financing in 1974 and 1973.

| in Hfl million | 1974 | 1973 |
|---|---|---|
| working capital at January 1 | 2,226 | 2,130 |
| funds from operations | 972 | 1,045 |
| issuance of stock | 13 | 3 |
| investments, including acquisitions | (898) | (650) |
| change in borrowings | 116 | (293) |
| dividends | (61) | (56) |
| other changes | (29) | 47 |
| working capital at December 31 | 2,339 | 2,226 |
| of which cash and marketable securities | 524 | 840 |

In 1974, funds raised through medium and long-term borrowings aggregated Hfl 422 million (1973: Hfl 53 million). Short-term bank borrowings increased Hfl 248 million.

The composition and financing of the Group's total assets developed as follows:

*Latin America is an important area in our policy of geographical distribution of activities. The photos give an impression of the buildings of Fibras Químicas (Mexico), Enka de Colombia (Colombia) and Polyenka (Brazil), and of the sites of Enkador (Ecuador) and Companhia Bahiana de Fibras (Brazil) – five chemical fiber companies.*



| in Hfl million and in % | Dec. 31, 1974 | | Dec. 31, 1973 | |
|---|---|---|---|---|
| non-current assets | 4,782 | 49 | 4,672 | 51 |
| current assets | 4,973 | 51 | 4,487 | 49 |
| total | 9,755 | 100 | 9,159 | 100 |
| financed from: | | | | |
| Group equity | 4,039 | 42 | 3,860 | 42 |
| long-term liabilities | 3,082 | 31 | 3,038 | 33 |
| current liabilities | 2,634 | 27 | 2,261 | 25 |
| total | 9,755 | 100 | 9,159 | 100 |

In 1974, we obtained a listing of our Akzo N.V. common stock on the Oslo Stock Exchange. Akzo shares are now listed on stock exchanges in the Netherlands, Belgium, West Germany, France, Switzerland, the United Kingdom, Austria and Norway.

Despite cuts in our investment program, we anticipate an increase in aggregate borrowings in 1975. The credit facilities available to us afford the necessary flexibility in this respect.

# Financial results

The development of sales and income is shown in the table below.

| in Hfl million | 1974 | 1973 | percentage increase |
|---|---|---|---|
| sales | 10,761 | 9,418 | 14 |
| operating income | 772 | 764 | 1 |
| Group income | 449 | 373 | 20 |
| net income | 380 | 291 | 30 |

The relation between our published quarterly figures, which did not include inventory profits, and 1974 operating income and net income is as follows:

| in Hfl million | operating income | net income |
|---|---|---|
| excluding inventory profits | | |
| first quarter | 236 | 100 |
| second quarter | 234 | 101 |
| third quarter | 155 | 68 |
| fourth quarter | (113) | 1 |
| | 512 | 270 |
| 1974 inventory profits | 260 | 110 |
| total | 772 | 380 |

The above table clearly shows the steep decline in income that began in the latter half of 1974.

The fact that, despite the operating loss for the fourth quarter, net income for that period was still positive, if barely so, is due to the inclusion in net income of an Hfl 43 million tax refund relating to prior years.

Although unrest in the foreign exchange markets persisted in 1974, foreign exchange differences and the costs incurred to cover currency risks were lower than in 1973. In the year under review, alterations in exchange rates reduced net income by Hfl 32 million (1973: Hfl 40 million).

Of the 1974 inventory profits included in operating income, Hfl 152 million relates to chemical fibers, Hfl 56 million to chemical products, and Hfl 52 million to pharmaceuticals, consumer products and miscellaneous products.

A breakdown of operating income (including inventory profits) by main product group for 1974 and 1973 gives the following picture:

| in Hfl million and in % of sales | 1974 | | 1973 | |
|---|---|---|---|---|
| chemical fibers | 223 | 4.9 | 390 | 8.9 |
| chemical products | 317 | 9.3 | 168 | 6.5 |
| pharmaceuticals, consumer products and miscellaneous products | 232 | 8.2 | 206 | 8.5 |
| total | 772 | 7.2 | 764 | 8.1 |

For *chemical fibers*, the favorable development of results in the first half of the year was fully offset by the subsequent sales problems that led to cutbacks in production, with attendant losses due to under-capacity operation.

In the *chemical products* sector, the salt and heavy chemicals and the specialty chemicals product group developed favorably, which was mainly attributable to the sharp rise in the price level for basic chemicals on the world market. By contrast, results of the coatings group were depressed. This was due to insufficient opportunities to adjust selling prices to higher raw materials costs, and to lower shipments as a result of decreased activity in the building and automobile industries.

The improvement of operating income for *pharmaceuticals, consumer products and miscellaneous products* mainly came from pharmaceuticals, Brand-Rex's (Akzona) wire and cable products, plastics, and consumer products. However, income from machinery and equipment (Barmag) was lower than in 1973. For leather (Armira, a division of Akzona), results were again unsatisfactory.

A breakdown of operating income by area of establishment of our companies is given below.

| in Hfl million and in % of sales | 1974 | |
|---|---|---|
| EEC countries | 474 | 6.3 |
| rest of Europe | 68 | 9.8 |
| Europe | 542 | 6.6 |
| North America | 166 | 7.7 |
| rest of the world | 64 | 15.6 |
| total | 772 | 7.2 |

*Personnel of Century Enka's (India) nylon filament plant returning home from work.*


# Social policy

At a year-end figure of 105,400, the number of persons employed by the Group remained relatively constant. This figure includes over 1,300 employees of companies acquired in 1974.

In our policy decisions, we continue to give a high priority to the safeguarding of employment. However, the economic developments in the second half of the year compelled us to go on short-time for a number of – mainly chemical fiber – plants in the Netherlands, West Germany and Belgium, and forced Akzona (American Enka) to lay off some 4,000 employees.

At year-end, in Western Europe some 12,000 employees were affected by short-time working programs, while in the early months of 1975 this number increased to some 23,000. At present, the future is still extremely unclear; we hope, however, that the market development for chemical fibers in the months ahead will not force us to take even more drastic steps in Western Europe.

In our 1973 annual report we specifically mentioned some of the basic principles of our personnel and social policies, and recorded our concern for a positive approach toward employee participation. It is therefore only natural that we should closely follow the evolution of views and opinions in regard to worker participation and co-determination, particularly in the Netherlands, West Germany and at the EEC level. Also in our previous annual report we noted that each country develops its own structures, which tend to diverge rather than converge, with the inherent danger of a fragmentation that could present multinational companies with significant management problems. There has been no improvement in this situation to date.

Personnel policy in each of the countries where we have operations is to a large extent governed by the specific conditions prevailing in the country concerned, since terms of employment are largely determined by historically evolved patterns of relations, by social legislation and customs, and by other national characteristics. For these and other reasons, our personnel policy is marked by strong decentralization. It is solely through such decentralization of policy that we can observe national codes of good citizenship in the approximately fifty countries where we operate. We hope to promote a better understanding of this policy through information and openness, and we trust that the authorities will be prepared to make a constructive contribution in this regard through their contacts and consultation with industry.

The increasing rate of inflation is of great concern to us, not least with respect to the provision of adequate old-age pensions for our employees.

In the present period of worsening economic conditions, the preservation of employment demands great attention. However, we are continuing our efforts to improve the opportunities for development of our employees. This is not restricted merely to creating appropriate opportunities for training and advancement and to motivating employees to utilize such opportunities. It equally covers the involvement of the individual employee in the decision-making process with regard to his own job and his job situation. Such involvement enhances the quality of decisions relating to working conditions and organizational structure, and improves the effectiveness of the implementation process.

The foregoing efforts, added to the movement toward increasing society orientation of industry in several countries, makes high demands on all who hold managerial posts. In addition to managerial ability and expertise in his particular area, a manager must have an insight into, and be interested in, social developments and be prepared to adopt a style of management based on openness and consultation. We are increasingly aiming our management development programs at the realization of this goal.

We are glad to report that, in the year under review, labor relations in our companies were generally free from strife. It is our view that this is at least in part attributable to our consistent efforts to come to open relations with our employees and with the employees' representative bodies within and outside our companies.

We are grateful to our employees at all levels for the contributions made by them in the past year to the development of our Group.

# Research and engineering

### Research and development

Expenditures for research and development in the year under review increased 16% to approximately Hfl 360 million, which is equivalent to 3.3% of sales. The number of employees increased 200 to about 6,000 at December 31, 1974.

The ratio of research expenditures to sales varies for the individual product groups from an average of nearly 9% for pharmaceuticals to approximately 1% for consumer products. For specialty chemicals the figure is in excess of 4%, and for chemical fibers it is approximately on the level of the overall percentage. These percentage variations are attributable to the nature of the products and production processes, and to the technological and market position of our products.

Thus the development of new or improved drugs requires protracted, and therefore costly, research. This is due to two factors: first, the pharmaceutical industry's chances of finding new preparations are relatively fewer today and, second, the standards for introduction of such new products have become much stricter, often causing the research period to be extended to about ten years. Given these conditions, the pharmaceutical industry will have to undertake increasing research efforts, if it is to meet society's needs for new drugs.

At the other extreme there are products, such as basic chemicals, where research is not so much directed at product innovation as at the development of more efficient and, hence, lower-cost manufacturing processes. Research of this kind requires relatively lower outlays.

Approximately half of the research conducted by the divisions is supporting research. It comprises qualitative and quantitative improvement of products and production processes, and the development of new product applications. The other half is innovating and exploratory research, which is aimed at finding new products and production processes, and at the development of methodologies for this purpose.

Here, too, the proportions vary from one product group to the next. Thus, for coatings, the emphasis is firmly on supporting research, whereas, for pharmaceuticals, innovating and exploratory research predominates. One trend that nearly all product groups have in common, however, is a shift toward more research for new products and new uses.

In corporate research, the exploratory, future-oriented type of research predominates. In our choice of research projects, which are often of an interdivisional nature, we are guided by the principle that the areas of research must have links with the know-how available in the Group.

In the fields of synthetic organic chemistry and of block copolymers, we are engaged in a number of interesting projects. The potential results of these projects include a thermoplastic elastomer for use mainly in the rubber and plastics industries, and polyurethane specialties suited for use in the paints, adhesives and plastics industries.

### Engineering

Due to the number of projects and their greater international distribution and diversity, a larger proportion of the work than previously had to be contracted out to (mostly local) engineering contractors. Such use of outside firms is fully consistent with our policy to take care of the basic engineering ourselves and to contract out the work on the finer details of projects.

At the end of 1974, investment projects with an aggregate worth of over Hfl 1,000 million had been started or were scheduled. Commissions for these projects were received both from Group divisions and from joint ventures with outsiders.

The combined staff of the Arnhem and Obernburg offices was about 600 at December 31, 1974.

*Incinerator for chlorine-containing wastes from our vinyl chloride plant near Rotterdam and other plants.*

# Safety and environmental control

Historically, the control of environmental pollution arising from production processes, and the promotion of the safety of personnel and surroundings during production and during transport and storage of raw materials and products, were viewed as two distinct areas. However, over the past few years, there has been an increasing integration of these areas in the thinking of both industry and government. Consequently, we have decided to add coordination of the above safety matters to the duties of our interdivisional policy group for environmental control, which has been in operation for some years.
The responsibility for the direct supervision over, and the performance of, the relevant activities rests with the divisional managements and the plants, respectively.

In the year under review, we initiated more systematic procedures for informing our companies outside the Netherlands and West Germany of developments in regard to safety and pollution control. In addition, we have taken steps to insure that, during conversion of existing facilities or construction of new facilities, processes and process control are so improved as to prevent harmful effects, thus obviating the necessity of dealing with these effects at a later stage. This presents us with major engineering and research challenges.

As producers of mainly chemical products, we have for a considerable time been making increasing efforts to ascertain whether our products may have harmful effects on man and his environment during their manufacture and during and after use. In aid of this, a consulting physician-toxicologist is active at the corporate level, while our central laboratory for the environment has evolved several ecotoxicologic test methods. In this area, a program of intensive communication is in force, involving both our plants and our laboratories engaged in the development of new products. We share our findings with other industries and with government agencies.

In the area of product safety, much attention was given to vinyl chloride monomer in the year under review. This substance, traces of which are also encountered in polyvinyl chloride, is claimed to be a potential cause of cancer in subjects exposed over a prolonged period of time to excessive concentrations in air. Further research, which is encouraged by companies engaged in the production of vinyl chloride and polyvinyl chloride, is needed to establish the safe maximum concentration. In our modern vinyl chloride plant near Rotterdam, the results of regular measurements of gas concentrations are consistently well below the tolerance limits suggested by the Dutch Factory Inspectorate.

An instance of an important recycling process is provided by the Hfl 16 million incinerator erected near Rotterdam, which was placed in service in the year under review. In this facility, chlorine-containing wastes from vinyl chloride production and other processes are rendered harmless. The hydrogen chloride released in combustion is piped direct to the vinyl chloride plant on the site.

Turning to pollution control measures, it was decided in 1974 to install further environmental facilities worth Hfl 140 million. Notable projects in this field include waste-water treatment and zinc removal plant, mainly for a number of Enka Glanzstoff operations (Hfl 45 million), and an installation designed to extract caprolactam from effluent at Akzona (Hfl 40 million).

Arnhem, March 26, 1975 the board of management

# Consolidated balance sheet of the Akzo group

after allocation of profit

| in Hfl 1,000 | December 31, 1974 | | December 31, 1973* | |
|---|---|---|---|---|
| non-current assets | | | | |
| property, plant and equipment | 4,322,095 | | 4,234,763 | |
| investments in non-consolidated companies | 285,115 | | 282,539 | |
| other non-current assets | 175,303 | | 155,053 | |
| | | 4,782,513 | | 4,672,355 |
| current assets | | | | |
| inventories | 2,561,736 | | 1,640,647 | |
| short-term receivables | 1,830,974 | | 1,953,742 | |
| prepaid expenses | 55,712 | | 51,965 | |
| cash and marketable securities | 524,185 | | 840,394 | |
| | | 4,972,607 | | 4,486,748 |
| total assets | | 9,755,120 | | 9,159,103 |
| Group equity | | | | |
| Akzo N.V. stockholders' equity | 3,474,088 | | 3,286,727 | |
| minority interest in Group equity | 564,947 | | 573,722 | |
| | | 4,039,035 | | 3,860,449 |
| long-term liabilities | | | | |
| provisions | 957,817 | | 990,974 | |
| long-term debt | 2,124,557 | | 2,046,529 | |
| | | 3,082,374 | | 3,037,503 |
| current liabilities | | | | |
| bank borrowings and overdrafts | 410,293 | | 162,175 | |
| other current liabilities | 2,223,418 | | 2,098,976 | |
| | | 2,633,711 | | 2,261,151 |
| total Group equity and liabilities | | 9,755,120 | | 9,159,103 |

* based on a cash dividend

# Consolidated statement of income of the Akzo group

| in Hfl 1,000 | | 1974 | | 1973 |
|---|---|---|---|---|
| sales | | 10,760,718 | | 9,418,272 |
| operating costs | | | | |
| salaries, wages and social charges | 3,143,932 | | 2,763,581 | |
| depreciation | 530,506 | | 540,384 | |
| other costs | 6,314,424 | | 5,350,479 | |
| | | 9,988,862 | | 8,654,444 |
| operating income | | 771,856 | | 763,828 |
| interest | | 146,556 | | 147,012 |
| | | 625,300 | | 616,816 |
| taxes on operating income and interest | | 226,099 | | 282,277 |
| | | 399,201 | | 334,539 |
| equity in earnings of non-consolidated companies | | 41,732 | | 41,632 |
| Group income before extraordinary items | | 440,933 | | 376,171 |
| extraordinary items | | 8,149 | | (3,113) |
| Group income | | 449,082 | | 373,058 |
| of which minority interest | | 68,991 | | 81,564 |
| Akzo N.V. net income | | 380,091 | | 291,494 |

per share of common stock, par value Hfl 20 per share, in Hfl

| | 1974 | 1973 |
|---|---|---|
| net income | 12.83 | 10.37 |
| net income before extraordinary items | 12.55 | 10.48 |

# Notes to the consolidated financial statements of the Akzo group

**Principles of consolidation**

The consolidated financial statements include Akzo N.V. and all companies in which Akzo N.V. or any of its majority subsidiaries has an interest, directly or indirectly, of more than 50% of the outstanding capital stock. 100% of the assets, the liabilities and the results of the consolidated companies are included. Minority interest in Group equity and in Group income is shown separately.
The principal affiliated companies are listed on pages 40 and 41.
A list of names and registered offices of affiliates, drawn up in conformity with article 14, paragraph 2, and using article 14, paragraph 3, subpara a, of the Dutch Corporations' Financial Statements Law ('Wet op de Jaarrekening van Ondernemingen'), has been filed at the Trade Registry of Arnhem.

**Principles of valuation and determination of income**

The valuation principles for property, plant and equipment, investments in non-consolidated companies, other non-current assets, inventories, securities included in cash and marketable securities, and provisions are stated separately in the below notes to the consolidated balance sheet.
Receivables, cash and liabilities are stated at face amounts, less such provisions for receivables as are deemed necessary.
The parts of long-term receivables and long-term debt becoming due within one year are included under short-term receivables and other current liabilities, respectively.
Intangible assets, which include exploitation rights, are not capitalized; they are charged against operating income.
Paid goodwill is charged directly against Group equity.

In the consolidated balance sheet, amounts in foreign currencies have been translated into guilders at rates virtually equal to the rates of exchange in force at December 31, 1974, except for the U.S. dollar convertible debentures, whose valuation in guilders is based on a rate of U.S. $ 1 = Hfl 3.60. In the consolidated statement of income, foreign currencies have been translated into guilders at rates of exchange fixed for each quarter as typical of the rates then applicable.
Foreign exchange differences are included in operating income, except for foreign exchange differences resulting from translation into guilders, at changed exchange rates, of stockholders' equities of companies outside the Netherlands; the latter differences are directly added to, or deducted from, Group equity.

## Consolidated balance sheet

**Property, plant and equipment**

Land is stated at cost with a revaluation, however, at January 1, 1969, of approximately Hfl 70 million for land acquired long ago.
Other property, plant and equipment are stated at cost, less depreciation.
Depreciation is calculated by the straight-line method based on estimated life. In cases where the book value calculated in this way exceeds the working value, additional write-offs were made.

| in Hfl 1,000 | cost of acquisition | book value |
|---|---|---|
| situation at December 31, 1973: | | |
| land | 231,471 | 231,471 |
| buildings | 1,898,765 | 1,149,916 |
| plant equipment and machinery | 6,803,178 | 2,722,212 |
| means of transport | 109,892 | 44,661 |
| assets not used in the production process | 208,809 | 86,503 |
| | 9,252,115 | 4,234,763 |
| changes in 1974: | | |
| changes due to acquisition and disposal of consolidated companies | 36,894 | 34,240 |
| capital expenditures | 798,847 | 798,847 |
| disinvestments | (206,888) | (32,934) |
| depreciation | – | (530,506) |
| foreign exchange differences | (353,545) | (195,110) |
| other changes | 8,439 | 12,795 |
| | 283,747 | 87,332 |
| situation at December 31, 1974: | | |
| land | 227,271 | 227,271 |
| buildings | 1,940,350 | 1,165,186 |
| plant equipment and machinery | 7,046,293 | 2,799,502 |
| means of transport | 119,464 | 48,363 |
| assets not used in the production process | 202,484 | 81,773 |
| | 9,535,862 | 4,322,095 |

projects under construction, included in cost of acquisition and book value:

| | |
|---|---|
| at December 31, 1973 | 249,318 |
| at December 31, 1974 | 395,491 |

purchase commitments (not included in consolidated balance sheet):

| | |
|---|---|
| at December 31, 1973 | 305,127 |
| at December 31, 1974 | 343,019 |

### Investments in non-consolidated companies

This item includes the non-consolidated companies and the loans to these companies. Investments in non-consolidated companies are stated at the amount of our share in stockholders' equity. The calculation of stockholders' equity has been based as much as possible on the Akzo principles of valuation.

| in Hfl 1,000 | |
|---|---|
| situation at December 31, 1973 | 267,908 |
| changes in participation | 10,652 |
| equity in 1974 earnings | 36,738 |
| dividends received | (25,238) |
| foreign exchange differences | (20,781) |
| other changes | (5,023) |
| situation at December 31, 1974 | 264,256 |
| loans at December 31, 1974 | 20,859 |
| (at December 31, 1973: 14,631) | |
| | 285,115 |

### Other non-current assets

This item includes mainly long-term receivables and other assets that are not directly realizable. The latter are stated at cost or estimated value, whichever was lower.

### Inventories

Inventories are stated at cost or market value, whichever was lower. Provisions have been made for obsolescence and other risks. From the book value so established, a special provision of Hfl 130 million was deducted at December 31, 1974, to make allowance for the unstable economic situation (see also page 4).
In the valuation of inventories, profits arising as a result of transactions between consolidated companies have been eliminated.

| in Hfl 1,000 | Dec. 31, 1974 | Dec. 31, 1973 |
|---|---|---|
| raw materials and supplies | 897,445 | 606,354 |
| work in process | 556,340 | 379,630 |
| finished goods | 1,237,951 | 654,663 |
| | 2,691,736 | 1,640,647 |
| special provision | 130,000 | – |
| | 2,561,736 | 1,640,647 |

### Short-term receivables

| in Hfl 1,000 | Dec. 31, 1974 | Dec. 31, 1973 |
|---|---|---|
| trade receivables | 1,731,888 | 1,851,440 |
| receivables from non-consolidated companies | 42,001 | 33,516 |
| other receivables | 347,302 | 293,612 |
| | 2,121,191 | 2,178,568 |
| of which discounted | 290,217 | 224,826 |
| | 1,830,974 | 1,953,742 |

### Cash and marketable securities

With few exceptions, securities included in this item are listed on stock exchanges. They are stated at cost or market value, whichever was lower.
The securities include 99,712 shares of Akzo N.V. common stock acquired in 1972, which are stated at market value at December 31, 1974.

| in Hfl 1,000 | Dec. 31, 1974 | Dec. 31, 1973 |
|---|---|---|
| securities | 39,742 | 64,013 |
| cash loans and time deposits | 254,381 | 535,720 |
| cash on hand and in banks | 230,062 | 240,661 |
| | 524,185 | 840,394 |

### Group equity

See survey on page 18.

### Provisions

This item comprises provisions which do not refer to specific assets.

| in Hfl 1,000 | Dec. 31, 1974 | Dec. 31, 1973 |
|---|---|---|
| deferred taxes | 453,358 | 461,870 |
| pension rights | 265,128 | 246,423 |
| other provisions | 239,331 | 282,681 |
| | 957,817 | 990,974 |

*Provisions for deferred taxes*

This item comprises the tax liabilities, less the part expected to become due in 1975. These liabilities have in general not been discounted to present value.

## Survey of Group equity

| in Hfl 1,000 | capital stock | capital surplus, paid in | retained earnings | other reserves | stock-holders' equity | minority interest | Group equity |
|---|---|---|---|---|---|---|---|
| situation at December 31, 1973 | 562,379 | 688,629 | 1,652,308 | 383,411 | 3,286,727 | 573,722 | 3,860,449 |
| payment of final 1973 dividend in stock | 30,625 | (30,625) | 71,660 | | 71,660 | | 71,660 |
| issuance of stock of Group companies to third parties | | | | | | 12,540 | 12,540 |
| purchase of cumulative preferred stock | (244) | | | 61 | (183) | | (183) |
| goodwill resulting from acquisitions of companies* | | | 7,787 | | 7,787 | (931) | 6,856 |
| retained 1974 earnings** | | | 261,600 | | 261,600 | 42,590 | 304,190 |
| change in exchange rates | | | | (151,920) | (151,920) | (63,777) | (215,697) |
| other changes | | (13) | | (1,570) | (1,583) | 803 | (780) |
| situation at December 31, 1974 | 592,760 | 657,991 | 1,993,355 | 229,982 | 3,474,088 | 564,947 | 4,039,035 |

* including restatements for prior years

** including reservation pursuant to art. 38, para 2, of the articles of association

At least Hfl 210 million of the capital surplus, paid in (at December 31, 1973: Hfl 240 million), can be considered free from income tax within the meaning of the Dutch 1964 Income Tax Law ('Wet op de Inkomstenbelasting 1964').

*Provisions in respect of pension rights*

With due observance of the statutory regulations and customs in the countries concerned, most Group companies have arranged appropriate pension schemes for their employees.
The present value of the ensuing liabilities is largely covered by:
. provisions, in the aggregate amount of Hfl 265 million, made by Group companies in their balance sheets;
. the funds accumulated in independent pension funds through payment of contributions.
The present value of the pension benefits not yet covered is approximately Hfl 120 million (at December 31, 1973: approximately Hfl 80 million).

*Other provisions*

This item includes provisions for liabilities whose extent cannot be ascertained with accuracy, and provisions for various operating risks, including self-insurance. The amounts of the provisions are fixed in relation to the liabilities and risks concerned.

**Long-term debt**

| in Hfl 1,000 | Dec. 31, 1974 | Dec. 31, 1973 |
|---|---|---|
| convertible debentures | 252,000 | 252,000 |
| other debentures | 411,765 | 354,307 |
| private borrowings | 1,555,489 | 1,545,336 |
| other long-term debts | 215,748 | 178,217 |
| | 2,435,002 | 2,329,860 |
| part becoming due within one year | 310,445 | 283,331 |
| | 2,124,557 | 2,046,529 |

Private borrowings and other long-term debts have been secured to an aggregate amount of Hfl 458 million (at December 31, 1973: Hfl 469 million) by means of mortgages, etc. The average interest rate of the debentures and private borrowings is 7.8% (1973: 7.6%).

Redemption on the other debentures and private borrowings will occur:

| | |
|---|---|
| in 1975 | 279,120 |
| during the years 1976 through 1980 | 1,024,337 |
| during the years 1981 through 1985 | 452,072 |
| after 1985 | 211,725 |
| | 1,967,254 |

The breakdown by country of the other debentures and private borrowings is shown below.

| in Hfl 1,000 | situation at Dec. 31, 1973 | increase | decrease* | situation at Dec. 31, 1974 |
|---|---|---|---|---|
| Group companies in: | | | | |
| the Netherlands | 1,079,296 | 189,578 | 130,912 | 1,137,962 |
| West Germany | 292,902 | 2,374 | 48,115 | 247,161 |
| United States | 319,625 | 97,890 | 41,851 | 375,664 |
| other countries | 207,820 | 70,200 | 71,553 | 206,467 |
| | 1,899,643 | 360,042 | 292,431 | 1,967,254 |

* including the effect of alterations in exchange rates

| *Convertible debentures* | *in Hfl 1,000* |
|---|---|
| U.S. $ 70 million principal amount of $4\frac{3}{4}$% debentures Akzo N.V. 1969 convertible into Akzo N.V. common stock. These debentures mature not later than 1989. Because of the payment of the final 1973 dividend in common stock, the conversion price was lowered from Hfl 131.80 to Hfl 127.10 per share of Hfl 20 par value, based on an exchange rate of U.S. $ 1 = Hfl 3.60. The valuation of these debentures in guilders is also based on this rate. Redemption at par occurs in 10 equal annual installments, which will become due in the years 1980 through 1989. Full or partial accelerated redemption is permitted. This borrowing includes the debentures held available for exchange of the remaining $4\frac{3}{4}$% convertible debentures Zout-Organon B.V. of U.S. $ 1,000 each; 96 of these debentures had not been exchanged. | 252,000 |

| *Other debentures* | *in Hfl 1,000* |
|---|---|
| Currently outstanding principal amount of $4\frac{1}{2}$% debentures Akzo N.V. 1962. These debentures are redeemable in 13 equal annual installments, the first of which became due on July 1, 1968. Accelerated redemption is permitted. | 8,225 |
| Sfr 50 million principal amount of $5\frac{1}{2}$% debentures Akzo N.V. 1967. These debentures are redeemable in 5 equal annual installments, the first of which will become due on July 31, 1978. Accelerated redemption is permitted. | 49,400 |
| to be carried forward | 57,625 |
| carried forward | 57,625 |
| Sfr 60 million principal amount of $6\frac{3}{4}$% debentures Akzo N.V. 1970. These debentures are redeemable in 6 equal annual installments, the first of which will become due on September 15, 1980. Accelerated redemption is permitted. | 59,280 |
| Hfl 75 million principal amount of $11\frac{1}{4}$% debentures Akzo N.V. 1974. These debentures are redeemable in 10 approximately equal annual installments, the first of which will become due on November 1, 1975. Accelerated redemption is not permitted. | 75,000 |
| Profit-sharing employee debentures Akzo N.V. | 5,974 |
| | 197,879 |
| Currently outstanding principal amount of 6% debentures Koninklijke Zout-Ketjen 1965. These debentures are redeemable in 10 equal annual installments, the first of which became due on December 1, 1971. Accelerated redemption is permitted in the years 1976 through 1979. | 30,000 |
| Currently outstanding principal amount of $4\frac{1}{2}$% debentures Akzo Pharma B.V. 1961. These debentures are redeemable in 15 annual installments of Hfl 1 million each, in the years 1967 through 1981. Accelerated redemption is permitted. | 7,000 |
| Other debentures issued by consolidated companies | 176,886 |
| | 411,765 |

**Other current liabilities**

| in Hfl 1,000 | Dec. 31, 1974 | Dec. 31, 1973 |
|---|---|---|
| suppliers | 814,294 | 734,029 |
| non-consolidated companies | 25,325 | 17,264 |
| taxes on income | 83,451 | 170,438 |
| dividend relating to financial year | 118,029 | 106,287 |
| redemptions on borrowings | 310,445 | 283,331 |
| pensions | 24,366 | 28,016 |
| other liabilities and accrued charges | 847,508 | 759,611 |
| | 2,223,418 | 2,098,976 |

**Liabilities not shown in the balance sheet**

With regard to non-consolidated companies and third parties, guarantees were given and liabilities contracted to an aggregate amount of Hfl 228 million (at December 31, 1973: Hfl 164 million).

of which Hfl 139 million (at December 31, 1973: Hfl 98 million) direct by Akzo N.V.
In respect of leasehold, rent, etc., liabilities have been contracted for a number of years to an amount of approximately Hfl 15 million (at December 31, 1973: approximately Hfl 13 million) per year.

## Consolidated statement of income

### Sales

This item includes the total of amounts invoiced to third parties in respect of goods supplied and services rendered, less sales taxes and excise duties.

### Depreciation

| in Hfl 1,000 | 1974 | 1973 |
|---|---|---|
| buildings | 64,333 | 64,415 |
| plant equipment and machinery | 442,924 | 453,104 |
| means of transport | 17,022 | 14,323 |
| assets not used in the production process | 6,227 | 8,542 |
| | 530,506 | 540,384 |

For the method of calculation of depreciation, see page 16.

### Operating income

The inventory profits included in operating income total Hfl 260 million (1973: Hfl 25 million). They have been calculated on the basis of the inventories held at January 1. For 1974, the special provision for inventories, in the amount of Hfl 130 million, has been deducted.

### Interest

| in Hfl 1,000 | 1974 | 1973 |
|---|---|---|
| interest paid | 234,612 | 212,618 |
| interest received, including income from securities, etc. | 88,056 | 65,606 |
| | 146,556 | 147,012 |

### Taxes on income

This item includes current and deferred tax liabilities.
The taxes charged against Group income amount to Hfl 190 million (1973: Hfl 288 million) and break down as follows:

| in Hfl 1,000 | 1974 | 1973 |
|---|---|---|
| taxes on: | | |
| operating income | 298,195 | 359,162 |
| interest | 72,096 | 76,885 |
| balance | 226,099 | 282,277 |
| taxes on equity in earnings of non-consolidated companies | 3,661 | (576) |
| taxes included in extraordinary items | (40,129) | 6,703 |
| | 189,631 | 288,404 |

Taxes on 1974 operating income were favorably influenced by an Hfl 43 million tax benefit relating to prior years.

### Equity in earnings of non-consolidated companies

Under this heading are included the Group's equity in earnings of non-consolidated companies and interest received on loans granted to these companies, taking into account taxes on these items.

### Extraordinary items

This item comprises important but isolated gains and losses not relating to normal operations; the taxes concerned have been taken into account.

| in Hfl 1,000 | 1974 | 1973 |
|---|---|---|
| extraordinary gains | 32,627 | 24,064 |
| extraordinary losses | 24,478 | 27,177 |
| | 8,149 | (3,113) |

Extraordinary items for 1974 mainly relate to disposal and reorganization of affiliated companies.

### Net income per share of common stock

Net income per share of common stock is calculated by dividing net income, less the dividend on priority and cumulative preferred stock and the bonus to the supervisory council, by the number of shares of common stock outstanding at December 31.

# Consolidated statement of changes in financial position of the Akzo group

| in Hfl million | | | 1974 | | | 1973* |
|---|---|---|---|---|---|---|
| working capital (excess of current assets over current liabilities) at January 1 | | | 2,226 | | | 2,130 |
| **source of funds** | | | | | | |
| Group income | | 449 | | | 373 | |
| depreciation | | 531 | | | 540 | |
| changes in provisions included in long-term liabilities | | (8) | | | 132 | |
| funds from operations | | | 972 | | | 1,045 |
| issuance of stock by Akzo N.V. and Group companies | | 13 | | | 3 | |
| aggregate borrowings | | 422 | | | 53 | |
| disposal of participations | | 7 | | | 80 | |
| working capital of new participations | | 23 | | | 28 | |
| miscellaneous | | 33 | | | 29 | |
| | | | 498 | | | 193 |
| | | | 3,696 | | | 3,368 |
| **application of funds** | | | | | | |
| expenditures for property, plant and equipment | | 799 | | | 549 | |
| new participations (including increase in existing interests) | | 64 | | | 70 | |
| investments in non-consolidated companies | | 35 | | | 31 | |
| redemptions on borrowings | | 306 | | | 346 | |
| dividends paid to: | | | | | | |
| stockholders of Akzo N.V. | 35 | | | 33 | | |
| minority stockholders of Group companies | 26 | | | 23 | | |
| | | 61 | | | 56 | |
| miscellaneous, including the effect of alterations in exchange rates | | 92 | | | 90 | |
| | | | 1,357 | | | 1,142 |
| working capital at December 31 | | | 2,339 | | | 2,226 |
| increase (decrease) in components of working capital**: | | | | | | |
| inventories | | 921 | | | 26 | |
| short-term receivables | | (123) | | | 225 | |
| prepaid expenses | | 4 | | | (2) | |
| cash and marketable securities | | (316) | | | 196 | |
| increase in current assets | | | 486 | | | 445 |
| bank overdrafts | | 248 | | | (61) | |
| other current liabilities | | 125 | | | 410 | |
| increase in current liabilities | | | 373 | | | 349 |
| increase in working capital | | | 113 | | | 96 |

* restated for comparison

** inclusive of increase (decrease) in working capital due to changes in participations and exchange rates

# Akzo N.V. balance sheet

after allocation of profit

| in Hfl 1,000 | December 31, 1974 | | December 31, 1973* | |
|---|---|---|---|---|
| affiliated companies | | | | |
| consolidated companies | 3,748,958 | | 3,585,175 | |
| non-consolidated companies | 77,870 | | 88,313 | |
| loans to affiliated companies | 960,020 | | 709,664 | |
| | | 4,786,848 | | 4,383,152 |
| short-term receivables and prepaid expenses | | | | |
| receivables from affiliated companies | 40,168 | | 60,633 | |
| other receivables | 40,735 | | 74,352 | |
| prepaid expenses | 11,378 | | 10,931 | |
| | | 92,281 | | 145,916 |
| cash and marketable securities | | | | |
| marketable securities | 4,010 | | 14,493 | |
| cash loans and time deposits | 178,288 | | 275,972 | |
| cash on hand and in banks | 37,814 | | 77,381 | |
| | | 220,112 | | 367,846 |
| total assets | | 5,099,241 | | 4,896,914 |
| stockholders' equity | | | | |
| common stock | 591,872 | | 561,247 | |
| cumulative preferred stock | 840 | | 1,084 | |
| priority stock | 48 | | 48 | |
| capital stock | 592,760 | | 562,379 | |
| capital surplus, paid in | 657,991 | | 688,629 | |
| retained earnings | 1,993,355 | | 1,652,308 | |
| other reserves | 229,982 | | 383,411 | |
| | | 3,474,088 | | 3,286,727 |
| borrowings | | | | |
| convertible debentures | 252,000 | | 252,000 | |
| other debentures | 197,879 | | 111,953 | |
| private borrowings | 655,380 | | 667,060 | |
| borrowings from affiliated companies | 306,568 | | 330,242 | |
| | | 1,411,827 | | 1,361,255 |
| current liabilities | | | | |
| dividend relating to financial year | 118,029 | | 106,287 | |
| amounts due to affiliated companies | 14,780 | | 28,936 | |
| other liabilities and accrued charges | 80,517 | | 113,709 | |
| | | 213,326 | | 248,932 |
| total stockholders' equity and debts | | 5,099,241 | | 4,896,914 |

* based on a cash dividend and restated for comparison

The notes to the balance sheet and statement of income are given on page 24.

# Akzo N.V. statement of income and allocation of profit

| in Hfl | | 1974 | 1973 |
|---|---|---|---|
| net income | | 380,091,000 | 291,494,000 |
| reservation, pursuant to art. 38, para 2, of the articles of association, deemed necessary to counteract the effect of price rises of assets | | 170,000,000 | 50,000,000 |
| profit available for allocation pursuant to the provisions of the articles of association | | 210,091,000 | 241,494,000 |
| with due observance of art. 42 of the articles of association, it is proposed to allocate this amount as follows: | | | |
| to be distributed: | | | |
| dividend on priority stock – Hfl 60 per share of Hfl 1,000 par value | 2,880 | | |
| dividend on cum. pref. stock – Hfl 60 per share of Hfl 1,000 par value | 50,400 | | |
| bonus to supervisory council | 462,500 | | |
| dividend on common stock – Hfl 4.00 per share of Hfl 20 par value | 117,975,496 | | |
| | | 118,491,276 | |
| to be retained | | 91,599,724 | |
| | | 210,091,000 | |

Following the acceptance of this proposal, the holders of common stock will receive a dividend of Hfl 4.00 per share of Hfl 20 par value, of which Hfl 1.20 was paid earlier as an interim dividend.

The final dividend of Hfl 2.80 will be made available on dividend coupon no. 12 from May 21, 1975.

Arnhem, March 26, 1975

the board of management:

G. Kraijenhoff
L. H. Meerburg
S. C. Bakkenist
H. J. Schlange-Schöningen
A. G. van den Bos
H. van Doodewaerd
A. van Driel
H. Kramers
D. W. van Krevelen
H. J. Kruisinga
J. Veldman
J. A. Wolhoff
H. G. Zempelin
B. Zevenbergen

the supervisory council:

J. R. M. van den Brink
H. M. van Mourik Broekman
P. M. H. van Boven
P. M. van Doormaal
E. L. Fuller
H. L. Merkle
E. F. Philipp
Y. Scholten
K. Schudel-van Zwanenberg
K. Soesbeek
W. F. G. L. Starrenburg
F. H. Ulrich
L. Vaubel
J. de Vries
O. Wolff von Amerongen

# Notes to Akzo N.V. balance sheet and statement of income

### General

The investments in affiliated companies, as well as the other assets and liabilities, have been valued, and income has been determined, in accordance with the principles mentioned in the notes to the consolidated financial statements. Thus stockholders' equity and net income are equal to stockholders' equity and net income as shown in the consolidated financial statements, which form part of the notes to the balance sheet and statement of income.

### Non-consolidated companies

in Hfl 1,000

| | |
|---|---|
| situation at December 31, 1973 | 88,313 |
| changes in participation | 4,930 |
| equity in 1974 earnings | 6,044 |
| dividends received | (7,381) |
| foreign exchange differences | (7,082) |
| other changes | (6,954) |
| situation at December 31, 1974 | 77,870 |

### Capital stock

Authorized capital stock of Akzo N.V. is Hfl 1,030,048,000 and consists of 48 shares of priority stock, par value Hfl 1,000 per share, 30,000 shares of cumulative preferred stock, par value Hfl 1,000 per share, and 50 million shares of common stock, par value Hfl 20 per share. Outstanding capital stock consists of 48 shares of priority stock, 840 shares of cumulative preferred stock and 29,593,586 shares of common stock (of which 99,712 shares of common stock are held by the company). In 1974, 244 shares of cumulative preferred stock were purchased.
The priority stock is held by 'Akzostichting' (Akzo Foundation), which is controlled by the members of the supervisory council and the board of management.

### Borrowings

For information on the convertible and other debentures, see the notes to the consolidated financial statements (page 19).
The redemption plan for the private borrowings (average interest rate: 8.2%) is as follows:

| | |
|---|---|
| in 1975 | Hfl 101 million |
| during the years 1976 through 1980 | Hfl 328 million |
| during the years 1981 through 1985 | Hfl 165 million |
| after 1985 | Hfl 61 million |
| | Hfl 655 million |

Borrowings from affiliated companies have no fixed redemption plan.

### Remuneration of supervisory council

For 1974, the members of the supervisory council were paid a total of Hfl 748,125 (1973: Hfl 780,000), of which Hfl 285,625 (1973: Hfl 300,000) was fixed remuneration and Hfl 462,500 (1973: Hfl 480,000) was a bonus pursuant to art. 42 of the articles of association.
All members receive a remuneration.
At end-1974, the council numbered 15 (end-1973: 16) members.

#### Provisions of the articles of association concerning allocation of profit

Article 42 – Allocation of profit

1 Profits as shown by the statement of income approved by the General Meeting of Shareholders shall, to the extent possible, be allocated in the following order:

a to the holders of priority shares: sixty guilders per share, plus any accrued and unpaid dividends;

b to the holders of cumulative preferred shares: sixty guilders per share, plus any accrued and unpaid dividends;

c to the holders of ordinary shares: one guilder per share;

d to each of the members of the Supervisory Council: one thousandth of the profit after deducting from such profit the amounts allocated in accordance with a, b and c hereof, subject to a maximum of thirty thousand guilders;

e to the holders of ordinary shares: a dividend of such an amount per share as the profit, less the aforesaid payments and less such amounts as the General Meeting of Shareholders may decide to carry to reserves, shall permit.

2 The holders of ordinary shares are, to the exclusion of everyone else, entitled to allocations made from reserves accrued by virtue of the provision of paragraph 1 e of this article.

### *Auditors' report*

*We have examined the foregoing financial statements 1974 of Akzo N.V., Arnhem, which also include the consolidated financial statements.*
*In our opinion, these statements present fairly the financial position of the company at December 31, 1974, and the results of operations for the year then ended.*
*With regard to the financial data of certain Group companies included in the financial statements, we have based our opinion in part on reports issued by other auditors, established in the Netherlands and abroad.*

*Arnhem, March 26, 1975* *Klynveld Kraayenhof & Co.*

# Effect of price rises on Group equity and income

The principles of valuation and determination of income used in the 1974 financial statements are based on historical cost.

Due to the increased inflation of recent years in virtually all countries and to the wave of price increases induced by the oil crisis, the current value of non-current assets, and therefore of Group equity, is higher than is shown in the consolidated balance sheet at December 31, 1974, while 1974 operating income and net income are lower if operating costs are determined in relation to 1974 prices. To date, no generally accepted method is available to show the effects of price rises on Group equity and income; the views evolved on this subject in a number of countries are still widely different. Nevertheless, we have attempted an approximation of these effects in the manner set forth below. The figures presented here should be regarded as a first step in supplying information on the effects of price rises on Group equity and income.

A calculation on the basis of current value changes the picture of composition and financing of the Group's total assets at December 31, 1974 as shown below:

| in Hfl million and in % | on the basis of historical cost | | on the basis of current value | |
|---|---|---|---|---|
| non-current assets | 4,782 | 49 | 6,032 | 55 |
| current assets | 4,973 | 51 | 4,973 | 45 |
| total | 9,755 | 100 | 11,005 | 100 |
| financed from: | | | | |
| stockholders' equity | 3,474 | 36 | 4,033 | 37 |
| minority interest | 565 | 6 | 656 | 6 |
| Group equity | 4,039 | 42 | 4,689 | 43 |
| long-term liabilities | 3,082 | 31 | 3,682 | 33 |
| current liabilities | 2,634 | 27 | 2,634 | 24 |
| total | 9,755 | 100 | 11,005 | 100 |
| Group equity / liabilities | | 0.71 | | 0.74 |

1974 operating and net income at 1974 prices have been calculated as outlined below; operating income is also expressed as a percentage of sales and net income as a percentage of stockholders' equity on the basis of current value.

| | operating income in Hfl million | operating income in % of sales | net income in Hfl million | net income in % of stockholders' equity |
|---|---|---|---|---|
| income on the basis of historical cost | 772 | 7.2 | 380 | 9.4 |
| difference between current and historical cost relative to: | | | | |
| inventories | 260 | 2.4 | 110 | 2.7 |
| depreciation on property, plant and equipment | 130 | 1.2 | 60 | 1.5 |
| income at 1974 prices | 382 | 3.6 | 210 | 5.2 |

– To approximate the current value of *property, plant and equipment*, indexes published in the principal countries of establishment were used for buildings, machinery and equipment. In addition, a decrease in value as a result of technological advances was taken into account for machinery and equipment; this decrease was estimated at an average of 3% annually. To approximate the current value of land, an average increase in value of 50% was taken into account.

– For *non-consolidated companies* and *inventories*, the book value assigned to them in the financial statements was used.

– The increase in *stockholders' equity* was approximated by deducting the relevant deferred taxes and minority interest from the difference between the current value of property, plant and equipment and the book value at which this item is carried in the financial statements.

– To approximate *operating income* at 1974 prices, the following deductions were applied to the figure for operating income shown in the financial statements:

. the 1974 inventory profits relating to the inventories held at December 31, 1973;

. the increase in the amount of depreciation, if depreciation is calculated on the current value of property, plant and equipment at December 31, 1974.

– To approximate *net income* at 1974 prices, the amount deducted from operating income was also deducted from net income as shown in the financial statements, taking into account taxes and minority interest. At Hfl 170 million, the difference between net income as reported in the financial statements and net income at 1974 prices represents the effect of price rises of assets. By virtue of article 38, para 2, of the articles of association we have reserved this amount.

# Chemical fibers

| in Hfl million | 1974 | 1973 | 1972 |
|---|---|---|---|
| sales for: | | | |
| textile uses | 3,386 | 3,497 | 3,027 |
| industrial uses | 1,142 | 901 | 771 |
| | 4,528 | 4,398 | 3,798 |
| operating income | 223 | 390 | 231 |
| operating income as percentage of sales | 4.9 | 8.9 | 6.1 |

This main product group includes: filament yarns and staple fibers from polyamide, polyester, cellulose and polyacrylonitrile (staple). It further comprises non-wovens and steel cord.

Uses include: apparel, carpeting and other home furnishings and household textiles; auto tires, conveyor belts, safety belts, fishing nets, ropes, building and construction materials.

**Sales and income**

[1] *Consolidated companies*

Nearly all our fiber companies had a good first half-year. However, the market decline for textile filament and staple that developed subsequently and that led to significant production cutbacks in several Group plants, caused operating income for the whole of 1974 to fall short of the previous year's level. The last few months of the year even saw losses at most of our chemical fiber companies.

British Enkalon was faced with additional problems because of a cumulation of adverse events, including the destruction of the facilities of its principal supplier of caprolactam in the Flixborough disaster.

[2] *Non-consolidated companies*

For our non-consolidated companies, whose figures are not included in the survey of sales and operating income printed at the top of this page, business developed variously. Against declines from 1973 results for Cyanenka (Spain) and Fibras Químicas (Mexico), there were gains for Hilanderías Olmos (Argentina) and for Century Enka (India).

**Market situation**

The production restrictions brought on by scarcity of raw materials in the first few months of the year, and by stagnancy in shipments of textile filament and staple in the course of the second half of the year, reduced production of chemical fibers in Western Europe, the United States and Japan to below the level of 1973. World production decreased from 11.6 to 11.3 million metric tons, with synthetic filament and staple down from 7.7 to 7.5 million metric tons.

Fears of increased scarcity and, hence, of soaring prices induced a wave of chemical fiber buying after the oil crisis. This was followed rather abruptly by a steep reduction in chemical fiber purchases when the textile industry in the industrialized countries, faced with a slump in business, particularly in the second half of the year, sought to reduce its swollen stocks. The effect of this was to cause stocks in the chemical fiber industry to mount beginning in mid-1974, ultimately making cutbacks in production necessary.

By contrast with the substantial drop in shipments of textile filament and staple in the second half of the year, demand for industrial yarns remained rather constant, although the deterioration in general business conditions began to affect demand in the second half of the year.

The chemical fiber industry was able to pass on in its selling prices the greater part of price increases of raw materials. However, the decline in shipments of textile filament and staple put prices of these products under increasing pressure. By the end of the year, significant price reductions occurred.

The initial months of 1975 have not yet shown an improvement in market conditions. In several of our chemical fiber plants, the production cutbacks for textile filament and staple resulted in operations that often did not exceed 50% of capacity.

At present, chemical fibers are offered on the market at prices which, in our opinion, are unjustifiably low, especially if the high price level for raw materials is taken into account. We are making a firm stand against such price reductions, but notably on export markets reductions were unavoidable.

**Investments**

Capital expenditures of consolidated companies in the year under review stood at Hfl 475 million. Of this amount, approximately Hfl 245 million related to Enka Glanzstoff and approximately Hfl 100 million to American Enka.

A significant portion of total outlays was for projects aimed at modernization and rationalization and for environmental projects. Expenditures for expansion of production capacities largely concerned our operations outside the EEC and the United States.

In light of the present conditions, a number of capital projects at consolidated companies that were sanctioned in 1974 are now being subjected to review.

Jointly with local entities, chemical fiber projects in Brazil, Indonesia and Nigeria will be taken in hand.

Companhia Bahiana de Fibras (Brazil), in which we have a 45% interest, began preliminary construction work

*Jointly with a knitting firm, British Enkalon developed a completely new generation of high-fashion dress fabrics* (Ultrabelle®) *made from specially textured nylon yarns. The new fabrics were launched in September 1974 at a London fashion show, where they met with great interest.*

for a manufacturing complex for synthetic filament and staple at Camaçari. The first unit of this complex will produce nylon filament for auto tires and other technical uses. Plans are to add further units for polyester textile filament and staple.

Indonesia Enka Fibre Industry, a company established jointly with local entities and international investment banks, will build a polyester filament and staple facility near Bandung. Our participation in this company will eventually be reduced to a minority interest.

Nichemtex Industries of Lagos (Nigeria), in which we are to take a 30% interest, is currently building a plant for the manufacture of polyester staple. Our cooperation with this company is aimed at giving further expansion to the production of synthetic filament and staple. To this end, construction of polyester and nylon textile filament facilities is being considered.

These three projects are aimed at meeting the growing requirements for synthetic filament and staple in the areas concerned. It is estimated that the effect on employment will be to create in excess of 3,000 direct jobs.

**Products**

[1] *Chemical fibers for apparel*

The lower shipments of filament and staple to the textile industry in Western Europe and the United States resulted partly from consumer reserve induced by the deterioration in general economic conditions.

In Western Europe, moreover, shipments were increasingly affected by growing imports of both fibers and textile products from Asiatic and Eastern bloc countries. In addition, the worldwide market decline caused a substantial lessening of our export trade to the United States and other countries.

*Polyester filament yarn* continues to have good growth potential. The textured variety in particular, for which new spinning and texturing technologies have been developed, is used in knitted – and increasingly also in woven – fabrics for outerwear. Through the supply of special filament types, we were able to amply meet the increase in demand for yarns for lightweight and bulky fabrics with an enhanced natural look.

Consumption of *nylon filament yarn*, used substantially in pantyhose and lingerie, continues to be depressed, notably in the EEC countries.

® indicates trademarks registered in one or more countries

Shipments of *rayon filament yarn*, which in Europe is mainly employed to make lining fabrics, were lower, reflecting reduced activity in the apparel industry.

*Polyester and rayon staple* in particular had profited beginning in 1973 from the relatively high price levels of wool and cotton. This favorable competitive position was impaired in 1974 by the sharp decline of cotton prices to nearly 50% of the level existing at the beginning of the year and by the rise in production costs of the man-made fibers. However, we expect the next few years to bring an improvement in the price ratio for the man-made fibers, especially because of a trend to increase the acreage of soybean and other high-protein crops, at the expense of cotton.

[2] *Chemical fibers for carpets and other home furnishings*

The carpet-making industry was affected by reduced activity in building construction, which was one of the factors causing shipments of filament and staple to be lower for the first time. This does not alter our view that there still are substantial growth opportunities in this sector, however.

Our *Colback® non-wovens* for use as high-grade backing material in tufted carpets and as substrate in hard PVC floorcoverings have meanwhile achieved a position of strength in the processing industry.

[3] *Chemical fibers for industrial uses*

The existing tendency for the demand for auto tires to level off in the industrialized countries was intensified by the decline in automobile production. This influenced

*Working closely with users, Enka Glanzstoff is developing a range of technical applications for its* Enkamat®*, a three-dimensional, criss-cross mat made from polyamide yarns. The photo shows* Enkamat®*-based sward – a product used in hydraulic engineering projects, upkeep of playing fields, etc.*

our shipments of *rayon filament yarn* and *steel cord*. Demand for *nylon filament tire yarn*, by contrast, continued to be brisk, especially in countries of the Third World, where motorization of transport has gathered considerable momentum.

The Group, which is a leading supplier of reinforcing materials, succeeded in maintaining shipments at the 1973 level.

The switch to radial tires in Europe is expected to be completed in 1980. This development should boost steel cord sales but, due to the relatively low growth of automobile production forecast for this period, volume increases here will partly be at the expense of other reinforcing materials. However, we feel that the prospects for rayon as carcass material warrant confidence in a continued good market position for this product in the years ahead.

Shipments of synthetic filament yarns and non-wovens for established uses, such as industrial fabrics and conveyor belts, continued to develop favorably in the year under review. The know-how in terms of 'engineering with fibers' that has been accumulated by Enka Glanzstoff gives us confidence for the success of our specialties in further developing attractive end-uses in such fields as civil engineering, soil technology, transport and agriculture.

**Research and development**

The object of chemical fiber research is not only the development of new filament and staple types, but also the adjustment and improvement of product properties to suit the needs of processors and consumers. In addition, further integration and automation of production processes is of increasing importance, especially with a view to cost control.

For industrial uses we have developed *Arenka®*, a yarn type based on aromatic polyamides that promises to open up a broad field of applications, with auto tire reinforcing material a major item.

Experience in applications of our polyamide *Enkamat®* in agriculture, hydraulic engineering, road building and playing field construction has been favorable. The product's further improvement is being vigorously pursued.

In the area of carpeting, our line of filament yarns was expanded further and a new type of acrylic staple (*Acribel AT 370®*) with attractive dyeing and processing characteristics was developed.

With regard to synthetic textile yarns, the emphasis is now on achieving improved aesthetic properties, resulting in an enhanced 'natural look'. Instances where this work has been successful are American Enka's *Encron Golden Touch®* and Enka Glanzstoff's *Diolen GV®* textured polyester yarns.

Another focus of attention is high-speed texturing processes that require relatively low capital outlays.

To meet requests from the hosiery industry, we have developed technology for the production of spundyed nylon hosiery yarn.

*One of the multiplicity of applications in the 'engineering with fibers' field that help Enka Glanzstoff build a worldwide reputation: exhibition pavilion at Miami, Florida, from coated fabric woven from special synthetic filament yarns* (Enka Nylon Superfest®, Diolen Superfest®).

*Consolidation of soft subsoil under earth foundations for superhighways, plant complexes, storage tanks, etc., often is a problem in that it may take years to complete. However, the process can be telescoped by installing vertical drains manufactured from a special, porous* Colbond® *polyester non-woven. This will permit excess groundwater to drain quickly from the subsoil.*

*Associated with the switch to radial tires are growing requirements for steel cord. The photo pictures a tire producer's test of a radial reinforced with our* Ferenka® *steel cord.*

# Chemical products

| in Hfl million | 1974 | 1973 | 1972 |
|---|---|---|---|
| sales | 3,416 | 2,595 | 2,367 |
| operating income | 317 | 168 | 172 |
| operating income as percentage of sales | 9.3 | 6.5 | 7.3 |

## Salt and heavy chemicals

This product group includes: vacuum, rock and solar salt; chlorine and alkali products, such as caustic soda, soda ash; chlorinated hydrocarbons, chloroacetic acid and derivatives, vinyl chloride and crop protection chemicals; acetic acid, butanol, butyl and vinyl acetate, methanol, formaldehyde and other methanol derivatives; dimethyl terephthalate (DMT); fluorine compounds, bisphenol A, edible and drying oils, fatty acids, sulfuric acid, carbon disulfide and other sulfur compounds, citric acid.

### Sales and income

Sales increased 37% to Hfl 1,653 million, which was mainly attributable to substantial price rises for basic chemicals on the world market. These price rises on our export markets more than offset the considerable increases in the costs of energy and raw materials. This, and the fact that our chemical plants operated at near-capacity levels, caused operating income to be substantially higher than for 1973.

Income from our salt operations in Europe was hardly up compared with 1973, which was mainly due to the paucity of opportunities for price adjustment. At International Salt (Akzona), sales of salt were up over 30% compared with the preceding year as a result of a return to more normal market conditions. Together with the effects of continuing efforts to control costs, this led to a positive, if modest, result after the operating loss suffered in the preceding year.

### Products

Our production capacity for the manufacture of *chlorine* and *alkali products* from *salt* was insufficient to meet the sharp rise in demand for chlorine. For these products and notably for *soda ash*, there was a marked difference between selling prices on export markets and those in the Netherlands, where the price level was depressed by government controls.

Demand for soda ash, and especially dense soda ash, is developing so rapidly that we have decided to enlarge our production capacity in the Netherlands (Delfzijl).

*Vinyl chloride* sold well; our plant near Rotterdam operated virtually at capacity. In the fourth quarter, however, demand from PVC producers decreased somewhat.

By the end of the year, demand for our petrochemicals diminished slightly as a result of some reserve on the part of our customers in the coatings and plastics industries.

A major setback was the fire in our butanol plant in the Europoort area (the Netherlands). Fortunately, there were no personal injuries. Repairs have meanwhile been started and we expect that production of *butanol* can be resumed by mid-1975.

Production capacities for both *acetic acid* and MCPA and MCPP (*crop protection chemicals*) are being expanded.

After some start-up problems, the new methanol plant of Methanol Chemie Nederland (a joint venture with DSM) operated virtually at capacity. Our drive to use a larger part of the *methanol* output for the production of derivatives has prompted a decision to construct a second formaldehyde plant and a second resin plant at Delfzijl. Construction of an additional methanol facility – likewise at Delfzijl – is under study.

In the last quarter, the decreased activity in the coatings, chemical fiber and textile industries affected shipments of *drying oils, fatty acids, sulfuric acid* and *carbon disulfide*. An improvement is not expected until well into 1975.

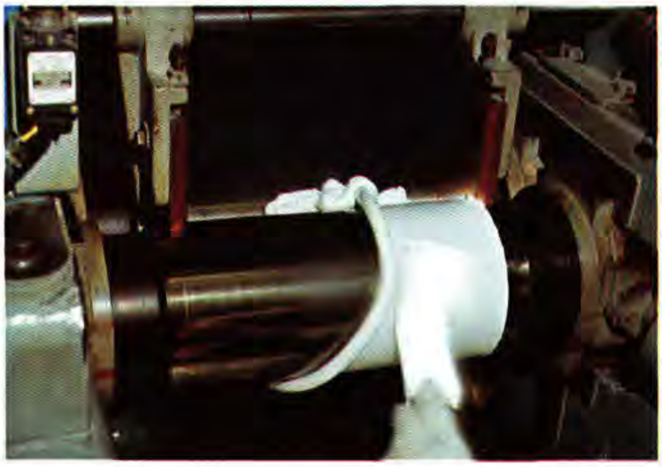
At the end of 1974, agreement was reached with ATO Chimie, a French producer, on a joint study of the possibilities of establishing a petrochemical manufacturing complex near Le Havre. The envisaged complex comprises a naphtha cracking plant and processing units, including a vinyl chloride plant and a companion electrolysis unit.

The dense soda ash plant of Alcalis do Rio Grande do Norte – Alcanorte, in which we will take a minority interest, will be set up near our CIRNE solar salt plant (Macau), which will supply the required salt. For this purpose, the capacity of the CIRNE plant will be expanded.

### Exploitation of know-how

We successfully started the sale of Akzo-developed know-how in the fields of process engineering and pollution control. Instances are:
- a monitoring system for anode current control in electrolysis processes;
- a process for chlorine liquefaction;
- equipment for the measurement of mercury in effluent from mercury electrolysis processes and the removal thereof from such effluent.

*Japan Interstab supplies stabilizers to the Japanese plastics industry.*
*Shown here is a test on heat stability and lubricity of a PVC compound. The results of such tests will benefit the processing industry.*



## Specialty chemicals

This product group includes: process chemicals, additives, auxiliaries and other products mainly for industrial uses, such as initiators, catalysts, sequestering agents, disinfectants, sorbents, fillers, stabilizers, surfactants, paper sizes, siccatives, concrete chemicals, nitrogen derivatives of fatty acids and other fatty acid derivatives.

#### Sales and income

Sales of this product group, which comprises the Akzo Chemie specialties and the Armak (Akzona) products, were up 32% to Hfl 991 million. While in part attributable to certain acquisitions, this increase was largely due to higher selling prices.

Profit margins for the majority of products were fair to good.

#### Products

We materially strengthened our position in the field of *thermoplastics additives* through a take-over from Cincinnati Milacron Chemicals Inc. (United States) of its operations in PVC additives (stabilizers) and coatings additives. Under the name Interstab, Akzo Chemie subsidiaries now are active in Europe, the United States and Japan. Together they are major suppliers of *stabilizers* for the PVC industry, which is predominantly established in these areas.

Following the 1973 take-over of a French-based company, the favorable prospects of increasing usage of additives for the cement processing industry (*concrete chemicals*) prompted the acquisition of the German Woermann group, with establishments in West Germany and Switzerland.

The decline in business conditions for the Western European plastics, rubber and paper industries was reflected toward the end of the year in lower shipments of several products, including *initiators*, *stabilizers* and various *rubber and paper chemicals*, to these branches of industry. This reduction in shipments was partly offset by higher exports to countries in the Eastern bloc and elsewhere. We anticipate that volume sales of the majority of these products will pick up again in 1975 after the excess stocks held by our customers have been reduced.

We will shortly begin supplying the plastics industry with *initiator suspensions* (e.g. *Perkadox 16*®) developed by us. The PVC industry benefits by the substitution of liquid for solid initiators in a reduction of free vinyl chloride gas concentrations, since addition of liquid initiators no longer requires the opening of reactor vessels.

Business for *catalysts* differed according to the type of product. Development of sales of desulfurization catalysts was disappointing, largely as a result of environmental measures in several countries being postponed owing to the oil crisis. Over the long term we expect to be able to significantly expand shipments to oil refineries.

By contrast, shipments of catalysts for the chemical industry were highly satisfactory. For the future we envision attractive opportunities for expansion, particularly if coal should be extensively employed in the production of basic chemicals.

Armak and Akzo Chemie moved ahead with a program of intensive research cooperation and information exchange that will permit speedier utilization of each other's know-how in the various geographical markets. Armak now has facilities under construction in the United States for the production of peroxides (initiators) and desulfurization catalysts, utilizing Akzo Chemie's know-how in these fields. An instance of the program's operation in the other direction is Akzo Chemie's plan to double its production capacity for *nitrogen derivatives* in Western Europe, utilizing Armak's comprehensive know-how in the field of fatty acids and fatty acid derivatives. Nitrogen derivatives are used in the detergents and other industries.

#### Research and development

Semi-commercial production was started of a number of products developed by the Group, namely a *synthetic paper size*, a new type of *synthetic resin*, and a new *ultraviolet absorber*.

In addition, preparations were made for plant-scale utilization of new manufacturing processes for organic acids, amines and polyurethane raw materials.

*Sikkens'* Aerodur System®, *a new two-component paint system, affords high weather resistance and durable protection against attack from highly corrosive hydraulic brake fluids and exhaust gases. Dramatic swings in temperature to which aircraft are exposed – often ranging fully 100°C within a half hour – also leave the coat unaffected.*

## Coatings

This product group includes paints, powder coatings, synthetic resins, adhesives and waxes for:
industrial uses, e.g. for automobiles, airplanes, railroad cars and for products of the metal-working, wood-working, furniture, packaging and other industries;
professional use, e.g. for auto refinishing, building, road marking, shipbuilding and other anti-corrosive uses;
the do-it-yourself market.

### Sales and income

Sales increased 21% to Hfl 772 million, of which 7% was accounted for by an acquisition. However, shipments were lower, mainly due to decreased activity in the building and automobile industries. Added to the substantial rise in raw materials costs, this led to an unsatisfactory level of operating income relative to sales.

### Markets and products

In the year under review, we further consolidated our position as a major European paint producer.

Despite difficulties in the first half of 1974, we succeeded, through careful raw materials management, in generally maintaining continuity of deliveries to customers, including those in European countries where we have no production facilities. Because of this, and through the extension and improvement of our distribution machinery as exemplified by the inauguration of new warehouses at various locations in Europe, we further strengthened our ties with customers.

In the sector of auto refinishes, we completed our drive toward a European product range through the introduction of a 2,700-shade *Colorscala*. This has materially widened the scope of our service throughout Europe by improving the possibilities for rapid supply of colors.

In *West Germany*, where price adjustments to reflect the rising costs of wages and raw materials have been inadequate for some years, business was also adversely affected by declining demand on the domestic market. This caused intensified price competition and excess capacity in the paint industry.

For the near future, we expect good results from the Lesonal-developed high-grade paints for plastics. To supplement its existing broad color range, Sikkens GmbH introduced a new color mixing system for the building industry, which has already proved its value in practice.

Resicoat, a joint venture with Robert Bosch GmbH, further expanded its operations in Europe in the field of powder coatings.

Aided by exports to Eastern Europe, Austro Lesonal (*Austria*) strengthened its position for industrial coatings.

In *France*, Astral effected a further penetration of the markets for building paints and do-it-yourself products. Considering the prevailing conditions, the automotive and industrial coatings sectors still showed a reasonable development. In the coil coating sector (coating of steel strip), where business was satisfactory in 1974, we see good prospects for further internationalization.

In *Italy*, we strengthened our position for building paints and industrial coatings, despite the strong inflation and the scarcity of raw materials.

In the *Benelux*, shipments of some important classes of products decreased in the latter half of the year. Our introduction of a color mixing system for *Flexa*® do-it-yourself paints has enabled customers to choose from some 400 colors that can be instantly prepared and supplied. In Belgium, we effected a further penetration of the auto refinishes market. In the internationally important aircraft coatings sector and in the road-marking paints sector, where stringent quality requirements must be met, developments were favorable. In the area of wall paper, activities were expanded. In the year of its 75th anniversary, Talens introduced its unique range of *Rembrandt artists' fluid colours*®.

Synthese, a producer of synthetic resins, developed acrylate polyesters for printing inks; it is testing other possibilities of application jointly with Akzona.

The cooperation between Syntac, a producer of wax products, and Burmah Industrial Products was terminated in early 1975 in compliance with a request made by Burmah Oil as a result of developments within that company.

Business for the Astral companies in *North and West Africa* was again favorable. Montesano (*Brazil*), which joined our coatings group in early 1974, strengthened its position in industrial coatings. In *Thailand*, we acquired an interest in Metropolitan Paint of Bangkok.

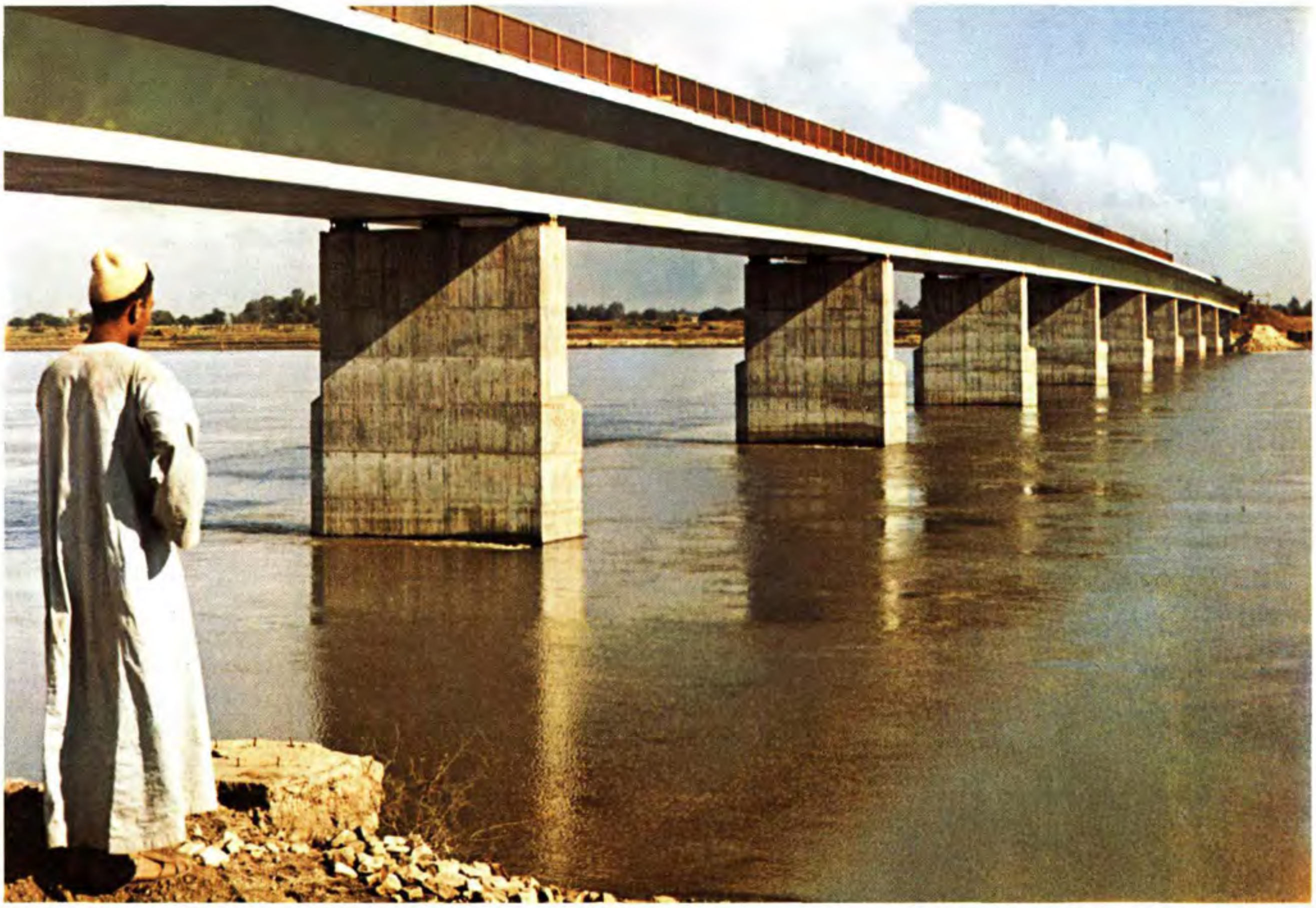
### Research and development

We successfully developed the first water-borne, solvent-free paint systems for the automotive industry and for industry in general. A high priority has been assigned to the search for high-speed non-polluting systems for the drying of paints and powders by radiation curing.

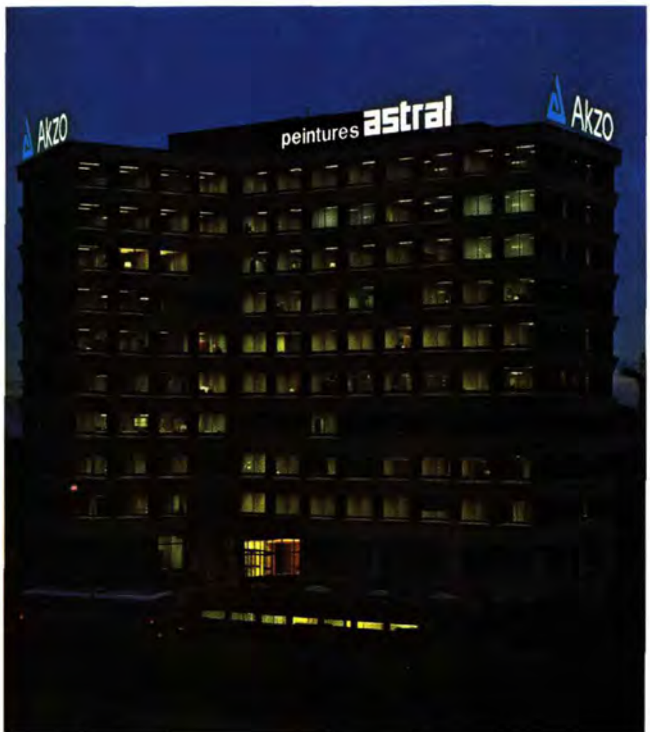
*The CIRNE (Brazil) solar salt plant will be expanded to provide the feedstock for the dense soda ash facility of Alcalis do Rio Grande do Norte – Alcanorte.*

*Akzo Chemie's acquisition of the Woermann group in 1974 marked a further advance into the important concrete additives market.*
*A photo of the bridge across the river Nile at Tamalai (Egypt) in the construction of which Woermann products were used.*

*In 1974, Companhia de Tintas e Vernizes R. Montesano of São Paulo (Brazil) joined the coatings group. Over 500 people are employed in this modern facility.*



*Completed at year-end 1974, this office block near Paris is to accommodate the managements and clerical staffs of the Group's French subsidiaries – among them the Astral company.*



# Pharmaceuticals, consumer products and miscellaneous products

| in Hfl million | 1974 | 1973 | 1972 |
|---|---|---|---|
| sales | 2,817 | 2,425 | 2,070 |
| operating income | 232 | 206 | 182 |
| operating income as percentage of sales | 8.2 | 8.5 | 8.8 |

## Pharmaceuticals

This product group includes:
ethical drugs, such as hormone preparations (anabolics, contraceptives), antidepressants and alkaloids;
non-prescription drugs, such as tonics, vitamins, pain-killers, cough remedies and sweetening agents;
hospital supplies, such as infusion liquids, blood fractions, diagnostics and medical equipment;
raw materials for the pharmaceutical industry;
veterinary products, such as vaccines and hormone preparations;
crop protection products.

### Sales and income

Sales increased 16% to Hfl 819 million. Most product sectors contributed to the growth of sales. Overall, profit margins were maintained at the 1973 level, despite limited opportunities of adjusting selling prices to higher raw materials costs.

### Products

In the sector of *ethical drugs* (Organon), the growth of shipments of *oral contraceptives* diminished slightly, notably in the Netherlands and West Germany. However, our regular extension of this line to meet the specific needs of users, and the anticipated increase in the currently low level of consumption in a number of countries give us confidence in a continued reasonable rate of growth.

*Fludilat,*® a vasodilating preparation, which was introduced in 1973, is meeting with increasing market interest. Through further international introductions, a substantial rise in sales is anticipated for the coming years.

Shipments of *Synapause*®, a preparation to suppress and prevent post-menopausal complaints, increased substantially.

The introduction of our *antidepressant* (*Tolvon*®), which was developed under the GB 94 code name, is proceeding more slowly than expected as a consequence of the time-consuming registration procedures in several countries. In the year under review, approval was granted by the health authorities of Switzerland and the Republic of Ireland.

The Chefaro range of *non-prescription drugs* was broadened in the year under review by the introduction in the West German market of *Rovaktivit*®, an invigorating tonic. Chefaro's aim is in general to achieve a broader geographical distribution of product sales, especially within Europe. A good example of such internationalization is provided by *Predictor*®, the do-it-yourself pregnancy test, which was introduced some years ago and is now successfully marketed in over ten countries.

Our efforts to achieve an international market position for our diversified range of *hospital supplies* (Organon Teknika) are beginning to show appreciable results. For the time being, operations will center mainly on a number of European countries.

In the year under review, we broadened the scope of application of two systems introduced in 1973, *Redy*®, a portable monitoring system for kidney dialysis, and *Echo cardio Visor*®, an ultrasonic apparatus to show the action of the heart.

The range of diagnostics was extended by the addition of *Hepanosticon*®, a hepatitis antigen test that is mainly used to check blood from donors, and of *FSHnosticon*®, a test to show the presence of fertility hormone in the urine.

Organon Inc. (Akzona) augmented its growth potential through acquisition of Aerojet Medical and Biological Systems, a producer of special instruments, reagents and systems for diagnostic uses in medical and non-medical fields.

Diosynth, which is engaged in the manufacture of *pharmaceutical raw materials* for both captive and commercial use, experienced a favorable year. The increasing worldwide shortage of natural raw materials for the manufacture of such products as steroids prompted further measures to insure the supply of basic raw materials. Direct access to the collection and preliminary processing of these natural materials has been among Diosynth's key objectives ever since the company was formed.

The production of *alkaloids* (Verenigde Pharmaceutische Fabrieken) was hampered by stagnating supply of poppy capsules, the basic material for the manufacture of opiates. For the coming years, however, we expect no significant scarcity of this material.

The limited supply of certain basic raw materials has induced us to place increasing emphasis on the development of synthetic alkaloids.

Intervet's shipments of *veterinary products* decreased, reflecting a difficult situation in the European poultry and pig industries.

*Inoculation of a blood plate in bovine mastitis research at Intervet.*

*The combination of Organon Teknika's products* Redy® *(monitoring system) and* Nephross C-02® *(artificial kidney) enables patients to perform dialysis at home or elsewhere.*

The sector of *crop protection products* (AAgrunol) developed satisfactorily. Jointly with Zoecon Corporation (United States), we have established a company which will market non-polluting insecticides based on growth regulators.

Measures have been taken to insure further protection of the environment during the manufacture of crop protection products.

**Research and development**

We anticipate a further rise in research and development expenditures, partly as a result of an intensification of fundamental research for long-term developments. In addition to the traditional areas of fertility control, treatment of inflammation, diagnostics and sex steroids, the promising area of antidepressants will demand an increasing share of our research capacity.

*Some brands from the broad range of food and dietary specialties of Recter, a new addition to the consumer products group.*


## Consumer products

This product group includes:
detergents, cleaning products and bleaching agents;
paper products for household use;
health and body-care products, such as toiletries, fragrances and cosmetics, including sprays;
foodstuffs, such as oils, fats, sauces, soups, preserves, party snacks and various food specialties.

### Sales and income

Sales increased 26% to Hfl 679 million. The rise in operating income was lower as a result of such factors as price controls in the Netherlands and several other European countries. Our food sector in Europe made a modest recovery from 1973.

The food sector of International Salt Company (Akzona) expanded vigorously but results in this sector were depressed due to the sharp rise in costs of such raw materials as soybean oil.

### Expansion of activities

We entered the *hygienic paper* market in France through the acquisition of a French paper company. Paper production capacity will be further expanded by various measures, including the addition of a second paper-making machine in our Edet plant at Tilburg (the Netherlands). This expansion will mainly relate to the production of high-grade paper types. In Sweden and in the Netherlands, facilities for the purification of effluent from our paper plants were completed.

In the *detergents* sector, shipments of *Biotex®* were up, especially in Belgium. Favorable sales prospects in Scandinavia and the necessity of rationalizing our Danish production prompted a decision to build a new plant in Denmark.

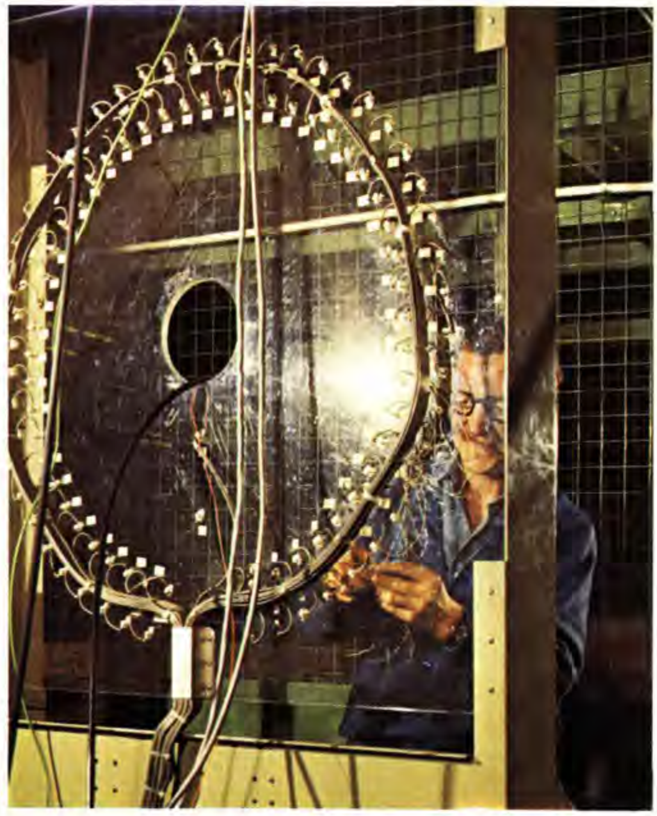
The integration at January 1, 1975, of Recter B.V. of Veenendaal (the Netherlands) with our subsidiary Intec B.V. should strengthen our market position in the *health and body-care products* sector, mainly through a broadening of product range and distribution channels. The new combination should also offer better opportunities for exports.

In the *food* sector, we again successfully introduced a number of new products. Sales in France developed favorably. The introduction of certain foods in Denmark has opened good long-range prospects.

The integration of our Dutch food companies under centralized management is expected to lead to a further improvement of profitability, which we deem to be necessary. The social aspects of this integration are receiving great attention.

We are constantly exploring possibilities of – especially international – cooperation with others.

*High-voltage checking of a cable for the electronics industry in the Brand-Rex Ltd plant at Glenrothes (Scotland). Brand-Rex Ltd is a joint venture of British Enkalon and Brand-Rex Company (Akzona).*



## Miscellaneous products

Miscellaneous products include:
plastics, film, adhesive tape, adhesives, cellulose-based industrial chemicals (CMC);
dialysis membranes;
leather and synthetic leather, shammies, sponges;
wire and cable products for electrical and electronic end-uses;
machinery and equipment for the chemical fiber and plastics industries
various industrial products.

Sales were up 12% to Hfl 1,319 million. The principal contributions toward this increase came from plastics (Akzo Plastics) and technical products (Brand-Rex, Barmag).

In the course of the second half of the year, Akzo Plastics (Enka Glanzstoff) experienced a setback in its sales of *acetate, nylon and polyester engineering plastics* as a result of slackness in the plastics processing industry. A new polyester grade (*Arnite® PTMT*) was successfully introduced. Its uses are in the fields of electrical engineering, precision mechanics, the automotive industry and household applicances. Development of a bottle for carbonated beverages molded from a special *Arnite®* grade is in an advanced stage.

*Cellulose-based industrial chemicals* (CMC) were in continuing high demand. This was particularly true of special types used in drilling muds for oil and gas exploration.

Business for *wrapping film* and *adhesive tape* was satisfactory. However, developments for *industrial adhesives* and *fabricated plastics* were less favorable.

Sales and income levels for *Cuprophan®* film for dialysis membranes were higher in the year under review, reflecting increasing usage of artificial kidneys. Clinical dialysis tests were conducted at a number of customers using hollow fibers of the same material. The results of these tests were favorable, and production of these fibers was started in early 1975.

For *synthetic leather* (*Xylee®*), shipments were expanded further, partly through the development of new export markets. However, a restraining influence was exerted by a strong increase in market supplies of leather. We were able to offer shoe upper material of improved quality to the footwear industry, which is increasingly appreciative of the benefits arising from the use of synthetic leather.

Results for Armira, Akzona's *leather* division, were considerably below the 1973 level. The ample supply situation for hides led to price reductions and caused a high degree of reserve on the part of the American footwear industry in its buying activities. Increased export activities afforded some compensation.

After completion of a *synthetic leather* (*Xylee®*) manufacturing facility, Armira will be able to supply the footwear industry with material for the production of approximately 20 million pairs of shoes annually.

Sales and income of Brand-Rex, Akzona's *wire and cable products* division, achieved record levels for the second year in succession.

The steady expansion of this division received a new impetus in the year under review through acquisition of two companies, including Teltronics Inc., an enterprise in the field of electronic specialties for the communication equipment industry. These moves secured a further broadening of Brand-Rex's technological base and product range.

Brand-Rex Ltd (Scotland), a joint venture of British Enkalon and Brand-Rex, which commenced production in 1972, achieved positive results for the last quarter. Prospects for the company's further development are considered good, due to a projected broadening of the product range.

Sales of Barmag Barmer Maschinenfabrik were up 23%; however, income fell short of the 1973 level. The many orders received in 1974 substantially increased the company's backlog compared with year-end 1973.

Barmag invests considerable effort in further raising its high standards of product quality. Prime concerns of research in the year under review were the development of new automation possibilities and the improvement of occupational hygiene and working conditions.

# Management

March, 1975

Akzo N.V. is the Group's holding company with direct and indirect participations in a number of companies. Together they constitute the Akzo group.

**Board of management of Akzo N.V.**

The members of the board of management are jointly responsible for Group policy.

A number of board members are primarily charged with the preparation of Group policy and with the day-to-day management of Akzo N.V. Within this group of board members, a division of duties is in force respecting both the coordination of product-related interests and functional activities within the Group, including responsibility for a number of central staff departments.

| | |
|---|---|
| G. Kraijenhoff | Group strategy, public relations; pharmaceutical interests |
| L. H. Meerburg | chemical fiber interests |
| S. C. Bakkenist | social policy, organization, internal auditing; consumer product interests |
| H. J. Schlange-Schöningen | international operations |
| H. Kramers | technological development; chemical product interests |
| H. J. Kruisinga | financial, accounting and legal policies; automation affairs |

The other board members are specifically charged with the management of Group units.

| | |
|---|---|
| A. G. van den Bos | Akzo Chemie |
| H. van Doodewaerd | Akzo Consumenten Produkten |
| A. van Driel | Akzo Coatings |
| D. W. van Krevelen | Akzo Research & Engineering |
| J. Veldman | Akzo Pharma |
| J. A. Wolhoff | Akzo Zout Chemie |
| H. G. Zempelin | Enka Glanzstoff |
| B. Zevenbergen | Enka Glanzstoff |

The secretary of the board of management is A. H. M. Wentholt, who is also responsible for the staff departments of Strategic Planning and Economic Affairs.

Acting as adviser to the board of management is W. K. N. Schmelzer, specifically in relation to international affairs and issues of a general social nature.

**Management of central staff departments**

| | |
|---|---|
| M. W. Arts | Internal Auditing |
| K. D. Brown | Corporate Business Development |
| A. M. van Haastrecht | Organization |
| J. M. Hessels | Financial Affairs |
| C. Hoek | Legal Affairs |
| B. Klaverstijn | Public Relations |
| R. M. Lievaart | Fiscal Affairs |
| J. K. G. Meijnen | Insurance Affairs |
| B. W. van Mourik Broekman | Personnel Affairs |
| K. J. Mulder | Economic Affairs |
| R. J. Ovezall | Accounting and Management Information |
| T. M. Tieleman | Strategic Planning |
| A. W. Zijlker | Computer Affairs |

The board of management has charged the following officers with specific duties as shown below:

| | |
|---|---|
| Mrs. M. A. van Damme-van Weele | chemical development |
| E. W. Meier | international relations |
| R. M. Smulders | economic relations with State monopoly trading countries |

**Management of Akzo Research & Engineering**

| | |
|---|---|
| D. W. van Krevelen | president |
| H. Kramers | deputy president |
| F. C. A. A. van Berkel | |
| E. Meyer | |

**Management of Akzo Engineering**

J. R. Eppenga

H. Hofman

**Managements of Group companies and divisions in which Akzo N.V. holds an interest of 95% or more**

*Enka Glanzstoff*

| | |
|---|---|
| B. Zevenbergen | president |
| H. G. Zempelin | deputy president |
| F. C. A. A. van Berkel | |
| J. van den Driest | |
| S. Lochner | |
| E. Meyer | |
| G. Tückmantel | |
| J. Verhaar | |

*Akzo International*

| | |
|---|---|
| H. J. Schlange-Schöningen | president |
| H. G. Karus | deputy president |
| G. G. Cerutti | |
| H. W. Muzerie | |
| A. F. J. C. Zillikens | |

*Akzo Zout Chemie*

| | |
|---|---|
| J. A. Wolhoff | president |
| H. J. J. van der Werf | deputy president |
| M. Boogaerdt | |
| J. H. Dijkema | |
| G. H. W. Meeder | |

*Akzo Chemie*

| | |
|---|---|
| A. G. van den Bos | president |
| J. C. P. van Oosterom | |
| M. D. Westermann | |
| | |
| M. E. Hartman | |
| D. B. Kagenaar | |
| P. W. Pfeiffer | |
| H. A. Praetorius | |

*Akzo Coatings*

| | |
|---|---|
| A. van Driel | president |
| R. de Bonneval | |
| O. Daum | |
| C. P. B. Littooy | |
| W. L. W. Ludekens | |
| G. Macovich | |
| H. van Prooyen, Sr. | |

*Akzo Pharma*

| | |
|---|---|
| J. Veldman | president |
| G. Hes | |
| C. P. Spoel | |

*Akzo Consumenten Produkten*

| | |
|---|---|
| H. van Doodewaerd | president |
| W. P. Boerma | |
| T. Bouterse | |
| M. A. Hoolboom | |
| P. B. van Hulst | |
| H. B. Jacobs | |
| R. S. Schortinghuis | |
| J. E. H. Sikkink | |

**Managements of national organizations**

*Akzo Nederland*

| | |
|---|---|
| J. P. van den Bent | president |

*Akzo België*

| | |
|---|---|
| C. Vlug | president |

*Akzo Ltda, Brazil*

| | |
|---|---|
| J. R. Hutter | president |

*Mercator Internationaal, Japan*

| | |
|---|---|
| T. A. Townsend | managing director |

# Principal companies of the Akzo group

March, 1975

*The operating companies are listed by division or Group company. Percentages of participation are only stated for companies in which Akzo N.V. holds a direct and/or indirect interest of less than 95%.*

**Enka Glanzstoff, Arnhem/Wuppertal** — **Netherlands/ W. Germany**

*chemical fibers, non-wovens, plastics, synthetic leather, film, machinery and various industrial products*

| | | |
|---|---|---|
| | Enka Glanzstoff B.V., Arnhem | Netherlands |
| | Akzo Plastics B.V., Zeist | Netherlands |
| | Strucol B.V., Zutphen | Netherlands |
| | Enka Glanzstoff AG, Wuppertal | W. Germany |
| | Barmag Barmer Maschinenfabrik AG, Remscheid-Lennep | W. Germany |
| | with establishments in Switzerland, U.S.A. and Brazil | |
| | Fabelta, division of Akzo België N.V., Brussels | Belgium |
| 93 – | Ferenka Ltd, Limerick | Rep. of Ireland |
| | Italenka S.p.A., Milan | Italy |
| 93 – | Erste Österr. Glanzstoff-Fabrik AG, Vienna | Austria |
| | Feldmühle A.G., Rorschach | Switzerland |

**Akzo International, Arnhem** — **Netherlands**

*chiefly chemical fibers*

| | | |
|---|---|---|
| 62 – | British Enkalon Ltd, Leicester | U.K. |
| 62 – | Teesside Textiles Ltd, Thornaby/Stockton-on-Tees | U.K. |
| 37[a] – | Brand-Rex Ltd, Glenrothes | U.K. |
| 58 – | La Seda de Barcelona S.A., Barcelona | Spain |
| 45 – | Cyanenka S.A., Prat de Llobregat | Spain |
| 40 – | Fibras Químicas S.A., Monterrey | Mexico |
| 40 – | Petroquímica Sudamericana S.A., Buenos Aires | Argentina |
| 40 – | Hilanderías Olmos S.A., Buenos Aires | Argentina |
| 40 – | Hilanderías Beccar S.A., Buenos Aires | Argentina |
| 51 – | Polyenka S.A., Indústria Química e Têxtil, São Paulo | Brazil |
| 45 – | Companhia Bahiana de Fibras Ltda, Rio de Janeiro | Brazil |
| 48 – | Enka de Colombia S.A., Medellin | Colombia |
| 49 – | Enkador S.A., Quito | Ecuador |
| 44 – | Century Enka Ltd, Calcutta | India |

**Akzo Zout Chemie, Hengelo (O)** — **Netherlands**

*salt and heavy chemicals*

| | | |
|---|---|---|
| | Akzo Zout Chemie Nederland B.V., Hengelo | Netherlands |
| | Ned. Soda-industrie B.V., Delfzijl | Netherlands |
| | Petrochemie Delfzijl B.V., Delfzijl | Netherlands |
| | Zoutchemie Botlek B.V., Rotterdam | Netherlands |
| 50 – | Methanol Chemie Ned. v.o.f., Delfzijl | Netherlands |
| | Norddeutsche Salinen GmbH, Stade | W. Germany |
| 50 – | Elektro-Chemie Ibbenb. GmbH, Ibbenbüren | W. Germany |
| | Konezo, division of Akzo België N.V., Brussels | Belgium |
| 50 – | Dansk Salt I/S, PR Mariager | Denmark |
| 87 – | Comp. Ind. do Rio Grande do Norte (CIRNE), Macau | Brazil |

**Akzo Chemie, Amersfoort** — **Netherlands**

*specialty chemicals and industrial chemicals*

| | | |
|---|---|---|
| | Akzo Chemie Nederland B.V., Amersfoort | Netherlands |
| 60 – | Ketjen Carbon B.V., Rotterdam | Netherlands |
| 50 – | Cyanamid-Ketjen Katalysator B.V., Amsterdam | Netherlands |
| | Akzo Chemie GmbH, Düren | W. Germany |
| | Woermann Chemische Baustoffe AG, Salzkotten | W. Germany |
| | with establishment in Switzerland | |
| 66 – | Carbosulf Chemische Werke GmbH, Cologne | W. Germany |
| | Akzo Chemie, div. of Akzo België N.V., Mons | Belgium |
| | Akzo Chemie France S.à.r.l., Compiègne | France |
| | Akzo Chemie Italia S.p.A., Arese | Italy |
| | Akzo Chemie U.K. Ltd, London | U.K. |
| | Armour Hess Chemicals Ltd, Harrogate | U.K. |
| | Interstab Chemicals Inc., N. Brunswick, New Jersey | U.S.A. |
| 50 – | Nippon Ketjen K.K., Tokyo | Japan |
| 50 – | Kayaku Noury K.K., Tokyo | Japan |
| 50 – | Japan Interstab K.K., Tokyo | Japan |
| 50 – | Lion Akzo Co. K.K., Tokyo | Japan |

**Akzo Coatings, Amstelveen** — **Netherlands**

*paints, powder coatings, synthetic resins, adhesives and waxes*

| | | |
|---|---|---|
| | Sikkens B.V., Sassenheim | Netherlands |
| | Kon. Talens B.V., Apeldoorn | Netherlands |
| | Kunstharsfabr. Synthese B.V., Bergen op Zoom | Netherlands |
| | Syntac B.V., Voorburg | Netherlands |
| | Sikkens GmbH, Emmerich | W. Germany |
| | K.G. Lesonal-Werke Chr. Lechler & Sohn Nachf., Stuttgart | W. Germany |
| | with establishment in Austria | |
| 50 – | Resicoat GmbH, Reutlingen | W. Germany |
| | Akzo Coatings Belgium N.V., Ternat | Belgium |
| | Astral S.A., Paris | France |
| | with establishments in Morocco[b], Tunisia, | |

| | | |
|---|---|---|
| | Senegal[b], Ivory Coast[b] and Cameroun | |
| | Vercolac S.p.A., Milan | Italy |
| | Sikkens S.p.A., Dormeletto | Italy |
| | Colorificio Linvea S.p.A., Naples | Italy |
| 49 – | Miluz S.A.I.C.I.F., Buenos Aires | Argentina |
| | Comp. de Tintas e Vernizes R. Montesano S.A., São Paulo | Brazil |

**Akzo Pharma, Oss** — **Netherlands**

*ethical drugs* (Organon International B.V., Oss),
*non-prescription drugs* (Chefaro International B.V., Rotterdam),
*hospital supplies and equipment* (Organon Teknika International B.V., Oss),
*raw materials for the pharmaceutical industry* (Diosynth B.V., Oss, inclusive of Verenigde Pharmaceutische Fabrieken B.V.),
*veterinary products* (Intervet International B.V., Boxmeer),
*crop protection products* (AAgrunol B.V., Groningen)

Sales offices or production plants of one or more of the above companies are established in:

- the Netherlands, West Germany, Belgium, France, Italy, United Kingdom, Republic of Ireland, Denmark, Norway, Sweden, Finland, Switzerland, Spain, Portugal, Greece, Turkey
- Mexico, Argentina, Brazil, Colombia, Ecuador, Venezuela
- Lebanon, Iran[b], India[b], Thailand, Indonesia, Philippines, Hong Kong, Japan[b]
- Australia, New Zealand
- Morocco, Zaire, South Africa[b]

**Akzo Consumenten Produkten, The Hague** — **Netherlands**

*detergents and cleaning products, paper products, health and body-care products, foodstuffs*

| | | |
|---|---|---|
| | Kortman & Schulte B.V., Dordrecht | Netherlands |
| | Otarès B.V., Enschede | Netherlands |
| 50 – | Grada Producten B.V., Amsterdam | Netherlands |
| 70 – | Recter B.V., Veenendaal | Netherlands |
| | Aerofako B.V., Apeldoorn | Netherlands |
| | Kon. Eau de Colognefabriek J.C. Boldoot B.V., Amsterdam | Netherlands |
| | Kon. Fabr. T. Duyvis Jz. B.V., Zaanstad | Netherlands |
| | Kortman, division of Akzo België N.V., Brussels | Belgium |
| 50 – | Mayolande S.A., Seclin | France |
| | Papeteries de Buxeuil S.A., Buxeuil | France |
| | A/S Blumøller, Odense | Denmark |
| | Tomten A/S, Sandvika | Norway |
| | Lilla Edets Pappersbruks AB, Lilla Edet | Sweden |
| | with establishments in the Netherlands, West Germany, United Kingdom and Denmark | |

65 – **Akzona Inc., Asheville, North Carolina** — **U.S.A.**

*chemical fibers, salt, specialty chemicals, pharmaceuticals, wire and cable products, leather, foodstuffs and various industrial products*

| | |
|---|---|
| American Enka Co., Enka, North Carolina | U.S.A. |
| Armak Co., Chicago, Illinois with establishment in Canada | U.S.A. |
| Armira Corp., Sheboygan, Wisconsin | U.S.A. |
| Brand-Rex Co., Willimantic, Connecticut with establishments in United Kingdom[a] and Canada | U.S.A. |
| International Salt Co., Clarks Summit, Pennsylvania with establishments in Canada and the Netherlands Antilles | U.S.A. |
| Organon Inc., West Orange, New Jersey with establishment in Canada | U.S.A. |

**Other companies**

| | | |
|---|---|---|
| 50 – | Silenka B.V., Hoogezand (glass fibers) | Netherlands |
| 20 – | N.V. Verenigde Instrumentenfabrieken Enraf-Nonius, Delft (medical equipment, etc.) | Netherlands |
| | Akzo Engineering B.V., Arnhem | Netherlands |
| 50 – | Moulinages Motte S.A., Mouscron (textured synthetic yarns) | Belgium |

a affiliate of British Enkalon Ltd (60%) and Brand-Rex Co. (40%); total participation of Akzo N.V.: 63%

b participation less than 95%

# Six-year financial review

| consolidated balance sheet at year's end | 1974 | 1973* | 1972* | 1971 | 1970* | 1969 |
|---|---|---|---|---|---|---|
| in Hfl million | | | | | | |
| property, plant and equipment | 4,322 | 4,235 | 4,250 | 4,274 | 4,280 | 3,745 |
| investments in non-consolidated companies | 285 | 282 | 341 | 335 | 306 | 315 |
| other non-current assets | 175 | 155 | 130 | 140 | 143 | 124 |
| non-current assets | 4,782 | 4,672 | 4,721 | 4,749 | 4,729 | 4,184 |
| inventories | 2,562 | 1,641 | 1,615 | 1,664 | 1,581 | 1,458 |
| short-term receivables | 1,831 | 1,954 | 1,728 | 1,590 | 1,563 | 1,369 |
| prepaid expenses | 56 | 52 | 54 | 56 | 61 | 38 |
| cash and marketable securities | 524 | 840 | 645 | 616 | 493 | 656 |
| current assets | 4,973 | 4,487 | 4,042 | 3,926 | 3,698 | 3,521 |
| total assets | 9,755 | 9,159 | 8,763 | 8,675 | 8,427 | 7,705 |
| capital stock | 593 | 562 | 542 | 542 | 521 | 514 |
| capital surplus, paid in | 658 | 689 | 710 | 710 | 730 | 703 |
| retained earnings | 1,993 | 1,652 | 1,412 | 1,340 | 1,218 | 1,139 |
| other reserves | 230 | 384 | 401 | 400 | 649 | 625 |
| stockholders' equity | 3,474 | 3,287 | 3,065 | 2,992 | 3,118 | 2,981 |
| minority interest in Group equity | 565 | 573 | 570 | 610 | 536 | 503 |
| Group equity | 4,039 | 3,860 | 3,635 | 3,602 | 3,654 | 3,484 |
| provisions | 958 | 991 | 809 | 725 | 857 | 809 |
| long-term debt | 2,124 | 2,047 | 2,407 | 2,402 | 2,198 | 1,729 |
| long-term liabilities | 3,082 | 3,038 | 3,216 | 3,127 | 3,055 | 2,538 |
| bank borrowings and overdrafts | 410 | 162 | 223 | 273 | 270 | 237 |
| other current liabilities | 2,224 | 2,099 | 1,689 | 1,673 | 1,448 | 1,446 |
| current liabilities | 2,634 | 2,261 | 1,912 | 1,946 | 1,718 | 1,683 |
| total Group equity and liabilities | 9,755 | 9,159 | 8,763 | 8,675 | 8,427 | 7,705 |
| invested capital**: of consolidated companies | 6,836 | 6,616 | 6,510 | 6,394 | 6,403 | 5,707 |
| in non-consolidated companies | 285 | 282 | 341 | 335 | 306 | 315 |
| total | 7,121 | 6,898 | 6,851 | 6,729 | 6,709 | 6,022 |
| property, plant and equipment | | | | | | |
| capital expenditures | 799 | 549 | 555 | 943 | 1,035 | 742 |
| depreciation | 531 | 540 | 527 | 526 | 472 | 397 |
| acquisitions of affiliates and investments in non-consolidated companies | 99 | 101 | 139 | 203 | 99 | 276 |

development of stockholders' equity, 1969–1974 (in Hfl million)

| | |
|---|---|
| stockholders' equity at January 1, 1969 | 2,519 |
| issuance of stock, including capital surplus | 405 |
| stock dividends | 208 |
| retained earnings | 1,056 |
| goodwill resulting from acquisitions of companies | (384) |
| change in exchange rates | (244) |
| other changes | (86) |
| stockholders' equity at December 31, 1974 | 3,474 |

dividend per share of common stock, 1969–1974

1969: Hfl 4.00 in cash
1970: Hfl 4.00, of which Hfl 2.80 in cash or, at stockholder's option, in common stock at the rate of one new share for every 25 shares held
1971: Hfl 3.60 in cash
1972: Hfl 3.60, of which Hfl 2.40 in cash or, at stockholder's option, in common stock at the rate of one new share for every 25 shares held
1973: Hfl 3.80, of which Hfl 2.60 in cash or, at stockholder's option, in common stock at the rate of one new share for every 18 shares held
1974: Hfl 4.00 in cash

* based on a cash dividend

** Group equity plus long-term liabilities

| consolidated statement of income | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|---|---|---|---|---|---|
| in Hfl million | | | | | | |
| sales | 10,761 | 9,418 | 8,235 | 8,056 | 7,249 | 6,366 |
| *salaries, wages and social charges* | *3,144* | *2,764* | *2,478* | *2,354* | *2,073* | *1,670* |
| depreciation | *531* | *540* | *527* | *526* | *472* | *397* |
| other costs | *6,314* | *5,350* | *4,645* | *4,535* | *4,064* | *3,498* |
| operating income | 772 | 764 | 585 | 641 | 640 | 801 |
| interest | *147* | *147* | *172* | *165* | *112* | *61* |
| taxes on operating income and interest | *226* | *283* | *181* | *238* | *259* | *375* |
| equity in earnings of non-consolidated companies | 42 | 42 | 29 | 23 | 31 | 28 |
| Group income before extraordinary items | 441 | 376 | 261 | 261 | 300 | 393 |
| extraordinary items | 8 | *3* | 7 | 4 | 19 | *5* |
| Group income | 449 | 373 | 268 | 265 | 319 | 388 |
| of which minority interest | *69* | *82* | *51* | *56* | *58* | *64* |
| net income | 380 | 291 | 217 | 209 | 261 | 324 |
| profit available for allocation | 210 | 241 | 188 | 184 | 241 | 308 |
| distributed income | 118 | 107* | 97* | 98 | 104* | 102 |
| common stock, in thousands of shares of Hfl 20 par value | 29,594 | 28,062 | 26,989 | 26,989 | 25,958 | 25,590 |
| number of employees | 105,400 | 105,800 | 101,000 | 104,500 | 100,800 | 100,300 |
| per share of common stock, in Hfl | | | | | | |
| net income | 12.83 | 10.37 | 8.02 | 7.72 | 10.01 | 12.65 |
| profit available for allocation | 7.08 | 8.59 | 6.94 | 6.81 | 9.24 | 12.02 |
| stockholders' equity | 117.36 | 117.08 | 113.49 | 110.78 | 120.06 | 116.40 |
| ratios | | | | | | |
| operating income as percentage of sales | 7.2 | 8.1 | 7.1 | 8.0 | 8.8 | 12.6 |
| personnel costs as percentage of sales | 29.2 | 29.3 | 30.1 | 29.2 | 28.6 | 26.2 |
| net income as percentage of stockholders' equity | 10.9 | 8.9 | 7.1 | 7.0 | 8.4 | 10.9 |
| distributed income as percentage of net income | 31.2 | 36.6 | 44.9 | 46.8 | 40.1 | 31.5 |
| distributed income as percentage of profit available for allocation | 56.4 | 44.2 | 51.8 | 53.0 | 43.4 | 33.2 |
| sales : invested capital | 1.57 | 1.42 | 1.26 | 1.26 | 1.13 | 1.12 |
| Group equity : liabilities | 0.71 | 0.73 | 0.71 | 0.71 | 0.77 | 0.83 |
| Group equity : non-current assets | 0.84 | 0.83 | 0.77 | 0.76 | 0.77 | 0.83 |
| current assets : current liabilities | 1.89 | 1.98 | 2.11 | 2.02 | 2.15 | 2.09 |

* of which Hfl 35 million (1973), Hfl 33 million (1972) and Hfl 32 million (1970) in cash

## main product group statistics

| | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|---|---|---|---|---|---|
| in Hfl million | | | | | | |
| sales to third parties | | | | | | |
| chemical fibers | 4,528 | 4,398 | 3,798 | 3,840 | 3,561 | 3,326 |
| chemical products | 3,416 | 2,595 | 2,367 | 2,187 | 1,900 | 1,282 |
| pharmaceuticals, consumer products and miscellaneous products | 2,817 | 2,425 | 2,070 | 2,029 | 1,788 | 1,758 |
| total | 10,761 | 9,418 | 8,235 | 8,056 | 7,249 | 6,366 |
| operating income | | | | | | |
| chemical fibers | 223 | 390 | 231 | 371 | 325 | 549 |
| chemical products | 317 | 168 | 172 | 136 | 201 | 152 |
| pharmaceuticals, consumer products and miscellaneous products | 232 | 206 | 182 | 134 | 114 | 100 |
| total | 772 | 764 | 585 | 641 | 640 | 801 |
| operating income as percentage of sales | | | | | | |
| chemical fibers | 4.9 | 8.9 | 6.1 | 9.7 | 9.1 | 16.5 |
| chemical products | 9.3 | 6.5 | 7.3 | 6.2 | 10.6 | 11.9 |
| pharmaceuticals, consumer products and miscellaneous products | 8.2 | 8.5 | 8.8 | 6.6 | 6.4 | 5.7 |
| total | 7.2 | 8.1 | 7.1 | 8.0 | 8.8 | 12.6 |

## geographical statistics

| | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 |
|---|---|---|---|---|---|---|
| in percentages | | | | | | |
| sales (by area of destination) | | | | | | |
| EEC countries | 53 | 53 | 52 | 53 | 56 | 72 |
| rest of Europe | 14 | 13 | 13 | 12 | 12 | |
| North America | 21 | 23 | 25 | 24 | 22 | 18 |
| rest of the world | 12 | 11 | 10 | 11 | 10 | 10 |
| sales (by area of origin) | | | | | | |
| EEC countries | 70 | 69 | 68 | 71 | 72 | 76 |
| rest of Europe | 6 | 7 | 6 | 5 | 6 | 6 |
| North America | 20 | 21 | 23 | 21 | 20 | 16 |
| rest of the world | 4 | 3 | 3 | 3 | 2 | 2 |
| invested capital in consolidated companies* | | | | | | |
| EEC countries | 69 | 70 | 67 | 70 | 80 | 79 |
| rest of Europe | 7 | 7 | 8 | 7 | | |
| North America | 20 | 20 | 21 | 20 | 18 | 19 |
| rest of the world | 4 | 3 | 4 | 3 | 2 | 2 |
| number of employees | | | | | | |
| EEC countries | 70 | 69 | 70 | 72 | 83 | 84 |
| rest of Europe | 8 | 8 | 8 | 8 | | |
| North America | 16 | 19 | 18 | 16 | 14 | 14 |
| rest of the world | 6 | 4 | 4 | 4 | 3 | 2 |

* inclusive of the capital invested in non-consolidated companies, the percentage breakdown for 1974 is as follows: EEC countries 68%, rest of Europe 7%, North America 20%, rest of the world 5%

*Dividends are paid through the following banks:*

| | |
|---|---|
| **the Netherlands** | Amsterdam-Rotterdam Bank<br>Algemene Bank Nederland<br>Bank Mees & Hope<br>Nederlandse Credietbank<br>Pierson, Heldring & Pierson<br>at their offices in Amsterdam, Rotterdam, The Hague and Arnhem, if established there |
| **West Germany** | Deutsche Bank<br>Bank für Handel und Industrie<br>Berliner Disconto Bank<br>Berliner Handels-Gesellschaft - Frankfurter Bank -<br>Dresdner Bank<br>Saarländische Kreditbank<br>Sal. Oppenheim jr & Cie<br>at their offices in Cologne, Düsseldorf, Frankfurt, Hamburg, Saarbrücken, West Berlin and Wuppertal, if established there |
| **Belgium** | Generale Bankmaatschappij<br>Bank van Parijs en de Nederlanden België<br>Kredietbank<br>at their offices in Brussels and Antwerp |
| **Luxemburg** | Banque Générale du Luxembourg, Luxemburg |
| **United Kingdom** | Barclays Bank, London |
| **France** | Lazard Frères & Cie<br>Banque de Suez et de l'Union des Mines<br>Banque Nationale de Paris<br>Crédit Lyonnais<br>at their offices in Paris |
| **Austria** | Creditanstalt-Bankverein, Vienna |
| **Switzerland** | Schweizerische Kreditanstalt, Zurich<br>Schweizerische Bankgesellschaft, Zurich<br>Schweizerischer Bankverein, Basel,<br>and at their Swiss branch offices<br>Pictet & Cie, Geneva |
| **U.S.A.** | The Chase Manhattan Bank, New York |

*Layout: Studio Kwinkelenberg bv, Amsterdam, the Netherlands*
*Printed by: Koninklijke drukkerij G. J. Thieme bv, Nijmegen, the Netherlands*

Printed in the Netherlands