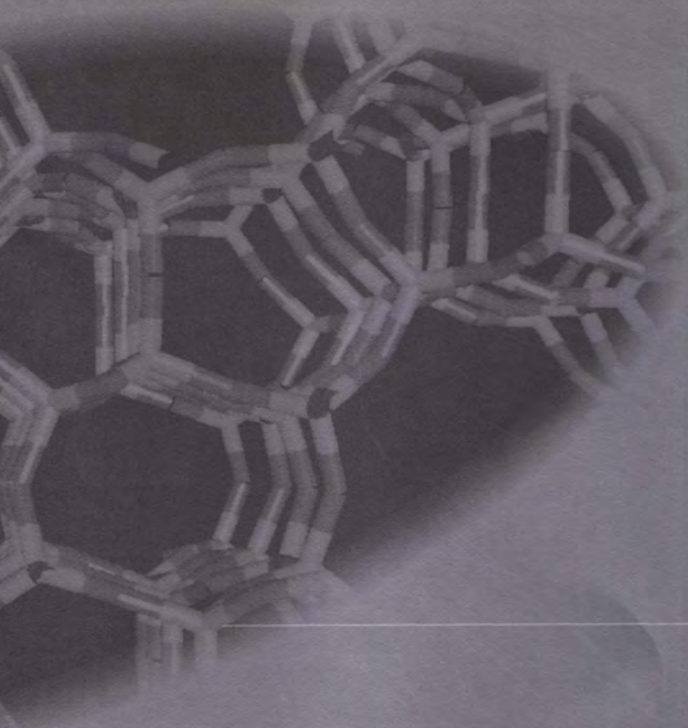


Akzo Annual Report 1993

AKZO NOBEL

PROFILE

Akzo (now renamed Akzo Nobel), headquartered in Arnhem, the Netherlands, is a worldwide industrial organization with companies in more than 50 countries.

Its product range includes salt and chemicals, coatings, healthcare products, and fibers.

Akzo Nobel's activities are conducted by business units clustered in four groups: Chemicals, Coatings, Pharma, and Fibers. The business units, which report directly to the Board of Management, possess sufficient autonomy to anticipate and respond promptly to changes in market conditions. At the corporate level a number of tasks have been centralized in order to permit a cohesive policy in the areas of administration and control, finance, human resources, legal affairs, strategy, and technology.

It is Akzo Nobel's objective to acquire and defend leadership positions in relevant markets, improve productivity, and enhance its commercial and financial strengths.

In addition to its existing core businesses, the Company focuses on the development of new products in major growth sectors that draw on the Company's technological and marketing know-how.

Akzo Nobel conducts an active environmental policy with respect to its products and processes.

Geographically, Akzo Nobel's activities are largely concentrated in Europe and the United States. It is a Company objective to expand in other geographic areas, particularly in East and Southeast Asia.

AGENDA

Agenda for the Annual Meeting of Stockholders of Akzo Nobel N.V. to be held in Musis Sacrum, Velperplein, Arnhem, the Netherlands, on Tuesday, April 26, 1994, at 2:00 p.m.

1 Opening

2 Report of the Board of Management for the fiscal year 1993

3 Approval of the 1993 financial statements of Akzo N.V. (now Akzo Nobel N.V.); consideration of the dividend proposal

4 Determination of the number of members of the Supervisory Council and appointments to the Council; remuneration of members

5 Appointment of P.K. Brons as a member of the Board of Management

6 Proposal to empower the Board of Management to issue shares and to restrict or disregard the preemptive rights of stockholders

7 Proposal to authorize the Board of Management to acquire shares of the Company on behalf of the Company

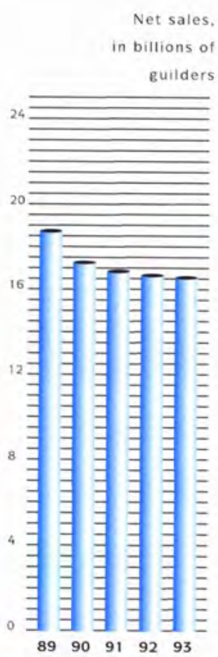
8 Any other business

FINANCIAL CALENDAR 1994

- Annual Meeting of Stockholders
  April 26
- Report for the 1st quarter
  April 26
- Payment of the 1993 final dividend
  May 16
- Report for the 2nd quarter
  August 3
- Report for the 3rd quarter
  November 2

Cover and inside page:
Impression of the molecular structure of a zeolite, the basis of cracking catalysts.

CONTENTS


Net sales,
in billions of
guilders
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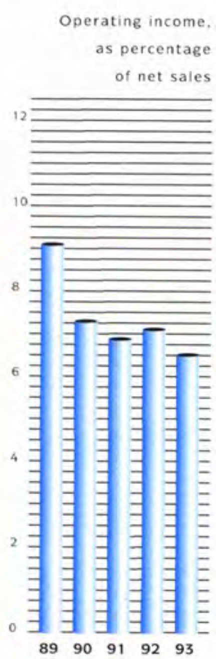
16
20
24
89 90 91 92 93


Operating income,
as percentage
of net sales
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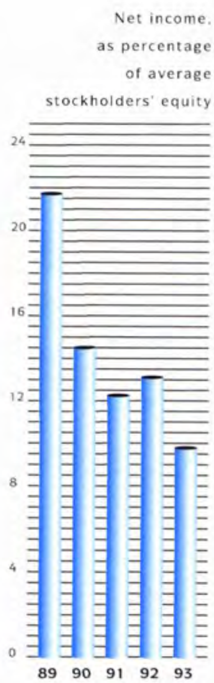
Net income,
as percentage
of average
stockholders' equity
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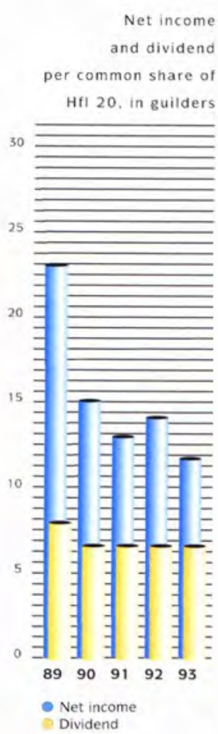
89 90 91 92 93


Net income
and dividend
per common share of
Hfl 20, in guilders
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5
10
15
20
25
30
89 90 91 92 93
Net income
Dividend

AKZO FINANCIAL HIGHLIGHTS

Millions of guilders	1993	1992*
Net sales	16,509	16,713
Operating income	1,071	1,189
Net income	549	646
Cash flow	1,439	1,536
Stockholders' equity	6,152	5,078
Property, plant and equipment		
– expenditures	1,170	933
– depreciation	885	871
Acquisitions	115	39
Per common share of Hfl 20, in guilders		
Net income**	11.67	14.06
Cash flow**	30.12	32.67
Dividend	6.50***	6.50
Stockholders' equity	113.99	110.40
Key ratios		
Operating income, as % of net sales	6.5	7.1
Operating income, as % of average invested capital	11.5	13.2
Net income, as % of average stockholders' equity	9.8	13.1
Equity/net debt****	0.87	0.67
Number of employees at year end	60,700	62,500

* *Restated for comparison; see notes on page 59.*

** *Based on average number of outstanding common shares; figures for previous years restated for comparison.*

*** *Holders of the 7.9 million shares placed in November 1993 are only entitled to the final dividend of Hfl 5.00 per share.*

**** *Net debt is total liabilities less cash and cash equivalents; figures for previous years restated for comparison.*

CHAIRMAN'S STATEMENT

A.A. Loudon
Chairman
till May 1, 1994

C.J.A. van Lede
Chairman
effective May 1, 1994

During the year the political ambitions for a single Europe after Maastricht had to be reconciled with reality. For industry, which is years ahead as far as the required unification of Europe is concerned, the situation is quite different. In many industries–and certainly in the chemical industry–major restructurings are taking place.
The merger of Akzo and Nobel should be viewed in this light. The combination of two companies, whose product portfolios are a perfect match, provides Akzo with a new dimension, notably in chemicals and coatings. Improved market positions and enhanced financial strength will enable us to play an active role in the continued reshuffling in the years ahead in sectors that are important to Akzo Nobel. This has been the principal consideration in our decision to finance the acquisition of the Nobel shares with stockholders' equity.
We are convinced that this policy is in the interest of our stockholders, even if this has led to an 11% pro forma dilution of earnings per share for 1993. The growth potential of the new company has been strengthened and synergy benefits should soon eliminate any dilution. After the merger we will energetically continue our strategy to strive for leadership positions for our products with a continued focus on productivity and efficiency improvements.
In addition, we will concentrate efforts on improving our geo mix in order to rectify the relative underrepresentation of Akzo Nobel outside Europe.

1993 has also been an important year in other respects. Last year we wondered whether the GATT negotiations would clear the hurdles or were destined to fail. Fortunately, the talks did not end in failure, but the threats to a true free world trade have not all been eliminated. This was painfully experienced by Akzo when an antidumping procedure was unexpectedly started against Aramide Maatschappij v.o.f., severely hurting our aramid sales in the United States.
As a consequence, there will be no free market for this advanced product in North America for this time being.

During 1993 considerable attention was rightly focused on the environment. The first experiences were gained with the environmental management systems implemented in 1992. By mid-1994, the first corporate environmental annual report will be published. In 1993, Akzo fulfilled an active role in the foundation of the World Industry Council for the Environment (WICE). This independent group of companies, which has close ties with the International Chamber of Commerce (ICC), should help meet the obligations that ensue–also for industry–from Agenda 21 adopted in Rio in 1992. In this context it remains a cause for concern that possible future threats to the environment, such as global warming, are often receiving more attention than today's damage to the environment.

In 1993, our business was conducted under difficult economic conditions, notably in Europe. Improved results of operations in the United States failed to afford sufficient compensation for the pressure on earnings in Europe. Pharma was able to exceed the prior year's earnings figure, aided by the successful introduction of Marvelon® in the United States. Fibers were severely hit by the recession in Germany and the downturn in business for our major customers, such as the textile and automotive industries. In the face of these difficult circumstances, the product portfolio was further rationalized and substantial cost savings were achieved.

For 1994 we are now more optimistic. We trust that the economies of most Western European countries will show some recovery as the year progresses, and that the growth of the U.S. economy will continue.

This brings me to the end of my last statement as your chairman. I am grateful for the confidence the Supervisory Council has always given me, the support of my colleagues, and the dedication of our employees all over the world in often difficult circumstances. I also owe thanks to our customers and suppliers without whom Akzo would not exist, and last but by no means least to you, the stockholders, for the opportunity you have given me to direct our company.
As from May 1, Mr. Van Lede will take over my duties. I wish him every success, trusting that he can count on your support.

MANAGEMENT AND SUPERVISION

Supervisory Council

F.H. Fentener van Vlissingen (1933), *Chairman 1) 2)*
H. Kopper (1935), *Deputy Chairman 1) 2)*
A.E. Cohen (1936)
J.G.A. Gandois (1930)
H.H. van den Kroonenberg (1933)
B. Magnusson (1941)*
H.A. van Stiphout (1934)
L.H. Thunell (1948)*
L.C. van Wachem (1931) *2)*
D. Wendelstadt (1929)

1) Member of Audit Committee
2) Member of Remuneration Committee

Board of Management

A.A. Loudon (1936), *Chairman*
C.J.A. van Lede (1942), *Vice Chairman*
F.W. Fröhlich (1942), *Fibers Group*
H.A. van Karnebeek (1938), *Coatings Group*
O. Mattsson (1940), *Coatings Group**
R.M.J. van der Meer (1945), *Chemicals Group*
A.G. Vermeeren (1933), *Pharma Group*

Secretary

E.C.E. van Rossum (1942)

Management Council

The Board of Management is assisted by a Management Council, which includes the members of the Board and the following Executive Vice Presidents:

S. Bergsma (1936), *Financial Affairs*
A. van Es (1931), *Akzo Nederland*
F.I.M. van Haaren (1935), *Technology and Environment*
J. den Hoed (1937), *Administration and Control*
J.C.P. van Oosterom (1935), *Strategic Planning*
F.L. Vekemans (1933), *Human Resources*

* *Effective February 25, 1994.*

REPORT OF THE SUPERVISORY COUNCIL

Changes in the Supervisory Council

Having reached the mandatory retirement age, G. Kraijenhoff, A. Batenburg, and C. van Veen stepped down from the Supervisory Council at the Annual Meeting of Stockholders held on April 27, 1993.
H.G. Zempelin resigned at his own request. During this meeting, D. Wendelstadt was appointed to the Council.
F.H. Fentener van Vlissingen took over the chairmanship of the Supervisory Council from Mr. Kraijenhoff.

At the General Meeting of Stockholders of January 27, 1994, the number of members of the Supervisory Council was fixed at ten.
B. Magnusson and L.H. Thunell will be appointed to fill the vacancies.

At the Annual Meeting of Stockholders to be held on April 26, 1994, F.H. Fentener van Vlissingen, H. Kopper, and H.H. van den Kroonenberg will resign from the Council, as their terms of office are expiring. They will be recommended for reappointment. Stockholders will be asked at this meeting to increase membership of the Council to eleven. To fill the vacancy we recommend the appointment of A.A. Loudon.

Changes in the Board of Management

At the General Meeting of Stockholders of January 27, 1994, the number of members of the Board of Management was fixed at seven.
O. Mattsson will be appointed to fill the vacancy. Mr. Mattsson, President of Nobel Industrier AB, will be charged with the integration of the European coatings activities of Akzo Nobel.
He will be entrusted with the responsibility for the combined business units of the Coatings Group in Europe. The coatings business units and joint ventures based outside of Europe will report to H.A. van Karnebeek.

At the Annual Meeting of Stockholders to be held on April 26, 1994, A.A. Loudon will tender his resignation effective May 1, 1994, as Chairman of the Board of Management after more than twenty-five years with the Company.
Mr. Loudon left a distinctive mark on Akzo. Under his inspiring leadership many strategic and organizational changes have been initiated and implemented.
The consistent pursuit of the Company's strategic objectives under his chairmanship has led to a strengthening of Akzo's corporate identity, greater operational flexibility, shorter lines of

communication, and a product portfolio that is less vulnerable to business cycles.
With his great commitment and dedication, Mr. Loudon has made a major contribution to the creation of a solid chemical enterprise.
We are greatly indebted to him for the many and outstanding services he has rendered to the Company.
We are pleased that Mr. Loudon is willing to remain associated with the Company as a member of the Supervisory Council.

C.J.A. van Lede will succeed Mr. Loudon as Chairman of the Board of Management.
It will also be proposed that P.K. Brons be appointed a member of the Board of Management.
A.G. Vermeeren will be appointed Deputy Chairman.

Supervision

During 1993 the Supervisory Council regularly received reports on the Company's business and consulted periodically with the Board of Management on such issues as human resources, planning, investments, acquisitions, and divestments. The Audit Committee and the Remuneration Committee met several times.
In the Audit Committee, consultations were held with auditors about such matters as the financial statements, the administrative organization, and internal control measures.
During the year under review the prospective merger between Akzo and Nobel received considerable attention and was approved.
The Supervisory Council deems the merger to be of the utmost importance to a healthy development of the two companies' operations.

Financial statements and dividend proposal

We herewith submit for your approval at the Annual Meeting of April 26, 1994, the financial statements for 1993 as prepared by the Board of Management. These financial statements have been audited by KPMG Klynveld Accountants. Their report appears on page 69.
We have approved these financial statements as well as the Board of Management's proposal made therein with regard to the allocation of profit, and the dividend proposal as stated in the Report of the Board of Management on page 15.
We recommend 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, February 23, 1994

The Supervisory Council

MERGER OF AKZO AND NOBEL

Clearly, the most important event of 1993 was the agreement reached on November 8 with Securum AB on the possible merger of Akzo N.V. and Nobel Industrier AB. Although the influence of the merger on the 1993 financial statements is modest, we will devote considerable attention in this report to the association. As this report reaches you, Akzo–now renamed Akzo Nobel–has declared its offer for Nobel's shares unconditional, and 99% of the share capital of Nobel has been acquired by Akzo Nobel.

To acquire the shares of Nobel Industrier AB 17.1 million shares of common stock will be issued in February 1994, raising the total number of shares of common stock outstanding to 71.0 million. The new Akzo shares give the holder thereof the right to receive the final dividend declared by Akzo for 1993.
In addition, Nobel Industrier AB shares are being acquired against payment in cash, which involves an amount of about Hfl 540 million.
In February 1994, Akzo started a buyout procedure to acquire the remaining Nobel shares for cash. The amount involved is estimated at Hfl 50 million.

Equity increased by more than Hfl 1.3 billion due to the issue of 7.9 million shares in November 1993. As a consequence of the issue in February and the acquisition of the Nobel shares, equity will show a further net increase by Hfl 0.2 billion.

The acquisition of the Nobel shares results in goodwill in the amount of Hfl 3.1 billion, which at this point of time can be computed as follows:

	in Hfl billion
- *Value of the 17.1 million shares to be issued at the market price of the Akzo share on which the offer for the Nobel shares was based*	3.3
- *Final dividend to be paid on these shares in 1994*	0.1
- *Payment in cash, including amount reserved for buyout procedure*	0.6
Total acquisition price	4.0
- *Net equity value of Nobel activities acquired*	0.9
Goodwill to be charged to equity	3.1

The merger of Akzo and Nobel has created a company with leading positions in the business areas of chemicals, coatings, healthcare products, and fibers. The workforce of the new company totals 73,400. The alliance is expected to bring substantial benefits in the longer term.

The increase in sales by 26% significantly broadens the R&D base and enhances the possibility of internally financing new investments and acquisitions through the generation of a larger cash flow.

In many respects Nobel's business concept matches that of Akzo. Both companies focus on:

- development, production, and marketing of coatings and specialty chemicals with a high added value based on available technological expertise;
- achieving clearly leading positions in attractive markets;
- customer-oriented thinking and acting;
- implementation of an active environmental policy;
- attainment and consolidation of a healthy profitability.

As a consequence of the merger, the Supervisory Council will be extended to include two members of Swedish nationality.
The President of Nobel, O. Mattsson, will be appointed to the Board of Management.

BACKGROUND INFORMATION ON THE MERGER

The process of globalization in the chemical and associated industries forces companies to:

- focus on industry leadership positions;
- improve productivity; and
- achieve critical mass.

The merger of Akzo and Nobel will significantly contribute to the realization of these goals.

Leadership position
Chemical companies with worldwide operations vitally need to focus on those business areas where they have achieved or can achieve long-term sustainable positions. Akzo Nobel concentrates on the business areas of chemicals, coatings, and healthcare products, and of selected parts of the fiber activities. The consolidation and strengthening of leadership positions calls for successful innovation and technological developments for products and environmental purposes.

Enhanced productivity
For maintenance of leadership positions it is necessary to improve productivity in order to compete with companies with large domestic markets or low cost bases.
European chemical companies lag behind their strongest U.S. competitors in terms of productivity. Both Akzo and Nobel have already taken significant steps to redress this situation.
Akzo Nobel will take this process further and realize significant synergy benefits, arising from the strategic fit between their respective businesses. Akzo Nobel therefore expects that the new company will succeed in raising productivity.

Critical mass
The merger has strengthened the critical mass of Akzo Nobel. This is necessary to be able to compete with other world class businesses in global markets and to play an active role in the restructurings that in the years ahead will take place in markets important to our business.

Nobel Industrier AB

Nobel was formed in 1984 through the merger of two Swedish industrial companies, each with its own special history. One of the companies –Bofors–was established in Karlskoga in 1646, the other–KemaNobel–in 1871. The name Nobel derives from Alfred Nobel, the Swedish scientist, who founded many companies, of which a number are still part of Nobel.
Since 1984 major changes have taken place. During the first few years after the merger Nobel made a series of acquisitions permitting strong international expansion.
In 1991 a financial reconstruction of Nobel took place. One of the consequences was that Securum AB, a state-owned company, became Nobel's principal shareholder.

The following Nobel businesses are involved in the merger with Akzo:

- Eka Nobel, one of the leading suppliers of pulp and paper chemicals, with Europe, and North and South America as the principal markets.
- Berol Nobel, specializing in the production and marketing of surfactants for detergents, cleaning agents, and other industrial applications.
- Nobel Paints and Adhesives, one of Europe's largest producers of decorative and do-it-yourself paints, and adhesives for the building sector, with strong positions in Western and Northern Europe.
- Nobel Industrial Coatings, one of the leaders in industrial coatings, whose product range includes coatings for wood, metal, plastics, and coil coatings.
- Casco Nobel, a market leader in resin-impregnated paper and prominent supplier of industrial adhesives, resins, printing inks, polymers and associated products, with Europe, North America, Southeast Asia, and Australia as major markets.

- Nobel Chemicals, a supplier of raw materials for the pharmaceutical and chemical industries.

On the basis of the accounting principles applied by Akzo, these Nobel activities resulted in 1993 in total sales of Hfl 4.4 billion and an operating income of Hfl 333 million (7.6% of sales).

PRO FORMA FINANCIAL INFORMATION

In 1993, the new company achieved sales of Hfl 20.9 billion and an operating income of Hfl 1,404 million.
The Chemicals and Coating activities, together accounting for 67% of Akzo Nobel's net sales, determine the change in Akzo Nobel's product mix compared with that of Akzo, as is shown below.

Product mix

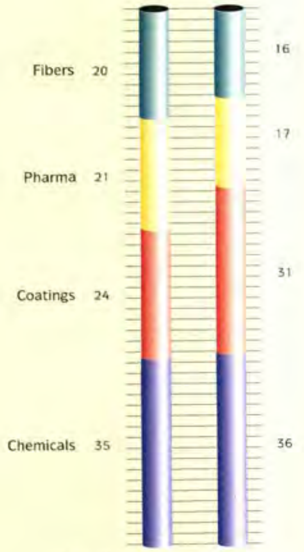
	1993 net sales		1993 operating income		1993 operating income in % of net sales	
Millions of guilders	Akzo	Akzo Nobel pro forma	Akzo	Akzo Nobel pro forma	Akzo	Akzo Nobel pro forma
Chemicals	5,816	7,525	351	478	6.0	6.4
Coatings	4,024	6,503	199	398	4.9	6.1
Pharma	3,421	3,584	590	609	17.2	17.0
Fibers	3,239	3,239	(21)	(21)	(0.6)	(0.6)
	16,500	20,851	1,119	1,464		
Other	9	23	(48)	(60)		
	16,509	20,874	1,071	1,404	6.5	6.7

The European market accounts for 61% of Akzo Nobel net sales and for 57% of Akzo net sales. Within Europe the relative importance of the Netherlands and Germany decreases in favor of the activities brought in by Nobel in Scandinavia, notably in Sweden.

Below is a comparison of the geographic distribution of Akzo and Akzo Nobel net sales by origin and by destination.

Geographic mix of net sales

	1993 net sales by origin		1993 net sales by destination	
in %	Akzo	Akzo Nobel pro forma	Akzo	Akzo Nobel pro forma
The Netherlands	32	26	8	7
Germany	18	16	16	14
Sweden	–	6	1	4
Other Europe	17	22	32	36
Europe	67	70	57	61
North America	25	23	27	24
Other regions	8	7	16	15
	100	100	100	100



* On the basis of pro forma net sales 1993 (in %)

Financial key ratios

For the appraisal of Akzo Nobel's financial position and results the following key ratios are of importance:

	Akzo 1993	Akzo Nobel pro forma 1993
Operating income, as % of net sales	6.5	6.7
Interest coverage*	4.9	5.1
Equity/net debt	0.59**	0.60
Net income before extraordinary items per share (in Hfl)	14.73	13.15
Dilution in %		10.7

Employees, invested capital, and expenditures for property, plant and equipment.

At year-end 1993, Akzo Nobel had 73,400 employees and an invested capital of Hfl 12.7 billion.
Expenditures for property, plant and equipment aggregated Hfl 1.4 billion in 1993. The breakdown is given below.

	Number of employees	Invested capital (in Hfl million)	Expenditures for property, plant and equipment (in Hfl million)
Chemicals	16,700	5,220	545
Coatings	22,000	2,970	270
Pharma	14,500	1,920	243
Fibers	18,100	2,650	311
Other	2,100	(60)	41
	73,400	12,700	1,410

The equity/net debt ratio, which was 0.67 at year-end 1992, decreased to 0.59 at year-end 1993 principally due to goodwill charges.
The influence of the merger with Nobel on the equity/net debt ratio is almost neutral because of financing by means of the stock issues.
This means that the new company starts with a healthy financial structure, as is also reflected in the improved interest coverage.

The gain in Akzo Nobel's pro forma net income relative to that of Akzo on the one hand and the increase in the number of outstanding shares on the other hand lead to a dilution of earnings per share by 10.7% for 1993.
Nobel's income for 1993 was considerably affected by currency translation losses. Due to long-term currency hedging contracts Nobel was not sufficiently able in 1993 to benefit from the depreciation of the Swedish krona.
If Akzo's shorter-term hedging policy had been applied, dilution would have been significantly lower. Akzo Nobel will adopt Akzo's currency hedging policy.
The first synergy benefits are expected to arise in 1994.

* *Operating income/financing charges.*
** *Exclusive of the effect of the stock issue in November 1993; including the effect of this stock issue, the ratio was 0.87.*

Pro forma statement of income and balance sheet

In order to provide an insight into the major financial consequences of the merger, the condensed 1993 pro forma statement of income and balance sheet of Akzo Nobel are compared below with the Akzo figures.

1993 consolidated statement of income

Millions of guilders	Akzo	Akzo Nobel pro forma
Net sales	16,509	20,874
Operating costs	(15,438)	(19,470)
Operating income	1,071	1,404
Financing charges	(218)	(276)
Operating income less financing charges	853	1,128
Taxes	(236)	(269)
Earnings of consolidated companies from normal operations, after taxes	617	859
Earnings from non-consolidated companies	81	84
Extraordinary items	(144)	(144)
Earnings before minority interest	554	799
Minority interest	(5)	(9)
Net income	549	790
Net income before extraordinary items	693	934

Condensed consolidated balance sheet at December 31, 1993

Millions of guilders	Akzo	Akzo Nobel pro forma
Property, plant and equipment	6,360	8,649
Financial fixed assets	1,128	1,210
Inventories	2,903	3,553
Receivables	3,148	4,131
Cash and cash equivalents	1,863	1,591
Total assets	15,402	19,134
Stockholders' equity	6,152	6,370
Minority interest	154	175
Equity	6,306	6,545
Provisions	2,374	2,875
Long-term debt	2,339	4,179
Short-term borrowings	1,417	1,714
Other current liabilities	2,966	3,821
Total equity and liabilities	15,402	19,134

The pro forma financial information for 1993 has been prepared on the basis of the following assumptions:

- the merger of Akzo and Nobel, as well as the issue of Akzo shares, is effective as of January 1, 1993;
- the accounting policies used in drawing up Akzo's 1993 financial statements have been applied;
- the sale to Securum AB of Nobel's interests in Biotechnology, Spectra-Physics AB, and Celsius Industrier AB for Skr 4.1 billion in cash and the takeover by Securum AB of debt in the amount of Skr 1.2 billion are effected on January 1, 1993, assuming no tax effects in connection with this sale, also in view of the available net operational loss carryforwards;
- the expected costs in connection with the offer and the estimated costs relating to the merger have been taken into account;
- no effects from synergies arising from the merger have been taken into account;
- interest on the proceeds of the stock issue in November 1993, to the extent that they have not been used for the acquisition of Nobel shares against payment in cash, has accrued from January 1, 1993.

Despite the recession, which had an adverse effect on economic activity in practically all European countries, Akzo's results in 1993 remained at an acceptable level. Without extraordinary items, net income decreased Hfl 19 million. While this result fails to meet our average long-term profit target, our performance in 1993–in general, a difficult year for the chemical industry–may be regarded as satisfactory.

Major factors in this earnings performance were cost-cutting measures, efficiency improvements, and the phaseout of unprofitable operations in 1993. A slight upturn of the economy in the United States afforded compensation for declining earnings in Europe, in particular for specialty chemicals and coatings. The results of our Pharma Group were favorably affected by successful sales in the United States, which largely offset pressure on prices of ethical drugs in some European countries. Unfortunately, the Fibers Group suffered a loss, despite the implementation of drastic cost-cutting programs.

In 1993, the organizational renewal process was practically completed. Following the outcome of an inquiry made into Akzo's R&D function, measures were taken to adjust the research and technology function to the business unit structure.
The research institutes in Arnhem, Deventer, Hengelo (the Netherlands), Obernburg (Germany), and Dobbs Ferry (New York), where much of the research for business units of Chemicals, Coatings, Fibers, and for the business unit Electronic Products is conducted, came under one central management, which should result in improved quality and coordination, at a lower cost level. Centralized management was also introduced for our information technology operations.
Details about these changes in the organizational structure are given elsewhere in this report.

In 1993, several strategic alliances were concluded and letters of intent were signed. Highlights were:

- the alliance with Harrisons & Crossfield's Chemicals Group, United Kingdom, in PVC additives;
- the alliance with PPG Industries Inc., United States, in automotive finishes.

In 1993, the remaining interest (50%) in Dansk Salt was acquired.

Agreement was also reached on the additional acquisition of 45% of the partnership equity of Aramide Maatschappij v.o.f., raising Akzo's participation to 95%.

For further details on these business deals reference is made to the sections on the business units (pages 29 through 49).

Net income before extraordinary items was Hfl 693 million, against Hfl 712 million in 1992. Including extraordinary items, income declined Hfl 97 million (from Hfl 646 million in 1992 to Hfl 549 million in 1993).
Operating income was Hfl 1,071 million, compared with Hfl 1,189 million in 1992, a decline of 10%. Sales aggregated Hfl 16.5 billion, which is about Hfl 200 million lower than in 1992.

Dividend proposal

Based on the average number of outstanding shares in 1993, net income per common share was Hfl 11.67, compared with Hfl 14.06 in 1992. Before extraordinary items, net income per common share was Hfl 14.73, compared with Hfl 15.50 in 1992.

We will propose at the Annual Meeting of Stockholders that the 1993 dividend be fixed at Hfl 6.50 per common share. Of this amount, Hfl 1.50 was declared and made payable as an interim dividend in November 1993. If the dividend proposal is adopted, Hfl 339 million of net income will be allocated for dividend payment. In relation to net income before extraordinary items, the dividend payout is 43%* in 1993, versus 42% in 1992.

* *Exclusive of the final dividend of Hfl 39 million on the shares of common stock placed in November 1993.*

Results of operations

The Chemicals business units managed to achieve a total sales gain of about 3% and practically remained at the prior year's earnings level, despite low prices for chlor-alkali products and diminished demand for PVC. Improved performance due to gains in specialty chemicals sales in the United States largely offset disappointing developments in Europe.

The Coatings Group almost duplicated its 1992 sales and operating income level. The results of operations were characterized by stagnating markets in Europe and South America, and continued recovery of the economy in North America. The decline in earnings in Europe was checked by vigorous cost-reduction measures.

The Pharma business units again enjoyed a good year, with sales and operating income on an upward trend, compared to 1992.

Despite several divestments, sales grew about 5% and operating income 11%.

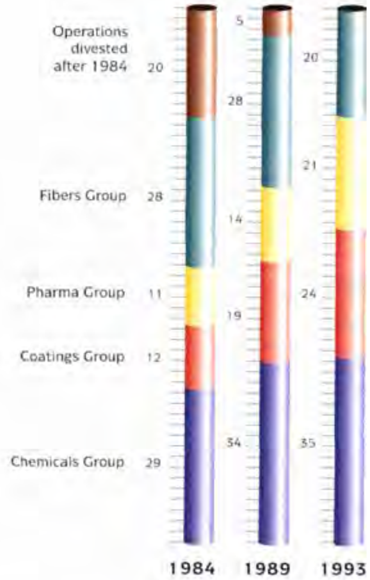
1993 was a very difficult year for Fibers. At Hfl 3,239 million, sales were down more than 14% from 1992, with divestments accounting for 4% of this decline. Sales and earnings were depressed due to lower demand and price pressure in Europe. As a result, Fibers closed the year with a modest loss. A further downslide was avoided by the additional cost-cutting measures taken during the year.

Sales, costs, and income

Sales

Net sales, down about Hfl 200 million from 1992, were adversely affected by the net effect of divestments and acquisitions (2%), and on average lower prices (1%). Volume gains and changes in exchange rates each had a positive effect of 1%.

Breakdown by Group in net sales terms (as %)

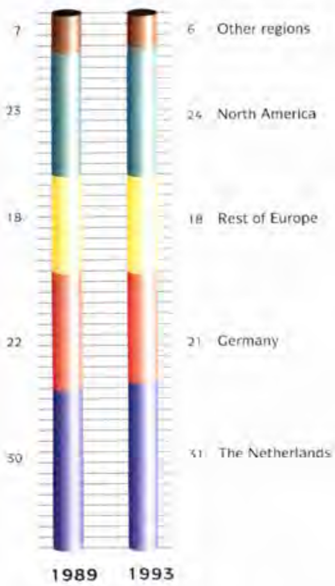


Condensed statement of income

Millions of guilders	**1993**	1992*
Net sales	**16,509**	16,713
Operating costs	**(15,438)**	(15,524)
Operating income	**1,071**	1,189
Financing charges	**(218)**	(239)
Operating income less financing charges	**853**	950
Taxes	**(236)**	(285)
Earnings of consolidated companies from normal operations, after taxes	**617**	665
Earnings from non-consolidated companies	**81**	66
Extraordinary items	**(144)**	(66)
Earnings before minority interest	**554**	665
Minority interest	**(5)**	(19)
Net income	**549**	646

* *Restated for comparison; see notes on page 59.*

Breakdown by geographic area, in invested capital terms (as %)



Shares in value added, exclusive of extraordinary items (as %)

Value added (millions of guilders)

1989	1993
7,198	6,312

Operating costs
Operating costs were 0.6% lower than in 1992. Raw material costs as a percentage of sales aggregated 29.8%, compared with 30.4% in 1992. Energy costs were again slightly lower. Labor costs were virtually unchanged in absolute terms, but as a percentage of sales they increased from 30.4% in 1992 to 30.8% in 1993.

Operating income
Operating income decreased approximately 10%, from Hfl 1,189 million in 1992 to Hfl 1,071 million in 1993.

Financing charges
Financing charges aggregated Hfl 218 million in 1993. The decrease of Hfl 21 million relative to 1992 was in part attributable to higher interest received on the investment of funds generated by the stock issue of November 1993. Lower interest rates in Europe and the United States also exerted their influence.

Taxes
As in 1992, the average tax burden was relatively low (1993: 27.6%; 1992: 30.0%), partly as a result of income in countries with a low tax burden.

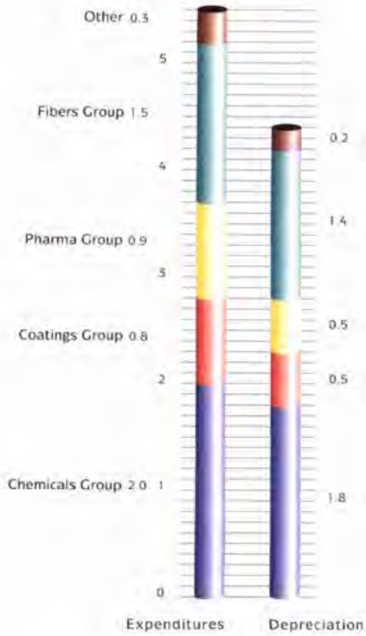
Earnings from nonconsolidated companies
These earnings rose from Hfl 66 million to Hfl 81 million in 1993. Better results were posted in Brazil–in part attributable to nonrecurring gains–and Japan (Chemicals), and in India (Fibers), partially offset by disappointing results in Mexico (Fibers).

Extraordinary items
On balance, extraordinary items constituted a loss of Hfl 144 million, compared with a loss of Hfl 66 million in 1992. Extraordinary losses before taxes in the aggregate amount of Hfl 258 million entirely related to book losses on divestments and costs for current and proposed restructuring measures. Extraordinary gains before taxes, in the amount of Hfl 31 million, primarily related to book profits on divestments.

Net income
Net income was Hfl 549 million, down 15% from net income of Hfl 646 million in 1992. Net income as a percentage of average stockholders' equity was 9.8% (1992: 13.1%).

Value added
Value added, defined as the aggregate amount of labor costs, financing charges, taxes, and income from normal operations, was Hfl 6,312 million. The share of labor costs in value added was 80.5%, against 79.2% in 1992.

Property, plant and equipment
1989-1993 *(in billions of guilders)*



Capital investments, depreciation, and financial position

Capital investments

Expenditures for property, plant and equipment totaled Hfl 1,170 million, about Hfl 240 million above the 1992 level (Hfl 933 million). All groups registered higher investments, but the Chemicals Group accounted for about half of the overall increase. The total amount of project authorizations was Hfl 1.3 billion, compared with Hfl 1.1 billion in 1992. Capital investments by nonconsolidated companies, with total sales of Hfl 3.5 billion on a full-ownership basis, amounted to Hfl 0.3 billion, versus Hfl 0.4 billion in 1992.

Depreciation

At Hfl 885 million, depreciation was at about the 1992 level (Hfl 871 million).

Credit facilities

During 1993, we made active use of our U.S. commercial paper program. The limit of this program was U.S.$ 550 million in 1993.
Our A1/P1 rating remained applicable to this program. By using this financial instrument we were able to benefit from low U.S. dollar money market interest rates.
In order to protect ourselves against the risk of higher interest rates, we concluded contracts in 1991 guaranteeing us a maximum rate of 8½% for an amount of U.S.$ 200 million. The remaining period until expiry is three years. In view of the size of our floating rate debt in U.S. dollars we extended the protection against interest rates higher than 8½% by concluding contracts for U.S.$ 200 million, which will expire after 10 years.
As in 1992, the amount of credit available under standby facilities was U.S.$ 550 million.
The remaining period to maturity of these facilities averages approximately two years. In December 1993, a credit facility of U.S.$ 100 million was added in connection with the structurally increased use of the commercial paper program in the United States.

Interest-bearing borrowings

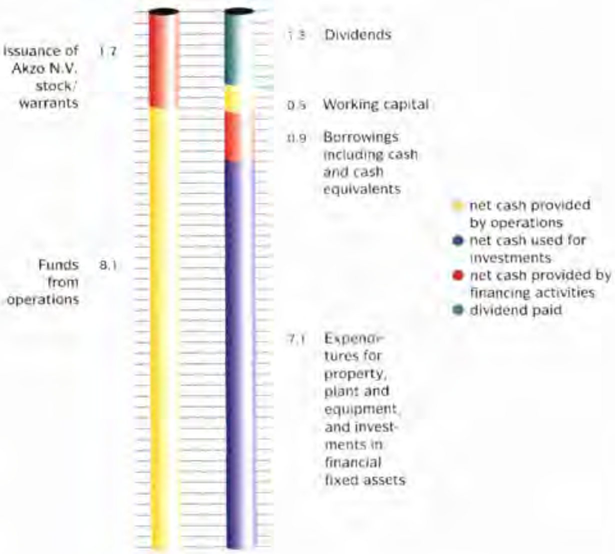
On October 15, 1993, we contracted a 6⅜% debenture loan of Hfl 300 million with a life of 10 years.
At year-end 1993, long-term debt aggregated Hfl 2,339 million, an increase of Hfl 539 million from 1992.
At approximately Hfl 1,400 million, short-term borrowings were held at the level of year-end 1992. Liquidity increased Hfl 1,204 million to Hfl 1,863 million at December 31, 1993, mainly as a result of the private placement of 7.9 million shares on November 9, 1993. This very high liquidity was maintained to acquire, at the option of Nobel shareholders, part of the Nobel Industrier AB shares in cash.

Capital stock

In 1993, the number of outstanding shares of common stock increased by 7,972,482, of which 7,878,788 shares were placed primarily in connection with the proposed merger with Nobel Industrier AB; the remainder related among others to the exercise of options. The total number of outstanding shares of common stock therefore increased to 53,968,454 at December 31, 1993 (December 31, 1992: 45,995,972).

Consolidated statement of cash flows

1989-1993 (*in billions of guilders*)



Condensed statement of cash flows

Millions of guilders	**1993**	1992
Cash flow	**1,439**	1,536
Other items	**88**	52
	1,527	1,588
Change in working capital	**(13)**	(110)
Net cash provided by operations	**1,514**	1,478
Net cash used for investments	**(1,546)**	(1,061)
	(32)	417
Net cash provided by financing activities	**1,528**	(253)
Dividend paid	**(311)**	(316)
Changes in exchange rates	**19**	(1)
Change in cash and cash equivalents	**1,204**	(153)
Cash and cash equivalents at end of year	**1,863**	659

The equity/net debt* ratio improved from 0.67 to 0.87, as a result of the increase in equity and cash and cash equivalents due to the private placement of stock in November.

Outlook for 1994

As the merger between Akzo and Nobel is meanwhile completed, the outlook presented here relates to Akzo Nobel.

In the years ahead, much time and energy will go into integration of the activities in the areas of coatings and specialty chemicals. The merger has resulted in a company that on a pro forma basis achieved sales of Hfl 20.9 billion and an operating income of Hfl 1,404 million in 1993.
The generated operational cash flow was well over Hfl 2.0 billion and pro forma net income for 1993 amounted to Hfl 790 million.

We believe that the recession in Europe is bottoming out and that the economy may show a slight recovery in 1994. In the United States there are signs that the growth which began in 1993 will continue in 1994. Growth in Southeast Asia is expected to continue undiminished; the development of economic activity in Japan remains an uncertain factor for the time being. Under these circumstances we are confident that the results of operations of Akzo Nobel will show a positive trend in 1994.

Expenditures for property, plant and equipment are expected to reach a level of approximately Hfl 1.7 billion in 1994 (pro forma figure for 1993: Hfl 1.4 billion). To finance the acquisition of the Nobel Industrier AB shares, 17.1 million shares of common stock will be issued in February 1994, while an amount of Hfl 0.6 billion will be paid in cash. New funds will be attracted in 1994 for the repayment of borrowings.

In 1994, the number of employees will show a decline due to already initiated and planned organizational changes. The influence of acquisitions and divestments is not included in this forecast. The number of employees of the new company was 73,400 at the end of 1993.

The year ahead will be characterized by ongoing efforts to boost efficiency and reduce costs. More substantial synergistic benefits are expected to arise from the merger, starting from 1995.

* *Net debt is total liabilities less cash and cash equivalents.*

Health, Safety, and the Environment (HSE)

As part of the reorganization of Akzo's top management structure, we also renewed our HSE organization to emphasize line responsibility. General HSE policy is formulated at the corporate level, while its implementation is organized at business unit or site level. Substantial expertise is also available in the service units "Safety, Environment, and Regulatory Affairs," Akzo Engineering, and the various research institutes.

In September 1993 a new environmental policy statement was adopted. The main difference with earlier versions is that this statement contains environmental objectives to be pursued in respect of raw materials, products, and waste materials in the total production chain. In order to achieve these objectives each Company site will set up an integrated substance chain management system similar to the environmental management system that is primarily process-oriented.
By mid-1994 we will also publish our first corporate environmental annual report. This report will deal with such issues as the environmental efforts made by Akzo during 1993 and the methods adopted for a systematic reduction of the environmental impact of operations worldwide. This is the reason why environmental issues are given less prominence here. The publication of a corporate environmental annual report will not affect the environmental annual reports which a growing number of locations are going to publish.

During the year the International Chamber of Commerce (ICC) founded the World Industrial Council for the Environment (WICE). Akzo is among the 90 or so multinational corporations that have joined the council. In 1991, the ICC introduced an environmental charter. As this initiative will make a major contribution to the protection of the environment, we gave our endorsement at an early stage.

Since 1989, safety in our plants–measured in terms of lost-time accidents–has constantly improved. Accident prevention will continue to get top priority. In 1993 the Akzo Safety Award was presented to the Gallipolis Ferry (West Virginia) location in the United States, which logged more than 3.5 million man-hours without a lost-time accident.

In spite of all precautions and strict safety rules, an accident unfortunately occurred on the Delfzijl site in the Netherlands, claiming the life of one victim.

Human Resources and Training

During 1993, numerous actions had to be taken in connection with the new organization. Important items for review were the effectiveness and performance of the new corporate staff departments, and the adjustment of the employee council structure in the Netherlands.

The integration of the former divisional offices and the corporate staff departments precipitated many transfers and reassignments in the Netherlands. The manner in which they were realized is a tribute to the flexibility and mobility of our employees, and to the constructive nature of the consultations with labor unions and employee councils.
Two external consultancies were retained to help us chart the performance of the new organization. Any bottlenecks will be eliminated in the year ahead.

In Akzo's new organization the authority structure is profoundly changed. Clearly, this has consequences for employee participation in decision making. In light of our decentralized company structure and the social diversity of the countries where the Company operates, Akzo's policy seeks to organize employee participation per country based on local national labor relations and legal requirements. In 1993, a charter was completed setting forth the rules and arrangements that will safeguard the continued proper operation of employee participation in the Netherlands.

Integral to Akzo's conduct of its business, Human Resources Management endeavors to enhance employee motivation and performance. Accountability, flexibility, and team spirit of our employees are key criteria. These constitute the building blocks of an organization culture that constantly guards the right balance between the interests of the individual business units and the common interest of Akzo.

The corporate management training program, adjusted in 1993, robustly confronts the participants with this challenge.

Economic developments, variously reflecting growth, stability, and decline, impacted our management development activities, although recruitment was held at the prior year's level. Efforts to offer our most promising employees optimum development opportunities will have to be increased in the coming period, especially in light of the integration of Akzo and Nobel.

In the framework of the Education/Industry Partnership (EIP) program, the annual prizes were presented for the second time. The judges gave most points to the project "Teaching Activities for Elementary Schools," submitted by the Arnhem research laboratory. Merit awards were presented for joint projects of Akzo Delfzijl, Akzo Stade, Germany, and Akzo Belgium. We are happy to note a distinct improvement in the quality of the EIP projects being submitted.

Number of employees	**Dec. 31, 1993**	Dec. 31, 1992
Chemicals Group	**12,800**	13,000
Coatings Group	**13,800**	14,700
Pharma Group	**14,000**	13,900
Fibers Group	**18,100**	19,300
Other units	**2,000**	1,600
Total	**60,700**	62,500

Restructuring measures were the principal factor in reducing the number of employees by 1,900. Divestments and acquisitions resulted in a net increase of 100.

Restructuring of Information Technology

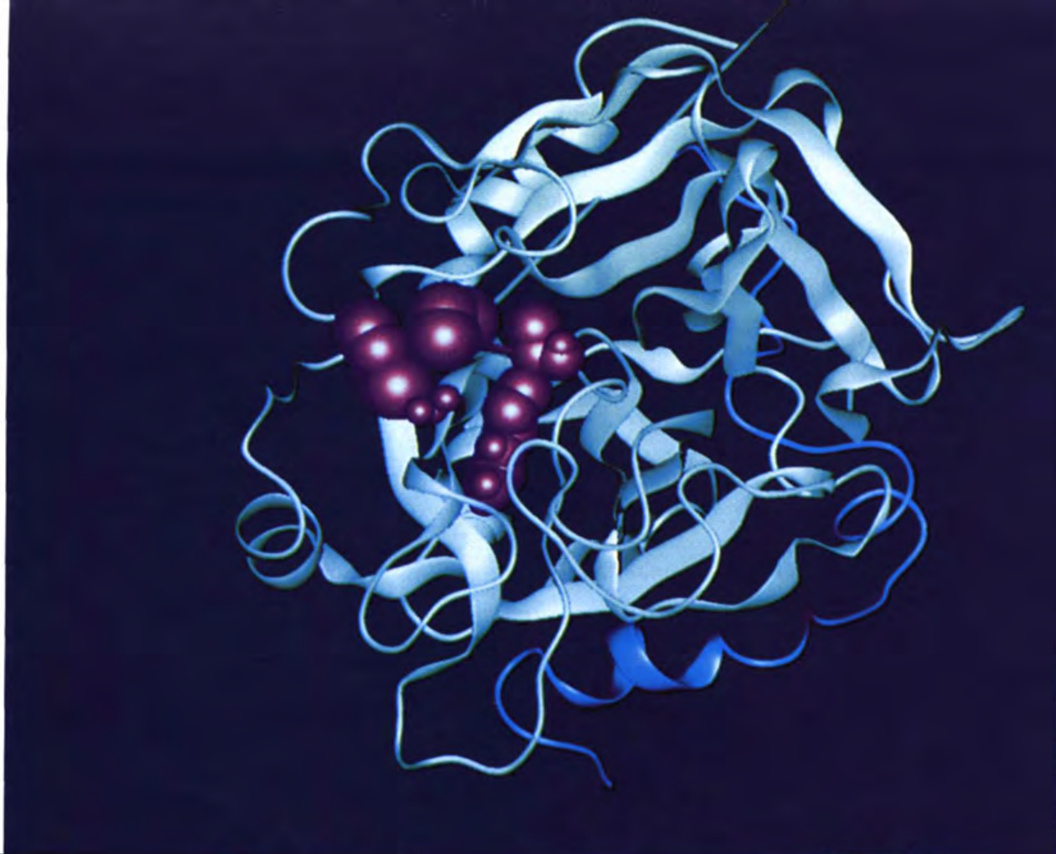
The increased importance of information technology (IT) as a management tool for the business units and the ever closer integration of information technology with our primary business processes has caused a reevaluation of the tasks and organization of IT services within Akzo. Responsibility for IT strategy rests with the Board of Management; the management and employment of IT are the responsibility of the business units. The single most important aspect of the new organization is the segregation of information management and information services.

In this context, the new position of Akzo Information Manager has been created for Information Management (AIM) at the business unit and corporate levels. The information manager advises line managers, makes an inventory of information needs, and produces information plans. On behalf of the units concerned, the information manager purchases products and services.

Providing information services is a supporting activity for the business units, and it is therefore best farmed out to a specialist supplier.
The new service unit Akzo Information Services (AIS) was created as the principal supplier of this expertise.
For a transitional period, this unit has been given preferred supplier status. It pools previously scattered personnel and hardware/software facilities. The centralization has resulted in a higher efficiency of services and substantial savings.

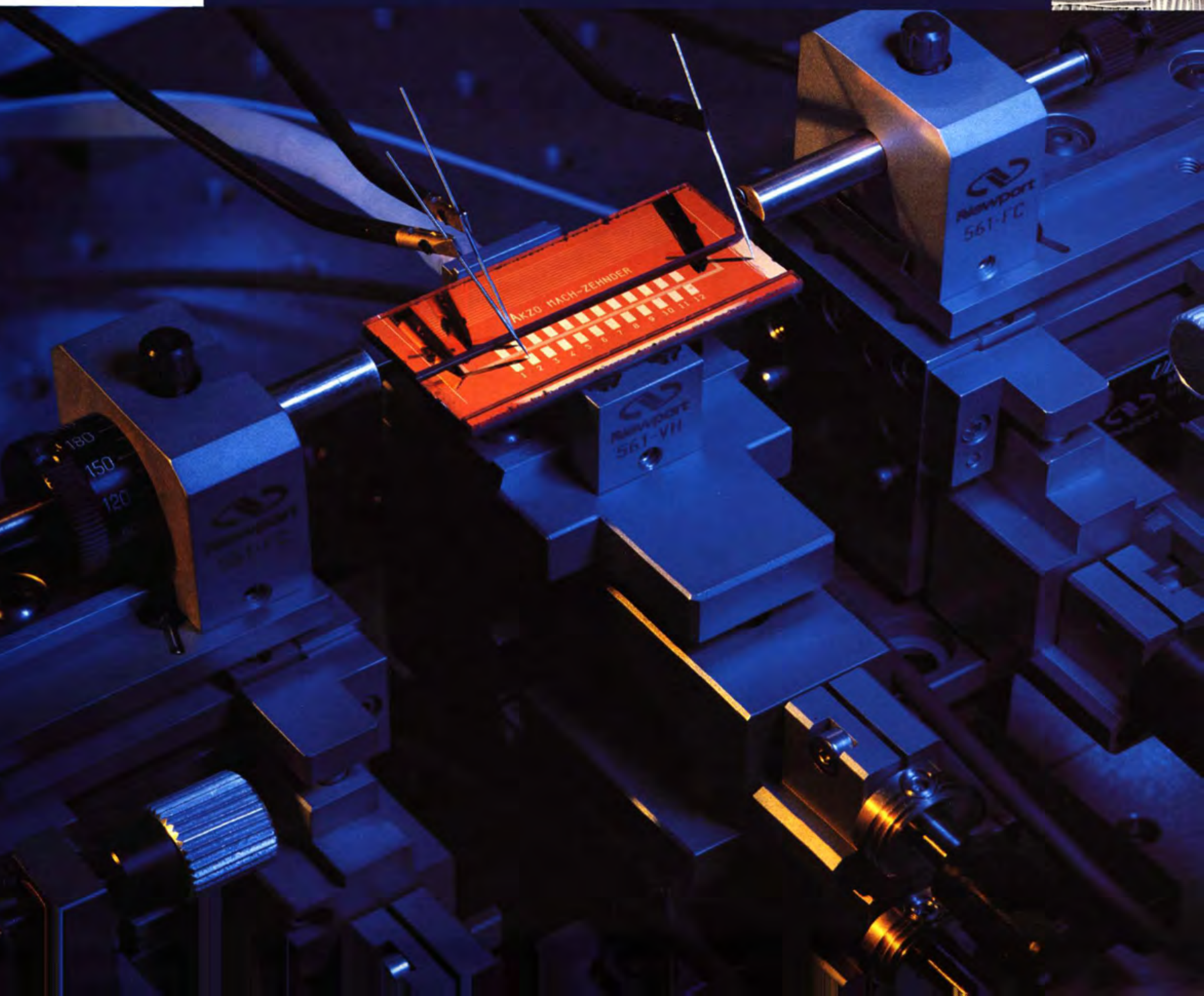
AIS has had independent legal status since its formation in 1992. It runs its business as a service unit and provides IT support to companies within and outside of Akzo. Its range of services includes:
- computer services (data processing and storage);
- installation and maintenance of networks, hardware, and software;
- business and IT consultancy;
- selection and implementation of (external) applications software;
- system development;
- technical maintenance of application systems;
- helpdesk support for users of AIS facilities and applications;
- IT education and training.

AIS covers all of Western Europe. It now has staff in the Netherlands, Germany, Belgium, and France. A similar IT organization is being implemented in the United States.



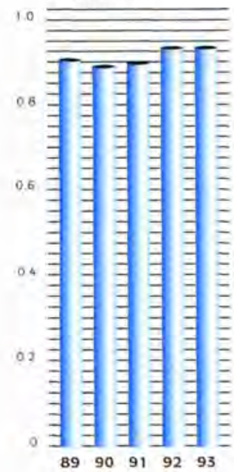
A molecule structure from Organon's well-stocked "library."

Uncoated fabric from polyamide 6.6 filament for the manufacture of air bags (70 x enlarged).



Evaluation of an optical switch for use in telecommunications systems.

RESEARCH AND TECHNOLOGY IN AKZO



At Hfl 929 million, expenditures for research and development were unchanged from the previous year. As in 1992, they were 5.6% of sales. Efficiency measures and other factors caused the number of research employees to decrease by 210 to 6,040 at December 31, 1993.

The control of the R&D function has been a focus of discussion and careful study during the restructuring of our company. Akzo strives to achieve the optimum match between its business strategy and R&D efforts. The research program ideally is the result of an effective dialogue between the business and research functions–with technological and scientific developments constituting an important input. To advance this dialogue, it was decided to appoint technology managers in all business units, who are members of the business units' management teams. These technology managers are expected to integrate future market requirements with regard to products and the environment, as well as the wishes of their own production unit, into the business units' long-term strategy. The result is a long-term technology plan which includes the research program as the essential tool in attaining the objectives.
We feel that business unit control of research efforts, in the fulfillment of customers' needs, will bring better results.

With several research laboratories in Europe and the United States, the decision was made to set up a Central Research Institute, combining the five laboratories in Arnhem, Deventer, Hengelo (the Netherlands), Dobbs Ferry (New York), and Obernburg (Germany) under one management.
In principle, the business units may have their own research facilities. In the absence of such facilities, R&D assignments are given to the central institute. The activities of this institute are therefore chiefly targeted at business units of Chemicals, Coatings, and Fibers, and the business unit Electronic Products.

Synergy in research objectives and programs is best realized within the field covered by a cluster of business units. Each group has therefore appointed a Director of Technology and Environment, whose task includes the preservation of the proper balance between the business units' short-term and long-range research programs. Synergy available within the R&D function in terms of research infrastructure and scientific knowledge can be fully exploited in the context of a central research institute.

The four Group Directors, with the Executive Vice President for Technology as the chairman, constitute the Council for Technology and Environment, which sees to it that the expertise with regard to our core businesses is kept up to date and that centers of expertise are appointed within our laboratories to manage key technologies.

We trust that this organization will help us find the right balance between the business units' independence and Akzo's ambition to obtain the full benefit of synergy, in research as in other fields.

In 1993, the Akzo Award was granted to Professor H. van Bekkum of Delft University of Technology. The laureate received the award in recognition of his scientific work in a very broad field of catalysis, carbohydrate chemistry, and organic coordination chemistry.

To provide the reader with a perspective on the development and application of new technologies in different parts of our company, we present three typical cases. They relate to Pharma and Fibers units, and to Electronic Products. Integration of Nobel's business units will enhance our technological expertise in areas of coatings and a number of specialty chemicals. Research conducted in these sectors will be highlighted in subsequent years.

Pharma research: "the right relations in the service of health"

Scientists have long studied the relations between molecules, their structures, and their functions. The large number of molecules on which information is available is therefore continually expanding. Two recent technologies are fast adding to that number: computer-assisted pharmacochemistry and biotechnological/ biochemical research.
Processes in the body are often based on molecular "recognition." One molecule binds specifically with another. The binding event starts one or more secondary processes which in the end mediate the transfer of biological information. This is what enables the body to function.
The search for what causes disease centers on the source: molecular interactions. And the development of medicinal drugs is largely a matter of finding a compound with the potential to redress the disturbed balance.

The operation of biologically active substances in the body has analogies with a key and lock mechanism. If it is known that a given molecule–the lock–is involved in a disease, another substance–the key–needs to be found to match that molecule and turn off its action. For this purpose, Organon's Department of Computational Medicinal Chemistry has a library of molecules. This database holds in excess of one hundred thousand three-dimensional molecule structures, some of them bought, some developed in-house by Organon scientists. With this database, Organon is an industry leader.
Two complementary computer techniques (DOCK and SPERM) are used to sift through the data.
If the lock is known, the computer uses the DOCK program to select instantaneously the fitting keys stored in the file. That is the direct method.
In the indirect method, you have no information about the lock but you do have a couple of keys that have been demonstrated to work. Study of the shape of the key may then suggest the shape of the lock. This is the sort of match the SPERM program seeks to make.
Neither program is biased toward any specific class of chemical substances and each therefore offers access to quite novel and unexpected compounds. Several structurally novel substances of high activity have been discovered this way. Pharmacological tests with these substances are in an advanced stage.

The second approach to greater knowledge of molecules is biotechnology. Recombinant-DNA technology has cleared the way for biological production of proteins. DNA contains genetic information stored in every cell. Each cell in the organism is specialized and therefore uses only a fraction of the available information. The issue in recombinant-DNA technology is to extract the genetic information coding for the desired protein from the cell and transfer it to other cells.
The manipulated cells then start doing what the code instructs them to do–in this case, produce the desired protein. Recombinant-DNA technology

permits mass-production of selected proteins. Subsequently, these proteins can be used as material for the study of the molecular design of key and lock.
If it is known how the molecule is configured, new key molecules can be designed based on data regarding shape and/or electrostatic properties. Organon's researchers use this knowledge in targeted optimization of biologically active molecules already on record. Furthermore, the knowledge can help in the search for new key molecules capable of beneficially interacting with the lock.
In the past, the search for new drugs had to rely on the experimental approach alone. The new technologies lead to more rational design of therapeutic agents.
In the development of new methods to screen blood for diseases, Organon Teknika is also dependent on molecular structures. If an alien substance invades the body, leukocytes respond by producing antibodies. Such an antibody is a large protein molecule having the facility of recognizing an antigen (an alien substance, such as a virus) and binding to it. It then initiates a process that removes or destroys the invader.

Monoclonal antibodies are antibodies of one kind only. Organon Teknika uses monoclonal-based techniques in the study of molecular structures. In the United States, Pharma's Rockville (Maryland) Biotechnology Research Institute engages in cancer research. The scientists in this institute use human monoclonal antibodies to define tumor-specific antigens. These antibodies can then be used to detect the antigens in blood, thereby demonstrating the presence of certain forms of cancer. After characterization, the antigens corresponding with the antibodies are potential candidates for prospective anticancer vaccines.
The research department of Organon Teknika in Boxtel, the Netherlands, employs the same technologies in the development of diagnostics for viruses such as HIV and HCV. Instead of the antibodies, it would be even better to be able to detect the viruses themselves. This would indeed provide an opportunity of diagnosing the disease in its very onset, even before the body has started producing antibodies. Organon Teknika's researchers are now pursuing the further development of the NASBA® technology for this purpose. NASBA®–short for Nucleic Acid Sequence Based Amplification–permits the detection of a single diseased cell among a million healthy ones. The basis for this technology was licensed from Cangene, a Canadian company.
It has long been established that blood samples contain the nucleic acid of a virus. But the tests developed so far were not sensitive enough to convincingly demonstrate the presence of this minute quantity of nucleic acid. By means of the NASBA® technology, a million or more copies of the nucleic acid molecule specific for the virus can be made in a test tube in about an hour. Which is amply sufficient to trigger a test response to the virus. Again, the structural characteristics of the nucleic acid fragment to be copied are extremely important. Precise analysis of the molecular design is therefore essential in the choice of the fragment. NASBA® and other nucleic acid sequence amplification techniques will in the coming years make significant additions to the means available in the fight against infectious diseases, in cancer research, and in transplantation techniques.

Polyamide yarns: "thread of life to drivers"

The air bag as a passive restraint system for car occupants has been known for some 30 years. But the system was not launched commercially on any significant scale in Europe and the United States until about ten years ago. In the mid-80s, air bags were still considered an expensive luxury, but over the last five years they have begun to catch on and are now offered as standard equipment in a range of models, from limousines to subcompacts. Today, the air bag market is the fastest-growing end-use segment for industrial fibers and fabrics.

First-generation air bags were based on coated fabrics. But Akzo from the start focused its development efforts on the production of filaments which by means of special weaving techniques make fabrics that do not require coating. Not only does such a fabric have a cost advantage, it also permits bags to be downsized (which is important in the smaller car models). Additionally, the 100% polyamide fabric is well-suited to recycling. Fabrics based on our technology have been approved and are used by the world's major auto makers.

Akzo's technology is based on three key elements:

- low-denier polyamide 6.6 yarns with special thermo-mechanical properties;
- weaving know-how for fabric production on cost-efficient high-speed looms;
- a thermo-mechanical aftertreatment process giving precise control of the fabric's gas permeability.

Patent applications have been filed in a large number of countries, and patents have been granted in Europe, the United States, and East and Southeast Asia. Toyobo in Japan was the first company to take a license for our technology, which it will seek to introduce in the Japanese automotive industry.

The uncoated air bag fabrics meet all the specific features demanded by the automotive industry, namely:

- environmental resilience;
- recyclability;
- resistance to dynamic load peaks imposed during the 30-millisecond deployment and inflation phase;
- controlled gas release during the 70-millisecond deflation phase;
- uniform performance in the temperature range from −40°C through +90°C;
- sufficient longevity and durability for a car's lifetime;
- cost-efficient and easy processing and handling.

The steadily increasing demand gives us confidence that our new technology will be generally adopted. We expect to make a substantial contribution to the further growth of this market segment.

Photonics: "the new frontier in communication technology"

The term Photonics defines the border area between electronic and optical applications, covering visual displays, fiber optics technology, lasers, and the like. The Electronic Products (EP) business unit is engaged in the development of polymers, processes, and products for the fast-growing communications market, based upon our know-how in the field of polymers and their processing technology. EP has achieved solid technological progress and a leading position in two fields: optical components for telecommunications purposes, and optical films for liquid crystal displays (LCDs).

The change from electronic to optical waveguides filled the demand for more capacity in telecommunications. Further increases in capacity and speed are available if the information is optically processed prior to transmission.
Using newly developed polymers and processes, EP designed prototypes of optical switches capable of handling the processing function in telephone networks. Polymer-based components can help control the cost of this sort of solution, as components utilizing inorganic crystals could not, or only marginally, do.
The optical switch we are concerned with consists of light-guiding channels in a matrix whose optical characteristics can be modulated by an applied voltage. By this means the light can be switched ultrafast (up to billions of times a second) from one channel to another. The device is coupled to optical fibers carrying the light from and into the channels. We have made major progress in the development of optical switches and expect that prototypes for commercial qualification will become available by the end of 1994.

A liquid crystal display is composed of several layers together providing the screen function.
Of these, the so-called compensation layer is of special significance in that it serves to correct the optical defects of the other layers. It is customary for this layer to be made of two or more stretched polycarbonate films. But this design has significant shortcomings, apparent in any LCD: the quality of the display is satisfactory only if it is in the center of your field of vision, and the black-and-white contrast is moderate. EP has developed an alternative polymer-based layer which ensures near-perfect correction. The angle at which the display can be read is much wider, and contrast is excellent. Brightness of the display is also enhanced, so that a lower power input is feasible, which is of course specially important in battery-powered portable equipment.

BREAKDOWN BY GROUP

Millions of guilders	Net sales 1993	Net sales 1992*	Operating income 1993	Operating income 1992*	Invested capital** 1993	Invested capital** 1992	Property, plant and equipment: Expenditures 1993	Expenditures 1992	Depreciation 1993	Depreciation 1992
Chemicals Group	**5,816**	5,671	**351**	359	**3,476**	3,406	**423**	309	**361**	360
Coatings Group	**4,024**	4,062	**199**	203	**1,873**	1,903	**172**	143	**122**	122
Pharma Group	**3,421**	3,246	**590**	532	**1,780**	1,616	**226**	195	**121**	109
Fibers Group	**3,239**	3,762	**(21)**	127	**2,653**	2,193	**311**	250	**246**	253
Other activities, intercompany deliveries, and nonallocated items	**9**	(28)	**(48)**	(32)	**(173)**	(166)	**38**	36	**35**	27
Total	**16,509**	16,713	**1,071**	1,189	**9,609**	8,952	**1,170**	933	**885**	871

The statistics illustrate the relative importance of the four groups of business units in terms of net sales, operating income, invested capital, and expenditures/depreciation in respect of property, plant and equipment.
The terms and conditions for intercompany deliveries are negotiated at arm's length and therefore are, in principle, identical with the ones used in transactions with third parties.
International intercompany deliveries and international deliveries within a single group are made in accordance with standard procedures that take due account of tax, currency, and pricing regulations in effect in the countries concerned.

Ratios	Operating income as % of net sales 1993	1992*	Operating income as % of average invested capital 1993	1992*	Net sales/av. invested capital ratio 1993	1992*	Capital expenditures/depreciation ratio 1993	1992
Chemicals Group	**6.0**	6.3	**10.2**	10.4	**1.69**	1.65	**1.2**	0.9
Coatings Group	**4.9**	5.0	**10.5**	10.7	**2.13**	2.15	**1.4**	1.2
Pharma Group	**17.2**	16.4	**34.7**	34.3	**2.01**	2.09	**1.9**	1.8
Fibers Group	**(0.6)**	3.4	**(0.9)**	5.6	**1.34**	1.65	**1.3**	1.0
Overall ratio	**6.5**	7.1	**11.5**	13.2	**1.78**	1.85	**1.3**	1.1

* *Restated for comparison: see notes on page 59.*
** *Total assets of consolidated companies, less cash and cash equivalents, and less other current liabilities.*

Fatty amines plant in Morris, Illinois (U.S.A.).

Inspection of parts of the space flight project designed for the production of very-high-purity gallium arsenide crystals in a supervacuum. Gallium arsenide is used in semiconductors.

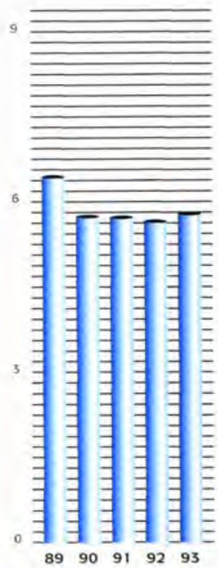
Plant producing ultra-accelerators for the vulcanization of rubber in Cologne, Germany.

CHEMICALS GROUP

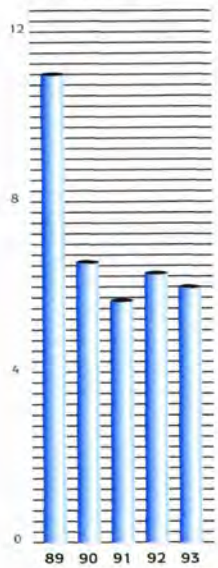
Sales and earnings

Sales of the Chemicals Group totaled Hfl 5,816 million, an increase of 3% compared to the Hfl 5,671 million posted in 1992. Volume effects had a positive influence of 5% and 2% was attributable to positive currency translation differences. The net effect of divestments and acquisitions was a decline of 1%. The average selling price level was approximately 3% lower than in 1992.
Main contributors to the gain in sales were catalysts, rubber chemicals, and salt. Notably in North America a substantial increase was achieved.
Operating income was virtually at the 1992 level: Hfl 351 million versus Hfl 359 million in 1992. Expressed as a percentage of sales, operating income declined from 6.3% in 1992 to 6.0% in 1993. By and large, prices for specialty chemicals remained at a reasonable level.
Prices for chlorine electrolysis products, vinyl chloride monomer, and polyvinyl chloride were under strong pressure, although some improvement was observed in the second half of the year.
Our product portfolio underwent further changes. We transferred our PVC additives to a joint venture and divested our reforming catalysts. We also acquired full ownership of Dansk Salt, Denmark, and extended our peroxide activities. A number of business units are investigating the possibility of joint ventures with existing companies in East Asia, with an emphasis on China.

Net sales, in billions of guilders



Operating income, as percentage of net sales



The process of Managing Total Quality received a new impetus, resulting in worldwide implementation.

Polymer Chemicals

The main products of this business unit are organic peroxides, metal alkyls, polymerization catalysts, and optical monomers. Its principal customers include producers and processors of thermoplastic and thermosetting polymers, coatings, and lenses.
Volume and prices were depressed in both Europe and Japan, as a result of the general recession, which particularly affected the polymer industry.
Demand for our products in North America and Southeast Asia showed signs of recovery.
On balance, the overall financial results of this business unit were below the 1992 level.
Construction is under way for a considerable expansion of our organic peroxides production facilities in Pasadena, Texas, with completion expected by the fall of 1994.
A feasibility study was initiated to investigate manufacturing possibilities in China for organic peroxides and metal alkyls.
Various investments in our operations contributed to higher productivity and lower manufacturing costs.
The financial results of Tosoh Akzo Corporation and Kayaku Akzo Corporation, our Japanese joint ventures, showed a varied picture compared to 1992. Tosoh Akzo's results were slightly better, while Kayaku Akzo's earnings level was lower than in 1992.

Rubber Chemicals

Showing satisfactory overall growth, this business unit registered higher earnings compared to 1992. This result is chiefly attributable to the North American market, where sales of Crystex® insoluble sulfur and carbon disulfide exhibited healthy growth, reflecting higher levels of activity in the tire and automotive industries.
In Western Europe, business for rubber chemicals remained weak, due primarily to sluggish economies and strongly diminished demand in Eastern Europe. Performance in this area was at about the 1992 level.
R&D expenditures are being maintained at a high level, permitting a prompt response to the latest technology developments, which are partly driven by more stringent environmental legislation.
Our Kali Chemie Akzo GmbH joint venture in Germany posted satisfactory earnings.

Catalysts

Under propitious market conditions, a sharp increase was realized in hydroprocessing catalyst (HPC) sales. Demand for this type of catalysts was notably spurred by ever tighter environmental standards applied to refinery end products.
With demand for diesel and jet fuels rising, opportunities for the hydrocracking process are growing, particularly in market areas outside the United States. To improve our position in this segment we entered into an alliance for the licensing of these processes and the supply of the catalysts needed.
Partly as a result of the desire to use heavier petroleum fractions, demand for fluid cracking catalysts (FCCs) also developed favorably.
Unfortunately, FCC prices in the United States continued to be under pressure.
To consolidate our prominent position as an FCC producer for the longer term, we decided to build in Pasadena, Texas, a new plant for zeolites, which are the building blocks for these catalysts.
In 1993, the efficiency measures taken in previous years clearly paid off for the business unit as a whole.
Our joint ventures in Japan and Brazil performed well.
Nippon Ketjen Company Ltd expanded capacity in order to adequately serve the Pacific Rim countries and Japan. Fábrica Carioca de Catalisadores S.A. stepped up its FCC activities and can look back on a successful introduction of programs designed to improve quality.

Detergent & Surfactants

Activities exhibited two distinctly different trends: a substantial volume increase in the United States as a result of economic recovery, and a sharp volume decline in Europe brought on by changing market demands and the recession. Changes in exchange rates in Europe also affected margins. The business unit is energetically working on the development of a new generation of softeners which are both commercially attractive and more environmentally friendly.
Lion Akzo Company Ltd, our joint venture in Japan, can look back on a successful year. Our joint venture in Malaysia, Akzo & Pacific Oleochemicals Sdn. Bhd., suffered considerable damage from a fire early in the year. It resumed full operations in September, and results have been satisfactory since.

Functional Chemicals

This business unit has proven to be reasonably recession-proof in 1993, with performance of phosphorus products and intermediates particularly strong. Expansions and manufacturing improvements for the production of phosphorus products are currently under way at the Gallipolis Ferry (West Virginia) plant. Selling prices were generally depressed outside the United States; the effect was only partially offset by reduced manufacturing and raw material costs.
Initially performing below expectations, sequestering agents achieved some improvement toward the end of the year. Our research efforts to improve biodegradability of these products continued unabated.
Ethyl silicate earnings exceeded expectations. Nevertheless, in line with the concentration on core businesses, this activity will be sold in the near future together with some further product lines.
The performance of the Glucona joint ventures in the Netherlands and the United States was more or less on a par with 1992. Considering the fierce competition–especially for sodium gluconate–the results were satisfactory.

Salt Europe

In spite of growing competition, this business unit did well.
Following acquisition of the remaining stock in Dansk Salt, Denmark, this company was fully integrated and the available synergies were fully exploited.
Akzo consolidated its leadership position in the European market for high-grade evaporated salt for electrolysis by concluding a delivery contract with a major European chlorine producer.
The difficult situation in the European chlorine industry and the strength of the Dutch guilder will continue to depress prices.
The renovation of our manufacturing facilities at Stade, Germany, will be completed on schedule in April 1994. All of our salt specialty plants will then have been modernized. With unit cost down, their competitive ability is enhanced.

Akzo Salt Inc.

Since its establishment more than five years ago, the International Salt and Diamond Crystal Salt combination (now called Akzo Salt Inc.) has been characterized by steady growth in sales and earnings. This result was achieved through broad-based marketing, cost-efficient production, and strict attention to logistics.
Akzo Salt Inc. is one of the two largest salt producers in the United States. Its Avery Island (Louisiana), Retsof (New York), and Cleveland (Ohio) rock salt mines constitute the basis for our leading position in deicing salt in the United States. A recent study conducted by Marquette University reveals that rock salt used as deicer on roads reduces accidents by 88%.
Public recognition of our Diamond Crystal table salt has much increased over the past few years. Virtually everywhere in the United States it is known as a product that meets high quality standards. The water conditioning market once again realized healthy growth.

Chlor-Alkali

Some improvement was seen in worldwide demand for chlorine, driven by the growth of PVC production in the United States and East Asia, while demand for caustic soda declined, due in part to the depressed European economy.
Parallel with these developments, chlorine prices rose, while caustic soda prices fell.
The recession in Europe especially impacted demand for glazing and windshields, causing a decline in demand for soda ash. As a consequence, several European soda ash manufacturers closed their plants. Akzo's soda ash business turned in an unsatisfactory performance.
Akzo's chlorine business is largely concentrated on market segments less susceptible of chlorine substitution, now a major factor in bleaching processes and solvents.
Despite the recovery in the PVC industry, which started in September 1993, financial results for the full year of ROVIN, our joint venture with Shell, were disappointing. Production efficiency was considerably improved during the year.
Production and marketing of calcium chloride are being transferred to a joint venture with Kemira Oy, Finland.
The new joint venture, Akzo Kemax v.o.f., will build a new production facility for liquid calcium chloride with an annual capacity of 100,000 tons at Akzo's site in Delfzijl, the Netherlands. The new plant is designed to convert a byproduct of soda ash production into a valuable product for diverse applications.
During the year some major investments were made for a cleaner environment. One of these was for a new cooling system for the chloromethane production facility.

Industrial Chemicals

This business unit produces monochloroacetic acid (MCA) and derivatives like carboxymethyl cellulose (CMC) and crop protection chemicals, as well as methyl amines and the associated product choline chloride. Both sales volume and earnings improved considerably compared to 1992, despite the unfavorable effect of the economic downturn in Europe on the price level.
A new sodium monochloroacetic acid granulate with excellent processing characteristics was introduced. Market acceptance exceeded expectations, especially in North America.
The first MCA dissolving plant is currently under construction at our LeMoyne (Alabama) site.
Our Japanese joint venture, Denak Co. Ltd, was able to keep results for MCA at an acceptable level despite deteriorated market conditions.
Although CMC volumes increased both in Europe and the United States, results remained unsatisfactory. Prices continued to be under pressure due to overcapacities, except for pure CMC used in the food, pharmaceutical, and other industries.
Investments in methyl amines are being made at our Delfzijl site, the Netherlands, for capacity expansion and for a more environmentally friendly process.
In choline chloride, an indispensable animal feed supplement, our position was strengthened.
The problems we were having with the production of the new MCA-based crop protection agents were largely solved. The general trend to lower usage of these chemicals in agriculture and horticulture had an adverse influence on the market.

Energy

Akzo has always been aware of the necessity to minimize the energy consumed in its production processes. The Company therefore signed a covenant drawn up by VNCI (Association of the Dutch Chemical Industry) and the Dutch government, imposing a target of 20% energy consumption reduction in the Netherlands over the decade starting 1989.
Cogeneration is an effective way to limit the consumption of natural gas and other fuels for the generation of steam and power required for the various manufacturing processes. Moreover, its use results in a substantial reduction of carbon dioxide emissions. The improved cogeneration technology using advanced gas turbines was introduced at a few locations in the Netherlands some time ago: in Delfzijl in 1987, and in Ede in 1991.
These projects were realized in cooperation with the Dutch utility companies N.V. Energiedistributie-maatschappij voor Oost- en Noord-Nederland EDON and N.V. NUON Energie-Onderneming voor Gelderland, Friesland en Flevoland, respectively.
In 1993, two more cogeneration plants with a total installed capacity of about 100 megawatts were commissioned in the Netherlands: Salinco v.o.f. in Hengelo, our joint venture with N.V. Energiebedrijf IJsselmij, and Warmtekrachtcentrale Kleefse Waard v.o.f. in Arnhem, a partnership with N.V. NUON.
During the year Akzo concluded an agreement with N.V. NUON on the construction of a small cogeneration plant at the Velperweg site in Arnhem.
Major cogeneration projects are in preparation in Delfzijl and Obernburg, Germany. In Obernburg a study was initiated into the possibilities of constructing a cogeneration plant in cooperation with a German utility company. In Delfzijl, plans are under way to further optimize the energy supply by means of an extra cogeneration plant with a capacity of approximately 350 megawatts.

Other activities

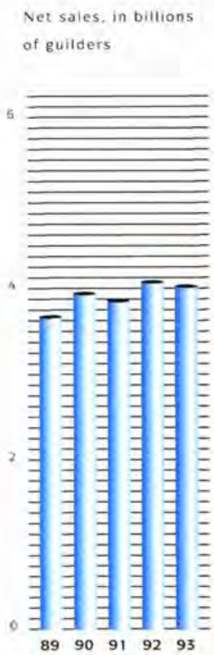
Due to stiff price competition, earnings of Delamine B.V., the Netherlands, contrasted sharply with the 1992 results. In the fourth quarter there was a slight improvement in outlook.
In anticipation of the expected worldwide market growth for ethyl amines, we began a project for capacity expansion and energy-saving.
In July, Akzo formed a joint venture for its PVC additives with Harrisons & Crossfield's Chemical Group in the United Kingdom. The new venture, Akcros Chemicals, now is one of the leading European producers in this field.
In the face of difficult economic conditions, our joint venture Akzo-PQ Silica, the Netherlands, was able to maintain its results at the 1992 level. Volume declines in certain markets were compensated by higher activity at Dehnitz, Germany, which operation we acquired in 1992, and by the production of disilicates for detergents following the start-up in 1993 of ENAP, an EkaNobel / Akzo-PQ Silica / LIOF joint venture in the Netherlands.

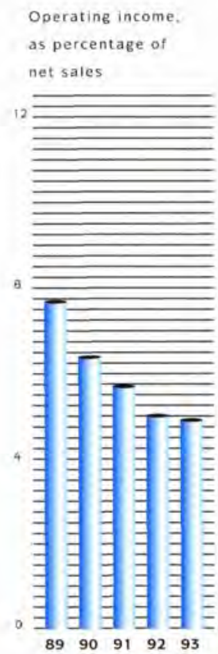
Solvent-free paints: application of powder coatings.

Reliance® paints present the furniture industry with a wide range of quality finishes.

Detail of high-tech equipment in Akzo's very modern production plant in Pontiac, Michigan (U.S.A.), which provides for growing sales of car refinishes in North America.

COATINGS GROUP





Sales and earnings

At Hfl 199 million, operating income almost reached the 1992 level (Hfl 203 million). Sales declined from Hfl 4,062 million in 1992 to Hfl 4,024 million in 1993. The effect of 3% lower volume was offset by on average 3% higher selling prices. Changes in exchange rates caused a decline of 1%. The net effect of divestments and acquisitions was negligible. The results of operations in 1993 were characterized by stagnating markets in Europe and South America, and continued recovery of the economy in North America. Disappointing results in Europe and South America were largely offset by the good performance of our North American operations. The decline in earnings in Europe was reduced by drastic cost-reduction measures.

Decorative Coatings

The market sector was confronted with stagnant demand in most Western European countries. Due to the effects of rationalization measures adopted previously, operating income was held at the 1992 level.
During the year, the business unit devoted considerable efforts to the market launch of waterborne paint systems. Additionally, a line of high-solids coatings was successfully commercialized in some countries.
The streamlining of production and physical distribution was continued in 1993. In the United Kingdom, production is now fully concentrated in Hull, and integration of Macpherson is thus complete. In the Netherlands, too, certain efficiency-enhancing projects were realized, including the construction of a multicolor wallpaint facility at Groot-Ammers. As a result, production in Alphen aan de Rijn was phased out. In Hanover, Germany, a modern distribution center was opened. It also offers application facilities for joinery factories.
In the south-western part of France the distribution network was strengthened by the acquisition of a majority interest in Société Commercial de Revêtements Modernes S.A. (Socoremo) in Bordeaux, our former wholesale dealer.

In 1993, the Sikkens Award–a biennial prize presented by the Sikkens Foundation–went to the American artist Donald Judd for his special contributions in the fields of art, architecture, and furniture design. Donald Judd died in February 1994.

Car Refinishes

Sales in this sector were on budget, despite adverse conditions in Western Europe, where sales and earnings dropped below the 1992 level. Even so, we managed to increase our market share in the region. Sales, earnings, and market share in North America grew. In South America and in other key countries (including Japan, China, and Indonesia) we are now exceptionally well placed to benefit from continued growth.

For some years now our research efforts have been targeted at the optimization of technical, economic, and environmental performance.

Two avenues are being pursued: both waterborne and high-solids products will capture a share of this market. In 1993, we launched a number of high-solids products in the United States under the name Autocoat® LV.

In all countries we improved our services to customers. Our global Car Refinishes Instruction Center network has a key role to play in this regard. In 1993, we opened four additional centers and a further six are in the pipeline. This will bring the total number to 46. Akzo Coatings developed Automatchic® and Mixit® devices, which ensure precise color identification and weighing of ingredients, resulting in efficient utilization of our coatings.

In Sassenheim, the Netherlands, and Pontiac, Michigan, United States, work started on the construction of new distribution centers for car refinishes.

Industrial Coatings Europe

Sales and earnings of Industrial Coatings Europe for the year were adversely affected by the decline in industrial activity in general and by the recession in the automotive industry in particular. Demand for organic solvent-based paints was substantially down. Cost cuts in this area largely offset the effect of the sales drop on earnings. In the powder coatings business, the ongoing replacement of solvent-based paints afforded compensation for declining volume due to the recession. Earnings in this sector have been showing a strong upward trend since 1992, with productivity improvements and cost reductions making major contributions.

In Cernobbio, Italy, a comprehensive investment project in the powder coatings plant was successfully completed.

Progress was made on the development and introduction of new, environmentally superior paint systems.

While sales were lower, across-the-board earnings of this business unit were distinctly above the 1992 level. Measures were taken to improve efficiency through standardization of raw materials, intermediates, and finished products.

Industrial Coatings U.S.A.

In the United States, further steps were taken to bolster profitability. Divestments, acquisitions, specialization, and rationalization moves brought a significant improvement in earnings.

The coil coatings business of The Dexter Corporation, United States, was taken over, which secured us a leading position in this segment.

Paper coatings were divested.

Transportation coatings activities were restructured. Management changes, closure of a plant in Detroit, Michigan, specialization, and staffing cuts have made the organization more flexible and better equipped to handle market needs.

In Zion, Illinois, a center of excellence was commissioned for food and beverage container coatings, and other specialty coatings. The move helped strengthen our technological position in these fields. With all marketing and sales activities for these products now based in Zion, we expect to achieve further growth.

Industrial Wood Finishes

The unit held on to its strong position in the North American market and contributed substantially to earnings. Anticipating the trend for the U.S. furniture industry to move part of its production to Southeast Asia, we started in 1991 operations in Singapore, which developed favorably during the year under review and showed good results.
They constitute a vantage point for the vigorous pursuit of business opportunities in Southeast Asian markets.
Efforts to enhance productivity in all U.S. locations are a permanent focus of management attention.
U.S. legislation spurred the development of high-solids, UV-curing, and waterborne paint systems providing a better environmental performance.
We will consequently be able to meet the standards developed for 1996.

Aerospace Finishes

Together with The Dexter Corporation a joint venture in aerospace finishes was formed, called Akzo Dexter (AD) Aerospace Finishes.
Akzo has a 60% stake in this joint venture, which is engaged in producing and selling aerospace finishes to customers the world over, North and South America excepted. Integration of the organizations, distribution networks, and product portfolios of Akzo and Dexter was finalized in late 1993. Dexter and AD Aerospace Finishes achieved agreement on research needs.
The marketing of Dexter Crown Metro products by the joint venture made a contribution to earnings.
The high-solids coatings line launched in 1992 developed satisfactorily. A waterborne interior coating was added to the range.
The performance of AD Aerospace Finishes suffered from the recession in the aircraft construction business. Shipments to customers in Eastern Europe and in East and Southeast Asia showed encouraging growth, however, and the outlook for 1994 is clearly brighter than last year.

Automotive Finishes

During the year Akzo and U.S.-based PPG Industries Inc. announced that early in 1994 PPG will take over from Akzo the responsibility for the automotive finishes business in Western Europe.
This transfer is fully in line with Akzo's strategy to concentrate on core businesses and seek alliances with strong partners, where appropriate. For other market areas the possibility of joint activities will be studied. Akzo and PPG will intensify their existing cooperation in Brazil and Argentina.

Resins

This business unit was also affected by lower industrial activity in Europe. Some compensation was available in a positive development of the U.S. business. Rationalization measures begun prior to 1993 were continued.
Sound progress was made on the production of waterborne resins. High-solids systems also made advances. UV-curing resins were transferred to the joint venture Akzo formed with Harcross Chemicals, United Kingdom.
Over and above other synergy benefits, the better division of research efforts among the various locations is a major advantage of the new, global organization of this business unit.
Joint venture Synthese Malaysia Sdn. Bhd. reported fine results for the year. Capacity was expanded by a new reactor installed and commissioned during the year.

Filling line for waterborne wallpaints in Montataire, France. The advanced technology results in (environmentally) superior products and processes.

Akzo's transportation coatings on an American truck.

Other activities

By and large, business in Brazil was disappointing. Factors included the persistent growth of inflation, higher raw material prices, and stagnant market growth. Even so, we managed to bolster our leading position in automotive finishes and expand our market share in car refinishes. With PPG, our partner in automotive finishes, we concluded an agreement for the distribution of cataphoresis products in the entire MERCOSUR area (the common market of Argentina, Brazil, Paraguay, and Uruguay).

In Argentina, we improved earnings relative to 1992, helped by a stable economy and substantial growth in car production.

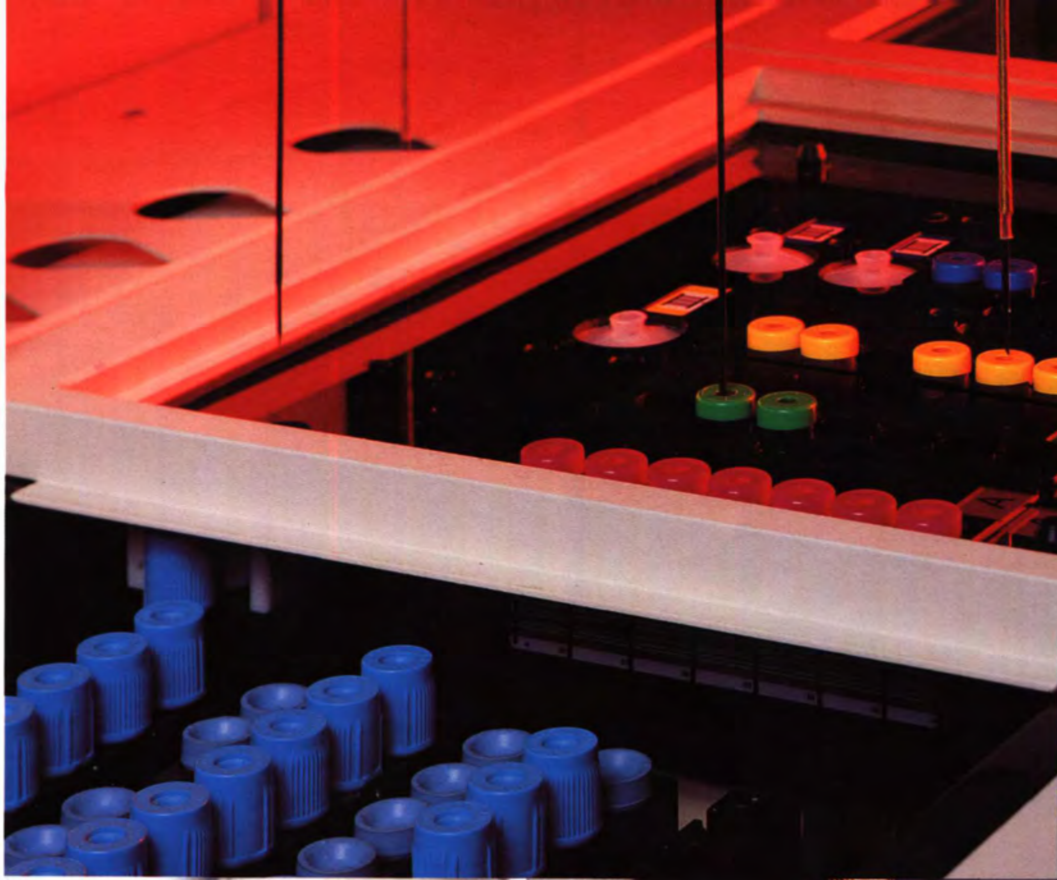
Akzo-TVK in Hungary turned in a satisfactory performance despite lower levels of general economic activity. A full range of decorative and do-it-yourself coatings was introduced under the brand name of Supralux®. We trust that it will do well for us in the coming years. The reorganization and additional investments should help us achieve significant increases in efficiency.

Our joint venture Akzo-Kemipol A.S. in Turkey had a good business year with growth in all market segments and satisfactory earnings.

Production capacity for both paints and resins was expanded. Given these investments and some other ones still in the pipeline, we are poised for the projected market growth in this country.

The powder coatings operations in China pursued by a local joint venture demonstrated robust growth, despite the adverse effect of currency movements on raw materials prices.

The Chinese joint venture in automotive finishes received approvals from several car makers and began deliveries in 1993.



The heart of the Multichannel Discrete Analyzer (MDA) for hemostasis testing (blood clotting).

Production of Tice-BCG (OncoTice®) in Durham, North Carolina (U.S.A.).

Screening of viral infected eggs at Intervet Inc, Millsboro, Delaware (U.S.A.).

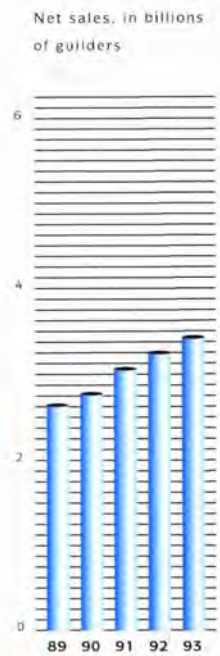
PHARMA GROUP

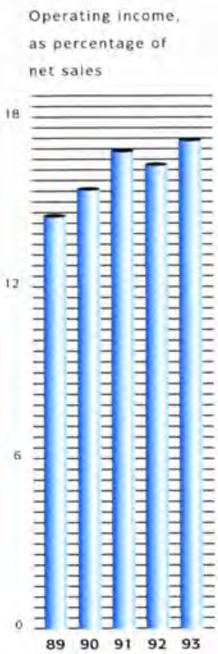
Sales and earnings

The Pharma Group continued its healthy performance. Sales increased 5% from Hfl 3,246 million in 1992 to Hfl 3,421 million. This advance was realized in spite of the divestiture in October 1992 of Organon Teknika's dialysis business (2%). Sales volume increases accounted for about 5%, and the effect of prices and changes in exchange rates for 2%.
Operating income was up from Hfl 532 million in 1992 to Hfl 590 million in 1993. Nearly all business units contributed to the earnings gain. Operating income as a percentage of sales was ahead from 16.4% in 1992 to 17.2% in 1993.

Organon-Ethical drugs

This business unit achieved satisfactory sales and earnings growth for the year, despite the negative effects of unfavorable currency exchange rates and drastic government intervention in drug prices and refunds, particularly in Germany. The interventions in Germany are, unfortunately, typical of the growing number of widely varying measures in the European Union which are disturbing the operation of the market mechanism and the price differential between long established and new, better drugs.
The successful launches of our Marvelon® oral contraceptive in the United States (under the brand name Desogen®), Canada, and Australia broadened the perspectives for our leading market position in the field of human fertility control.
The swift growth in sales of Mercilon®, which remains unique in its low hormone dosage, also contributed significantly to earnings. Approval of the use of oral contraceptives in Japan continued to be debated.
Products for the treatment of menopausal disorders performed well. The development of Organon's recombinant gonadotropin FSH will be continued in spite of the current patent conflict.
In the field of products for psychiatric uses, a further expansion of activities was initiated.
In 1993, the antidepressant Remeron® was approved for registration in the Netherlands. Jointly with Janssen Pharmaceuticals, the antipsychotic Risperdal® was introduced in the





United Kingdom. Registrations in other countries should follow shortly.
Organon's position in the markets of Central and Eastern Europe was strengthened as we opened new branches in Austria and Hungary. In Germany, our majority participation Thiemann Arzneimittel GmbH acquired a specialized product line targeted at the treatment of stomach complaints and other disorders.

Organon Teknika–Hospital supplies

The year 1993 was a transitional year following the divestiture in late 1992 of the dialysis business and the introduction, begun in late 1993 and to be continued in early 1994, of major, new diagnostic systems for use in clinical and hemostasis laboratories and blood banks. This launch gives an impulse to sales of large integrated systems in all key markets.
Continued market penetration of the BacT/Alert® automated blood culture system for the diagnosis of bacterial infections and muscle relaxants accounted for some sales growth in 1993, which was again checked by lower rates of exchange for a few currencies (U.K. pound, lira, and peseta). Operating income was positively influenced by license revenues from bacteriology patent positions. Pressure was exerted, however, by higher-than-expected development costs of a few new products in the pre-launch phase and the acquisition cost of the sole marketing and distribution rights for the AuraFlex® automated immunoassay system.
With Norcuron®, the business unit successfully defended its leadership position in the muscle relaxants market. The international registration dossier for our new muscle relaxant Esmeron® was filed in several important countries.
Our OncoTICE® bladder cancer treatment received the stamp of approval of health authorities in Australia, Denmark, Greece, Norway, and Sweden, contributing to continued sales growth for this product. In 1993, substantial progress was made on the clinical development of OncoSpect®, an *in vivo* imaging diagnostic based on human monoclonal antibodies labeled with a radio isotope serving to diagnose colon cancer. Projections are that the development stage will be completed in 1994, so that international registration procedures can then be started.
The results of the various diagnostics segments in 1993 showed a highly varied picture.
The performance of the BacT/Alert® system was positive in almost all key markets. AIDS and hepatitis diagnostics did not do so well. Launches of user-friendlier versions of these tests could not compensate fully for declining sales of the older versions.
For use in clinical laboratories, a new pregnancy test, AuraTek® HCG, was launched, and preparations were going forward for the introduction of the AuraFlex® system, designed to broaden the range of tests capable of detecting the presence of hormones and infections. With the system, Organon Teknika hopes to attain a leading position in this market segment.
The AuraFlex® system and the further development of the NASBA® technology constitute spearheads of our research program. In 1993, a first product became available for clinical validation in Belgium, Germany, France, and the Netherlands.
In the field of hemostasis testing, the final development of the MDA® 180 integrated system was completed. Its commercialization in North America is now in progress. This test system may give us a globally leading position in this specific field.

Chefaro–Nonprescription products

Sales and earnings for the year were again ahead. Sales growth was most significant in Germany and the Netherlands. In the pharmaceuticals segment, sales of Davitamon® vitamins and mineral supplements, and of Ibutop® analgesic cream substantially bolstered our position.
We successfully launched our Prevalin® OTC hay fever preparation in the Netherlands.
Diagnostics sales showed strong growth in Western Europe and the United States. In Japan, our Predictor® pregnancy test had to concede ground due to fierce competition. Major progress was made in 1993 in the R&D field, resulting in a new generation of Predictor® tests planned to be launched in 1994.
The acquisition of Laboratoire Ardeval S.A., France, in the fourth quarter of 1993 provided Chefaro with an entry to the important French OTC market. Ardeval specializes in the development, production, and sale of plant-based nonprescription drugs. We expect to find a market for these products in other countries as well.

Diosynth–Raw materials for the pharmaceutical industry

Sales were up slightly from the high 1992 level. Shipments to other business units declined, but the drop was fully compensated by higher shipments to third parties. Operating income benefited from price and product mix improvements.

In 1993, our interests in the field of classical opiates, which are not part of Diosynth's core business, were transferred to a company specializing in this market.

A slight decline in captive sales of chemical products was amply offset by higher noncaptive sales.

Noncaptive sales of biochemical products prospered, with heparins and insulins making the chief contributions.

Preparations for the construction of a new chemical manufacturing facility near Oss, the Netherlands, are on schedule, and official procedures to obtain operating permits are nearing completion.

Several improvements were made on the present production site in 1993. These concern both the chemical production and the provision of further safeguards and controls to meet tighter rules on safety, environmental management, and occupational hygiene.

VPF–Generics

Efforts to bring our U.S. generics operation in Denver, Colorado, into full compliance with American health authority standards were completed by mid-1993 when Food and Drug Administration approval was obtained.

All energies are now being directed toward the completion of applications for new product approvals.

Our liquid drugs facility in Leeds, United Kingdom, showed excellent growth during the year. A similar plant in Chicago was divested.

Intervet–Veterinary products

Intervet completed a good year. Its position in the strategically important U.S. and Japanese markets was further strengthened. In the United States, canine and feline vaccines were launched, and expansion of our local research and development activities was initiated.

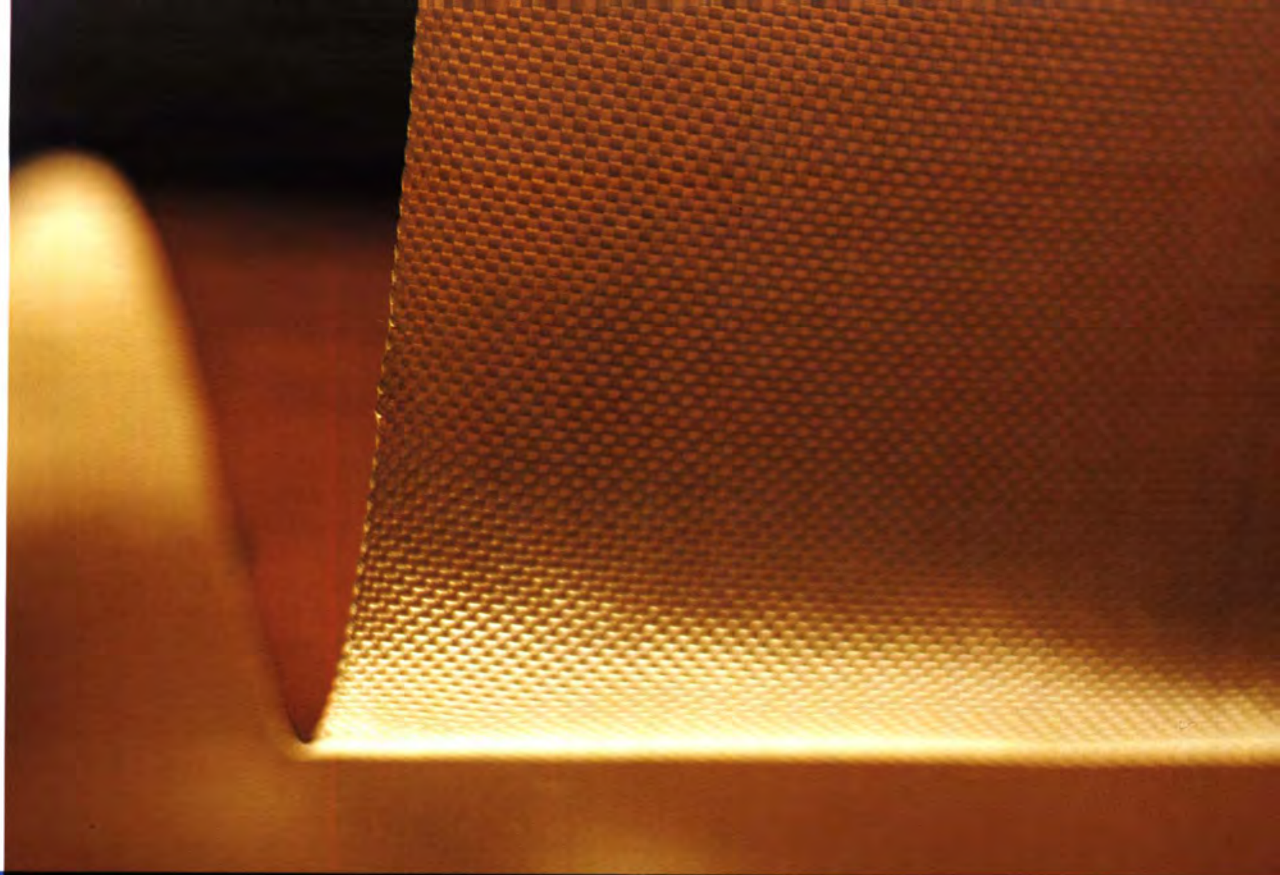
In 1993 we decided also to build a new laboratory in Japan to speed up registration of some twenty products. In Greece we incorporated Intervet Hellas, completing the Intervet organization in the European Union. In Indonesia a Representative Office was inaugurated.

In 1993, as in the preceding year, several new products emerged from our research. We now spend more than ten percent of sales on R&D. Such high expenditures reflect confidence in the development of new and improved products which we expect to pay dividends over the longer term in further sales and earnings growth.

In May 1993, we acquired the majority of the equity of NorBio AS, a small company located in Bergen, Norway. NorBio specializes in fish vaccines. This expertise, combined with Intervet's knowledge in the fields of immunology, virology, and bacteriology, should enable us in the coming years to develop a number of promising new vaccines for this specific application.

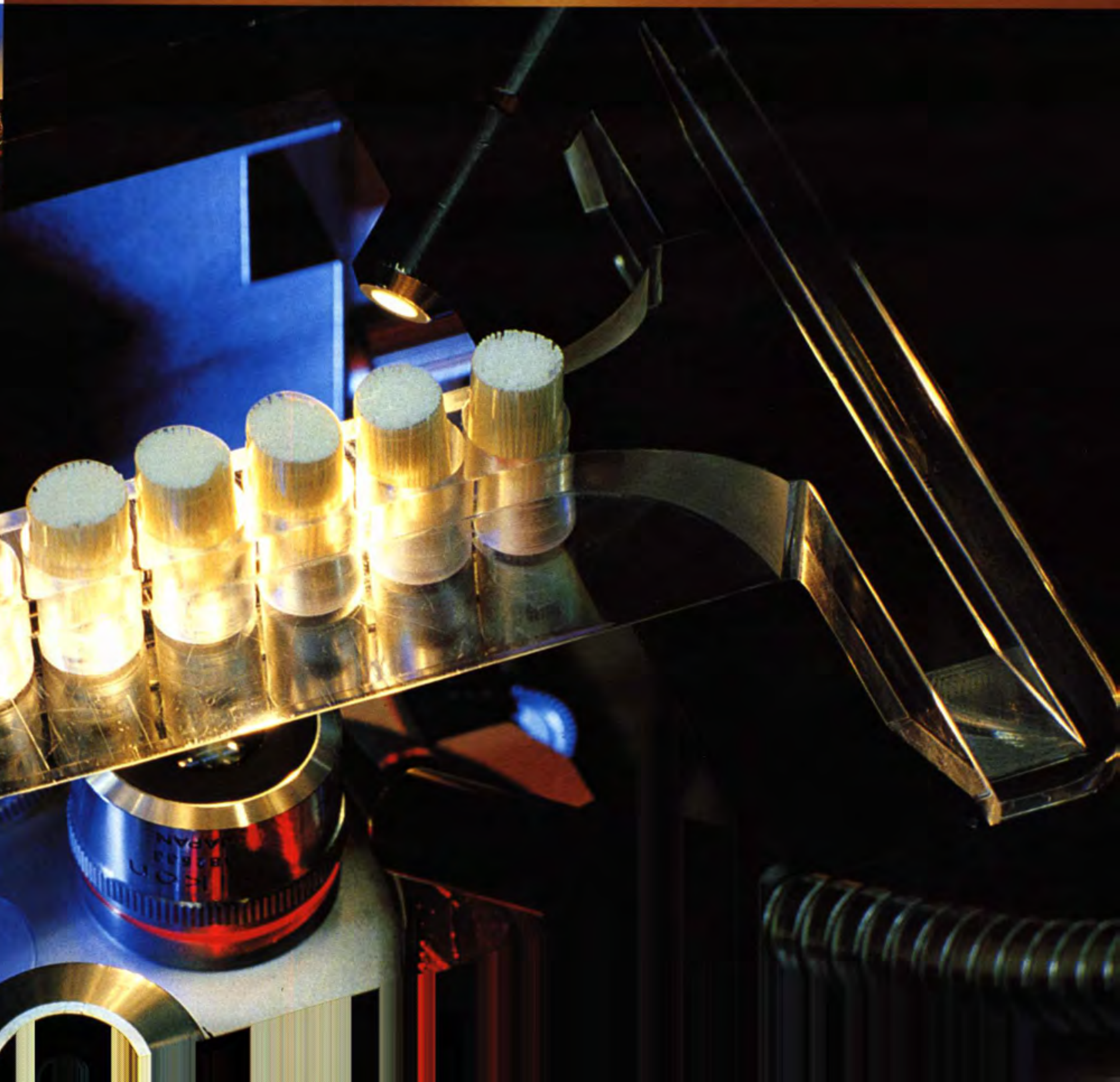
European sales of our products developed satisfactorily. Results in other regions were also gratifying.

Ultra-strong fabric from Twaron® aramid fibers.



Fine fashions in Enka® viscose capitalize on the fabric's silky smooth drape and brilliant colors.

Membranes for medical applications, a field in which we hold a leading position.

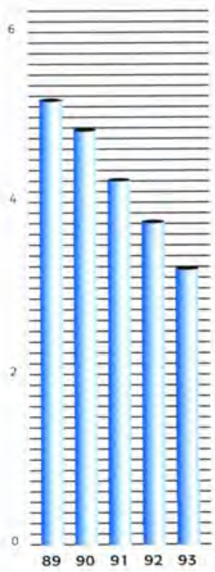


FIBERS GROUP

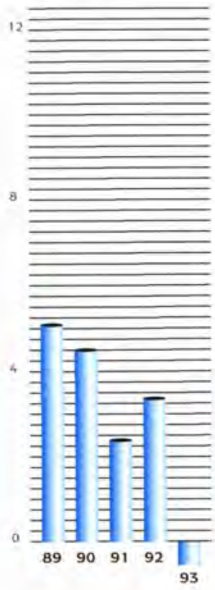
Sales and earnings

1993 was an extremely difficult year for the Fibers Group. Virtually all business units were hit hard by the economic recession in Europe. Sales were down more than 14% to Hfl 3,239 million, due to declining demand (4%), lower selling prices (6%), and divestments (4%). Sales and operating income were depressed by diminished demand and falling prices.
The downward pressure was intensified by the strong Dutch guilder and German mark relative to practically all other European currencies.
With an operating loss of Hfl 21 million, the Fibers Group lapsed into the red during 1993, while in 1992 an operating profit of Hfl 127 million was recorded.
The implementation of the cost-cutting programs initiated in 1992 was stepped up to prevent a further downslide of the results. Extra measures designed to reduce costs in the short term were taken. Moreover, capacities are being cut, and the product range is being adapted.
The measures also resulted in the shutdown of the viscose tire yarn plant in Oberbruch, Germany, by mid-1993.
The labor force decreased by approximately 1,700 as a result of the streamlining measures and divestments.
On January 1, 1993, we sold a majority interest in our European carbon fiber activities to Toho Rayon Co. Ltd of Japan, and on September 30 we transferred our carpet fiber activities to AlliedSignal, United States.

Net sales, in billions of guilders



Operating income, as percentage of net sales



Akzo retains minority interests in both alliances. On September 1, 1993, we acquired full ownership of the viscose company Kunstseidenwerk Elsterberg GmbH, Germany, whose management we had taken over from the German privatizing agency Treuhandanstalt, Berlin, in 1991.

Textile Fibers

The Western European textile industry was seriously hurt by the economic downturn. While textile imports remained at a high level, consumption of textile fabrics declined. In the second half of the year the demand for polyester textile fibers showed a slight recovery, but demand for the full year was significantly lower than in 1992, when it was already at a low ebb. Because of these market conditions, aggravated by unfavorable exchange rates, prices remained under strong pressure.
Market conditions did not favor viscose filament yarns used in lining fabrics. Sales volume of viscose for outerwear was also down, reflecting the effect of low-priced imports from East Asia.
Performance should improve soon as a result of further productivity-raising measures, enhanced quality control, and the use of highly advanced production technology in Elsterberg. During the year an environmentally friendly production process for cellulose filament yarn emerged from the research stage. A pilot plant was successfully commissioned and now produces yarns to open up attractive new markets.
Shipments of polyester filament to weavers of outerwear fabrics remained weak, while demand of the home furnishing industry picked up. Supplies to lining fabric weavers were at a high level.
In general, polyester filament shipments in Western Europe trailed the prior year's level. Exports outside this region increased.
Price developments remained a major cause for concern in 1993.
Our textured yarns, produced and marketed by **Kuag**, were also adversely influenced by the business conditions, reflecting a steep decline in demand from the Western European automotive industry.
Downward price adjustment was inevitable. Further deterioration of the results was avoided by implementing drastic restructuring measures.
Also affected by the recession was the market segment of our breathable Sympatex® membrane for wind- and waterproof garments.
Even so, we managed to increase brand recognition and market share for this product in Germany, and successfully continued efforts to use this technology in other products and market segments. Our positions in the United States, Japan, France, and the United Kingdom were strengthened.
Polyenka S.A., Brazil, was able to improve its good 1992 earnings performance.
The results of operations of our joint ventures again showed a varied picture.
Enka de Colombia S.A. was able to hold its ground in the face of stagnating industrial activity and intensified international competition.
Enkador S.A., Ecuador, posted satisfactory results under conditions similar to those in Colombia.
Mexico suffered from economic stagnation and the results of Fibras Químicas S.A. were disappointing. The government programs announced in the fourth quarter of 1993 should result in sustained improvement of the economic conditions starting from 1994.
After two years of weak performance, Century Enka Ltd, India, was able to improve its position. Rajashree Polyfil Ltd, our other minority participation in India, began the construction of a manufacturing facility for polyester filament yarns, which should be operational by the end of 1995.

Industrial Fibers

Shipments of these yarns remained far below the level of 1992. This disappointing development was principally due to the economic situation in Western Europe and the automotive industry's poor performance in this region.
Auto production in Germany fell more than 20%, compared to 1992. In France, Italy, and Spain, auto production was also significantly lower, but the decline was less steep than in Germany.
Despite increased production in the United States, East Asia, and South America, global auto sales were down more than 3% from the previous year's level.
As a result of the slump in auto production in Western Europe, demand for original equipment tires declined approximately 15%.
Reduced consumer spending adversely affected demand for replacement tires. Growing imports of low-grade tires from Eastern Europe also had a diminishing effect on the production of replacement tires in Western Europe.
The generally lower demand for tire yarns and the replacement of rayon with polyester–a long apparent trend–resulted in a steep decline in the demand for rayon tire yarns, one of the principal causes of the shutdown as planned of our production facility in Oberbruch, Germany, in mid-1993.
Due to the replacement trend and developments outside Europe, overall demand for polyester as a

reinforcing material for tires remained at about the same level, but this sector also felt strong pressure on prices.
Shipments of polyester for auto seat belts were also hurt by the slump in the automotive industry.
Shipments of polyester for coated fabrics were affected by the sharp drop in the production of trucks and reduced activity in the transport market.
The use of polyester in miscellaneous rubber goods, ropes and nets remained at the prior year's level.
After successful adaptation and modernization of the production facility for polyester tire yarn in Scottsboro, Alabama, operations fully met our expectations.
A positive contribution was made to earnings of the business unit.
The demand for polyamide for industrial uses in Western Europe trailed the prior year's level.
Exports of polyamide tire yarns were initially disappointing but improved as the year progressed.
Volume of low-denier polyamide yarns for the production of air bags enjoyed strong growth.
The uncoated air bag concept developed by us gives us a strong position in this new market segment.
The restructuring measures taken in prior years at our Brazilian subsidiary COBAFI, which resulted in a substantial reduction in the number of employees, brought further gains in earnings.

High-performance fibers

Volume growth for Aramide Maatschappij v.o.f., the Netherlands, did not fully meet expectations, which was principally due to cyclical influences in Europe.
Anticipating structural growth of the market for our Twaron® aramid fiber, we decided to increase annual production capacity to over 10,000 metric tons. In connection with a petition filed by E.I. du Pont de Nemours and Company–our U.S. competitor in aramid fibers–an antidumping procedure was started in July 1993 in the United States against Aramide Maatschappij v.o.f. in respect of our Twaron® exports to that country.
The first results of the investigation have led to the imposition of a preliminary dumping margin on our aramid products imported into the United States after December 9, 1993. As a consequence, our U.S. customers are now forced to purchase their aramid fibers in a market where access to these products is limited.
By mid-1994, the U.S. authorities will make a final decision.
In consultation with N.V. NOM, our partner in Aramide Maatschappij v.o.f., we decided to raise our share in the latter company's capital from 50% to 95%, resulting in a majority participation in this joint venture and its inclusion in the consolidated figures as from December 31, 1993.
Fortafil Fibers–the unit pursuing our carbon fiber activities in the United States–benefited from the improved economic climate in that country.

Industrial Nonwovens

Sales and earnings of this business unit were under heavy pressure in 1993 due to the recession in Europe, the adverse effect of changes in exchange rates, and increased competition.
Coltron®, which is almost exclusively used as a carrier for bituminous roofing membranes, was especially hurt, mainly due to Italian producers who benefited from the low lira.
Colbond® shipments for geosynthetic uses failed to reach the desired level, but Colback® bicomponent nonwoven turned in a satisfactory performance because of its unique properties and great versatility.
The development of a special Colback® grade with better elongation characteristics bolstered our position in the market for car carpets. Nonwovens made of fine filaments are very successful as carriers for carpet tiles. The glassfiber-reinforced laminate types for bituminous roofing membranes met customer demands for a very stable product.

Membrana

Shipments of hemodialysis membranes (for use in artificial kidneys) showed satisfactory growth.
As prices were depressed, sales failed to reach the 1992 level. Cost-reduction and efficiency-boosting measures helped us to keep the decline in earnings at a modest level. Akzo maintained its position as leading membrane producer for this market segment.
Fully in line with our expectations, the market for high-flux and high-performance dialysis membranes continued its growth. Adding an extra research program, we stepped up our efforts to develop new membranes.
The market introduction of our new membrane types Span® and Bioflux® that began in 1992 was continued.
The first clinical tests of a new biocompatible flat membrane and a new low-flux dialysis membrane were successful.
Shipments of membranes for oxygenators were also higher in 1993.
Our Oxyphan® membrane that supplies oxygen to blood during open heart surgery is finding increasing application. Our membranes for plasmapheresis (plasma therapy and plasma donation) showed a satisfactory development.
Entirely new membrane types for oxygenation and plasma separation were successfully tested by customers.
Volume and sales of membranes for technical and industrial uses, and Accurel® microporous polymer systems trailed the 1992 level.
Also in this market segment, new products and applications were developed and tested in cooperation with our customers.

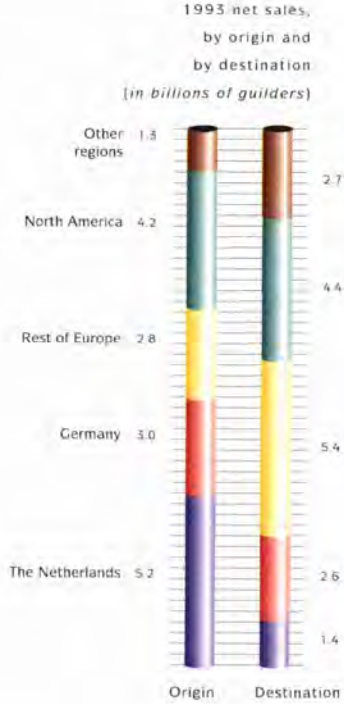
Other activities

Industrial Systems—our business unit active in road construction, hydraulic engineering, and landscape management—had a disappointing year.
After a reevaluation of our strategic objectives the activities of this business unit were transferred to our Industrial Nonwovens unit on January 1, 1994.
In the face of keener competition and price erosion, **Enka tecnica,** a producer of spinnerets, aggregates, and test equipment for the fiber and textile industries, posted a gain in sales and closed the year with satisfactory earnings.
As in 1992, the sales markets outside Europe increased in significance for this business unit.

Electronic Products

Electronic Products (EP), a business unit not belonging to any of the groups, pursues two activities that are closely related.
They comprise the production and sale of printed wiring boards (PWBs) and the laminates used to make them as well as photonic products (photonic components and optical films), a business that is still largely in the development stage.
Most of our electronics operations (PWBs and laminates) are organized in the joint venture AMP-Akzo Company. This company was confronted with difficult economic circumstances in the electronics industry in the United States.
Good progress was made in broadening the customer base. Markets of interest are the automotive, telecommunications, and computer industries.
A new partnership with AMP was established in the Netherlands to develop and commercialize linear laminates. These products have extremely good properties for applications such as smart cards and multichip modules.
The development and application of photonic technologies for components and films based on optical polymers were successful in 1993.
The thermo-optical switch we developed meets the preliminary performance specifications for telecommunications applications. In the coming year this component will be tested extensively under operational conditions.
The first introduction to potential users of optical films for human readable displays is making satisfactory progress. These films are also used in liquid crystal displays (LCDs) and high density optical storage.
In 1993 the market share as well as our technological capabilities for gallium arsenide in the opto-electronic growth area were improved.
Our oxidic crystal activity has been organized in a joint venture with Overijsselse Ontwikkelings Maatschappij N.V., the Netherlands.
The new company, Single Crystal Technology B.V., Enschede, the Netherlands, supplies strontium titanate wafers for superconductors and other applications.

BREAKDOWN BY GEOGRAPHIC AREA



The statistics presented below, covering net sales, operating income, invested capital, expenditures for property, plant and equipment, number of employees, and certain significant ratios of the consolidated companies, illustrate the geographic distribution of the Company's operations.
To complete the global overview, a breakdown by relevant geographic area of net sales, invested capital, and number of employees of the nonconsolidated companies has been added.
The latter statistics are presented on a pro forma full-ownership basis in the table on page 51.

Consolidated companies

	Net sales, by destination		Net sales, by origin		Operating income		Invested capital**		Expenditures for property, plant and equipment	
Millions of guilders	**1993**	1992*	**1993**	1992*	**1993**	1992*	**1993**	1992	**1993**	1992
The Netherlands	**1,366**	1,467	**5,252**	5,446	**277**	331	**3,420**	3,064	**485**	392
Germany	**2,598**	2,853	**3,025**	3,489	**78**	231	**1,655**	1,681	**156**	178
Rest of Europe	**5,464**	6,009	**2,757**	2,871	**241**	240	**1,447**	1,461	**147**	116
North America	**4,401**	3,865	**4,169**	3,732	**365**	284	**2,333**	2,061	**321**	203
Other regions	**2,680**	2,519	**1,306**	1,175	**110**	103	**754**	685	**61**	44
Total	**16,509**	16,713	**16,509**	16,713	**1,071**	1,189	**9,609**	8,952	**1,170**	933

* *Restated for comparison; see notes on page 59.*
** *Total assets, less cash and cash equivalents, and less other current liabilities.*

Number of employees and ratios of consolidated companies

	Number of employees, December 31		Operating income, as % of net sales*		Operating income as % of average invested capital***	
	1993	1992	**1993**	1992**	**1993**	1992**
The Netherlands	**19,100**	19,900	**5.3**	6.1	**8.5**	10.7
Germany	**13,300**	13,800	**2.6**	6.6	**4.7**	13.6
Rest of Europe	**9,400**	9,800	**8.7**	8.4	**16.6**	15.2
North America	**10,700**	10,700	**8.8**	7.6	**16.6**	14.2
Other regions	**8,200**	8,300	**8.4**	8.8	**15.3**	15.6
Total	**60,700**	62,500	**6.5**	7.1	**11.5**	13.2

Nonconsolidated companies

	Net sales by origin		Invested capital***		Number of employees, December 31	
Millions of guilders	**1993**	1992	**1993**	1992	**1993**	1992
Europe	**1,410**	1,190	**1,170**	1,110	**1,700**	1,000
North America	**180**	140	**140**	110	**1,200**	1,100
Latin America	**840**	800	**840**	750	**4,400**	4,900
Other regions	**1,040**	910	**620**	620	**4,500**	4,500
Total	**3,470**	3,040	**2,770**	2,590	**11,800**	11,500

Net sales and operating income by geographic area were influenced by changes in exchange rates relative to the Dutch guilder. Compared to 1992, the U.S. dollar rose on average about 5.5%, while most European currencies were down from 1992, as is reflected by the rate of the ECU, whose average value decreased by about 4.5% relative to the guilder.

Aggregate net sales of the consolidated companies in EUROPE stood at Hfl 11 billion, down 6% from 1992. Operating income decreased from 6.8% to 5.4% in 1993.

Dollar sales of our operations in NORTH AMERICA increased by about 6%. Operating income as a percentage of net sales increased from 7.6% to 8.8%.
A substantial part of our consolidated activities in the OTHER REGIONS is centered in Brazil. In general, the results of operations in that country were depressed by the unfavorable economic situation.

Arnhem, February 23, 1994

The Board of Management

* *By origin.*
** *Restated for comparison; see notes on page 59.*
*** *Total assets, less cash and cash equivalents, and less other current liabilities.*

Application of steel coil finished with powder coatings as colored exterior siding.

The cogeneration unit commissioned in February 1994 in Hengelo, Netherlands.

FINANCIAL STATEMENTS

Accounting policies used in preparing the consolidated financial statements

Consolidation

The consolidated financial statements include the accounts of Akzo N.V. and its subsidiaries.
Subsidiaries are companies of which Akzo N.V. directly and/or indirectly has control.
All of the assets, liabilities, and results of the consolidated companies are included.
Minority interest in equity and earnings is shown separately.

Valuation

The principles of valuation and determination of income used in the consolidated financial statements are based on historical cost.
Due to the low level of inflation in key industrial countries, the disclosure of supplementary current value information has lost much of its significance and will therefore be discontinued effective this fiscal year.

Translation of foreign currencies

In the balance sheet, amounts in foreign currencies are translated into guilders at year-end exchange rates. Where currency hedging contracts have been concluded, translation is based on the rates of exchange stated in these contracts.
In the statement of income, amounts in foreign currencies are translated into guilders at average rates of exchange.
Foreign exchange differences are included in income, except for foreign exchange differences resulting from translation into guilders of inter-company loans and of stockholders' equities of affiliated companies outside the Netherlands; the latter differences are directly added to, or deducted from, equity.
Before being consolidated, the financial statements of affiliated companies established in hyperinflationary countries are adjusted for the effects of changing prices.

Exchange rates of key currencies

The principal exchange rates against the Dutch guilder used in drawing up the balance sheet and the statement of income are:

		Balance sheet		Statement of income	
	Unit	**1993**	1992	**1993***	1992*
U.S. $	1	**1.94**	1.81	**1.86**	1.76
DM	1	**1.12**	1.12	**1.12**	1.13
£ stg	1	**2.87**	2.75	**2.79**	3.08
Fr. fr.	1	**0.33**	0.33	**0.33**	0.33
Belg. fr.	100	**5.38**	5.47	**5.37**	5.47
Sp. pes.	100	**1.36**	1.58	**1.45**	1.72
Yen	100	**1.74**	1.45	**1.69**	1.39

* *Average rates.*

Principles of valuation of assets and liabilities

Intangible fixed assets
Preparation and start-up expenses of large investment projects are capitalized and charged against operating income in not more than five equal annual installments after the facilities concerned have been put into service.
Purchased goodwill is charged directly against equity.
Other intangibles are not capitalized but are charged against operating income.

Property, plant and equipment
Property, plant and equipment are valued at cost less depreciation.
Cost includes the financing charges of capital investment projects under construction.
Capital investment grants are deducted from property, plant and equipment.
Depreciation is computed by the straight-line method based on estimated life, which in the majority of cases is 10 years for plant equipment and machinery, and which ranges from 20 to 30 years for buildings.
In cases where the book value so computed exceeds the value to the business additional write-offs are made.

Financial fixed assets

Investments in nonconsolidated companies are stated at the amount of Akzo's share in stockholders' equity. The calculation of stockholders' equity is based as much as possible on the Akzo principles of valuation.

Loans to nonconsolidated companies are carried at face value less such provisions as are considered necessary.

Other financial fixed assets are stated at face value, at cost, or at lower market value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost, defined as the full manufacturing cost related to the stage of processing, is determined by the first-in first-out (FIFO) method. Provisions are made for obsolescence.

In the valuation of inventories, profits arising from transactions between consolidated companies are eliminated.

Receivables

Receivables are stated at face amounts less such provisions as are considered necessary.

Cash and cash equivalents

Cash and cash equivalents are carried at face value, with the exception of marketable private borrowings and marketable securities, which are valued at the lower of cost or market.

Provisions

Provisions are stated at face value, except for provisions in respect of pension rights and other such rights, which are generally computed on an actuarial basis.

Provisions for deferred taxes are based on timing differences between the valuation of assets and liabilities for accounting purposes and the valuation for tax purposes, at current rates.

Nonrefundable dividend taxes are taken into account in the determination of provisions for deferred taxes to the extent of earnings expected to be distributed by affiliated companies.

Long-term debt and current liabilities

Long-term debt and current liabilities are stated at face value.

Principles of determination of income

The determination of income is closely associated with the valuation of assets and liabilities.

In addition, the principles set forth below are observed in the preparation of the statement of income:

- Net sales is defined as the revenue from the sale and delivery of goods and services, net of rebates, discounts, and similar allowances, and net of sales tax.
- Cost of sales comprises the manufacturing cost of the goods and services sold and delivered, and any inventory write-downs to lower net realizable value. Manufacturing cost includes such items as:
  - the cost of raw materials and supplies, energy, and other materials;
  - depreciation and the cost of maintenance of the assets used in production;
  - salaries, wages, and social charges for the personnel involved in manufacturing.
- Taxes on income comprise both current and deferred taxes. No tax deductions are made from income to the extent that this income can be offset against losses incurred in prior years.
  From losses, taxes are deducted to the extent that they can be offset against taxes charged to income in previous years.
- Income from nonconsolidated companies consists of Akzo's equity in earnings of these companies and interest on loans granted to them, with due allowance being made for taxes relating to these items.

Consolidated statement of income

Millions of guilders	**1993**		1992*	
Net sales		**16,508.8**		16,712.9
Cost of sales		**(10,342.5)**		(10,487.2)
Gross margin		**6,166.3**		6,225.7
Selling expenses	**(3,340.6)**		(3,227.7)	
Research and development expenses	**(929.2)**		(929.0)	
General and administrative expenses	**(877.6)**		(919.7)	
Miscellaneous revenue from operations	**51.9**		39.3	
		(5,095.5)		(5,037.1)
Operating income		**1,070.8**		1,188.6
Financing charges		**(218.3)**		(238.4)
Operating income less financing charges		**852.5**		950.2
Taxes		**(235.6)**		(285.3)
Earnings of consolidated companies from normal operations, after taxes		**616.9**		664.9
Earnings from nonconsolidated companies		**81.1**		66.1
Earnings from normal operations, after taxes		**698.0**		731.0
Extraordinary items after taxes		**(144.3)**		(66.1)
Earnings before minority interest		**553.7**		664.9
Minority interest		**(4.8)**		(18.5)
Net income		**548.9**		646.4

See notes on pages 59 and 60.

* *Restated for comparison; see notes on page 59.*

Consolidated balance sheet

AFTER ALLOCATION OF PROFIT

Millions of guilders, December 31	1993		1992	
Assets				
Fixed assets				
Property, plant and equipment		6,360.0		5,853.1
Financial fixed assets:				
– nonconsolidated companies	963.5		1,238.8	
– other financial fixed assets	164.4		119.3	
		1,127.9		1,358.1
		7,487.9		7,211.2
Current assets				
Inventories	2,902.8		2,796.6	
Receivables	3,148.0		2,955.8	
Cash and cash equivalents	1,863.1		658.9	
		7,913.9		6,411.3
Total		15,401.8		13,622.5
Equity and liabilities				
Equity				
Akzo N.V. stockholders' equity	6,152.1		5,078.0	
Minority interest	153.8		140.9	
		6,305.9		5,218.9
Provisions		2,373.8		2,425.2
Long-term debt		2,338.6		1,799.5
Current liabilities				
Short-term borrowings	1,417.1		1,406.1	
Other current liabilities	2,966.4		2,772.8	
		4,383.5		4,178.9
Total		15,401.8		13,622.5

See notes on pages 60 through 63.

Consolidated statement of cash flows

Millions of guilders	1993		1992	
Earnings before minority interest	554		665	
Depreciation	885		871	
Cash flow		1,439		1,536
Other adjustments to reconcile earnings to cash provided from operations:				
– book result on sale of interests	16		(51)	
– equity in earnings of nonconsolidated companies	(83)		(74)	
– dividends from nonconsolidated companies	62		108	
– changes in provisions	15		15	
– other changes	78		54	
		88		52
Change in working capital*		(13)		(110)
Net cash provided by operations		1,514		1,478
Expenditures for property, plant and equipment	(1,170)		(933)	
Investments in nonconsolidated companies	(291)		(260)	
Acquisition of consolidated companies	(115)		(39)	
Proceeds from sale of interests	32		179	
Other changes	(2)		(8)	
Net cash used for investments		(1,546)		(1,061)
		(32)		417
Issuance of stock	1,338		5	
New borrowings	666		371	
Repayment of long-term debt	(430)		(377)	
Changes in short-term borrowings	(46)		(252)	
Net cash provided by financing activities		1,528		(253)
		1,496		164
Dividends paid		(311)		(316)
		1,185		(152)
Effect of exchange rate changes on cash and cash equivalents		19		(1)
Change in cash and cash equivalents		1,204		(153)
Cash and cash equivalents at beginning of year		659		812
Cash and cash equivalents at end of year		1,863		659

See notes on page 64.

* *Inventories and receivables less other current liabilities, exclusive of dividends.*

Notes to the consolidated financial statements

GENERAL

Affiliated companies

The principal affiliated companies at December 31, 1993, are listed on pages 76 and 77. A list of affiliated companies and offices, drawn up in conformity with sections 379, 392, and 414 of Book 2 of the Dutch Civil Code, has been filed with the Trade Registry of Arnhem.

Changes in consolidated interests

The activities of the Chemicals Group in PVC additives were integrated with activities of Harcros Chemicals U.K. Ltd in a number of new joint ventures under the name of Akcros Chemicals.
The remaining interest (50%) in Dansk Salt (Chemicals Group) was acquired in 1993.
The Fibers Group's European interests in carbon fibers and the interests in carpet fibers were brought into joint ventures with Toho Rayon Co. and AlliedSignal Inc., respectively.
Full participation in the increase of the partnership capital resulted in a majority interest in Aramide Maatschappij v.o.f. at year-end 1993.
This company was included in the consolidated balance sheet. There were no other changes of significance to the financial statements.

Changes in presentation of consolidated statement of income

Starting from 1993, the statements of income of affliated companies in hyperinflationary countries are adjusted to eliminate in consolidation the effect of inflation on sales, operating income, and financing charges. Operating income and financing charges are thus equally reduced. In addition, interest costs for pension and similar provisions are no longer charged to operating income but accounted for as financing charges. Neither change affects net income. The figures for 1992 have accordingly been restated for comparison.
This led to a reduction of sales by Hfl 137.2 million and cost of sales by Hfl 97.6 million, and of operating income and financing charges by Hfl 39.6 million each.

CONSOLIDATED STATEMENT OF INCOME

Net sales

By group

Millions of guilders	**1993**	1992*
Chemicals Group	**5,816**	5,671
Coatings Group	**4,024**	4,062
Pharma Group	**3,421**	3,246
Fibers Group	**3,239**	3,762
Other activities and intercompany deliveries**	**9**	(28)
	16,509	16,713

By destination

Millions of guilders	**1993**	1992*
The Netherlands	**1,366**	1,467
Germany	**2,598**	2,853
Rest of Europe	**5,464**	6,009
North America	**4,401**	3,865
Other regions	**2,680**	2,519
	16,509	16,713

Financing charges

Millions of guilders	**1993**	1992*
Interest received and similar income	**77.2**	75.0
Interest paid and similar expenses	**(295.5)**	(313.4)
	(218.3)	(238.4)

Interest paid decreased by Hfl 28 million (1992: Hfl 26 million) due to the capitalization of financing expenses of capital investment projects under construction.

Taxes on operating income less financing charges

Taxes averaged 27.6% (1992: 30.0%).
Because of loss compensation facilities a portion of income was untaxed.

* *Restated for comparison; see notes in opposite column.*
** *Given the minor importance of other activities (1993 sales: Hfl 131 million; 1992 sales: Hfl 118 million), they have been combined with intercompany deliveries.*

Earnings from nonconsolidated companies

Earnings from nonconsolidated companies are net of a tax charge of Hfl 0.9 million in 1993 and a tax charge of Hfl 6.8 million in 1992.

Extraordinary items after taxes

Millions of guilders	**1993**	1992
Extraordinary gains	**31.4**	50.9
Extraordinary losses	**(257.9)**	(175.0)
Extraordinary items	**(226.5)**	(124.1)
Taxes	**82.2**	58.0
	(144.3)	(66.1)

The 1993 extraordinary items mainly relate to book profits and losses on divestments, and extraordinary charges due to current and proposed restructurings.

Salaries, wages, and social charges

Millions of guilders	**1993**	1992*
Salaries and wages	**4,119.0**	4,100.5
Pension costs	**306.9**	350.6
Other social charges	**656.1**	627.9
	5,082.0	5,079.0

Employees

Average number of employees	**1993**	1992
Chemicals Group	**12,900**	13,400
Coatings Group	**14,200**	15,000
Pharma Group	**14,000**	13,600
Fibers Group	**18,500**	20,100
Other units	**2,000**	1,700
	61,600	63,800
Number of employees at December 31	**60,700**	62,500

* *Restated for comparison; see notes on page 59.*

CONSOLIDATED BALANCE SHEET

Property, plant and equipment

Millions of guilders	Total	Buildings and land	Plant equipment and machinery	Other equipment	Construction in progress and prepaid projects	Assets not used in the production process
Situation at December 31, 1992						
Cost of acquisition	15,059.7	3,403.7	9,438.9	1,442.5	539.5	235.1
Depreciation	(9,206.6)	(1,527.0)	(6,505.1)	(1,022.9)		(151.6)
Book value	5,853.1	1,876.7	2,933.8	419.6	539.5	83.5
Changes in book value						
Acquisitions and disposal of interests	208.8	50.7	92.2	14.7	46.1	5.1
Capital expenditures	1,169.5	166.0	547.6	132.6	319.5	3.8
Depreciation	(884.6)	(123.4)	(621.7)	(137.2)		(2.3)
Additional write-offs	(24.8)		(24.8)			
Disinvestments	(61.8)	(14.2)	(35.2)	(7.9)		(4.5)
Changes in exchange rates	100.1	42.6	52.8	3.3		1.4
Other changes	(0.3)	(10.2)	(6.8)	13.8		2.9
Total changes in 1993	506.9	111.5	4.1	19.3	365.6	6.4
Situation at December 31, 1993						
Cost of acquisition	16,271.1	3,654.4	9,936.8	1,536.3	905.1	238.5
Depreciation	(9,911.1)	(1,666.2)	(6,998.9)	(1,097.4)		(148.6)
Book value	**6,360.0**	**1,988.2**	**2,937.9**	**438.9**	**905.1**	**89.9**

The book value of property, plant and equipment financed by installment buying and leasing was approximately Hfl 18 million at December 31, 1993 (at December 31, 1992: approximately Hfl 21 million).

Given their comparatively slight magnitude, preparation and start-up expenses, carried at Hfl 0.7 million at December 31, 1993 (at December 31, 1992: Hfl 0.6 million), were included in property, plant and equipment. The book value of property, plant and equipment on the basis of current value is Hfl 0.9 billion higher. This difference principally relates to buildings and land.

Financial fixed assets

Millions of guilders	Total	Non-consolidated companies	Loans to non-consolidated companies	Other financial fixed assets
Situation at December 31, 1992	1,358.1	737.3	501.5	119.3
Investments	365.6	129.0	161.8	74.8
Disinvestments/Consolidations	(661.2)	(12.3)	(615.6)	(33.3)
Equity in 1993 earnings	83.1	83.1		
Dividends received	(62.0)	(62.0)		
Changes in exchange rates	44.3	39.9	0.8	3.6
Situation at December 31, 1993	**1,127.9**	**915.0**	**48.5**	**164.4**

Inventories

Millions of guilders	**1993**	1992
Raw materials and supplies	**744.7**	724.1
Work in process	**598.7**	522.4
Finished products and goods for resale	**1,555.3**	1,544.6
Inventory prepayments	**4.1**	5.5
	2,902.8	2,796.6

Receivables

Millions of guilders	**1993**	1992
Trade receivables	**2,487.5**	2,419.8
Receivables from non-consolidated companies	**82.6**	109.5
Other receivables	**663.3**	560.2
	3,233.4	3,089.5
Discounted portion	**(85.4)**	(133.7)
	3,148.0	2,955.8

Cash and cash equivalents

Millions of guilders	**1993**	1992
Short-term investments	**1,627.0**	377.8
Cash on hand and in banks	**236.1**	281.1
	1,863.1	658.9

Short-term investments almost entirely consist of cash loans, time deposits, marketable private borrowings, and debentures immediately convertible into cash.

Equity

Millions of guilders	Akzo N.V. stockholders' equity	Minority interest
Situation at December 31, 1992	5,078.0	140.9
Issuance of stock	1,337.7	
Retained earnings	209.9	(6.6)
Changes in minority interest in subsidiaries		21.9
Goodwill	(569.3)	
Changes in exchange rates	95.8	(2.4)
Situation at December 31, 1993	**6,152.1**	**153.8**

For details on the changes in Akzo N.V. stockholders' equity see the notes to the Akzo N.V. balance sheet on page 67.

Provisions

Millions of guilders	1993	1992
Deferred taxes	**301.5**	362.7
Pension rights	**1,125.0**	1,221.6
Other provisions	**947.3**	840.9
	2,373.8	2,425.2

The current portion of provisions amounted to approximately Hfl 361 million (at December 31, 1992: approximately Hfl 399 million).

Provisions in respect of pension rights

Most subsidiaries have arranged appropriate pension plans for their employees, with due observance of the statutory regulations and customs in the countries concerned. The provisions in respect of pension rights relate to rights not covered by independent pension funds or by third parties. At December 31, 1993, as at December 31, 1992, the accumulated pension benefits were fully covered by these provisions and by contributions paid into independent pension funds or to third parties.

Other provisions

Other provisions primarily relate to the restructuring of activities; coverage for losses, not otherwise insured, contingent upon the outcome of litigation; environmental costs; and guarantees.

Long-term debt

Millions of guilders	1993	1992
Debentures		
– issued by Akzo N.V.	**1,131.8**	1,105.3
– issued by consolidated companies	**44.0**	29.7
Private borrowings	**359.1**	281.9
Debt to credit institutions	**380.4**	253.0
Other borrowings	**423.3**	129.6
	2,338.6	1,799.5

Aggregate maturities are as follows:

Millions of guilders	1994	1995/ 1998	after 1998
Debentures			
– issued by Akzo N.V.	0.5	531.3	600.0
– issued by consolidated companies	2.4	12.5	29.1
Private borrowings	6.1	11.1	341.9
Debt to credit institutions	193.5	177.0	9.9
Other borrowings	108.7	155.2	159.4
	311.2	**887.1**	**1,140.3**

In 1993 the average interest rate was 6.9% (1992: 7.1%).
Private borrowings and debt to credit institutions have been secured to an aggregate amount of Hfl 48 million (at December 31, 1992: Hfl 61 million) by means of mortgages, etc.

The total amount of medium-term credit facilities arranged by Akzo but not yet utilized was approximately Hfl 1,067 million at December 31, 1993 (at December 31, 1992: approximately Hfl 995 million).
For details on debentures issued by Akzo N.V. see the notes to the Akzo N.V. balance sheet on page 68.

Short-term borrowings

Millions of guilders	**1993**	1992
Commercial paper	**970.0**	891.4
Debt to credit institutions	**447.1**	514.7
	1,417.1	1,406.1

Other current liabilities

Millions of guilders	**1993**	1992
Prepayments by customers	**2.7**	4.9
Debt to suppliers	**1,405.1**	1,367.8
Debt to nonconsolidated companies	**36.7**	48.6
Taxes and social security contributions	**440.3**	403.3
Dividends	**271.5**	232.3
Pensions	**23.5**	46.6
Other liabilities	**786.6**	669.3
	2,966.4	2,772.8

Commitments and contingent liabilities

There are pending against Akzo N.V. and its subsidiaries a number of claims, all of which are contested. While the results of litigation cannot be predicted with certainty, management believes, based upon legal advice, that the final outcome of such litigation will not materially affect the consolidated financial position.

Purchase commitments for property, plant and equipment aggregated Hfl 162 million at December 31, 1993. At December 31, 1992, these commitments totaled Hfl 145 million.
In addition, the Company has purchase commitments for raw materials and supplies incident to the ordinary conduct of business.
Long-term liabilities were contracted in respect of leasehold, rental, operating leases, etc.
For 1994, these liabilities will require total payments of Hfl 105 million (1993: Hfl 98 million).

Guarantees relating to nonconsolidated companies totaled Hfl 115 million (at December 31, 1992: Hfl 56 million).

As general partners in several partnerships, Akzo companies are liable for obligations incurred by these partnerships. At December 31, 1993, the risk ensuing from these liabilities was Hfl 162 million (at December 31, 1992: Hfl 67 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

This statement is based on a comparison of initial and final balance sheet amounts, in which currency translation differences, changes in investments in affiliated companies, etc. are eliminated.

For some items the elimination can be derived directly from the notes to the balance sheet. For certain other items the elimination is shown below.

Millions of guilders	Working capital*	Provisions	Long-term borrowings	Short-term borrowings
Changes in 1993 balance sheet items	(144)	(51)	539	11
Eliminations:				
– changes in exchange rates	39	(9)	(22)	(53)
– changes in consolidation	92	(24)	(182)	(4)
– other eliminations		99**	(99)**	
Changes in 1993 financial position	(13)	15	236***	(46)

* *Inventories and receivables less other current liabilities, exclusive of dividends.*

** *Conversion of a provision into a private borrowing from the pension fund in the Netherlands.*

*** *Balance of new borrowings (Hfl 666 million) and repayments (Hfl 430 million).*

Akzo N.V. statement of income

Millions of guilders	1993	1992
Net income from affiliated companies	**532.6**	591.4
Other net income	**16.3**	55.0
Net income	**548.9**	646.4

See notes on page 66.

Akzo N.V. balance sheet

AFTER ALLOCATION OF PROFIT

Millions of guilders, December 31	1993	1993	1992	1992
Assets				
Fixed assets				
Financial fixed assets		**7,752.4**		7,316.4
Current assets				
Receivables	**109.8**		106.9	
Cash and cash equivalents	**1,382.3**		222.2	
		1,492.1		329.1
Total		**9,244.5**		7,645.5
Stockholders' equity and liabilities				
Stockholders' equity				
Subscribed stock	**1,079.4**		920.0	
Additional paid-in capital	**2,751.8**		1,573.5	
Statutory reserves	–		–	
Other reserves	**2,320.9**		2,584.5	
		6,152.1		5,078.0
Long-term debt		**2,670.8**		2,026.1
Current liabilities		**421.6**		541.4
Total		**9,244.5**		7,645.5

See notes on pages 66 through 68.

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

GENERAL

Foreign currency has been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income set forth on pages 54 and 55.
Thus stockholders' equity and net income are equal to stockholders' equity and net income as shown in the consolidated financial statements on pages 56 and 57. As the financial data of Akzo N.V. are included in the consolidated financial statements, the statement of income of Akzo N.V. is condensed in conformity with Book 2 of the Dutch Civil Code, section 402.

STATEMENT OF INCOME

Net income from affiliated companies

Net income from affiliated companies concerns Akzo N.V.'s share in the earnings of its affiliates.

Remuneration of members of the Board of Management and of the Supervisory Council of Akzo N.V.

In fiscal 1993, remuneration including pension expense amounting to Hfl 6,424,000 (1992: Hfl 3,430,000) for members and former members of the Board of Management, and to Hfl 624,000 (1992: Hfl 725,000) for members and former members of the Supervisory Council, was charged to Akzo N.V. and its subsidiaries.

BALANCE SHEET

Financial fixed assets

Millions of guilders	Total	Consolidated companies: Share in capital	Consolidated companies: Loans*	Share in capital of nonconsolidated companies	Other financial fixed asets
Situation at December 31, 1992	7,316.4	4,199.9	2,998.6	117.1	0.8
Investments/disinvestments	210.8	210.3			0.5
Equity in 1993 earnings	532.6	518.8		13.8	
Dividends received	(163.4)	(154.3)		(9.1)	
Loans granted	674.7		674.7		
Repayment of loans	(345.2)		(345.2)		
Changes in exchange rates	95.8	79.7	9.4	6.7	
Goodwill	(569.3)	(569.3)			
Situation at December 31, 1993	**7,752.4**	**4,285.1**	**3,337.5**	**128.5**	**1.3**

Receivables

Millions of guilders	1993	1992
Receivables from consolidated companies	**13.2**	10.4
Taxes		62.3
Other receivables	**96.6**	34.2
	109.8	106.9

Cash and cash equivalents

Millions of guilders	1993	1992
Short-term investments	**1,358.0**	220.2
Cash on hand and in banks	**24.3**	2.0
	1,382.3	222.2

* *Loans to consolidated companies have no fixed repayment schedule.*

Stockholders' equity

Millions of guilders	Subscribed stock	Additional paid-in capital	Statutory reserves	Other reserves	Stock-holders' equity
Situation at December 31, 1992	920.0	1,573.5	–	2,584.5	5,078.0
Issue of common stock	159.4	1,178.3			1,337.7
Retained earnings				209.9	209.9
Goodwill				(569.3)	(569.3)
Changes in exchange rates in respect of affiliated companies				95.8	95.8
Situation at December 31, 1993	**1,079.4**	**2,751.8**	–	**2,320.9**	**6,152.1**

Subscribed stock
Authorized capital stock of Akzo N.V. is Hfl 2,000,048,000 and consists of 48 shares of priority stock of Hfl 1,000 and 100 million shares of common stock of Hfl 20.
Subscribed stock consists of 48 shares of priority stock and 53,968,454 shares of common stock. In 1993, 7,972,482 shares of common stock were issued, of which 7,878,788 through a private placement in November. The remainder primarily relates to the exercise of options.

Stock options
Options to purchase shares of Akzo N.V. common stock have been granted to key employees under a stock option plan introduced in 1990.

Additional paid-in capital
At least Hfl 2,112 million of additional paid-in capital (at December 31, 1992: Hfl 945 million) can be considered free from income tax within the meaning of the Dutch 1964 Income Tax Law (Wet op de Inkomstenbelasting 1964).

Statutory reserves
This item includes the statutory reserves relating to the earnings retained by affiliated companies after 1983. Goodwill paid by affiliated companies is deducted from the statutory reserves.
The statutory reserves have been calculated by the so-called collective method.

Stock options*

Expiry date	Year of issue	Number of options granted	Options outstanding at December 31, **1993**	Options outstanding at December 31, 1992	Exercise price in Hfl
May 4, 1995	1990	80,543	**9,284**	34,574	120.40
April 29, 1996	1991	58,607	**8,963**	24,015	115.10
May 5, 1997	1992	46,897	**34,779**	46,897	164.50
May 6, 1998	1993	55,027	**37,044**		148.80
		241,074	**90,070**	105,486	

* *One option entitles the holder thereof to acquire one share of common stock of Hfl 20.*

Long-term debt

Millions of guilders	**1993**	1992
Debentures	**1,131.8**	1,105.3
Debt to consolidated companies	**1,472.7**	875.9
Private borrowings	**0.5**	0.6
Other borrowings	**65.8**	44.3
	2,670.8	2,026.1

Debentures

Millions of guilders	**1993**	1992
6⅜% 1993/03	**300.0**	
6¼% 1988/95	**200.0**	200.0
4⅝% 1988/98 (Sfr)	**131.3**	124.6
6% 1988/96	**200.0**	200.0
5⅜% 1988/93 (DM)		224.9
8⅛% 1990/93 (Sfr)		55.3
8% 1992/2002	**300.0**	300.0
Employee debentures	**0.5**	0.5
	1,131.8	1,105.3

Debt to consolidated companies

Borrowings from these companies have no fixed repayment schedule. Part of these borrowings do not bear interest. To the extent that interest is charged, it averaged 6.3% in 1993 (1992: 9.5%).

Private and other borrowings

Aggregate maturities are as follows:

Millions of guilders	1994	1995/ 1998	after 1998
Private borrowings	0.1	0.4	
Other borrowings	63.9		1.9

The average rate of interest was 6.3% (1992: 9.0%).

Current liabilities

Millions of guilders	**1993**	1992
Debt to credit institutions	**41.2**	46.3
Commercial paper		71.1
Debt to consolidated companies	**34.3**	45.3
Dividend	**271.5**	232.3
Other liabilities	**74.6**	146.4
	421.6	541.4

Liabilities not shown in the balance sheet

Joint and several liability; guarantees

Akzo N.V. has declared in writing that it accepts joint and several liability for contractual debts of Dutch consolidated companies.

These debts, at December 31, 1993 aggregating approximately Hfl 1.9 billion (at December 31, 1992: approximately Hfl 1.7 billion), are included in the consolidated balance sheet.

Additionally, guarantees were issued in behalf of consolidated companies in the amount of Hfl 1.9 billion (1992: Hfl 1.6 billion), including guarantees issued by Akzo N.V. in relation to the exemption of Organon Teknika Limited, Organon Ireland Limited, Nourypharma Ireland Limited, Intervet Ireland Limited, and Mycofarm Ireland Limited under section 17 of the Companies (Amendment) Act 1986 Ireland. Guarantees relating to nonconsolidated companies amounted to Hfl 115 million (1992: Hfl 56 million).

Akzo N.V. has undertaken to pay an amount per share equivalent to the final dividend for 1993 on the 17,054,789 shares to be issued in February 1994 for the acquisition of the shares of Nobel Industrier AB.

Arnhem, February 23, 1994

The Board of Management

A.A. Loudon
C.J.A. van Lede
F.W. Fröhlich
H.A. van Karnebeek
R.M.J. van der Meer
A.G. Vermeeren

The Supervisory Council

F.H. Fentener van Vlissingen
H. Kopper
A.E. Cohen
J.G.A. Gandois
H.H. van den Kroonenberg
H.A. van Stiphout
L.C. van Wachem
D. Wendelstadt

OTHER INFORMATION

AUDITORS' REPORT

We have audited the foregoing financial statements of Akzo N.V. for the year 1993. We conducted our audit in accordance with auditing standards generally accepted in the Netherlands.

In our opinion, these financial statements give a true and fair view of the financial position of the Company at December 31, 1993, and of the results for the year then ended, and are also otherwise in compliance with Dutch legal requirements for financial statements.

Arnhem, February 23, 1994

KPMG Klynveld

PROVISIONS OF THE ARTICLES OF ASSOCIATION WITH REGARD TO PROFIT ALLOCATION

Article 37

1

The Board of Management shall be authorized to determine, with the approval of the Supervisory Council, how great a share of profit as shown by the approved statement of income shall be carried to reserves; the general meeting of stockholders may utilize such reserves only on the proposal of the Board of Management approved by the Supervisory Council. The remaining profit shall be placed at the disposal of the general meeting of stockholders, with due observance of the provisions of paragraph 2.

2

The remaining profit shall, to the extent possible, be allocated as follows:

a

to the holders of priority stock:
six percent per share or the statutory interest referred to in article 8, paragraph 1, whichever is lower, plus any accrued and unpaid dividends;

b

to the holders of common stock:
a dividend of such an amount per share as the remaining profit, less the aforesaid payment and less such amounts as the general meeting of stockholders may decide to carry to reserves, shall permit.

3

The holders of common stock are, to the exclusion of everyone else, entitled to allocations made from reserves accrued by virtue of the provision of paragraph 2b.

4

The right to receive dividends and interim dividends shall lapse six years after such dividends and interim dividends have been made payable.

PROPOSAL FOR PROFIT ALLOCATION

Amounts in guilders	1993	
Net income		548,900,000
With due observance of article 37, paragraph 2, of the articles of association, it is proposed that this amount be allocated as follows:		
To be distributed:		
dividend on priority stock	2,880	
dividend on common stock	338,976,169	
		338,979,049
To be carried to "other reserves"		209,920,951

Following the acceptance of this proposal, the holders of common stock acquired from the private placement in November 1993 will receive the final dividend of Hfl 5.00 per share of Hfl 20; the other holders of common stock will receive a dividend of Hfl 6.50 per share of Hfl 20, of which Hfl 1.50 was paid earlier as an interim dividend.
The final dividend of Hfl 5.00 will be made available on dividend coupon No. 42 from May 16, 1994.

SPECIAL RIGHTS TO HOLDERS OF PRIORITY STOCK

The priority stock is held by "AKZOSTICHTING" (Akzo Foundation), which is controlled by the members of the Supervisory Council and the Board of Management.
The meeting of holders of priority stock has the right to draw up binding lists of nominees for appointment to the Supervisory Council and the Board of Management. Amendments of the Articles of Association are subject to the approval of this meeting.

SUBSEQUENT EVENT

In connection with the offer made in November 1993 for Nobel Industrier AB shares, 17.1 million shares of common stock will be issued in February 1994, raising the total to 71.0 million. In addition, Nobel Industrier AB shares will be acquired against payment in cash, which will involve an amount of about Hfl 540 million.
In February 1994, Akzo started a buyout procedure to acquire all of the remaining Nobel shares against payment in cash; the amount involved is estimated at Hfl 50 million.
On balance, equity will increase by approximately Hfl 0.2 billion as a consequence of the merger with Nobel.

TEN-YEAR FINANCIAL SUMMARY

In the computation of ratios, the amounts used for invested capital and stockholders' equity represent averages of the amounts at January 1 and December 31 of the year. The computation of net income per share is based on the average number of shares.

Consolidated statement of income

Millions of guilders	**1993**	1992*	1991	1990	1989	1988	1987	1986	1985	1984
Net sales	**16,509**	16,713	16,851	17,246	18,736	16,581	15,535	15,615	18,010	16,520
Operating income	**1,071**	1,189	1,156	1,261	1,713	1,424	1,181	1,465	1,465	1,340
Financing charges	**(218)**	(239)	(277)	(368)	(324)	(255)	(147)	(106)	(185)	(285)
Taxes on operating income less financing charges	**(236)**	(285)	(264)	(280)	(507)	(409)	(367)	(478)	(465)	(369)
Earnings from nonconsolidated companies	**81**	66	64	103	86	123	53	17	98	123
Earnings from normal operations, after taxes	**698**	731	679	716	968	883	720	898	913	809
Extraordinary items after taxes	**(144)**	(66)	(111)	(64)	12	(11)	273	23	3	(35)
Earnings before minority interest	**554**	665	568	652	980	872	993	921	916	774
Minority interest	**(5)**	(19)	12	11	(26)	(29)	(51)	(79)	(73)	(22)
Net income	**549**	646	580	663	954	843	942	842	843	752
Common stock, in thousands of shares of Hfl 20 at December 31	**53,968**	45,996	45,961	44,421	43,324	40,241	40,208	40,138	39,755	39,427
Dividend	**339**	299	299	289	347**	302**	265	265	262	236
Per common share of Hfl 20, in guilders										
Net income	**11.67**	14.06	12.89	15.06	23.05	20.96	23.46	21.06	21.36	20.60
Dividend	**6.50*** **	6.50	6.50	6.50	8.00	7.50	6.60	6.60	6.60	6.00
Stockholders' equity	**113.99**	110.40	103.62	104.50	103.84	106.61	94.80	107.40	104.16	101.80
Adjusted for common stock issues										
Net income	**11.67**	14.06	12.89	15.06	23.00	20.85	23.34	20.95	21.25	20.49
Dividend	**6.50*** **	6.50	6.50	6.50	7.98	7.46	6.57	6.57	6.57	5.97
Stockholders' equity	**113.99**	110.40	103.62	104.50	103.62	106.06	94.31	106.85	103.62	101.28
Number of employees at December 31	**60,700**	62,500	65,200	69,800	70,900	71,100	67,400	68,400	65,000	66,100
Salaries, wages, and social charges	**5,082**	5,079	5,092	5,068	5,308	4,889	4,627	4,439	4,641	4,292
Ditto, as % of net sales	**30.8**	30.4	30.2	29.4	28.3	29.5	29.8	28.4	25.8	26.0
Ratios										
Operating income, as percentage of net sales	**6.5**	7.1	6.9	7.3	9.1	8.6	7.6	9.4	8.1	8.1
Operating income, as percentage of invested capital	**11.5**	13.2	12.7	13.7	18.9	17.4	16.1	21.1	20.9	19.3
Net income, as percentage of stockholders' equity	**9.8**	13.1	12.3	14.5	21.7	20.8	23.2	19.9	20.7	21.5

* *Restated for comparison; see notes on page 59.*

** *Of which Hfl 222 million in cash in 1989 and Hfl 82 million in 1988.*

*** *Holders of the shares placed in November 1993 are only entitled to the final dividend of Hfl 5.00 per share.*

Consolidated balance sheet

Millions of guilders	**1993**	1992*	1991	1990	1989	1988	1987	1986	1985	1984
Property, plant and equipment	**6,360**	5,853	5,864	5,884	5,911	5,558	4,795	4,330	3,843	4,208
Financial fixed assets	**1,128**	1,358	1,002	959	852	847	792	660	622	610
Fixed assets	**7,488**	7,211	6,866	6,843	6,763	6,405	5,587	4,990	4,465	4,818
Inventories	**2,903**	2,797	2,789	2,865	2,952	2,997	2,568	2,586	2,691	2,653
Receivables	**3,148**	2,956	3,117	3,157	3,684	3,125	2,733	2,768	3,114	2,893
Cash and cash equivalents	**1,863**	659	812	816	885	951	926	1,084	1,485	1,067
Current assets	**7,914**	6,412	6,718	6,838	7,521	7,073	6,227	6,438	7,290	6,613
Total assets	**15,402**	13,623	13,584	13,681	14,284	13,478	11,814	11,428	11,755	11,431
Subscribed capital	**1,079**	920	919	888	867	805	804	803	796	789
Additional paid-in capital	**2,752**	1,574	1,570	1,422	1,435	1,257	1,254	1,247	1,120	1,087
Statutory reserves	–	–	–	–	–	–	–	438*	372*	300*
Other reserves	**2,321**	2,584	2,273	2,332	2,197	2,228	1,754	1,823*	1,854*	1,838*
Stockholders' equity	**6,152**	5,078	4,762	4,642	4,499	4,290	3,812	4,311	4,142	4,014
Minority interest	**154**	141	142	192	232	235	217	354	353	170
Equity	**6,306**	5,219	4,904	4,834	4,731	4,525	4,029	4,665	4,495	4,184
Provisions	**2,374**	2,425	2,426	2,537	2,303	2,207	2,266	2,005	2,003	1,729
Subordinated loans			23	53	84	115	145	167	184	203
Other long-term borrowings	**2,339**	1,800	1,795	2,030	2,341	2,114	1,194	1,438	1,678	2,169
Long-term debt	**2,339**	1,800	1,818	2,083	2,425	2,229	1,339	1,605	1,862	2,372
Short-term borrowings	**1,417**	1,406	1,642	1,167	1,535	1,436	1,525	405	439	430
Other current liabilities	**2,966**	2,773	2,794	3,060	3,290	3,081	2,655	2,748	2,956	2,716
Current liabilities	**4,383**	4,179	4,436	4,227	4,825	4,517	4,180	3,153	3,395	3,146
Total equity and liabilities	**15,402**	13,623	13,584	13,681	14,284	13,478	11,814	11,428	11,755	11,431
*Invested capital***										
Of consolidated companies	**9,609**	8,952	9,116	9,026	9,410	8,743	7,603	7,061	6,832	7,203
In nonconsolidated companies	**964**	1,239	862	779	699	703	630	535	482	445
Total	**10,573**	10,191	9,978	9,805	10,109	9,446	8,233	7,596	7,314	7,648
Property, plant and equipment										
Capital expenditures	**1,170**	933	1,007	1,129	1,297	1,270	1,095	1,106	1,008	784
Depreciation	**885**	871	878	867	852	751	668	577	608	576
Ratios										
Net sales/invested capital	**1.78**	1.85	1.86	1.87	2.06	2.03	2.12	2.25	2.57	2.38
Equity/net debt***	**0.87**	0.67	0.62	0.60	0.55	0.57	0.59	0.82	0.78	0.68
Equity/fixed assets	**0.84**	0.72	0.71	0.71	0.70	0.71	0.72	0.93	1.01	0.87
Inventories and receivables/ other current liabilities	**2.04**	2.07	2.11	1.97	2.02	1.99	2.00	1.95	1.96	2.04

* *Restated for comparison; for 1992 see notes on page 59.*

** *Total assets less cash and cash equivalents, and less other current liabilities.*

*** *Total liabilities less cash and cash equivalents.*

Group statistics*

Millions of guilders	**1993**	1992	1991	1990	1989	1988	1987	1986	1985	1984
Net sales										
Chemicals Group	**5,816**	5,671	5,737	5,760	6,420	6,020	4,651	4,332	5,155	4,800
Coatings Group	**4,024**	4,062	3,851	3,929	3,659	2,794	2,415	2,314	2,171	1,973
Pharma Group	**3,421**	3,246	3,064	2,775	2,647	2,412	2,218	2,239	2,138	1,849
Fibers Group	**3,239**	3,762	4,262	4,852	5,210	4,678	4,291	4,513	4,835	4,587
Other activities and intercompany deliveries	**9**	(28)	(63)	(70)	(137)	(107)	(136)	(103)	(66)	(62)
	16,509	16,713	16,851	17,246	17,799	15,797	13,439	13,295	14,233	13,147
Divested operations**					937	784	2,096	2,320	3,777	3,373
Net sales	**16,509**	16,713	16,851	17,246	18,736	16,581	15,535	15,615	18,010	16,520
Operating income										
Chemicals Group	**351**	359	328	379	703	700	470	421	474	403
Coatings Group	**199**	203	221	251	281	210	164	132	130	144
Pharma Group	**590**	532	514	429	383	335	330	350	355	306
Fibers Group	**(21)**	127	102	218	268	195	129	350	404	372
Other activities and nonallocated items	**(48)**	(32)	(9)	(16)	14	(56)	(57)	(8)	(60)	(58)
	1,071	1,189	1,156	1,261	1,649	1,384	1,036	1,245	1,303	1,167
Divested operations**					64	40	145	220	162	173
Operating income	**1,071**	1,189	1,156	1,261	1,713	1,424	1,181	1,465	1,465	1,340
Invested capital										
Chemicals Group	**3,476**	3,406	3,476	3,461	3,607	3,455	2,765	2,386	2,393	2,362
Coatings Group	**1,873**	1,903	1,879	1,683	1,708	1,291	1,089	1,070	894	738
Pharma Group	**1,780**	1,616	1,484	1,338	1,330	1,390	1,152	1,069	987	809
Fibers Group	**2,653**	2,193	2,372	2,735	2,750	2,464	2,329	2,149	2,082	1,978
Other activities and nonallocated items	**(173)**	(166)	(95)	(191)	(337)	(169)	3	(151)	(86)	(73)
	9,609	8,952	9,116	9,026	9,058	8,431	7,338	6,523	6,270	5,814
Divested operations**					352	312	265	538	562	1,389
Invested capital	**9,609**	8,952	9,116	9,026	9,410	8,743	7,603	7,061	6,832	7,203

* *Figures for 1984 through 1988 and 1992 restated for comparison; for 1992 see notes on page 59.*

** *Relates to Consumer Products Division, American Enka, and Barmag.*

Regional statistics

Millions of guilders	1993	1992*	1991	1990	1989	1988	1987	1986	1985	1984
The Netherlands										
Net sales by:										
– destination	**1,366**	1,467	1,517	1,532	1,612	1,706	1,948	1,902	1,988	1,836
– origin	**5,252**	5,446	5,720	5,809	6,156	6,022	5,763	5,721	6,234	5,772
Operating income	**277**	331	430	411	605	601	496	546	568	453
Expenditures for property, plant and equipment	**485**	392	499	524	493	465	451	442	424	286
Invested capital**	**3,420**	3,064	3,115	3,185	2,853	2,902	2,783	2,657	2,560	2,414
Number of employees**	**19,100**	19,900	20,500	22,100	22,300	22,700	22,500	23,900	23,100	22,400
Germany										
Net sales by:										
– destination	**2,598**	2,853	2,867	2,957	2,894	2,692	2,613	2,602	2,605	2,493
– origin	**3,025**	3,489	3,446	3,602	4,595	4,179	3,959	4,251	4,419	4,130
Operating income	**78**	231	169	209	341	261	240	433	384	370
Expenditures for property, plant and equipment	**156**	178	165	195	309	282	232	273	191	157
Invested capital**	**1,655**	1,681	1,726	1,651	2,022	1,785	1,714	1,651	1,679	1,562
Number of employees**	**13,300**	13,800	14,800	15,300	16,000	19,700	19,600	19,400	19,000	18,400
Rest of Europe										
Net sales by:										
– destination	**5,464**	6,009	6,135	6,375	6,831	6,125	6,404	6,617	6,739	5,902
– origin	**2,757**	2,871	2,854	3,095	3,008	2,566	3,094	3,056	3,063	2,470
Operating income	**241**	240	190	233	270	263	266	303	299	215
Expenditures for property, plant and equipment	**147**	116	146	172	174	209	163	157	124	100
Invested capital**	**1,447**	1,461	1,700	1,744	1,740	1,504	1,291	1,361	1,246	1,052
Number of employees**	**9,400**	9,800	10,700	12,500	12,700	11,700	11,600	13,200	12,500	11,100
North America										
Net sales by:										
– destination	**4,401**	3,865	3,783	3,700	4,016	3,128	2,333	2,224	3,923	3,781
– origin	**4,169**	3,732	3,577	3,446	3,487	2,664	2,014	1,918	3,510	3,353
Operating income	**365**	284	242	277	258	150	86	84	95	166
Expenditures for property, plant and equipment	**321**	203	142	160	197	251	209	207	231	217
Invested capital**	**2,333**	2,061	1,943	1,805	2,133	1,983	1,367	1,102	1,047	1,853
Number of employees**	**10,700**	10,700	10,600	10,500	10,500	8,900	7,500	6,200	5,400	8,800
Other regions										
Net sales by:										
– destination	**2,680**	2,519	2,549	2,682	3,383	2,930	2,237	2,270	2,755	2,508
– origin	**1,306**	1,175	1,254	1,294	1,490	1,150	705	669	784	795
Operating income	**110**	103	125	131	239	149	93	99	119	136
Expenditures for property, plant and equipment	**61**	44	55	78	124	63	40	27	38	24
Invested capital**	**754**	685	632	641	662	569	448	290	300	322
Number of employees**	**8,200**	8,300	8,600	9,400	9,400	8,100	6,200	5,700	5,000	5,400

* *Restated for comparison; see notes on page 59.*
** *At December 31.*

PRINCIPAL SUBSIDIARIES AND NONCONSOLIDATED COMPANIES

(other than holding companies and national organizations)

December 31, 1993

Percentages of participation are only stated for companies in which Akzo N.V. or any of its subsidiaries separately or jointly holds less than 100% of the subscribed stock.

Chemicals Group

Netherlands	**Akzo Chemicals International B.V.** and **Akzo Chemicals B.V.**, Amersfoort, with establishments in: – the Netherlands, Belgium, Denmark*, Finland, France, Germany, Italy*, Norway, Spain, Sweden, United Kingdom – United States, Canada – Brazil*, Argentina, Mexico, Netherlands Antilles, Venezuela – Japan*, Singapore – Australia
Netherlands (50)	**Delamine B.V.**, Delfzijl
Germany (67)	**Carbosulf Chemische Werke GmbH**, Cologne
Germany (67)	**Rhodanid Chemie GmbH**, Cologne
United States	**Filtrol Corporation**, Vernon, California
Japan (70)	**Akzo Kashima Ltd**, Tokyo

Nonconsolidated companies:

Netherlands (50)	**Akzo-PQ Silica v.o.f.**, Amersfoort
Netherlands (50)	**Delesto B.V.**, Delfzijl
Netherlands (50)	**Glucona v.o.f.**, Ter Apelkanaal
Netherlands (30)	**Methanor v.o.f.**, Delfzijl
Netherlands (50)	**ROVIN Rotterdamse Vinylunie v.o.f.**, Amsterdam
Germany (50)	**Elektro-Chemie Ibbenbüren GmbH**, Ibbenbüren
Germany (50)	**Kali-Chemie Akzo GmbH & Co.**, Hanover
France (42)	**Eurecat S.A.**, La Voulte-sur-Rhône
U.K. (50)	**Akcros Chemicals Ltd**, Eccles
Brazil (40)	**FCC-Fábrica Carioca de Catalisadores S.A.**, Rio de Janeiro
Japan (50)	**Denak Co. Ltd**, Tokyo
Japan (50)	**Kayaku Akzo Corporation**, Tokyo
Japan (50)	**Lion Akzo Company Ltd**, Tokyo
Japan (50)	**Nippon Ketjen Company Ltd**, Tokyo
Japan (50)	**Tosoh Akzo Corporation**, Tokyo
India (48)	**Centak Chemicals Ltd**, Calcutta
Malaysia (50)	**Akzo & Pacific Oleochemicals Sdn. Bhd.**, Selangor
Australia (50)	**Pacific Chemical Industries Pty Ltd**, Camellia

Coatings Group

Netherlands	**Akzo Coatings International B.V.**, Arnhem, and **Akzo Coatings B.V.**, Sassenheim, with establishments in: – the Netherlands, Austria, Belgium, Denmark, France*, Germany*, Greece*, Republic of Ireland, Italy*, Malta, Norway, Spain, Switzerland, United Kingdom* – United States, Canada – Brazil, Argentina – Japan, China*, Singapore, Thailand – Morocco*
Netherlands	**Koninklijke Brink/Molyn B.V.**, Groot-Ammers
Netherlands (60)	**Akzo Dexter Aerospace Finishes v.o.f.**, Sassenheim
Netherlands	**Akzo Resins B.V.**, Bergen op Zoom
Turkey (51)	**Akzo Kemipol A.S.**, Izmir
U.K.	**Macpherson plc**, Bury
Mexico	**General Paint Company de Mexico S.A. de C.V.**, Tlalnepantla

Nonconsolidated companies:

Hungary (51)	**Akzo-TVK Paint Production and Trade Company Ltd**, Tiszaúváros
China (50)	**Akzo Red Lion Powder Coatings Ltd**, Beijing
Malaysia (43)	**Synthese (Malaysia) Sdn. Bhd.**, Kuala Lumpur

* *In this country Akzo has a participation of less than 100% in one or more companies.*

Pharma Group

Netherlands	**N.V. Organon,** Oss
Netherlands	**Chefaro International B.V.,** Rotterdam
Netherlands	**Diosynth B.V.,** Oss
Netherlands	**Intervet International B.V.,** Boxmeer
Netherlands	**Verenigde Pharmaceutische Fabrieken (VPF) B.V.,** Oss
Belgium	**Organon Teknika N.V.,** Turnhout

Sales offices or production plants of one or more of the above companies are established in:
- the Netherlands, Austria, Belgium, Cyprus, Denmark, Finland, France*, Germany*, Greece, Hungary, Republic of Ireland, Italy, Norway*, Portugal, Spain, Sweden, Switzerland*, Turkey*, United Kingdom
- United States, Canada
- Brazil, Argentina, Chile, Colombia, Ecuador, Mexico, Venezuela
- Japan*, Bangladesh*, China*, Hong Kong, India*, Indonesia*, Republic of Korea*, Malaysia, Pakistan*, Singapore, Taiwan*, Thailand
- Australia
- Morocco, Egypt*, South Africa

Fibers Group

Netherlands	**Akzo Fibers B.V.,** Arnhem, with establishments in: - the Netherlands, France - United States
Netherlands	**Akzo Industrial Systems B.V.,** Velp, with establishments in: - the Netherlands, Germany, France
Netherlands (95)	**Aramide Maatschappij v.o.f.,** Emmen
Germany (97)	**Akzo Faser AG,** Wuppertal
Germany (97)	**Kuagtextil GmbH,** Konz
United States	**Akzo Industrial Fibers Inc,** Scottsboro, Alabama
United States	**Fortafil Fibers Inc.,** Rockwood, Tennessee
Brazil (82)	**COBAFI Companhia Bahiana de Fibras S.A.,** Salvador, Bahia
Brazil (51)	**Polyenka S.A.,** São Paulo

Nonconsolidated companies:

Colombia (49)	**Enka de Colombia S.A.,** Medellín
Ecuador (49)	**Enkador S.A.,** Quito
Mexico (40)	**Fibras Químicas S.A.,** Monterrey
India (39)	**Century Enka Ltd,** Bombay

Other companies

Netherlands	**Akzo Engineering B.V.,** Arnhem
Netherlands	**Akzo Information Services B.V.,** Arnhem

Nonconsolidated company:

United States (50)	**AMP-Akzo Corporation,** Greenville, South Carolina

* *In this country Akzo has a participation of less than 100% in one or more companies.*

ADDITIONAL INFORMATION FOR STOCKHOLDERS

Akzo Nobel common stock is listed on the following stock exchanges:

The Netherlands:	Amsterdam
Germany:	Frankfurt/Main, Düsseldorf, and Berlin
Belgium:	Brussels and Antwerp
France:	Paris
Austria:	Vienna
United Kingdom:	London
Sweden:	Stockholm, as Swedish Depositary Receipts
Switzerland:	Zurich, Basel, and Geneva
United States:	Nasdaq, New York, as American Depositary Receipts.

Price of Akzo share relative to Amsterdam/New York stock exchange indices (year-end 1988 = 100)

Dividends are paid through the following banks:

The Netherlands

ABN AMRO Bank
Internationale Nederlanden Bank
MeesPierson
at their offices in Amsterdam, Rotterdam, The Hague, and Arnhem, if established there, as well as at F. van Lanschot Bankiers, 's-Hertogenbosch, and at Rabobank Nederland, Utrecht

Germany

Deutsche Bank
Berliner Handels- und Frankfurter Bank
Dresdner Bank
Sal. Oppenheim jr. & Cie.
at their offices in Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Berlin, and Wuppertal, if established there

Belgium

Generale Bank
Paribas Bank België
Kredietbank
at their offices in Brussels and Antwerp

France

Lazard Frères & Cie
Banque Nationale de Paris
at their offices in Paris

Luxembourg

Banque Générale du Luxembourg, Luxembourg

Austria

Creditanstalt-Bankverein, Vienna

United Kingdom

Barclays Bank
Midland Bank
at their offices in London

Sweden

Skandinaviska Enskilda Banken, Stockholm

Switzerland

Schweizerische Kreditanstalt, Zurich
Schweizerische Bankgesellschaft, Zurich
Schweizerischer Bankverein, Basel
and the Swiss branch offices of these banks
Pictet & Cie, Geneva

United States

Morgan Guaranty Trust Company, New York

	Dividend*, in % of net income	Dividend*, in % of net income, before extraordinary items	Number of shares of common stock outstanding at year end (in thousands)	Akzo shares sold (in millions) Amsterdam	London	Nasdaq (U.S.A.)
1993	55%	43%	53,968	30	17	6
1992	46%	42%	45,996	26	14	6
1991	52%	43%	45,961	26	10	5
1990	44%	40%	44,421	21	7	4
1989	36%	37%	43,324	24	–	2

Quarterly net income per share**

Amounts in guilders	I	II	III	IV
1993	3.43	3.30	2.47	2.50
1992	4.48	4.75	3.52	1.31
1991	4.33	4.29	3.57	0.78
1990	4.66	4.69	3.73	2.02
1989	5.65	6.72	5.36	5.37

Amounts in guilders	Net income per share**	Dividend per share	Stockholders' equity per share	Highest share price	Lowest share price	Year-end price
1993	11.67	6.50	113.99	200.70	134.50	188.00
1992	14.06	6.50	110.40	166.20	123.70	140.10
1991	12.89	6.50	103.62	134.60	70.90	133.40
1990	15.06	6.50	104.50	141.90	63.20	74.70
1989	23.05	8.00	103.84	157.30	122.00	141.50

At October 31, 1993, about 10% of common stock was owned by private investors and about 90% by institutional investors.

* *Exclusive of the final dividend of Hfl 39 million on the 7.9 million shares of common stock placed in November 1993.*

** *On the basis of the average number of shares of outstanding common stock.*

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Translation.
In the event of a conflict in interpretation, reference should be made to the Dutch version of this annual report.

The collective terms "Akzo" and "the Company" are sometimes used for convenience where reference is made to Akzo N.V. and its consolidated companies in general. These terms are also used if no useful purpose is served by identifying the particular company or companies.*

* *Akzo Nobel N.V., effective February 25, 1994.*

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