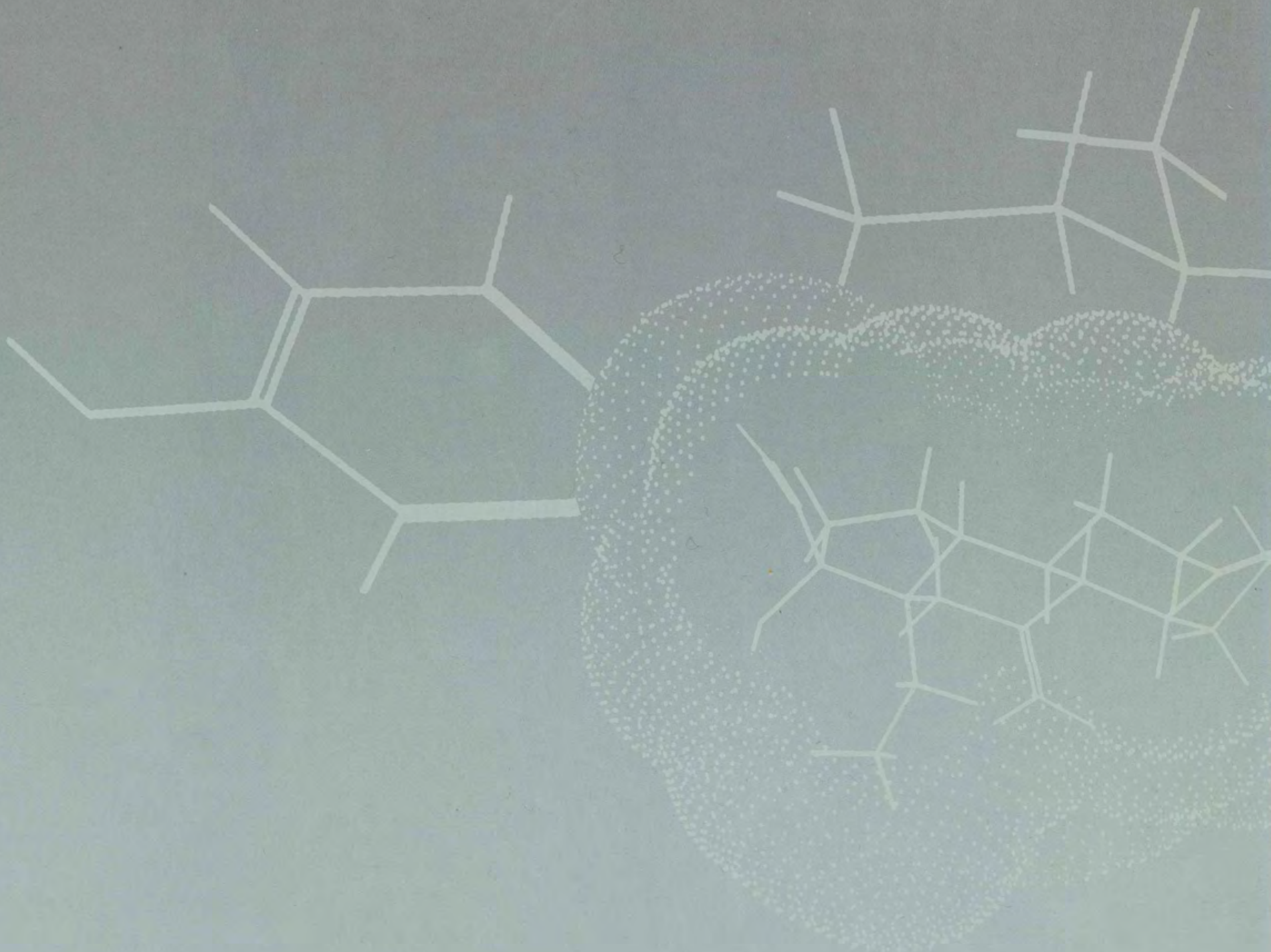
Annual report 1992



AKZO

PROFILE

Akzo, headquartered in the Netherlands, is a worldwide industrial organization with companies in more than 50 countries.
Its product range includes salt and chemicals, coatings, fibers, and healthcare products.
Akzo's business is conducted by four groups of business units: Chemicals, Coatings, Fibers, and Pharma, which report directly to the Board of Management. The business units 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 control, finance, human resources, strategy, and technology.
It is Akzo's objective to build a strong, well-balanced product mix. In addition to efforts to strengthen its existing core businesses, Akzo focuses on the development of new products in major growth sectors that draw on the Company's technological and marketing know-how.
Akzo conducts an active environmental policy with respect to its products and processes.
Geographically, Akzo's operations are largely concentrated in the Netherlands, Germany, and the United States. It is a Company objective to expand in other geographic areas, particularly the Far East.

Agenda

Agenda for the Annual Meeting of Stockholders of Akzo N.V. to be held in Musis Sacrum, Velperplein, Arnhem, the Netherlands, on Tuesday, April 27, 1993, at 2:00 p.m.

1 Opening

2 Report of the Board of Management for the fiscal year 1992

3 Approval of the financial statements; consideration of the dividend proposal

4 Determination of the number of members of the Supervisory Council; appointment of a member of the Supervisory Council

5 Determination of the number of members of the Board of Management; appointment of F.W. Fröhlich, H.A. van Karnebeek, R.M.J. van der Meer, and A.G.J. Vermeeren as members 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 1993

- Annual Meeting of Stockholders
  April 27
- Report for the 1st quarter
  April 27
- Report for the 2nd quarter
  August 4
- Report for the 3rd quarter
  November 3
- Payment of the 1992 final dividend
  May 17

Cover:
Impression of the molecular structure of the two principal components of the oral contraceptive Marvelon.®

CONTENTS

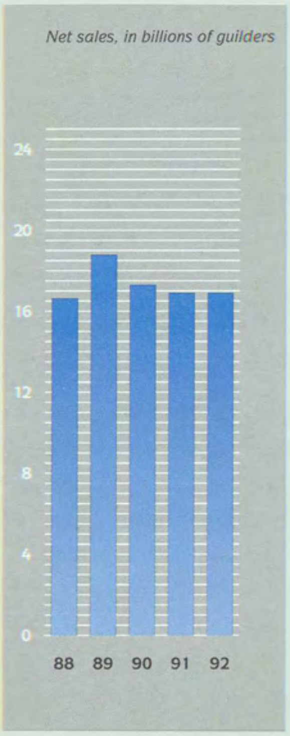
The new Arnhem headquarters.

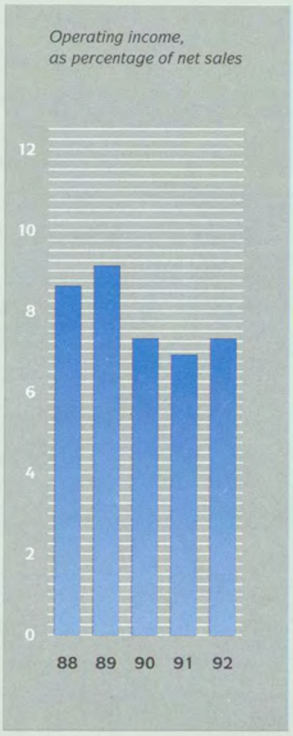
Launch of the Saline *for the transportation of evaporated salt in Western Europe.*

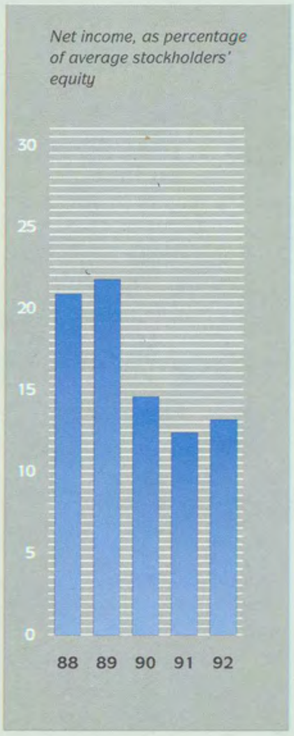
Sikkens® *paints were used on the exterior of the Amsterdam* Concertgebouw.

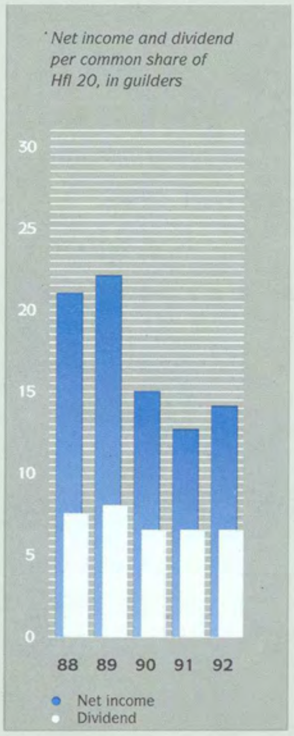
The German pavilion at the 1992 World Fair in Seville, Spain. Its roof was made from 15,000 m² of Diolen® *polyester fabric.*

Home use of diagnostics: Predictor® *pregnancy test.*


Net sales, in billions of guilders
24
20
16
12
8
4
0
88 89 90 91 92


Operating income,
as percentage of net sales
12
10
8
6
4
2
0
88 89 90 91 92


Net income, as percentage
of average stockholders'
equity
30
25
20
15
10
5
0
88 89 90 91 92


Net income and dividend
per common share of
Hfl 20, in guilders
30
25
20
15
10
5
0
88 89 90 91 92
Net income
Dividend

FINANCIAL HIGHLIGHTS

	1992	1991
Millions of guilders		
Net sales	**16,850**	16,851
Operating income	**1,228**	1,156
Net income	**646**	580
Cash flow	**1,536**	1,446
Stockholders' equity	**5,078**	4,762
Property, plant and equipment		
- Expenditures	**933**	1,007
- Depreciation	**871**	878
Acquisitions	**39**	542
Per common share of Hfl 20, in guilders		
Net income	**14.05**	12.62
Cash flow	**32.65**	31.24
Dividend	**6.50**	6.50
Stockholders' equity	**110.40**	103.62
Key ratios		
Operating income, as % of net sales	**7.3**	6.9
Operating income, as % of average invested capital	**13.6**	12.7
Net income, as % of average stockholders' equity	**13.1**	12.3
Equity/debt	**0.62**	0.57
Number of employees at year end	**62,500**	65,200

MANAGEMENT AND SUPERVISION

Supervisory Council

G. Kraijenhoff (1922), *Chairman*
F.H. Fentener van Vlissingen (1933),
Deputy Chairman
H. Kopper (1935), *Deputy Chairman*
A. Batenburg (1922)
A.E. Cohen (1936)
J.G.A. Gandois (1930)
H.H. van den Kroonenberg (1933)
H.A. van Stiphout (1934)
C. van Veen (1922)
L.C. van Wachem (1931)
H.G. Zempelin (1926)

Board of Management

A.A. Loudon (1936), *Chairman*
C.J.A. van Lede (1942)
M.D. Westermann (1932)

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 other senior officers.

A.A. Loudon, *Chairman*
C.J.A. van Lede, *Deputy Chairman* 1
M.D. Westermann, *Deputy Chairman* 2

S. Bergsma (1936), *Financial Affairs* 3
R.M. Clarke (1931), *Akzo America* 4
F.A.G. Collot d'Escury (1931),
Chemicals Group 5
A. van Es (1931), *Akzo Nederland* 6
F.W. Fröhlich (1942), *Fibers Group* 7
F.I.M. van Haaren (1935),
Technology and Environment 8
J. den Hoed (1937), *Control* 9
H.A. van Karnebeek (1938),
Coatings Group 10
R.M.J. van der Meer (1945),
Chemicals Group 11
J.C.P. van Oosterom (1935),
Strategic Planning 12
F.L. Vekemans (1933),
Human Resources 13
A.G.J. Vermeeren (1933), *Pharma Group* 14

In 1992, we implemented the most drastic change in the organizational structure of our Company since its formation in 1969. Entrepreneurial responsibility has been shifted from what was the divisional level to the business units, while the divisional structure has been abandoned and integrated into the new corporate management holding. Simultaneously, the Salt and Basic Chemicals Division and the Chemicals Division were merged into the Chemicals Group.
Akzo's 35 business units that will be operational from May 1, 1993, have been divided, on the basis of affinity between activities, into four groups: Chemicals, Coatings, Fibers, and Pharma.
Although the new organization will not become official until May 1, 1993, after the appointment of the new Board of Management, we will use the first months of this year to familiarize ourselves with the new setup. The organizational charts have been drawn, responsibilities have been defined--now the organization must really be made to work. In many places in the Company a change in attitude will be needed. This constitutes the challenge for the time ahead. With integral responsibility shifted toward a lower level in the organization, the top will have to adopt a new style of management. The top is to focus more on the development and establishment of the Company's strategy and associated frameworks within which the business units are to discharge their responsibilities. Additionally, top management is to secure and stimulate the development and extension of core competencies, and also formulate policies in critical functional areas.

The strategic reevaluation of our business portfolio carried out in 1991 was further detailed and implemented in 1992. In line with our redefined strategy, we are concentrating on those businesses where we have a leading or strong position, or where we expect to attain such a position. As part of this strategy we plan to enter into alliances with The Dexter Corporation in aerospace coatings, Harcros Chemicals in

PVC additives, Toho Rayon in carbon fibers, and Allied-Signal in carpet fibers. We are also strengthening our coil coatings activities in the United States, and divested our color concentrates, the dialysis activities of Organon Teknika, and PCAS, a producer of chemical intermediates in France.

In spite of the setbacks encountered in Europe after the conclusion of the Maastricht treaty, 1993 will be a historic year. For industry the launch of a single internal market–despite some imperfections not yet resolved–will be the first priority. In order to consolidate and expand this internal market, further work is needed to secure European unification and enlargement of the Community. It is hoped that the visionary objectives of the politicians, Europe's willingness to accommodate change, and practical implementation can be lined up.

The GATT negotiations are another important international development. The crux is whether we shall clear the hurdles or whether the negotiations will end in failure. In the latter case the consequences for the international community will be very grave, especially in light of the many economic imbalances that exist.
In the past year the environment remained a focus of interest, particularly as a result of the Rio conference. In this annual report we comply with our obligation–ensuing from the signing of the International Chamber of Commerce Business Charter in 1991–to report on environmental matters in our Company.
One cause for concern is the tendency toward symbolism that is becoming increasingly manifest in environmental policy. Carbon dioxide emissions and the depletion of the ozone layer are now getting all of the attention from the public, as is the demand for continuous recycling, which is a physical impossibility. The growth of the world population, which constitutes the ultimate threat to the ecological equilibrium on our planet, remains a sensitive topic. The same holds true for more practical measures such as the processing of waste by sanitary landfill or incineration with energy recovery. However, it is plain that consumption patterns in the developed world will have to change profoundly.

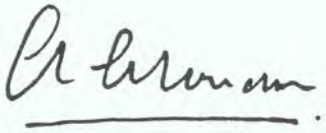
Our Pharma Group is increasingly being confronted with the consequences of cost-reduction measures in healthcare. Prices of improved new drugs are being depressed, while those of old, cheaper drugs and generics often move upward to a reference level. These short-term cost-cutting measures are a serious threat to pharmaceutical innovation.

Before looking to 1993, let us first glance back at the results of 1992. That we did fairly well in the past year is partly attributable to our improved business portfolio. In addition, we are harvesting the fruits of programs set in motion in 1990 to raise efficiency and control costs.

Just before the end of 1992 our Pharma Group received FDA approval for the marketing in the United States of Marvelon® (under the name of Desogen®), globally the most frequently prescribed oral contraceptive. Its actual introduction into the largest market in the world constitutes an enormous challenge, but it is also an opportunity to increase Pharma's potential.

As we look at 1993, our feelings are mixed. It will probably not be possible in the first half of the year to attain the earnings level of last year's corresponding period. For the present, economic prospects are gloomy, especially in Europe, and it is highly uncertain whether a recovery will set in during the year. The economic development in the United States is a bright spot but will likely be insufficient to afford full compensation. In the difficult conditions ahead, our efforts to cut costs and increase productivity must continue unabated.

Finally, I would like to thank our employees for their dedication. During the fundamental reconstruction of our Company we were able to do business as usual and work energetically on the strengthening of our market positions.



A.A. Loudon

G. Kraijenhoff

Chairman's retirement

Having reached the mandatory retirement age, G. Kraijenhoff will resign from the Council at the Annual Meeting of Stockholders on April 27, 1993. In 1947, Mr. Kraijenhoff joined Organon in Oss, currently a part of Akzo, where he was appointed managing director in 1957. In 1959 he was appointed to the board of Zwanenberg Organon. At the end of 1962 he became its president. After the merger between Koninklijke Zwanenberg Organon and Koninklijke Zout Ketjen, Mr. Kraijenhoff was appointed in 1968 Chairman of the Board of the newly formed Koninklijke Zout Organon (KZO). Upon the subsequent merger of AKU and KZO in 1969 he was appointed Deputy Chairman of the Board of Management of Akzo. In 1971 he became Chairman of the Board. After his resignation from the Board in 1978, Mr. Kraijenhoff was appointed a member of the Supervisory Council; since 1980 he has been its Chairman. In consideration of his outstanding merits for Akzo and for society at large, he was made a Grand Officer of the Order of Orange Nassau in 1992. His drive, knowledge, and leadership have been invaluable in making Akzo what it is today. Stockholders, employees, the Board of Management, and the Supervisory Council are greatly indebted to Mr. Kraijenhoff for the many substantial contributions he has made to the management and supervision of the Company.

F.H. Fentener van Vlissingen

Other changes in the Supervisory Council

Upon his appointment in 1987, H.G. Zempelin indicated that he wished to step down from the Council in 1993. At the Annual Meeting of Stockholders of April 27, 1993, A. Batenburg and C. van Veen will also resign from the Council, both having reached the mandatory retirement age. We wish to express our deep appreciation for the way in which all three have contributed to the Council's supervisory tasks. At the Annual Meeting, stockholders will be asked to fix membership of the Supervisory Council at eight. To fill the vacancy we are nominating D. Wendelstadt.

F.H. Fentener van Vlissingen will take over the chair of the Supervisory Council from Mr. Kraijenhoff.

Changes in the Board of Management

On May 1, 1993, M.D. Westermann will resign as a member of the Board of Management. Mr. Westermann has been a Board member since 1988. In 1961 he entered the employment of the former Ketjen Group. In 1971 he joined our Chemicals Division. From 1975 until January 1, 1988, he was a member of the board of that division; from 1977 on, he was its president.

We are deeply grateful to Mr. Westermann for the manner in which he directed the expansion of Akzo's chemical activities.

At the Annual Meeting, stockholders will be asked to fix membership of the Board of Management at six. Including the vacancy due to Mr. Westermann's retirement, the number of seats to be filled is four. We propose that F.W. Fröhlich, H.A. van Karnebeek, R.M.J. van der Meer, and A.G.J. Vermeeren be appointed as members of the Board of Management.

Changes in the Management Council

After almost thirty years of dedicated service to the Company, F.A.G. Collot d'Escury will retire effective May 1, 1993. Mr. Collot d'Escury joined Koninklijke Nederlandse Zoutindustrie in 1963, where he held numerous positions. He made major contributions toward the strengthening of the position of the Salt and Basic Chemicals Division. As president of the board of the Chemicals Division, he directed the preparation and implementation of the merger between the two chemicals divisions. We are greatly indebted to him.

R.M. Clarke, chairman of Akzo America, has requested to retire and be relieved of his duties, effective the same date. We highly appreciate his outstanding services to Akzo in the United States.

Supervision

During the year the Supervisory Council regularly received reports on the Company's business and consulted periodically with the Board of Management about such issues as personnel, planning, investments, acquisitions, and divestments. In special committee meetings, extensive consultations were held with auditors about such items as the financial statements, the administrative organization, and other internal control measures.

The drastic changes in the organization, which were largely completed during the past year, have placed an extra burden on the Board of Management and the Company's employees. We are very grateful to them for their dedication and the results achieved.

Financial statements and dividend proposal

We herewith submit for your approval at the Annual Meeting of April 27, 1993, the financial statements for 1992 as prepared by the Board of Management. These financial statements have been examined by KPMG Klynveld Accountants. Their report appears on page 61.

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 pages 10 and 11.

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, 1993

The Supervisory Council


AKZO

Some images of Akzo's new Arnhem headquarters. A part of the Akzo Center, the new building was inaugurated in November 1991.

Akzo in 1992

1992 was a satisfactory year for Akzo.
The consistent pursuit of our strategic objectives and cost containment have been major factors in this result. During the year, however, Akzo was confronted with stagnating growth of the economy and distinct recessionary trends in various regions in Europe. An aggravating factor was the currency crisis, which also exerted an adverse influence on Akzo's performance. Nevertheless, our Company held its ground and even achieved an improvement in net income, compared to the previous year.
In 1992, a major part of the restructuring of Akzo's organization was implemented. For many employees the restructuring profoundly changed their work environment and often cut deeply into their private lives. However, as a result of this major restructuring program, Akzo will be well-positioned to anticipate and respond quickly to changes in the world markets that are important to our business.

Results

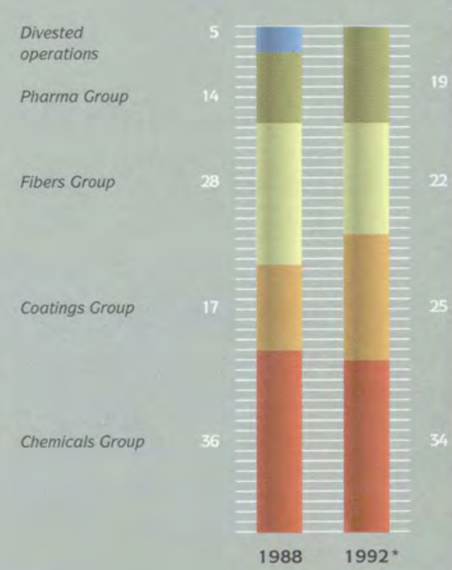
Net income before extraordinary items was Hfl 712 million, against Hfl 691 million in 1991. Including extraordinary items, net income rose to Hfl 646 million, compared with Hfl 580 million in 1991. At Hfl 1,228 million, operating income was up 6% from Hfl 1,156 million in 1991. Sales reached a level of Hfl 16.9 billion, virtually equal to the 1991 figure.
Given the adverse economic conditions, Akzo turned in a satisfactory performance. The cyclicality of our operations has decreased, our responsiveness to changes in the market has improved, and the cost-cutting programs are having a positive effect.

Results of Group operations
The Chemicals Group managed to achieve a significant improvement in the specialty chemicals sector, while the results of electrolysis products and chlorine-derived basic chemicals trailed the prior year's level. The Coatings Group attained better results due to higher contributions from operations in the United States and Brazil. The Fibers Group matched 1991 earnings. After an improvement in the first half of 1992, earnings deteriorated appreciably in the second half. The Pharma Group again closed the year with good results and exceeded the 1991 operating income figure.

Capital investments, depreciation, and financial position
At Hfl 933 million, capital investments were Hfl 74 million below the 1991 level, reflecting delays in starts on a few major projects. Depreciation amounted to Hfl 871 million, compared with Hfl 878 million in 1991. Up from 0.57 to 0.62, Akzo's equity/debt ratio improved for the third consecutive year, while ample liquidity was maintained.

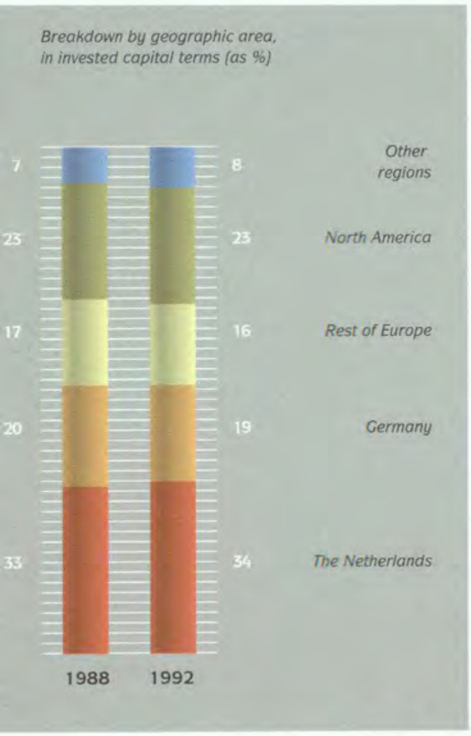
Dividend proposal
Based on the number of outstanding shares at year-end 1992, net income per common share was Hfl 14.05, versus Hfl 12.62 in 1991. Before extraordinary items, net income per common share was Hfl 15.49, compared with Hfl 15.02 in 1991. Net income per common share on a current-value basis was Hfl 13.07 in 1992 and Hfl 12.03 in 1991.

Breakdown by Group, in net sales terms (as %)



* Situation at December 31, 1992

We will propose at the Annual Meeting of Stockholders that the 1992 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 1992.
If the dividend proposal is adopted, Hfl 299 million (46%) of net income will be allocated for dividend payment (1991: 52%). In relation to net income before extraordinary items, the dividend payout is 42% in 1992, versus 43% in 1991.



Sales, costs, and income

Condensed statement of income

Millions of guilders	**1992**	1991
Net sales	**16,850**	16,851
Operating costs	**(15,622)**	(15,695)
Operating income	**1,228**	1,156
Financing charges	**(278)**	(277)
Operating income less financing charges	**950**	879
Taxes	**(285)**	(264)
Earnings of consolidated companies from normal operations, after taxes	**665**	615
Earnings from nonconsolidated companies	**66**	64
Extraordinary items	**(66)**	(111)
Earnings before minority interest	**665**	568
Minority interest	**(19)**	12
Net income	**646**	580
Current-value information		
Operating income	**1,147**	1,104
Net income	**601**	553

Sales On a level with 1991, net sales reflected the negative impact of divestments (4%) and changes in exchange rates (2%), and the positive effect of price rises and volume increases (3%), and acquisitions (3%).

Operating costs Operating costs were 0.5% lower than in 1991.
Raw material costs as a percentage of sales aggregated 30.4%, versus 31.0% in 1991, mainly due to a lower U.S. dollar value.
Energy costs were slightly down from the previous year.
Labor costs as a percentage of sales increased from 30.2% in 1991 to 30.4% in 1992.
Depreciation was down Hfl 7 million from Hfl 878 million in 1991 to Hfl 871 million.

Operating income Operating income increased by 6% from Hfl 1,156 million to Hfl 1,228 million in 1992. As a percentage of sales, operating income improved from 6.9% to 7.3%.

Financing charges At Hfl 278 million, financing charges were practically unchanged from the 1991 figure of Hfl 277 million. A lower interest burden in the United States was offset by higher charges in Europe, partly due to lower capitalized interest for new construction.

Taxes At 30.0%, the average tax burden was virtually equal to the 1991 figure of 30.1%.

Earnings from nonconsolidated companies
Earnings from nonconsolidated companies advanced from Hfl 64 million in 1991 to Hfl 66 million in 1992. Disappointing results for a number of affiliates of the Chemicals and Fibers Groups were compensated by such factors as a distinct improvement in performance by our joint venture Aramide Maatschappij v.o.f., the Netherlands .

Extraordinary items On balance, extraordinary items for 1992 constituted a loss of Hfl 66 million, compared with a loss of Hfl 111 million in 1991. Extraordinary losses before taxes in the aggregate amount of Hfl 175 million mainly

relate to costs associated with restructuring measures. Extraordinary gains before taxes in the amount of Hfl 51 million relate to book profits on divestments.

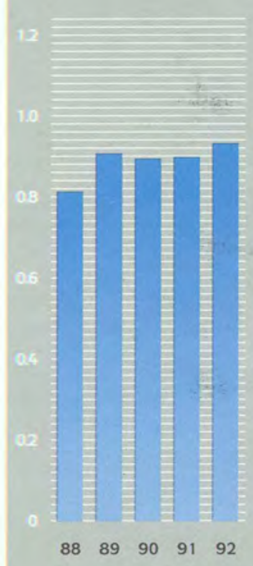
Net income Net income in 1992 was Hfl 646 million, up 11% from net income of Hfl 580 million in 1991. Net income as a percentage of stockholders' equity was 13.1% (1991: 12.3%).

Net income on the basis of current value Net income computed on the basis of current value was Hfl 601 million, versus Hfl 553 million in 1991.

Value added Value added, defined as the aggregate amount of labor costs, financing charges, taxes, and income from normal operations, was Hfl 6,510 million. The share of labor costs in value added was 78.8%, against 79.4% in 1991.

Capital investments Expenditures for property, plant and equipment totaled Hfl 0.9 billion (1991: Hfl 1.0 billion).
The total amount of project authorizations was Hfl 1.1 billion, compared with Hfl 0.9 billion in 1991.
Capital investments by nonconsolidated companies, with total sales of Hfl 3.0 billion on a full-ownership basis, amounted to Hfl 0.4 billion (1991: Hfl 0.5 billion).

Research and development expenditures, in billions of guilders



Experiment with burning metal alkyls in the safety lab in Deventer, the Netherlands.

Financing

Condensed statement of cash flows

Millions of guilders	1992	1991
Cash flow	1,536	1,446
Other items	52	(12)
	1,588	1,434
Change in working capital	(110)	(308)
Net cash provided by operations	1,478	1,126
Net cash used for investments	1,061	1,191
	417	(65)
Net cash provided by financing activities	(569)	61
Changes in exchange rates	(1)	-
Change in cash and cash equivalents	(153)	(4)
Cash and cash equivalents at end of year	659	812

Interest-bearing borrowings On balance, an amount of Hfl 252 million was repaid on short-term interest-bearing borrowings. Long-term borrowings were held at the level of year-end 1991 by an 8% bond loan of Hfl 300 million with a life of ten years issued at the end of 1992. Liquidity decreased to Hfl 659 million but remained ample.
Our year-end equity/debt ratio improved to 0.62.

Credit facilities During 1992, we made active use of our U.S. commercial paper program. The limit of this program was raised by U.S.$ 150 million to U.S.$ 550 million. The A1/P1 rating granted to us was extended to include this increased program. By utilization of this financial instrument we took advantage of lower U.S. dollar money market interest rates in 1992.
In order to protect ourselves against the risk of higher interest rates, we concluded in 1991 contracts guaranteeing us a maximum interest rate of 8½% for an amount of U.S.$ 200 million. These contracts will expire after four years.
As in 1991, the amount of credit available under standby facilities was U.S.$ 550 million, giving us access to financial resources in the long term. The remaining period to maturity of these facilities averages more than three years.

Capital stock In 1992, the number of outstanding shares of common stock increased by 35,000 due to the exercise of options. The total number of outstanding shares of common stock therefore increased to 45,995,972 at December 31, 1992 (December 31, 1991: 45,960,972).

Consolidated statement of cash flows 1988-1992 (billions of guilders)

net cash provided by operations
net cash used for investments
net cash provided by financing activities

*Including cash and cash equivalents

Outlook for 1993

The results of our operations in 1993 are largely contingent upon the economic developments in Europe and the United States. The economic prospects in Europe remain gloomy, and it is highly uncertain when a recovery will set in. One bright spot is the recovery of the U.S. economy, which has so far maintained momentum. But this positive development will likely be insufficient to compensate for the pressure on our European results. We are therefore allowing for the possibility that in the first half of 1993 the earnings level of the year-earlier period will not be attained. In view of the many uncertainties it is impossible at this time to make a pronouncement on the outlook for the second half of the year.

As far as we can foresee now, expenditures for property, plant and equipment will exceed the 1992 level.

New funds will be attracted in 1993 for the execution of capital investment projects and the repayment of borrowings. The way in which we will meet these capital requirements in part depends on the development of interest rates.

Without acquisitions and divestments, the number of employees will show a further decline due to the organizational changes made in 1992.

We will continue in 1993 to place great emphasis on cost reduction and productivity improvement.

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

Organization

1992 was a year of redefinition of the Company's organizational structure. At the outset of the year, we released proposals for a fundamental alteration of the top structure of our Company. The measures derived from these proposals rounded off a process begun in 1987 to bring Akzo greater unity and rectify the flaws in a company that had not had the benefit of organic growth. The Corporate Identity Program has given this process a solid base. These measures also sought to make the organization more flexible and responsive, and to shorten lines of communication, while at the same time cutting costs and obviating bureaucracy. In 1989, this led to the decision to implement the business unit structure Company-wide. The process of adjustment will be completed in May 1993, when the divisional and corporate levels will have been fused into a corporate management holding, and the two chemicals divisions will have been fully merged.

During the year, the restructuring process was energetically pursued. At the end of 1992, the Salt and Basic Chemicals Division and the Chemicals Division had been joined to form the Chemicals Group. Furthermore, we have a Coatings Group, a Fibers Group, and a Pharma Group.

Starting May 1, 1993, all business units will report directly to the Board of Management. The principal staff functions have been concentrated at the corporate level.

In addition to these organizational changes, restructuring and efficiency-boosting programs have been initiated at several places in the Company. They include programs to streamline the organization of the research and information technology functions.

Health, safety, and the environment

Akzo attaches great importance to health, safety, and environmental issues, and handles them at the highest level.

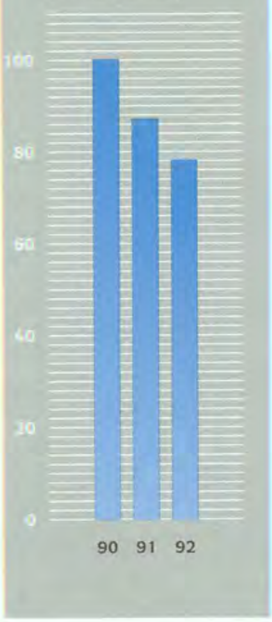
The new top structure provided for the formation of a special policy committee consisting of the members of the Board of Management plus the Executive Vice President for Technology and Environment. Policies are prepared and developed in the Council for Technology and Environment. Within the applicable financial and economic restraints, Akzo intends to pursue a proactive policy. The Company recognizes its large responsibility to society in these fields.

The business units and their production plants each have their own responsibility in the health, safety, and environmental areas. The Company's present rules of conduct are the point of departure for their policy plans, on the basis of which procedures and environmental care systems are drafted. The proposed actions are detailed, and the results are monitored, in annual plans and reports.

The environmental plan for the year and the environmental annual report are an integral part of the Environmental Management System (EMS). Good progress was made in 1992 on the implementation of this overall system. Thus individual environmental management systems became operational at all of our Dutch locations. In the United States, key emission data are now published in line with Responsible Care programs and official reporting requirements. Additionally, our American sites will implement the EMS.

In other countries, environmental management systems will soon be in place.

Chemical waste generation by Coatings Group in Western Europe (index 1990=100)



Annual plans and annual reports covering labor hygiene and safety issues are also produced and monitored.

The environment

During the year, positive results were achieved in the control of emissions of harmful substances into the atmosphere, waste reduction, and waste water treatment. Additionally, the research efforts targeting development of ecologically improved products were vigorously continued. Energy consumption is gradually being reduced further through progressive application of cogeneration. In cogeneration plants more electricity is produced than is needed for the manufacturing processes; the surplus is fed to the public grid. A calculation for six Dutch locations shows that cogeneration will annually slice 879 million kilograms off carbon dioxide emissions. They will thus be approximately 30% lower, for the same consumption of energy.

Some typical examples of the results achieved in the environmental field are presented below by Group.

Chemicals Group Hydrocarbon emissions at the Rotterdam location were further cut back. Over a four-year period, the aggregate reduction at this site has been approximately 40%. The annual volume is now more than 500 metric tons lower. Steps to achieve a further cut are being planned. At the Monongahela, Pennsylvania, location a new carbon disulfide (CS_2) recycling unit was brought into use in mid-1992. The quantity of CS_2 being emitted has been cut here by upward of 100 metric tons over a four-year period. This represents a reduction of approximately 75% from the original quantity.

The low-grade surplus heat from cogeneration units can be used in evaporated salt manufacturing plants, so we linked the two facilities to obtain a dramatic increase in energy efficiency. In chlorine electrolysis, energy efficiency is also important, with purity of the feedstock a further key requirement. The environmental standards now imposed virtually everywhere in Europe on producers of chlorine have strengthened our competitive position as a producer of very high purity evaporated salt, especially in Germany.

The new PVC production facilities operated by ROVIN, our Rotterdam-based joint venture with Shell, combine a substantially lower emission level with a significantly higher efficiency. The installations satisfy the highest environmental standards in the industry.

In Rotterdam and Delfzijl, the Netherlands, large investments have been made over the past few years in incineration capacity for chlorinated waste products. We are also accepting such products from our customers, and the recycling of chlorine by means of these incinerators is now considerable. Today, 30% of the total volume of chlorine comes from recycling in one form or another.

In late 1992 we announced that we were building a ferric chloride production unit. Plans for a second unit are now being developed. Ferric chloride is an important product for use in waste water treatment.

Several new amine-based types of fabric softeners were developed in 1992 which are much better than the traditional softeners from an environmental point of view. Lab-scale production of these novel products commenced during the year.

In the production of CMC in Arnhem, efficiency was enhanced concurrently with a considerable cut in ethanol emissions. During a two-year period a reduction of 1,440 metric tons, or 72%, was realized.

Coatings Group Coatings set itself a waste reduction target of 10% annually. Worldwide, this target has been achieved: over the past two years the percentage of chemical waste, which stood at approximately 3% of total paint output, was reduced by one-fifth. Additionally, a number of capital expenditures are projected in our paint manufacturing facilities to further squeeze hydrocarbon emissions and treat waste water to higher standards of purity.

The environment accounted for a major portion of Coatings' research activities during the year. Much effort was expended on the development of environmentally acceptable products. In this work the total life cycle of a product is taken into account: from the extraction of materials, through energy consumption in production and transportation, to the terminal stage at which the product is disposed of.

Our research now focuses on three items: waterborne paint systems; high-solids paints with a very low hydrocarbon solvent content; and paint products, such as UV curing and other reactive coatings systems, that contain no solvents at all. The use of our powder coatings, which require no solvents in application, is now making a significant contribution to a cleaner environment.

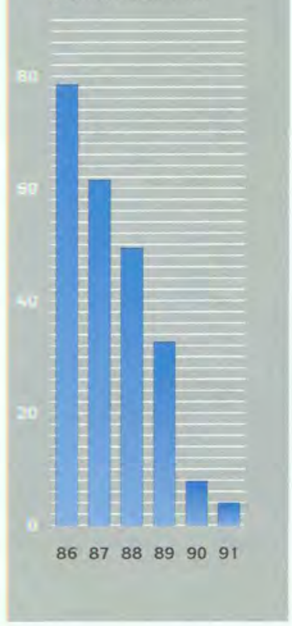
Fibers Group The Emmen location in the Netherlands commissioned a sludge dewatering installation which reduces the volume of sludge from the waste water treatment plant from 5,000 tons to 1,250 tons per annum. A further advantage is that the sludge can now be incinerated, thereby canceling the need for land disposal. A similar installation is being built on the Kleefse Waard site in Arnhem.

In the Obernburg rayon factory in Germany, substantial capital investments were again made for better viscose preparation. This will further improve quality and lower CS_2 consumption and emissions.

The cogeneration unit built in association with the public utility company nv PGEM Energiemaatschappij voor Gelderland en Flevoland to serve our location at Ede, the Netherlands, was started up in 1992. This investment slashed energy consumption. A similar unit is now under construction at our manufacturing location in Arnhem.

Pharma Group For the fifth consecutive year, emissions of hydrocarbons to the atmosphere were cut by Diosynth in Oss, the Netherlands. The reduction relative to 1986, the index year, is 1,570 metric tons, or 70%.

Chlorinated hydrocarbon emissions in waste water (in metric tons) at Diosynth, Oss, the Netherlands



The quantity of chlorinated hydrocarbons in the plant's waste water has gone down by approximately 95% over the same period. In the course of 1992, a 500-cubic-meter cistern was completed on site which collects spills, or water used in fire-fighting operations, that would otherwise flow via the sewage system to the public waste water treatment plant.

Safety

Accident prevention in our facilities remains a major issue.

In spite of an extensive and very strict system of safety rules, an accident unfortunately occurred on the Apeldoorn, the Netherlands, site of Diosynth, claiming the life of one victim. As this was being written, the inquiry into the precise circumstances of the accident had not yet been completed.

The Gallipolis Ferry, West Virginia, location in the United States logged ten years of operations without a lost-time accident.

In 1992, the annual Akzo Safety Award in recognition of outstanding achievement in the field of safety was presented to the Hengelo, the Netherlands, site of the Chemicals Group in Europe, and to the Akron, Ohio, site of the Chemicals Group, for the other regions.

The program of internal environmental and safety audits begun in 1991 was continued. The accumulated experience will increase the efficacy and efficiency of these audits.

Research and technology

Expenditures for research and development in 1992 were Hfl 929 million (1991: Hfl 896 million). As a percentage of sales, these figures were 5.5% in 1992 and 5.3% in 1991. The number of research employees fell 200 to 6,250 at December 31, 1992.

The implementation of Akzo's new organizational structure has given the business units the responsibility for the planning and control of their long-term technology policy and the associated R&D activities. To make that policy more tangible, the business units have each drawn up a long-term technology plan which is an integral part of their business plan. A Council for Technology and Environment has been set up. It is composed of the Group Directors and the Executive Vice President for Technology and Environment, who acts as its chairman. The Council is to ensure that the R&D efforts are in line with the Company's objectives; it also develops plans in fields which are important to Akzo and which may in part lie outside the domain of the business units.

Given this more direct control of the research programs, and with the benefit of improved project management, we expect that the programs will be more effectively managed and more precisely targeted at the business goals.

The Arnhem, Deventer, and Hengelo research institutes in the Netherlands conduct research for the Chemicals, Coatings, and Fibers Groups, for Electronic Products, and for the corporate program. For all of these activities, know-how in the fields of process technology, polymers, and the properties of surfaces and interfaces is of great importance. During the year a study was initiated into optimization of the organizational structure of the three institutes, which should result in better utilization of the specific expertise and tools. In 1993, with its results in hand, we expect to be able to make decisions on such organizational adjustments.

We thus have a consistent program for improving quality and effectiveness of our research, aiming to:

- create room in the organization for direct control of the business units' programs;
- ensure the continuance of long-term corporate programs and the associated expertise;
- provide control for the research institutes in Arnhem, Deventer, and Hengelo based on a unified policy, thereby improving quality while at the same time eliminating duplication in expertise and equipment.

The Deventer location.

Cistern installed by Diosynth in Oss, the Netherlands, serves to collect spills in the event of emergencies.

In 1992, reorganization of the chemical product research activities in the United States resulted in full concentration of the work in Dobbs Ferry, New York, and Pasadena, Texas.
In the Obernburg, Germany, research institute, integration of research efforts for the corporate program and for the business units of the Fibers Group was virtually completed.

Dr. J. Goudriaan, a professor at the Agricultural University of Wageningen, the Netherlands, won the Akzo Award. Dr. Goudriaan was selected to receive this award as a mark of recognition for his innovative research in the fields of crop physiology and production ecology.

Human resources management

The change in the organizational structure of our company obviously has major consequences for its employees. Particularly in the Netherlands, it forces many people to move to a different location. In close consultation with the labor unions, the existing social rules were modified to fit the new situation.
The change in the Company's top structure can only be successful if we can instill the appropriate change in attitude in our employees. The critical issue is for people to find the right balance between the interests of the business units, service units or staff departments employing them and the interests of the Akzo organization as a whole.

In late 1992, a Human Resources Management Charter was established. The three key principles it states are:
- Our managers and their employees should adopt a more result-oriented frame of mind, and everyone should know exactly what is expected from them. The guiding and coaching of employees is to be directed at this objective, and people should more directly be made personally accountable for the results.
- Our managers need to be able to explain their decisions and differentiate properly, both between different individuals and between different situations.

Seals on the sand flats off Delfzijl, the Netherlands, with our location in the background.

Lab test on new polymers. Modulating light signals, these polymers permit large-scale application of optical fiber based telecommunications systems.

- An internationally operating company like Akzo places high demands on the mental agility and physical mobility of its employees. This implies a high degree of readiness to take up new duties and, equally, a mind-set characterized by openness to fresh challenges and opportunities. These principles are to constitute the basis for the practice of performance assessment, provision of guidance, and remuneration. Akzo favors a style of management in which entrepreneurial ability, flexibility, and a well-developed sense of responsibility are central elements.

Despite the disappointing economy, we maintained our corporate management development efforts at about the prior year's level.
Relative to 1991, our recruitment activities were somewhat reduced. We remain vigilant, however, in preserving and if possible improving Akzo's good position in the labor market.

Worldwide, ever higher requirements are made of the professional skills of our personnel. This matter is receiving major attention in our organization.
As in previous years, we did much to extend the knowledge of our employees. A new training tool, designed for promising employees at the middle management level, fully met its objectives. These Akzo Young Managers Seminars are now a permanent feature among our corporate management training courses.

In the context of the cooperation between education and industry, Akzo in 1991 launched the Education-Industry Partnership (EIP) Program which aims to increase appreciation of science and technology by the public at large. The common factor in the projects nominated annually for a prize is that they were initiated and carried out in an alliance between educational institutes and Akzo locations in Europe.
In December 1992 the first prize ever to be awarded within the scope of the EIP Program was presented to the Akzo-Moorhouse Salt Project. The project, which includes the Moorhouse County Primary School, the Rochdale Training Association, and the Akzo site in Littleborough, United Kingdom, deals with the theme of salt. Citations were awarded to a project concerned with the role of chlorine in society and to a long-running project in Wuppertal, Germany, involving four grammar schools and Akzo.

Number of employees	**Dec. 31, 1992**	Dec. 31, 1991
Chemicals Group	**13,000**	13,900
Coatings Group	**14,700**	15,300
Fibers Group	**19,300**	21,000
Pharma Group	**13,900**	13,400
Other units	**1,600**	1,600
Total	**62,500**	65,200

The number of employees was down 2,700 to a year-end total of 62,500. Restructuring measures were the principal factor in reducing the number of employees by 2,100, while divestments resulted in a decline of 1,100.
Three Groups reported drops relative to year-end 1991. The Pharma Group registered an increase of 500.

Breakdown by Group

The statistics presented below illustrate the relative importance of the four Groups in terms of net sales, operating income, invested capital, and expenditures/depreciation in respect of property, plant and equipment.

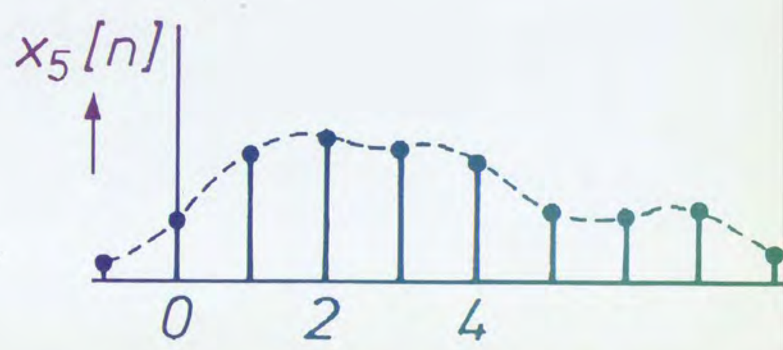
Net sales		*Operating income*		*Invested capital **		*Property, plant and equipment Expenditures*		*Depreciation*		
1992	*1991*	**1992**	*1991*	**1992**	*1991*	**1992**	*1991*	**1992**	*1991*	*Millions of guilders*
5,679	5,737	**360**	328	**3,406**	3,476	**309**	341	**360**	357	Chemicals Group
4,141	3,851	**253**	221	**1,903**	1,879	**143**	169	**122**	113	Coatings Group
3,802	4,262	**106**	102	**2,193**	2,372	**250**	261	**253**	282	Fibers Group
3,255	3,064	**541**	514	**1,616**	1,484	**195**	178	**109**	102	Pharma Group
(27)	(63)	**(32)**	(9)	**(166)**	(95)	**36**	58	**27**	24	Other activities, intercompany deliveries, and nonallocated items
16,850	16,851	**1,228**	1,156	**8,952**	9,116	**933**	1,007	**871**	878	Total

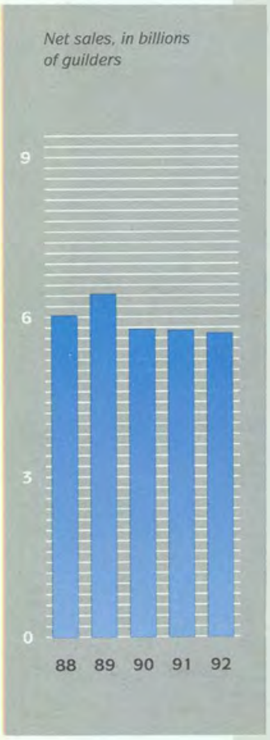
The terms and conditions for intercompany deliveries are negotiated at arm's length and therefore are, in principle, identical with the ones used in transactions with third parties. International intercompany deliveries and international deliveries within a single Group are made in accordance with standard procedures that take due account of tax, currency, and pricing regulations in effect in the countries concerned.

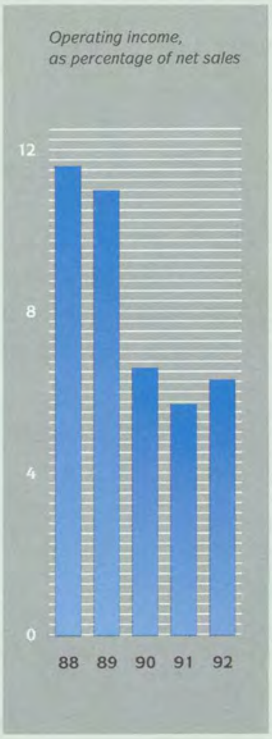
Operating income as % of net sales		*Operating income as % of average invested capital*		*Net sales/ av. invested capital ratio*		*Capital expenditures/ depreciation ratio*		
1992	*1991*	**1992**	*1991*	**1992**	*1991*	**1992**	*1991*	*Ratios*
6.3	5.7	**10.5**	9.5	**1.65**	1.65	**0.9**	1.0	Chemicals Group
6.1	5.7	**13.4**	12.4	**2.19**	2.16	**1.2**	1.5	Coatings Group
2.8	2.4	**4.6**	4.0	**1.67**	1.67	**1.0**	0.9	Fibers Group
16.6	16.8	**34.9**	36.4	**2.10**	2.17	**1.8**	1.7	Pharma Group
7.3	6.9	**13.6**	12.7	**1.87**	1.86	**1.1**	1.1	Overall ratio

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

Computer-aided drug design at Organon, in Oss, the Netherlands.







Sales and earnings

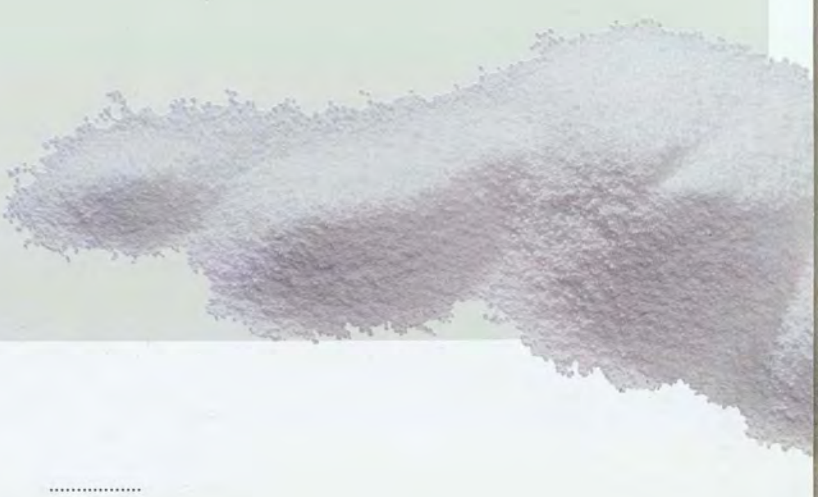
Sales of the Chemicals Group aggregated Hfl 5,679 million, compared with Hfl 5,737 million in 1991. This decrease was principally attributable to electrolysis products and the chlorine-derived basic chemicals as well as the lower U.S. dollar. Operating income improved from Hfl 328 million in 1991 to Hfl 360 million. As a percentage of sales, operating income rose from 5.7% to 6.3%. Earnings of basic chemicals were negatively influenced by persistent pressure on selling prices. Specialty chemicals on the whole registered better results relative to the prior year.

Further quality and efficiency improvements were realized, leading to substantial cost savings and a stronger commercial position for the Group.

Organization

In 1992, Akzo's two chemicals divisions merged. Practically all business units and most supporting commercial services are now located in Amersfoort, the Netherlands. The technical service departments were concentrated in Hengelo, the Netherlands. The sales office in Amsterdam will be closed early in 1993. As a result of this reorganization in the Netherlands, approximately 300 employees will be relocated, and 130 jobs will go.

Concentrations and reorganizations are also taking place in other countries. In the United States, progress was made on the consolidation of production and research facilities. In Brazil, our operations were restored to profitability by rationalization and concentration on strong products.



Catalysts for the petroleum and petrochemical industries

The upward trend that began in 1991 resulted in satisfactory sales and earnings growth in 1992. This result is particularly attributable to higher capacity utilization by our customers in Europe and the United States, and to an improvement in our cost structure as a result of process technology innovations. On the debit side, selling prices, especially in the United States, were depressed by low margins in petroleum refining.

The quality of our existing catalysts, and the enhanced properties of those recently introduced, strengthened our position in this market sector. This is particularly true for hydroprocessing catalysts (e.g. for desulfurization) and for octane-boosting FCC catalysts.

We expect to strengthen our position in the North American market through programs targeted at further quality improvement and concentration of our research activities in Pasadena, Texas.

Earnings of our Japanese joint venture Nippon Ketjen Company Ltd exhibited satisfactory growth.

The first full production year of our Brazilian joint venture FCC–Fábrica Carioca de Catalisadores S.A. met quality and volume expectations.

Chemicals for the plastics manufacturing industries

Earnings of this unit were good, notwithstanding overproduction in the plastics industry and the ensuing price erosion.

Our strong global market position in the sectors of organic peroxides and Ziegler-Natta catalysts will be further strengthened by the planned capacity expansion in Pasadena, Texas, for the former group of products, and the construction of a plant for aluminum alkyls in Europe, for the latter. In the United Kingdom production facilities were rationalized, cutting labor costs.

For organic peroxides intended for thermosetting polyesters, and for other additives in this sector, 1992 was not an easy year, due to declining demand and stiffer competition. This sector nevertheless duplicated the good results of 1991.

The development of the market for optical monomers, which are used for plastic lenses and other products, was considerably less favorable in the United States than in Europe where a significant improvement was achieved. In the United States, a negative effect was exerted by reduced spending of consumers due to the economic situation.

The financial results of the two Japanese joint ventures, Tosoh Akzo Corporation and Kayaku Akzo Corporation, were satisfactory, despite the difficult situation of the Japanese plastics industry.

Our joint venture with Centak, India, for organic peroxides has now reached the commercial production stage.

Chemicals for the plastics processing, coatings, and papermaking industries

The performance of this unit was gratifying. All production sectors did better or equaled the previous year's results.

PVC stabilizers and additives did better than in 1991, which is partly attributable to the acquisition of Rheomix Chemische Produkte GmbH, Germany, in January 1992. In December, we announced a study into the possibility of bringing PVC stabilizers and a few related products into a joint venture with Harcros Chemicals Group, United Kingdom.

Epoxy hardeners for the coatings industry showed healthy growth.

The performance of paper chemicals met our expectations. Within the scope of the strategic reassessment of our product portfolio, we nevertheless decided to sell this business.

Salt/Europe

Despite the overcapacity in the European salt market, this unit registered a satisfactory performance. We maintained our competitive position, aided by numerous efficiency-enhancing measures.

On the strength of our know-how in the field of very high purity evaporated salt, which is excellently suited for the production of chlorine, we maintained our market share in Europe. We hold the view that the persistent overcapacity in the market leaves no room for new producers.

Developments for food-grade salt were also satisfactory.

After a few startup problems, the modernized salt processing facility in Hengelo, the Netherlands, operated at full capacity. We made progress on a similar modernization project in Stade, Germany.
Our new product from Iceland, Sagasalt®, which will be brought onto the market in 1993, is the first natural mineral salt to meet consumer demand for low-sodium salt.

Our joint venture Dansk Salt posted satisfactory earnings.

Salt/North America
Food-grade salt registered a substantially better performance than in the previous year, which is partly attributable to growth in the water softening sector.
Despite the dry and mild winter, deicing salt virtually equaled the previous year's earnings. Cost savings in purchasing, storage, and packaging also afforded a contribution to this unit's earnings. Further savings should be attained through better utilization of automated logistics and planning systems.

Chlor-alkali products
Due to disappointing developments for our customers, notably in the fourth quarter, shipments of electrolysis products virtually remained at the prior year's level. Average selling prices were under pressure, especially for chlorine and caustic soda.
The soda business is being conducted amidst a process of reorganizations and acquisitions in Europe and the United States. Nevertheless, the results of this product sector in Europe were positive.

The use of chlorofluorocarbons (CFCs) is decreasing rapidly. For applications for which suitable alternatives are not yet available, this has led to an agreement with another company about the responsible continuation of the production of CFCs on a small scale at one of our production sites to permit a gradual transition to CFC alternatives. One such alternative is dimethyl ether (DME). Used as an ozone-friendly propellant, this product showed healthy growth in 1992.

ROVIN, our joint venture with Shell, experienced a worldwide rise in the demand for polyvinyl chloride (PVC), from which volume sales of vinyl chloride monomer (VCM) benefited. However, stiff international competition caused the PVC price to drop to a level that is structurally too low. As expected, the commissioning of ROVIN's new Rotterdam PVC plant led to a temporary drop in production during the year. This in part caused earnings to trail the prior year's level.
Our German joint venture Elektro-Chemie Ibbenbüren GmbH was confronted with lower shipments and lower prices for chlorine and its derivatives. At year-end 1992 we announced that this company was to build a ferric chloride production facility with a capacity of 50,000 metric tons in 1993.

Chemicals for the rubber processing industries
Rubber chemicals went through a difficult year. Our efforts were mostly targeted at improving manufacturing efficiency and stricter cost control.

Compared to 1991, most markets exhibited a modest recovery, notably in North America, where volume sales of Crystex® insoluble sulfur reached an excellent level.
The continued slump in shipments of rubber chemicals, notably accelerators for rubber vulcanization, to Eastern European countries also affected the Western European market. The new plant in Cologne, Germany, for thiuram ultra-accelerators is operating close to design capacity.

The joint venture Kali Chemie Akzo GmbH, Germany, commissioned a new plant for Crystex® insoluble sulfur in Sète, France, to supply our customers in Western Europe.

Chemicals for the detergent industry and other surfactants
The overall performance of this unit remained approximately on a par with that of 1991.
Business in the sector of fabric softeners was seriously depressed, especially in Europe, because of the environmental impact of the traditional products. Restructuring measures at production sites in Europe and North America led to lower production costs and a reduction of the workforce by about 100 people.
In the past year we successfully explored many other industrial market segments using fatty-acid based surfactants.

Our joint venture Lion Akzo Company Ltd, Japan, a producer of fatty acids, recorded satisfactory earnings for 1992. A rise in internal deliveries and greater efficiency led to better results.
Our joint venture in Malaysia, Akzo & Pacific Oleochemicals Sdn. Bhd., completed the construction of its new plant for fractionated distillation of fatty acids. The startup went smoothly.

Industrial chemicals

The performance of industrial chemicals was not satisfactory.
Carboxymethyl cellulose (CMC) sales were down, due to reduced oil drilling activity and large-scale imports from Eastern Europe. We therefore increased our concentration on purified CMC for the consumer market.
The market for monochloroacetic acid (MCA) has been under pressure since 1991 due to the worldwide decrease in the production of CMC and crop protection products. The launch of a new type, molten MCA, was successful.
We also commercialized new, optically active, MCA-based crop protection products, which halve the dosage normally required. Unfortunately, we were confronted with production problems at the new plant. These bottlenecks have largely been solved.
Earnings of methylamines were good despite unfavorable conditions in some markets. In this sector we introduced our new product Carma®, which facilitates product formulation by our customers and has fewer drawbacks in its application.
We maintained our strong position in choline chloride, an indispensable component of animal feeds.

Performance of our joint venture Denak Co. Ltd, Japan, was slightly disappointing as a result of a worldwide decrease in the use of MCA.

Functional chemicals

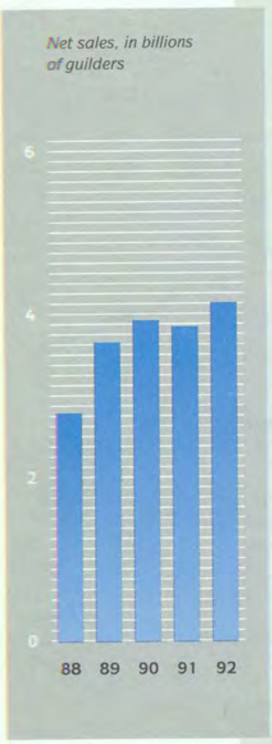
Within the scope of the ongoing concentration on our core activities, we sold our interest in Produits Chimiques Auxiliaires et de Synthèse S.A., France.
Good results were posted for our line of phosphorus-based flame retardants in polyurethane and engineering plastics. This market sector exhibits continuous growth as a result of legal regulations concerning key areas of application. We were also able to maintain our market position in the field of nonflammable hydraulic fluids, despite signs of a recession in the United States.
The production of fatty acid chlorides was concentrated in Arese, Italy, after which the plant in Gillingham, United Kingdom, was closed.
Our EDTA sequestering agents turned in a fairly satisfactory performance, especially in volume terms, but during the year they came under pressure from competition from U.S. dollar and sterling trading areas. In North America we intensified the activities related to these products to strengthen our global position. In our plant in Herkenbosch, the Netherlands, EDTA sequestering agents were produced at lower costs and with substantially fewer waste problems than in previous years. Cost savings were also realized through careful inspection of the raw materials used.

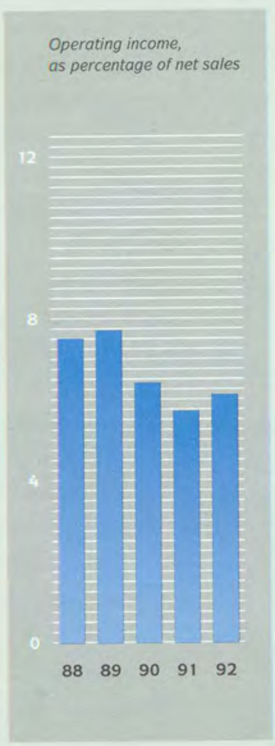
The Glucona joint ventures in the Netherlands and the United States did not fully meet our expectations. A part of the production facilities in Ter Apelkanaal, the Netherlands, will be modernized. In the United States glucono-delta-lactone, a new flavor enhancer, will be introduced.

Miscellaneous activities

The cogeneration unit in Delfzijl, the Netherlands, which is operated by a joint venture of Akzo and the Dutch utility company N.V. Energiebedrijf voor Groningen en Drenthe, yielded considerable energy savings. The surplus electricity it generates is fed to the public grid.
The experiences gained in Delfzijl have resulted in plans for a new cogeneration unit in Hengelo, the Netherlands, which should be operational in 1994. This unit will also be operated by a joint venture.
The results of Dutch-based Delamine B.V. were distinctly better than in the previous year, although here, too, price pressure from U.S. dollar trading areas was discernible for ethylamines.

The performance of our joint venture Akzo-PQ-Silica, the Netherlands, was affected by the general economic decline in some market sectors in Europe. In 1992, Wasserglas Dehnitz GmbH, Germany, was acquired. Through participation in the joint venture ENAP, Akzo-PQ-Silica added disilicates for detergents to its product range.





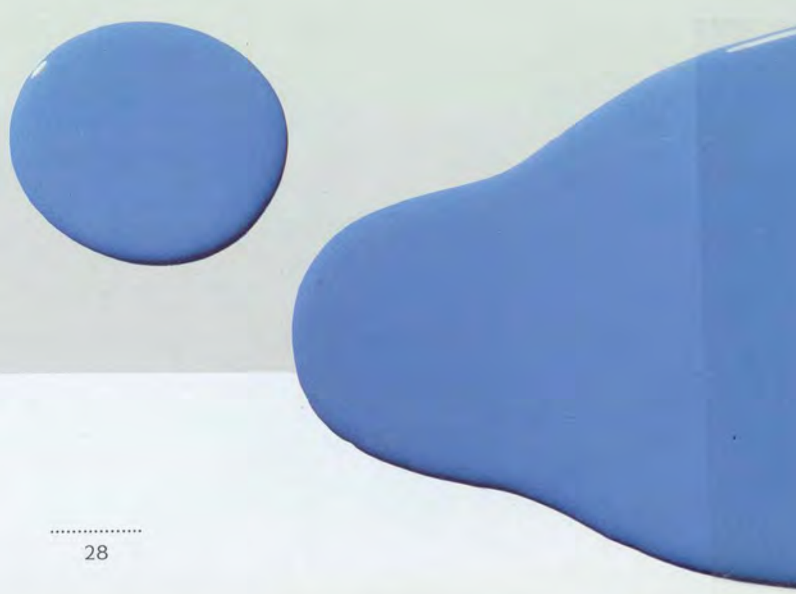
Sales and earnings

Operating income of the Coatings Group was Hfl 253 million. This represents a 14% rise relative to 1991, when the figure was Hfl 221 million. Sales were also higher: at Hfl 4,141 million, the figure was up 8% from the 1991 figure of Hfl 3,851 million. This gain was almost entirely due to newly acquired activities. As a percentage of sales, operating income stood at 6.1%, an improvement over 1991's 5.7%. Given the disappointing market conditions, 1992 earnings were thus quite satisfactory.

Business was greatly affected, notably in the third and fourth quarters, by a cyclical downturn in key industrial sectors in Europe. In the second half of the year, pressure increased as the decorative coatings and car refinishes sectors also came to be impacted by the sluggish economy. The shifts in rates for a number of currencies exercised a further negative effect on earnings. North American operations recorded a significant earnings improvement, with sales volume unchanged from the previous year. In South America, good earnings were achieved despite lower volume. Here, too, the rationalization programs begun in 1991 paid dividends. In addition, higher selling prices were successfully negotiated.

Our interest in Société Abidjanaise d'Expansion Chimique (SAEC) S.A., Ivory Coast, was sold in 1992. Our affiliate in Morocco, S.A. Marocaine de Peintures Astral Celluco (Sampac), once more returned good earnings.

Results of the powder coatings operations taken over from DSM in late 1991, and the figures of Macpherson plc, United Kingdom, are fully included in the consolidated figures for the first time.



Organization

In 1992, the organization of the Coatings Group was brought in line with the corporate strategy. Consequently, the European business units have now become fully operational. Achieving these goals required considerable efforts in further integration of the companies of the Coatings Group. Thus our operations in Spain were pooled in a single legal entity, Akzo Coatings S.A., bringing the benefits of greater synergy. In the United Kingdom the integration of Macpherson plc advanced smoothly. The number of distribution points has been reduced, and production will be concentrated in Hull over the next few years. In other European countries, the restructuring of our manufacturing operations is also proceeding on schedule. In Montataire, France, an automated wall paint manufacturing facility came on line, and in Vilvoorde, Belgium, a production unit for automotive finishes was started up. Each location serves several European countries. Present plans also call for the concentration of Dutch wall paint production at Groot-Ammers, where warehousing capacity was significantly expanded in 1992. New distribution centers were opened in Germany and Switzerland.

The organization of operations in the United States is currently being modified. At the same time, the line of products is being subjected to careful review. The effect of these actions will be to strengthen our position on the North American continent.

In 1992 we celebrated the bicentennial of Sikkens. The Sikkens® label enjoys high recognition and is displayed on products for various market segments.

Decorative and Do-It-Yourself paints

The decorative and D-I-Y paints unit prospered, in spite of stagnating demand in the United Kingdom and Spain.

The Sikkens® name appears on a uniform line of waterborne wood finishes commercialized in Europe in 1992.

During the year we also launched a new color range. Labeled *3031*, this range of more than 1,200 shades was conceived as the standard for the years ahead.

Over the past few years we have been working to streamline our physical distribution. Major projects in the field of manufacturing, warehousing, and distribution were realized, benefiting the efficiency of our operations.

Car refinishes

The car refinishes segment is still hamstrung by stagnating demand. In spite of this, we managed to maintain our position in terms of both sales and production volume, and increased our contribution to income.

In a number of Eastern European countries, market penetration efforts progressed. In the United States, earnings were ahead of 1991, as our activities continued their growth.

In the Far East–most notably in Japan–we also succeeded in adding to our market share.

Our Brazilian operations switched to the European-developed color mixing machine concept, which has now been implemented around the world.
Considerable time and effort was invested in attempts to secure approval of our car refinishes by automotive manufacturers. In the course of the year we introduced a waterborne basecoat named Autowave® Hydrofiller®. In addition, we improved our high-solids technology, which serves to apply a base for nonmetallic topcoats. The launch of a novel series of clearcoats substantially reinforced our position in this field. The market acclaimed the introduction of our *Automatchic* device, permitting direct measurement of the color of coats applied to car bodies.

Industrial coatings

As in 1991, sales and income were adversely affected by the prevailing slackness in industrial activity, particularly the slump in auto manufacturing. Both in Europe and the United States, we screened our entire range of products. This analysis led to a number of adjustments already implemented in 1992. In coil coatings, for example, we have a strong position in the United States, but a European market share that is too small. We therefore entered into an alliance in this field with the German company Rhenania for the European market.

With The Dexter Corporation, a U.S. manufacturer, we signed a letter of intent preparatory to entering into a major alliance in the **aerospace coatings** field. Akzo is to take a 60% share in a joint venture for the supply of aerospace coatings in Europe and the rest of the world, except North and South America. For the latter two continents, Akzo's aerospace coatings activities will be transferred to The Dexter Corporation in exchange for that company's coil coatings interests. Our position in the important American coil coatings market should be significantly strengthened as a result.

With both sales and earnings above the 1991 levels, **wood coatings** in the United States did particularly well.
In the sector of general industry coatings we are increasingly focusing our resources on specialties. This shift in orientation has brought us successes in sectors including plastics coatings.

Solid progress was made on the integration and streamlining of the **powder coatings** activities acquired in late 1991. In late 1992 it was decided to merge the industrial coating systems unit and the powder coatings unit to maximize utilization of the potential synergy.

In waterborne coatings for the **automotive finishes** sector we concluded a basecoat supply contract with a large German auto manufacturer. We also commercialized a waterborne clearcoat, thus making a complete waterborne paint system available to the automotive industry.
Our application center in Gross Ingersheim, Germany, clearly meets the perceived need of several automotive manufacturers for a facility to test paint systems of various kinds.
In Brazil we entered into an alliance with U.S.-based PPG for the supply to the auto industry of cataphoresis paint products.

Synthetic resins

European sales and earnings of the synthetic resins unit failed to meet expectations. In the United States, shipments equaled the prior year's figure, while earnings were slightly ahead. Rationalization of European resin manufacturing capacities has led to redistribution and concentration.
In our previous annual report we particularly mentioned UV-curing resins as a focus of attention. Our 1992 activities in this field met with success. Both for application in surface coatings and for use in printing inks, UV-curing resin sales were up sharply.

Earnings of the joint venture Synthese Malaysia Sdn. Bhd., a producer of synthetic resins, were excellent. The capacity expansion planned in 1991 was completed.

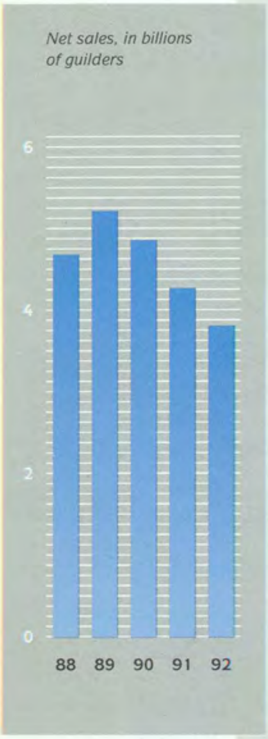
Other activities

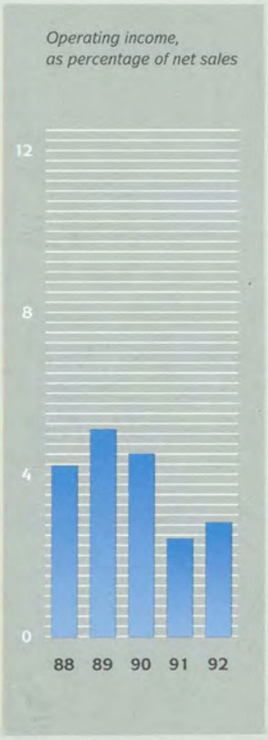
In Turkey, our joint venture Akzo-Kemipol A.S. is the market leader in automotive finishes and a major supplier of other industrial coatings. The introduction of Sikkens®-brand car refinishes is progressing smoothly.

Akzo-TVK in Hungary was checked in its growth by the cessation of orders from the former Soviet Union and a drop in building starts in Hungary. On the positive side, efforts aimed at acceptance of our automotive finishes by two branches of foreign automotive manufacturers met with success. In addition, Akzo-TVK secured the largest Hungarian bus manufacturer as a customer.

In China, the powder coatings joint venture that we took over from DSM in late 1991 recorded satisfactory sales growth. Our joint venture there in automotive finishes began operations at the end of 1992.

Replica of the construction site office of famous architect J.J.P. Oud, pioneer of the New Architecture, erected on the Sassenheim, the Netherlands, site.





Sales and earnings

Operating income of the Fibers Group aggregated Hfl 106 million, versus Hfl 102 million in 1991. Expressed as a percentage of sales, operating income was 2.8%, against 2.4.% in 1991. Sales totaled Hfl 3,802 million, down 11% from the 1991 figure of Hfl 4,262 million. This decline was caused by the divestments of engineering plastics and La Seda de Barcelona in 1991, and of color concentrates in 1992. Some compensation was afforded by the acquisition of the tire yarn operation in Scottsboro, Alabama.

Operating income for the full year barely exceeded the 1991 level. After an initial improvement relative to the second half of 1991, earnings came under increasingly heavy pressure in the third and fourth quarters of 1992. Industrial fibers afforded a higher contribution, but results for textile fibers were lower than in the previous year. A positive influence on the results of the Fibers Group was exerted by cost-cutting and productivity-boosting programs.

Fibers for textile uses

Textile fibers were faced with strong price pressure, especially in the second half of the year. This was occasioned by diminishing output for a great many of our customers. Another important cause was the currency crisis in key countries. Due to the stagnating economy, apparel sales were down in Western Europe after many years of growth. While the import surplus for textiles decreased, the overall output of the Western European textile industry declined as well.
Demand for synthetic fibers for textile applications virtually equaled that of 1991.
Fashion trends caused demand for viscose yarns for outerwear to remain at a gratifying level, but considerably less viscose was consumed for lining fabrics.
The streamlining of the viscose textile plant in Elsterberg, Germany, for whose management we are responsible by virtue of an agreement with Treuhandanstalt (the Berlin agency charged with privatizing former East German companies), went according to plan.
We made good progress on the development of the spinning technique for cellulose for textile applications using a new solvent and high spinning speeds, and started the construction of a pilot plant. Yarns spun by this sophisticated process have properties that allow them to be used for very fine silky fabrics and will help open up very attractive market segments. Another major advantage of this process is that its effect on the environment is virtually negligible.

Polyester staple fiber sales suffered from sluggishness in the cotton industry. Many of our customers implemented restructuring measures, which in most cases amounted to capacity decreases, and sometimes even to closedowns.
Sales and earnings of polyester filament yarns were adversely affected by reduced demand for outerwear and home furnishing textiles.
Textured polyester yarns (**Kuag**) were also hit by falling consumer demand in Germany's new federal states.
The market position of our breathable Sympatex® membrane for wind- and waterproof garments remained strong, although performance suffered from the slump in Europe. In addition, the effects of the long, dry summer of 1992 were felt. To increase volume sales of Sympatex® we focused on key markets outside our current market. Furthermore, the suitability of this membrane for use in footwear offers good prospects.
Polyenka S.A., Brazil, whose product line includes textured polyester yarns, improved its earnings in spite of very difficult economic conditions.

The results of operations of our joint ventures showed a varied picture. Thus, Enka de Colombia S.A. posted substantial volume gains, especially for polyester staple fibers. The financial results were satisfactory.
Enkador S.A., Ecuador, maintained its leading position in a slightly declining market and achieved satisfactory earnings.
Fibras Químicas S.A., Mexico, had a difficult year. A stagnating domestic demand and higher imports adversely affected performance across the board.
While the economy in India hardly improved, Century Enka Ltd showed a slight recovery compared with the disappointing results for 1991. In 1993, Rajashree Polyfil Ltd, India, in which Akzo holds a minority interest, will start the construction of a polyester plant.

Fibers for industrial uses

In the face of a recessionary economy, shipments of this business unit in Europe clearly rallied from the steep decline in 1991. Performance was considerably better than in 1991, reflecting adjustments of our product mix and cost control measures taken during the year.
Rayon tire yarns benefited from the developments in the car tire market. Growth was noticeable in the demand for replacement tires as well as for high-performance tires. In the latter category, rayon is the favorite reinforcing

material. Nevertheless, it is expected that rayon will be gradually replaced with high-modulus polyester yarn for use in standard tires in the Western European market. It was therefore decided to discontinue the production of industrial viscose yarns in Oberbruch, Germany, by mid-1993.

Despite the pressure exerted on prices by low dollar imports, shipments of polyester industrial yarns in Western Europe were satisfactory. In this region, we increased our share in the tire yarn market on the strength of our yarns' good quality.

For other sectors where polyester yarn is used as a reinforcing material or for industrial fabrics, developments were less propitious, mainly reflecting a decline in exports.

At the end of 1991, the industrial fibers unit strengthened its position by acquiring Goodyear's tire yarn operation in Scottsboro, Alabama. This acquisition was a logical step in our strategy to build a worldwide position in polyester yarns. The integration was quick and smooth. Expansion investments and operating results were in line with our expectations.

Akzo now ranks as the world's second producer of polyester yarns for industrial uses. We will reinforce our position in this market segment through the scheduled capacity expansion in Scottsboro, and a few minor expansions at COBAFI, Brazil, and in Western Europe.

For industrial polyester yarns, a high-speed spinning concept was successfully developed. This process will be used in Scottsboro for the manufacture of polyester tire yarns with a high dimensional stability.

Polyamide 6.6 for use in car tires and as a reinforcing material for other rubber products did not enjoy a favorable year.

Demand for low-count yarn types, however, surged. Applications of these yarns include the production of air bags, which are in high demand in Western Europe. Akzo has a strong position as market leader in the field of fibers for noncoated fabrics to be used for air bags. Moreover, this position is bolstered by patents filed worldwide.

Sales of yarns, primarily polyamide 6, for the production of ropes and nets were satisfactory.

Cost-cutting measures taken at our Brazilian company COBAFI resulted in higher earnings. The loss recorded for 1991 was turned into a modest profit.

Packaging polymers, which were transferred to the industrial fibers unit during the year, registered a good performance.

Carpet fibers

Carpet fibers remained under heavy pressure due to the collapse of the Eastern European market and an increase in fiber imports from the United States.

Early in 1992, a number of streamlining measures were announced, which are currently being implemented. The first effects are already apparent.

In January 1993, Akzo signed a letter of intent with Allied-Signal Inc., United States, to enter into an alliance in the field of carpet yarns. Allied-Signal is to take a majority interest in the company established for this purpose.

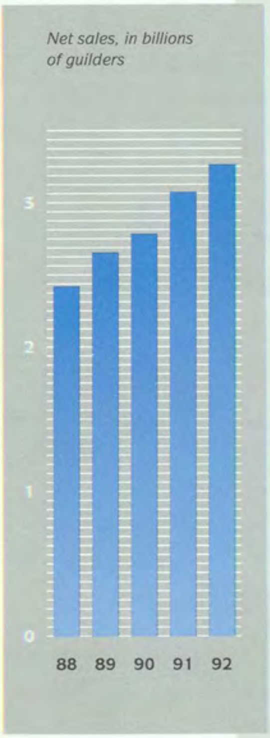
High-performance fibers

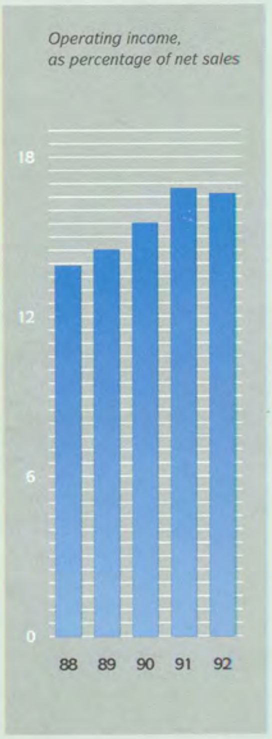
Volume sales of our Tenax® carbon fiber attained a good level. Compared with 1991, volume increased about 35% and the production capacity limit was reached. The drop in prices which set in some years ago, bottomed out. We signed a letter of intent with Toho Rayon Co. Ltd, Japan. According to this agreement Toho will take a majority interest in our carbon fiber activities in Europe.

The performance of Fortafil Fibers Inc., Rockwood, Tennessee, which specializes in carbon fibers for sporting and leisure goods, was favorable.

Sales and earnings

The Pharma Group showed a fine development in 1992. Sales for the year were up well over 6% from Hfl 3,064 million in 1991 to Hfl 3,255 million. The sales gain was achieved despite the effects of the divestiture of Organon Teknika's dialysis activities and the 1992 currency crisis. Despite the mentioned negative development of a number of currencies relative to the guilder, higher costs associated with the expansion of the marketing organization in the United States, and increased research expenditures, operating income was up to Hfl 541 million from a 1991 figure of Hfl 514 million. As a percentage of sales, operating income decreased slightly, from 16.8% in 1991 to 16.6%.





Organon — Ethical drugs

The ethical drugs unit again produced a strong performance. Sales and operating income were up significantly. Alongside the contraceptives, other gynecological products also made major contributions to sales growth.
Our leading position in the oral contraceptives field was extended further. The swift growth of the unique low-dose Mercilon® pill, which was also successfully launched in Germany, contributed substantially to this advance. For some time now, Marvelon® has been the world's most frequently prescribed oral contraceptive, with 1992 sales bringing the total number of strips supplied to 500 million.
FDA approval to market the contraceptive in the United States was obtained fairly quickly and is considered of great strategic importance. Our production facilities in Oss, the Netherlands, were FDA inspected and found to comply with very high standards of precision. In the United States, our product will be sold as Desogen®. Speedy approval of Marvelon® in Canada and Australia is expected.
Introduction of oral contraceptives in Japan continues to be debated.

We expect our activities in the field of products for use in psychiatry to rise in 1993 with the introduction of the antipsychotic drug risperidone. Our Remeron® antidepressant is awaiting registration.
The cardiovascular drug Bepricor®, an angina pectoris preparation, received approval in Japan. In other countries it is sold as Cordium®. Internationalization of our Orgaran® antithrombotic will be continued, following its 1992 launch in the Netherlands.
Our Chinese joint venture Nanjing-Organon for the production and sale of contraceptives became operational in 1992.
We also opened an information center in Moscow. These moves are intended to strengthen our worldwide presence.

The adoption of patent extension certificates by the European Community is a positive development for the innovative pharmaceutical industry. On the debit side, however, research and development are being discouraged by price controls which fail to distinguish sufficiently between drugs that have been in existence for years and new or improved drugs. In addition, the market mechanism and the transparency of prices are disturbed by a variety of measures on the part of national authorities. The developments in the various European currencies further enhanced the effect of these interventions.

Organon Teknika — Hospital supplies

Organon Teknika terminated all of its dialysis activities on October 1, 1992, and transferred them to the Swedish company Gambro AB. Despite this divestiture, the hospital supplies unit exhibited a fair development in volume and price. Mainly during the second half of the year, however, the drop in the value of currencies in important markets like the United States, Canada, the United Kingdom, Italy, and Spain exerted a negative influence.
Operating income was squeezed by a temporarily weaker product mix and higher research expenditures in connection with a number of important new products requiring intensive final development efforts.
The growth of the Norcuron® business enabled Organon Teknika to consolidate its position as leader in the muscle relaxants market. The position of Pavulon® was maintained. Health registrations were obtained for Arduan® in Belgium, Austria, Argentina, and Egypt.
In the United States, sales of our OncoTICE® bladder cancer drug developed in line with our expectations. Health registration applications for this product were filed in Australia and Sweden during the past year. Several other countries will follow in 1993. The new registrations are to constitute the basis for further growth in this market segment.
Growth in the volume of bloodscreening test sales notwithstanding, overall sales of diagnostics for clinical laboratories and blood banks were lower than expected, reflecting the negative effect of changes in exchange rates. Availability of improved AIDS and hepatitis tests should stimulate growth in 1993. In the longer term, our market position should be significantly

strengthened by the upcoming introduction of an automated test system for clinical laboratories. Our MPP 3000 system developed for blood banks will provide an immediate major stimulus to growth in this market segment.
We maintained our position in the field of blood coagulation diagnostics. In 1993 we will begin commercialization of the MDA 180 integrated test system, starting in North America.
Sales of the BacT/Alert® automated blood culture system for the diagnosis of bacterial infections flourished, notably in the United States and Canada.
In blood group serology tests we held on to our market share. An envisaged alliance with a technologically strong partner should improve our positioning.
Clinical development of a new muscle relaxant was completed in the fourth quarter of 1992. Preparations for its international registration are now in full swing.
The development of diagnostics using nucleic acid sequence based amplification (NASBA) will result in the introduction of a few manual tests in 1993, beginning with a test for the HIV virus known to cause AIDS. We propose to broaden utilization of the NASBA® technology through cooperation with third parties.

Chefaro – Nonprescription products
Sales and operating income of Chefaro rose to new highs in 1992. Sales of pregnancy tests were especially strong. The German and Japanese markets did particularly well.
In the OTC sector, the further improvement in the position of Davitamon® Total and Davitamon® Calcium vitamins in the Netherlands was a notable feature. In Germany, sales of Ibutop® analgesic cream grew in the face of keen competition.
Azaron®, a preparation to relieve itching from insect bites, has achieved broad customer recognition and is selling well in several European countries.
A new painkiller, Relian®, was introduced in the Netherlands in the fourth quarter.
Customed®, a new cough and cold remedy, was launched in Germany.
In OTC tests, as in other products, product innovation is very important in further expanding our market positions. Substantial efforts are being made both to improve existing home tests and expand their applications.

Diosynth – Raw materials for the pharmaceutical industry
Sales volume and business results of Diosynth show satisfactory growth. This applies both to shipments to other Pharma units and to trading with outside parties. The high level of production was slightly reduced by the enactment of stricter rules in the field of safety, environment, and labor hygiene, and by the lack of space at the present manufacturing location in Oss, the Netherlands. Preparations for a new chemical manufacturing location near Oss are currently proceeding at a high pace. The requisite permit applications, accompanied with the mandatory environmental impact statements, have already been filed.
In the chemical products sector, shipments were up, to Company and non-Company customers alike. This positive development enabled us to more selectively employ the available production capacity.
We further improved heparin, a biochemical product that retards blood coagulation, and demand firmed up. As a result, production was expanded. Insulins also did well. The drop in demand for human chorionic gonadotrophin, already trading at lower levels in 1991, continued into the first half of 1992; it now looks

as if demand is stabilizing at the present level. In the alkaloids field, results of the traditional products were lower. Other products compensated for the decline.

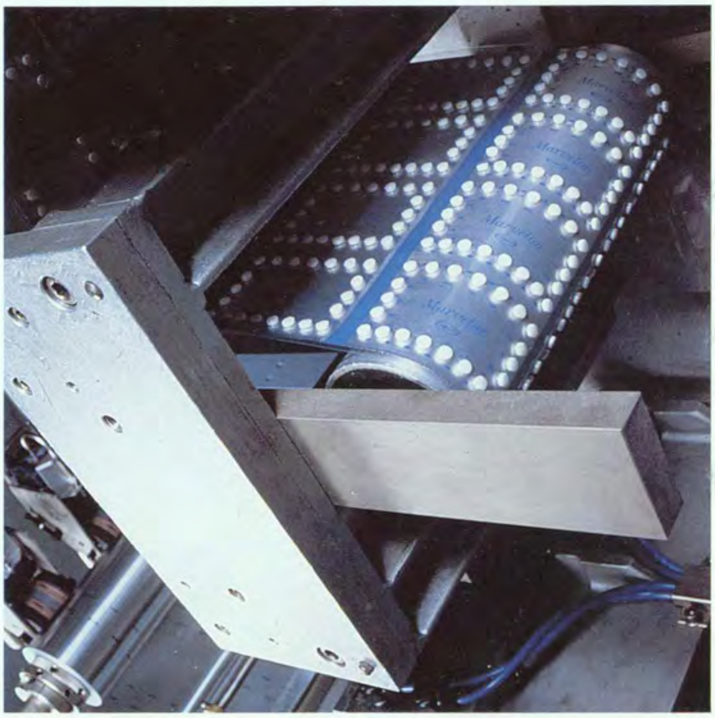
VPF — Generics

As was noted in our 1991 report, the market development of generic drugs was severely checked by governmental interference, most notably in the United States. 1992 unfortunately failed to bring any relief.
In the United Kingdom our subsidiary R.P. Drugs Ltd enjoyed prosperous growth.

Intervet — Veterinary products

Intervet once again had a good business year. In the United States and the Far East, the business unit grew at above-average rates. The relatively good international spread of Intervet's production and research facilities largely counteracted the negative effects of currency depreciations relative to the guilder. We improved our geo mix through the addition of new offices in Hungary, Poland, the Czech Republic, Hong Kong, and South Africa.
The R&D activities for veterinary preparations were stepped up. During the year, they resulted in commercialization of seven new products. A matter of concern is the increasing amount of time necessary to satisfy ever stricter requirements made by the various authorities—requirements which, moreover, differ from one country to the next. We find that many additional data have to be furnished that contribute little, if anything, to greater product safety or product improvement.

Biotechnology: The promise is beginning to be realized.



Production of Marvelon® *at Organon.*

Electronic and photonic products

Not belonging to any of the Groups, the electronic and photonic products unit pursues two activities that are closely related from a marketing point of view. One is the production and sale of printed wiring boards (PWBs) and the laminates used to make them. The other concerns photonic products, a business that still largely needs to be developed.

The electronics operations are largely organized in a U.S. joint venture with AMP Incorporated, United States. This joint venture significantly bolstered its position in 1992 through the acquisition of DEC's (Digital) PWB manufacturing company in Greenville, South Carolina. The know-how acquired, added to our existing knowledge, permits the manufacture of top-precision high-tech PWBs and panels, using a variety of technological principles.

Quality control of printed wiring boards by AMP-Akzo Corporation in the United States.

The photonic products are based on unique patented polymers intended for the optical exchange and storage of data. Two areas are targeted. One is the development, production, and marketing of optical components for the telecommunications and computer industries, which are expected to become large-scale users of optoelectronics in the future. The other area includes exploitation of the benefits of the specific polymer for optical data storage, namely high information density, user comfort, and environmental friendliness.

Together with potential customers, development programs are being set up and implemented worldwide.

STRUCTURE OF AKZO

Akzo N.V. is a Management Holding with the Board of Management as the highest executive authority. The activities are organized in product/market combinations, the so-called business units.

The business units, with the exception of Electronic Products, are combined in groups on the basis of affinity between activities.

Akzo's new organizational structure, which will become operational effective May 1, 1993, is presented below.

Akzo N.V., Arnhem, the Netherlands

Groups	*Products*	*Business units*
Chemicals Group	Salt, chlorine, alkali products, organochlor derivatives, organic amines. additives for the manufacture and processing of plastics and elastomers (rubber), functional chemicals, catalysts for the oil industry, raw materials for the detergents industry	Akzo Salt Inc. Catalysts Chlor-Alkali Delamine Detergents & Surfactants Functional Chemicals Industrial Chemicals Polymer Chemicals Polymer Processing & Paper Chemicals Rubber Chemicals Salt/Europe
Coatings Group	Paints, stains, and synthetic resins for industrial, professional, and consumer uses	Aerospace Finishes Automotive Finishes Car Refinishes Decorative Coatings Industrial Coatings Europe Industrial Coatings U.S.A. Resins Wood Coatings
Fibers Group	Fibers for industrial uses and textile uses, including carpets; high-performance fibers; membranes, nonwovens; various industrial products	Advanced Materials Carpet Fibers Enka tecnica Industrial Fibers Industrial Nonwovens Industrial Systems Kuag Membrana Textile Fibers
Pharma Group	Ethical drugs, nonprescription products, hospital supplies, diagnostics, raw materials for the pharmaceutical industry, veterinary products	Chefaro Diosynth Intervet Organon Organon Inc. Organon Teknika VPF
	Printed wiring boards, optical films, optical components for telecommunications	Electronic Products

Breakdown by geographic area

The statistics presented below, covering sales, 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 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 43.

Consolidated companies

Millions of guilders	*Net sales, by destination* **1992**	*1991*	*Net sales, by origin* **1992**	*1991*	*Operating income* **1992**	*1991*	*Invested capital ** **1992**	*1991*	*Expenditures for property, plant and equipment* **1992**	*1991*
The Netherlands	**1,467**	1,517	**5,446**	5,720	**320**	430	**3,064**	3,115	**392**	499
Germany	**2,853**	2,867	**3,489**	3,446	**182**	169	**1,681**	1,726	**178**	165
Rest of Europe	**6,009**	6,135	**2,871**	2,854	**240**	190	**1,461**	1,700	**116**	146
North America	**3,865**	3,783	**3,732**	3,577	**284**	242	**2,061**	1,943	**203**	142
Other regions	**2,656**	2,549	**1,312**	1,254	**202**	125	**685**	632	**44**	55
Total	**16,850**	16,851	**16,850**	16,851	**1,228**	1,156	**8,952**	9,116	**933**	1,007

Number of employees and ratios of consolidated companies

	Number of employees, December 31 **1992**	*1991*	*Operating income, as % of net sales *** **1992**	*1991*	*Operating income, as % of average invested capital* **1992**	*1991*
The Netherlands	**19,900**	20,500	**5.9**	7.5	**10.4**	13.7
Germany	**13,800**	14,800	**5.2**	4.9	**10.7**	10.0
Rest of Europe	**9,800**	10,700	**8.4**	6.7	**15.2**	11.0
North America	**10,700**	10,600	**7.6**	6.8	**14.2**	12.9
Other regions***	**8,300**	8,600	**15.4**	10.0	**30.7**	19.6
Total	**62,500**	65,200	**7.3**	6.9	**13.6**	12.7

* Total assets, less cash and cash equivalents, and less other current liabilities.
** By origin.
*** In appraising these ratios, due allowance should be made for the fact that operating income is to be reduced by high financing charges as a result of strong inflation.

Nonconsolidated companies						
		Net sales, by origin		*Invested capital **		*Number of employees December 31*
Millions of guilders	***1992***	*1991*	***1992***	*1991*	***1992***	*1991*
Europe	**1,190**	1,250	**1,110**	1,150	**1,000**	1,000
North America	**140**	150	**110**	80	**1,100**	700
Latin America	**800**	800	**750**	630	**4,900**	5,300
Other regions	**910**	930	**620**	600	**4,500**	4,500
Total	**3,040**	3,130	**2,590**	2,460	**11,500**	11,500

Any appraisal of sales and earnings by geographic area must allow for the effect of the lower U.S. dollar. The average rate for the translation of this currency was 6% down from 1991. In dollar terms, sales of our consolidated *North American* activities increased approximately 10%.
Operating income as a percentage of sales increased from 6.8% to 7.6%.

Aggregate sales of the consolidated companies in *Europe* stood at Hfl 11.8 billion, a decrease of 2% relative to 1991.

Operating income as a percentage of sales was down from 6.6% to 6.3%.

A substantial part of our consolidated activities in the *other regions* is centered in Brazil. Our performance there was better than in 1991, although the overall economic situation remained precarious.

Arnhem, February 23, 1993

The Board of Management

1992 net sales, by origin and by destination (billions of guilders)

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

Cogeneration facility under construction on Arnhem's Kleefse Waard site.

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 shown on pages 48 through 55 are based on historical cost. Current-value data are furnished by way of supplementary information on page 56.

Translation of foreign currencies

In the balance sheet, amounts in foreign currencies are translated into guilders at rates virtually equaling the rates of exchange applying at year's end. Where foreign exchange contracts have been concluded for long-term debt, 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 rates of exchange fixed for each quarter as typical of the rates then applicable.
Foreign exchange differences are included in income, except for foreign exchange differences resulting from translation into guilders of intercompany loans and of stockholders' equities of affiliated companies outside the Netherlands; the latter differences are directly added to, or deducted from, equity.
However, before being translated into guilders, the financial statements of affiliated companies established in hyperinflationary countries are adjusted to reflect 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	**1992**	1991	**1992***	1991*
U.S. $	1	**1.81**	1.71	**1.76**	1.87
DM	1	**1.12**	1.13	**1.13**	1.13
£ stg	1	**2.75**	3.20	**3.08**	3.30
Fr. fr.	1	**0.33**	0.33	**0.33**	0.33
Sw. fr.	1	**1.25**	1.26	**1.25**	1.30
Belg. fr.	100	**5.47**	5.47	**5.47**	5.47
Sp. pes.	100	**1.58**	1.77	**1.72**	1.80
Yen	100	**1.45**	1.37	**1.39**	1.40

* Period averages.

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 likewise 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 deemed 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 deemed 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 transferred 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 balance sheet

after allocation of profit

See notes on pages 51 through 54.

Millions of guilders, December 31		1992		1991
Assets				
Fixed assets				
Property, plant and equipment		**5,853.1**		5,864.4
Financial fixed assets				
– Nonconsolidated companies	**1,238.8**		862.1	
– Other financial fixed assets	**119.3**		139.9	
		1,358.1		1,002.0
		7,211.2		6,866.4
Current assets				
Inventories	**2,796.6**		2,788.9	
Receivables	**2,955.8**		3,117.3	
Cash and cash equivalents	**658.9**		811.5	
		6,411.3		6,717.7
Total		**13,622.5**		13,584.1
Equity and liabilities				
Equity				
Akzo N.V. stockholders' equity	**5,078.0**		4,762.3	
Minority interest	**140.9**		141.9	
		5,218.9		4,904.2
Provisions		**2,425.2**		2,426.3
Long-term debt				
Subordinated loans			23.0	
Other long-term borrowings	**1,799.5**		1,794.4	
		1,799.5		1,817.4
Current liabilities				
Short-term borrowings	**1,406.1**		1,642.4	
Other current liabilities	**2,772.8**		2,793.8	
		4,178.9		4,436.2
Total		**13,622.5**		13,584.1

Consolidated statement of income

See notes on pages 54 and 55.

Millions of guilders		1992		1991
Net sales		16,850.1		16,851.2
Cost of sales		(10,584.8)		(10,770.0)
Gross margin		6,265.3		6,081.2
Selling expenses	(3,227.7)		(3,116.3)	
Research and development expenses	(929.0)		(895.5)	
General and administrative expenses	(919.7)		(955.2)	
Miscellaneous revenue from operations	39.3		41.3	
		(5,037.1)		(4,925.7)
Operating income		1,228.2		1,155.5
Financing charges		(278.0)		(276.4)
Operating income less financing charges		950.2		879.1
Taxes		(285.3)		(264.2)
Earnings of consolidated companies from normal operations, after taxes		664.9		614.9
Earnings from nonconsolidated companies		66.1		64.4
Earnings from normal operations, after taxes		731.0		679.3
Extraordinary items after taxes		(66.1)		(111.1)
Earnings before minority interest		664.9		568.2
Minority interest		(18.5)		11.7
Net income		646.4		579.9

Consolidated statement of cash flows

See notes on page 55.

Millions of guilders		1992		1991
Earnings before minority interest	665		568	
Depreciation	871		878	
Cash flow		1,536		1,446
Other adjustments to reconcile earnings to cash provided from operations:				
Book profit on sale of interests	(51)		(125)	
Earnings from nonconsolidated companies	(74)		(74)	
Dividends from nonconsolidated companies	108		80	
Changes in provisions	15		84	
Other changes	54		23	
		52		(12)
Change in working capital*		(110)		(308)
Net cash provided by operations		1,478		1,126
Expenditures for property, plant and equipment	933		1,007	
Investments in nonconsolidated companies	260		157	
Acquisition of consolidated companies	39		542	
Proceeds from sale of interests	(179)		(440)	
Other changes	8		(75)	
Net cash used for investments		1,061		1,191
		417		(65)
Dividends paid	(316)		(305)	
Issuance of stock	5		179	
New borrowings	371		98	
Repayment of long-term debt	(377)		(470)	
Changes in short-term borrowings	(252)		559	
Net cash provided by financing activities		(569)		61
		(152)		(4)
Effect of exchange rate changes on cash and cash equivalents		(1)		–
Change in cash and cash equivalents		(153)		(4)
Cash and cash equivalents at beginning of year		812		816
Cash and cash equivalents at end of year		659		812

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

General

Affiliated companies

The principal affiliated companies at December 31, 1992, are listed on pages 68 and 69.
A list of affiliated companies, drawn up in conformity with sections 379 and 414 of Book 2 of the Dutch Civil Code, has been filed with the Trade Registry of Arnhem.

Changes in consolidated interests

In 1992 the interests of the Fibers Group in color concentrates and plastics additives, the interest of the Chemicals Group in France-based Produits Chimiques Auxiliaires et de Synthèse S.A., and the dialysis activities of Organon Teknika (Pharma Group) were divested. There were no other changes of significance to the financial statements.

Consolidated balance sheet

Property, plant and equipment

Millions of guilders	Total	Buildings and land	Plant equipment and machinery	Other equipment	Con-struction in progress and prepaid projects	Assets not used in the production process
Situation at December 31, 1991						
Cost of acquisition	14,452.3	3,213.8	9,106.6	1,357.7	562.6	211.6
Depreciation	(8,587.9)	(1,438.3)	(6,080.9)	(924.1)		(144.6)
Book value	5,864.4	1,775.5	3,025.7	433.6	562.6	67.0
Changes in book value						
Acquisitions and disposal of interests	(46.0)	(9.8)	(35.7)	0.1		(0.6)
Capital expenditures	932.6	228.6	585.3	139.6	(23.1)	2.2
Depreciation	(870.5)	(118.3)	(599.3)	(151.9)		(1.0)
Additional write-offs	(21.0)	(1.3)	(18.8)	(0.1)		(0.8)
Disinvestments	(34.6)	(8.3)	(19.8)	(6.2)		(0.3)
Changes in exchange rates	26.2	17.0	7.9	(0.3)		1.6
Other changes	2.0	(6.7)	(11.5)	4.8		15.4
Total changes in 1992	(11.3)	101.2	(91.9)	(14.0)	(23.1)	16.5
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**

The book value of property, plant and equipment financed by installment buying and leasing was approximately Hfl 21 million at December 31, 1992 (at December 31, 1991: approximately Hfl 26 million).

Given their comparatively slight magnitude, preparation and start-up expenses, carried at Hfl 0.6 million at December 31, 1992 (at December 31, 1991: Hfl 0.2 million), were included in property, plant and equipment.

Financial fixed assets

Millions of guilders	Total	Non-consolidated companies	Loans to non-consolidated companies	Other financial fixed assets
Situation at December 31, 1991	1,002.0	725.1	137.0	139.9
Investments	286.3	45.8	213.8	26.7
Disinvestments	(53.6)	(5.3)	(0.2)	(48.1)
Conversion of short-term receivable into loan	150.0		150.0	
Equity in 1992 earnings	73.7	73.7		
Dividends received	(107.6)	(107.6)		
Changes in exchange rates	7.3	5.6	0.9	0.8
Situation at December 31, 1992	**1,358.1**	**737.3**	**501.5**	**119.3**

Some Akzo companies are general partners in a number of partnerships that are included in the balance sheet under nonconsolidated companies. Akzo's equity in the capital of these partnerships was Hfl 246 million at year-end 1992 (at December 31, 1991: Hfl 223 million). Akzo's equity in 1992 earnings was Hfl 13 million, against a negative amount of Hfl 1 million in 1991.
The loans given to these partnerships, amounting to Hfl 476 million at year-end 1992 (at December 31, 1991: Hfl 116 million), are also included in this balance sheet item. At year-end 1992, these partnerships accounted for Hfl 78 million of short-term receivables from nonconsolidated companies and for Hfl 18 million of short-term debt to nonconsolidated companies (at December 31, 1991: Hfl 244 million and Hfl 12 million, respectively).

Inventories

Millions of guilders	1992	1991
Raw materials and supplies	**724.1**	736.2
Work in process	**522.4**	529.9
Finished products and goods for resale	**1,544.6**	1,519.6
Inventory prepayments	**5.5**	3.2
	2,796.6	2,788.9

Receivables

Millions of guilders	1992	1991
Trade receivables	**2,419.8**	2,375.0
Receivables from nonconsolidated companies	**109.5**	292.8
Other receivables	**560.2**	580.7
	3,089.5	3,248.5
Discounted portion	**(133.7)**	(131.2)
	2,955.8	3,117.3

For details on receivables from nonconsolidated companies see the notes to the financial fixed assets on this page.

Cash and cash equivalents

Millions of guilders	1992	1991
Short-term investments	**377.8**	607.1
Cash on hand and in banks	**281.1**	204.4
	658.9	811.5

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, 1991	4,762.3	141.9
Issuance of stock	4.7	
Retained earnings	347.5	1.5
Changes in minority interest in subsidiaries		(1.8)
Goodwill	(27.7)	
Changes in exchange rates	(8.8)	(0.7)
Situation at December 31, 1992	**5,078.0**	**140.9**

For details on changes in Akzo N.V. stockholders' equity see the notes on page 59 to the Akzo N.V. balance sheet.

Provisions

Millions of guilders	1992	1991
Deferred taxes	**362.7**	373.7
Pension rights	**1,221.6**	1,165.5
Other provisions	**840.9**	887.1
	2,425.2	2,426.3

The current portion of provisions amounted to approximately Hfl 399 million (at December 31, 1991: approximately Hfl 335 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, 1992, as at December 31, 1991, 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.

Other long-term borrowings

Millions of guilders	1992	1991
Debentures		
– issued by Akzo N.V.	**1,105.3**	1,016.5
– issued by consolidated companies	**29.7**	38.3
Private borrowings	**281.9**	305.8
Debt to credit institutions	**253.0**	294.4
Other borrowings	**129.6**	139.4
	1,799.5	1,794.4

Aggregate maturities are as follows:

Millions of guilders	1993	1994/ 1997	after 1997
Debentures			
– issued by Akzo N.V.	280.2	400.0	425.1
– issued by consolidated companies	2.8	13.8	13.1
Private borrowings	7.3	29.7	244.9
Debt to credit institutions	102.7	146.1	4.2
Other borrowings	57.5	43.5	28.6
	450.5	633.1	715.9

In 1992 the average interest rate was 7.1% (1991: 7.3%).
Private borrowings and debt to credit institutions have been secured to an aggregate amount of Hfl 61 million (at December 31, 1991: Hfl 78 million) by means of mortgages, etc.

The total amount of long-term credit facilities arranged by Akzo but not yet utilized was approximately Hfl 995 million at December 31, 1992 (at December 31, 1991: approximately Hfl 940 million).
For details on debentures issued by Akzo N.V. see the notes to the Akzo N.V. balance sheet on page 60.

Short-term borrowings

Millions of guilders	1992	1991
Commercial paper	**891.4**	744.1
Debt to credit institutions	**514.7**	898.3
	1,406.1	1,642.4

Other current liabilities

Millions of guilders	1992	1991
Prepayments by customers	**4.9**	3.5
Debt to suppliers	**1,367.8**	1,433.1
Debt to non-consolidated companies	**48.6**	34.4
Taxes and social security contributions	**403.3**	372.6
Dividends	**232.3**	232.0
Pensions	**46.6**	14.2
Other liabilities	**669.3**	704.0
	2,772.8	2,793.8

For details on debt to nonconsolidated companies see the notes to the financial fixed assets on page 52.

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 145 million at December 31, 1992.
At December 31, 1991, these commitments totaled Hfl 162 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 1993, these liabilities will require total payments of Hfl 98 million (1992: Hfl 103 million).

Guarantees in behalf of nonconsolidated companies totaled Hfl 56 million (at December 31, 1991: Hfl 108 million).

As general partners in several partnerships, Akzo companies are liable for obligations incurred by these partnerships. At December 31, 1992, the risk ensuing from these liabilities was Hfl 67 million (at December 31, 1991: Hfl 66 million).

Consolidated statement of income

Net sales

per Group

Millions of guilders	1992	1991
Chemicals Group	**5,679**	5,737
Coatings Group	**4,141**	3,851
Fibers Group	**3,802**	4,262
Pharma Group	**3,255**	3,064
Other activities and intercompany deliveries*	**(27)**	(63)
	16,850	16,851

Areas of destination

Millions of guilders	1992	1991
The Netherlands	**1,467**	1,517
Germany	**2,853**	2,867
Rest of Europe	**6,009**	6,135
North America	**3,865**	3,783
Other regions	**2,656**	2,549
	16,850	16,851

Financing charges

Millions of guilders	1992	1991
Interest received and similar income	**80.0**	90.6
Interest paid and similar expenses	**(358.0)**	(367.0)
	(278.0)	(276.4)

Interest paid decreased by Hfl 26 million (1991: Hfl 41 million) due to the capitalization of financing expenses of capital investment projects under construction.

Taxes on operating income less financing charges

Taxes averaged 30.0% (1991: 30.1%). Because of loss compensation facilities a portion of income was not included in taxable income.

Earnings from nonconsolidated companies

Earnings from nonconsolidated companies are net of a tax charge of Hfl 6.8 million in 1992 and a tax charge of Hfl 9.8 million in 1991.

Extraordinary items after taxes

Millions of guilders	1992	1991
Extraordinary gains	**50.9**	187.7
Extraordinary losses	**(175.0)**	(382.6)
Extraordinary items	**(124.1)**	(194.9)
Taxes	**58.0**	83.8
	(66.1)	(111.1)

The 1992 extraordinary items mainly relate to book profits on divestments and extraordinary charges due to restructuring.

* Given the minor importance of other activities (1992 sales: Hfl 140 million; 1991 sales: Hfl 143 million), they have been combined with intercompany deliveries.

Salaries, wages, and social charges

Millions of guilders	1992	1991
Salaries and wages	**4,100.5**	4,150.9
Pension costs	**400.6**	294.4
Other social charges	**627.9**	646.2
	5,129.0	5,091.5

Employees

Average number of employees	1992	1991
Chemicals Group	**13,400**	14,400
Coatings Group	**15,000**	14,500
Fibers Group	**20,100**	23,500
Pharma Group	**13,600**	13,200
Other units	**1,700**	1,600
	63,800	67,200
Number of employees at December 31	**62,500**	65,200

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 1992 balance sheet items	132	(1)	(18)	(236)
Eliminations:				
Changes in exchange rates	(16)	2	3	(14)
Changes in consolidation	(76)	14	9	(2)
Other eliminations	(150)**			
Changes in 1992 financial position	(110)	15	(6)***	(252)

* Inventories and receivables less other current liabilities, exclusive of dividends.
** Conversion of short-term receivable from nonconsolidated company into loan.
*** Balance of new borrowings (Hfl 371 million) and repayments (Hfl 377 million).

Supplementary information on the basis of current value

In the valuation and determination of income on the basis of current value the following additional accounting policies are used:

Property, plant and equipment

– The current value of land is approximated on the basis of appraisals.

– The current value of the other property, plant and equipment is computed using indexes from external sources in the principal countries of establishment, with adjustments for the estimated decrease in value as a result of technological advances. In cases where the current value exceeds the value to the business, the latter value is used.

– Deferred taxes resulting from the revaluation of property, plant and equipment not yet realized are shown under provisions.

– To calculate depreciation on the basis of current value the same percentages are used as for depreciation on the basis of historical cost.

– The difference between depreciation on the basis of current value and depreciation on the basis of historical cost is treated as additional depreciation.

Inventories

– Inventories are shown at historical cost, unless there is a material difference with the current value at the balance sheet date.

– The difference between current value and historical cost of the inventories consumed is treated as inventory results.

Gearing adjustment

– To the extent that fixed assets and inventories are considered to be financed with debt, additional depreciation and inventory results are not included in net income.

Condensed consolidated balance sheet

Millions of guilders	1992	1991
Assets		
Fixed assets on the basis of historical cost	**7,211**	6,866
Revaluation of fixed assets	**930**	862
Fixed assets on the basis of current value	**8,141**	7,728
Current assets	**6,411**	6,718
Total	**14,552**	14,446
Equity and liabilities		
Stockholders' equity	**5,674**	5,328
Minority interest	**151**	149
Equity	**5,825**	5,477
Provisions	**2,749**	2,715
Debt	**5,978**	6,254
Total	**14,552**	14,446

Summarized consolidated income data

Millions of guilders	1992	1991
Net sales	**16,850**	16,851
Operating income on the basis of historical cost	**1,228**	1,156
Adjustment of operating income to current value		
– Inventory results	**(28)**	16
– Additional depreciation	**(53)**	(68)
Operating income on the basis of current value	**1,147**	1,104
As percentage of net sales	**6.8**	6.6
Net income on the basis of historical cost	**646**	580
Adjustment of operating income to current value	**(81)**	(52)
Gearing adjustment	**38**	26
Adjustments for non-consolidated companies and minority interest	**(2)**	(1)
Net income on the basis of current value	**601**	553

Akzo N.V. balance sheet

after allocation of profit

See notes on pages 58 through 60.

Millions of guilders, December 31		1992		1991
Assets				
Fixed assets				
Financial fixed assets		**7,316.4**		7,104.4
Current assets				
Receivables	**106.9**		145.5	
Cash and cash equivalents	**222.2**		347.8	
		329.1		493.3
Total		**7,645.5**		7,597.7
Stockholders' equity and liabilities				
Stockholders' equity				
Subscribed stock	**920.0**		919.3	
Additional paid-in capital	**1,573.5**		1,569.5	
Statutory reserves	–		–	
Other reserves	**2,584.5**		2,273.5	
		5,078.0		4,762.3
Long-term debt		**2,026.1**		1,774.4
Current liabilities		**541.4**		1,061.0
Total		**7,645.5**		7,597.7

Akzo N.V. statement of income

See notes on page 60.

Millions of guilders	1992	1991
Net income from affiliated companies	**591.4**	620.2
Other net income	**55.0**	(40.3)
Net income	**646.4**	579.9

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 46 and 47.
Thus stockholders' equity and net income are equal to stockholders' equity and net income as shown in the consolidated financial statements on pages 48 and 49. 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.

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 assets
Situation at December 31, 1991	7,104.4	4,189.6	2,788.5	125.5	0.8
Investments/disinvestments	14.8	14.8			
Equity in 1992 earnings	591.4	575.7		15.7	
Dividends received	(568.4)	(547.1)		(21.3)	
Loans granted	578.5		578.5		
Repayment of loans	(367.8)		(367.8)		
Changes in exchange rates	(8.8)	(5.4)	(0.6)	(2.8)	
Goodwill	(27.7)	(27.7)			
Situation at December 31, 1992	**7,316.4**	**4,199.9**	**2,998.6**	**117.1**	**0.8**

Receivables

Millions of guilders	1992	1991
Receivables from consolidated companies	**10.4**	40.9
Taxes	**62.3**	65.2
Other receivables	**34.2**	39.4
	106.9	145.5

Cash and cash equivalents

Millions of guilders	1992	1991
Short-term investments	**220.2**	323.0
Cash on hand and in banks	**2.0**	24.8
	222.2	347.8

* 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, 1991	919.3	1,569.5	–	2,273.5	4,762.3
Issuance of common stock due to exercise of options	0.7	4.0			4.7
Retained earnings				347.5	347.5
Goodwill				(27.7)	(27.7)
Changes in exchange rates in respect of affiliated companies				(8.8)	(8.8)
Situation at December 31, 1992	**920.0**	**1,573.5**	–	**2,584.5**	**5,078.0**

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 45,995,972 shares of common stock. In 1992, 35,000 shares of common stock were issued due 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 945 million of additional paid-in capital (at December 31, 1991: Hfl 942 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 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.

Options*

Year of issue	Number of options granted	Options outstanding at December 31, **1992**	Options outstanding at December 31, 1991	Exercise price in Hfl	Expiry date
1990	80,543	**34,574**	70,592	120.40	May 4, 1995
1991	58,607	**24,015**	52,004	115.10	April 29, 1996
1992	46,897	**46,897**	–	164.50	May 5, 1997
	186,047	**105,486**	122,596		

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

Long-term debt

Millions of guilders	1992	1991
Debentures	**1,105.3**	1,016.5
Debt to consolidated companies	**875.9**	711.3
Private borrowings	**0.6**	0.7
Other borrowings	**44.3**	45.9
	2,026.1	1,774.4

Debentures

Millions of guilders	1992	1991
10¾% 1982/88-92		20.0
6¼% 1988/95	**200.0**	200.0
4⅝% 1988/98 (Sfr)	**124.6**	126.2
6 % 1988/96	**200.0**	200.0
5⅜% 1988/93 (DM)	**224.9**	225.4
14⅝% 1989/92 (A$)		104.5
14⅜% 1989/92 (A$)		73.4
8⅛% 1990/93 (Sfr)	**55.3**	66.5
8 % 1992/2002	**300.0**	
Employee debentures	**0.5**	0.5
	1,105.3	1,016.5

The liabilities arising from the Sfr (1990/93) debenture issue were swapped to liabilities in U.S. dollars on which interest is payable at a floating rate related to LIBOR.

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 9.5% in 1992 (1991: 9.4%).

Private and other borrowings
Aggregate maturities are as follows:

Millions of guilders	1993	1994/ 1997	after 1997
Private borrowings	0.1	0.4	0.1
Other borrowings	42.5		1.8

The average rate of interest was 9.0% (1991: 8.4%).

Current liabilities

Millions of guilders	1992	1991
Debt to credit institutions	**46.3**	573.3
Commercial paper	**71.1**	146.1
Debt to consolidated companies	**45.3**	31.5
Dividend	**232.3**	232.0
Other liabilities	**146.4**	78.1
	541.4	1,061.0

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, 1992 aggregating approximately Hfl 1.7 billion (at December 31, 1991: 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 1.6 billion (1991: Hfl 1.5 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 in behalf of nonconsolidated companies amounted to Hfl 56 million (1991: Hfl 108 million).

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 1992, remuneration including pension expense amounted to Hfl 3,430,000 (1991: Hfl 4,797,000) for members and former members of the Board of Management, and to Hfl 725,000 (1991: Hfl 685,000) for members and former members of the Supervisory Council. These amounts were charged to Akzo N.V. and its subsidiaries.

Arnhem, February 23, 1993

The Board of Management

A.A. Loudon
C.J.A. van Lede
M.D. Westermann

The Supervisory Council

G. Kraijenhoff
F.H. Fentener van Vlissingen
H. Kopper
A. Batenburg
A.E. Cohen
J.G.A. Gandois
H.H. van den Kroonenberg
H.A. van Stiphout
C. van Veen
L.C. van Wachem
H.G. Zempelin

Auditors' report

We have audited the foregoing financial statements of Akzo N.V. for the year 1992.
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, 1992, 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, 1993

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		1992
Net income		646,400,000
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	298,921,318	
		298,924,198
To be carried to "other reserves"		347,475,802

Following the acceptance of this proposal, the 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. 40 from May 17, 1993.

Special rights to holders of priority stock

The priority stock is held by "Akzo-stichting" (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.

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.

Consolidated balance sheet

Millions of guilders	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Property, plant and equipment	**5,853**	5,864	5,884	5,911	5,558	4,795	4,330	3,843	4,208	3,840
Financial fixed assets	**1,358**	1,002	959	852	847	792	660	622	610	611
Fixed assets	**7,211**	6,866	6,843	6,763	6,405	5,587	4,990	4,465	4,818	4,451
Inventories	**2,797**	2,789	2,865	2,952	2,997	2,568	2,586	2,691	2,653	2,457
Receivables	**2,956**	3,117	3,157	3,684	3,125	2,733	2,768	3,114	2,893	2,701
Cash and cash equivalents	**659**	812	816	885	951	926	1,084	1,485	1,067	1,206
Current assets	**6,412**	6,718	6,838	7,521	7,073	6,227	6,438	7,290	6,613	6,364
Total assets	**13,623**	13,584	13,681	14,284	13,478	11,814	11,428	11,755	11,431	10,815
Subscribed capital	**920**	919	888	867	805	804	803	796	789	664
Additional paid-in capital	**1,574**	1,570	1,422	1,435	1,257	1,254	1,247	1,120	1,087	740
Statutory reserves	–	–	–	–	–	–	438*	372*	300*	–
Other reserves	**2,584**	2,273	2,332	2,197	2,228	1,754	1,823*	1,854*	1,838*	1,563
Stockholders' equity	**5,078**	4,762	4,642	4,499	4,290	3,812	4,311	4,142	4,014	2,967
Minority interest	**141**	142	192	232	235	217	354	353	170	120
Equity	**5,219**	4,904	4,834	4,731	4,525	4,029	4,665	4,495	4,184	3,087
Provisions	**2,425**	2,426	2,537	2,303	2,207	2,266	2,005	2,003	1,729	1,535
Subordinated loans		23	53	84	115	145	167	184	203	221
Other long-term borrowings	**1,800**	1,795	2,030	2,341	2,114	1,194	1,438	1,678	2,169	3,132
Long-term debt	**1,800**	1,818	2,083	2,425	2,229	1,339	1,605	1,862	2,372	3,353
Short-term borrowings	**1,406**	1,642	1,167	1,535	1,436	1,525	405	439	430	349
Other current liabilities	**2,773**	2,794	3,060	3,290	3,081	2,655	2,748	2,956	2,716	2,491
Current liabilities	**4,179**	4,436	4,227	4,825	4,517	4,180	3,153	3,395	3,146	2,840
Total equity and liabilities	**13,623**	13,584	13,681	14,284	13,478	11,814	11,428	11,755	11,431	10,815
*Invested capital***										
Of consolidated companies	**8,952**	9,116	9,026	9,410	8,743	7,603	7,061	6,832	7,203	6,666
In nonconsolidated companies	**1,239**	862	779	699	703	630	535	482	445	452
Total	**10,191**	9,978	9,805	10,109	9,446	8,233	7,596	7,314	7,648	7,118
Property, plant and equipment										
Capital expenditures	**933**	1,007	1,129	1,297	1,270	1,095	1,106	1,008	784	625
Depreciation	**871**	878	867	852	751	668	577	608	576	584
Ratios										
Net sales : invested capital	**1.87**	1.86	1.87	2.06	2.03	2.12	2.25	2.57	2.38	2.23
Equity : debt	**0.62**	0.57	0.55	0.50	0.51	0.52	0.69	0.62	0.58	0.40
Equity : fixed assets	**0.72**	0.71	0.71	0.70	0.71	0.72	0.93	1.01	0.87	0.69
Inventories and receivables : other current liabilities	**2.07**	2.11	1.97	2.02	1.99	2.00	1.95	1.96	2.04	2.07

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

Consolidated statement of income

Millions of guilders	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Net sales	**16,850**	16,851	17,246	18,736	16,581	15,535	15,615	18,010	16,520	15,085
Operating income	**1,228**	1,156	1,261	1,713	1,424	1,181	1,465	1,465	1,340	843
Financing charges	**(278)**	(277)	(368)	(324)	(255)	(147)	(106)	(185)	(285)	(341)
Taxes on operating income less financing charges	**(285)**	(264)	(280)	(507)	(409)	(367)	(478)	(465)	(369)	(73)
Earnings from nonconsolidated companies	**66**	64	103	86	123	53	17	98	123	110
Earnings from normal operations, after taxes	**731**	679	716	968	883	720	898	913	809	539
Extraordinary items after taxes	**(66)**	(111)	(64)	12	(11)	273	23	3	(35)	(102)
Earnings before minority interest	**665**	568	652	980	872	993	921	916	774	437
Minority interest	**(19)**	12	11	(26)	(29)	(51)	(79)	(73)	(22)	(9)
Net income	**646**	580	663	954	843	942	842	843	752	428
Common stock, in thousands of shares of Hfl 20	**45,996**	45,961	44,421	43,324	40,241	40,208	40,138	39,755	39,427	33,151
Dividend	**299**	299	289	347*	302*	265	265	262	236	133
Per common share of Hfl 20, in guilders										
Net income	**14.05**	12.62	14.93	22.02	20.94	23.43	20.96	21.21	19.06	12.91
Dividend	**6.50**	6.50	6.50	8.00	7.50	6.60	6.60	6.60	6.00	4.00
Stockholders' equity	**110.40**	103.62	104.50	103.84	106.61	94.80	107.40	104.16	101.80	89.48
Adjusted for common stock issues										
Net income	**14.05**	12.62	14.93	21.97	20.83	23.31	20.85	21.10	18.96	12.78
Dividend	**6.50**	6.50	6.50	7.98	7.46	6.57	6.57	6.57	5.97	3.96
Stockholders' equity	**110.40**	103.62	104.50	103.62	106.06	94.31	106.85	103.62	101.28	88.57
Number of employees at December 31	**62,500**	65,200	69,800	70,900	71,100	67,400	68,400	65,000	66,100	66,300
Salaries, wages, and social charges	**5,129**	5,092	5,068	5,308	4,889	4,627	4,439	4,641	4,292	4,303
Ditto, as % of net sales	**30.4**	30.2	29.4	28.3	29.5	29.8	28.4	25.8	26.0	28.5
Ratios										
Operating income, as percentage of net sales	**7.3**	6.9	7.3	9.1	8.6	7.6	9.4	8.1	8.1	5.6
Operating income, as percentage of invested capital	**13.6**	12.7	13.7	18.9	17.4	16.1	21.1	20.9	19.3	12.4
Net income, as percentage of stockholders' equity	**13.1**	12.3	14.5	21.7	20.8	23.2	19.9	20.7	21.5	15.7

Figures on a current-value basis

	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Per common share of Hfl 20, in guilders										
Net income	**13.07**	12.03	13.96	20.10	18.07	21.56	21.08	18.49	16.36	9.26
Stockholders' equity	**123.36**	115.92	118.71	120.90	127.83	115.00	126.00	123.41	123.50	113.40

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

Group statistics*

Millions of guilders	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
Net sales										
Chemicals Group	**5,679**	5,737	5,760	6,420	6,020	4,651	4,332	5,155	4,800	4,097
Coatings Group	**4,141**	3,851	3,929	3,659	2,794	2,415	2,314	2,171	1,973	1,796
Fibers Group	**3,802**	4,262	4,852	5,210	4,678	4,291	4,513	4,835	4,587	3,982
Pharma Group	**3,255**	3,064	2,775	2,647	2,412	2,218	2,239	2,138	1,849	1,647
Other activities and intercompany deliveries	**(27)**	(63)	(70)	(137)	(107)	(136)	(103)	(66)	(62)	(14)
	16,850	16,851	17,246	17,799	15,797	13,439	13,295	14,233	13,147	11,508
Divested operations**				937	784	2,096	2,320	3,777	3,373	3,577
Net sales	**16,850**	16,851	17,246	18,736	16,581	15,535	15,615	18,010	16,520	15,085
Operating income										
Chemicals Group	**360**	328	379	703	700	470	421	474	403	193
Coatings Group	**253**	221	251	281	210	164	132	130	144	143
Fibers Group	**106**	102	218	268	195	129	350	404	372	146
Pharma Group	**541**	514	429	383	335	330	350	355	306	260
Other activities and nonallocated items	**(32)**	(9)	(16)	14	(56)	(57)	(8)	(60)	(58)	(37)
	1,228	1,156	1,261	1,649	1,384	1,036	1,245	1,303	1,167	705
Divested operations**				64	40	145	220	162	173	138
Operating income	**1,228**	1,156	1,261	1,713	1,424	1,181	1,465	1,465	1,340	843
Invested capital										
Chemicals Group	**3,406**	3,476	3,461	3,607	3,455	2,765	2,386	2,393	2,362	2,025
Coatings Group	**1,903**	1,879	1,683	1,708	1,291	1,089	1,070	894	738	653
Fibers Group	**2,193**	2,372	2,735	2,750	2,464	2,329	2,149	2,082	1,978	1,969
Pharma Group	**1,616**	1,484	1,338	1,330	1,390	1,152	1,069	987	809	772
Other activities and nonallocated items	**(166)**	(95)	(191)	(337)	(169)	3	(151)	(86)	(73)	(14)
	8,952	9,116	9,026	9,058	8,431	7,338	6,523	6,270	5,814	5,405
Divested operations**				352	312	265	538	562	1,389	1,261
Invested capital	**8,952**	9,116	9,026	9,410	8,743	7,603	7,061	6,832	7,203	6,666

* Figures for 1983 through 1988 restated for comparison.
** Relates to Consumer Products Division, American Enka, Brand-Rex, and Barmag.

Regional statistics

Millions of guilders	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983
The Netherlands										
Net sales by:										
– destination	**1,467**	1,517	1,532	1,612	1,706	1,948	1,902	1,988	1,836	1,675
– origin	**5,446**	5,720	5,809	6,156	6,022	5,763	5,721	6,234	5,772	5,106
Operating income	**320**	430	411	605	601	496	546	568	453	229
Expenditures for property, plant and equipment	**392**	499	524	493	465	451	442	424	286	283
Invested capital*	**3,064**	3,115	3,185	2,853	2,902	2,783	2,657	2,560	2,414	2,293
Number of employees*	**19,900**	20,500	22,100	22,300	22,700	22,500	23,900	23,100	22,400	22,000
Germany										
Net sales by:										
– destination	**2,853**	2,867	2,957	2,894	2,692	2,613	2,602	2,605	2,493	2,340
– origin	**3,489**	3,446	3,602	4,595	4,179	3,959	4,251	4,419	4,130	3,580
Operating income	**182**	169	209	341	261	240	433	384	370	178
Expenditures for property, plant and equipment	**178**	165	195	309	282	232	273	191	157	110
Invested capital*	**1,681**	1,726	1,651	2,022	1,785	1,714	1,651	1,679	1,562	1,694
Number of employees*	**13,800**	14,800	15,300	16,000	19,700	19,600	19,400	19,000	18,400	18,700
Rest of Europe										
Net sales by:										
– destination	**6,009**	6,135	6,375	6,831	6,125	6,404	6,617	6,739	5,902	5,131
– origin	**2,871**	2,854	3,095	3,008	2,566	3,094	3,056	3,063	2,470	2,226
Operating income	**240**	190	233	270	263	266	303	299	215	174
Expenditures for property, plant and equipment	**116**	146	172	174	209	163	157	124	100	77
Invested capital*	**1,461**	1,700	1,744	1,740	1,504	1,291	1,361	1,246	1,052	892
Number of employees*	**9,800**	10,700	12,500	12,700	11,700	11,600	13,200	12,500	11,100	11,000
North America										
Net sales by:										
– destination	**3,865**	3,783	3,700	4,016	3,128	2,333	2,224	3,923	3,781	3,744
– origin	**3,732**	3,577	3,446	3,487	2,664	2,014	1,918	3,510	3,353	3,462
Operating income	**284**	242	277	258	150	86	84	95	166	123
Expenditures for property, plant and equipment	**203**	142	160	197	251	209	207	231	217	136
Invested capital*	**2,061**	1,943	1,805	2,133	1,983	1,367	1,102	1,047	1,853	1,510
Number of employees*	**10,700**	10,600	10,500	10,500	8,900	7,500	6,200	5,400	8,800	9,100
Other regions										
Net sales by:										
– destination	**2,656**	2,549	2,682	3,383	2,930	2,237	2,270	2,755	2,508	2,195
– origin	**1,312**	1,254	1,294	1,490	1,150	705	669	784	795	711
Operating income	**202**	125	131	239	149	93	99	119	136	139
Expenditures for property, plant and equipment	**44**	55	78	124	63	40	27	38	24	19
Invested capital*	**685**	632	641	662	569	448	290	300	322	277
Number of employees*	**8,300**	8,600	9,400	9,400	8,100	6,200	5,700	5,000	5,400	5,500

* At December 31.

PRINCIPAL SUBSIDIARIES AND NONCONSOLIDATED COMPANIES

(other than holding companies and national organizations)

December 31, 1992

Percentages of participation are only stated for companies in which Akzo N.V. or any of its subsidiaries separately or jointly holds less than 95% of the subscribed stock.

Chemicals Group

(Arnhem/Amersfoort, Netherlands)

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

Nonconsolidated companies:

Glucona v.o.f., Ter Apelkanaal	Netherlands	(50)
Methanor v.o.f., Delfzijl	Netherlands	(30)
Delesto B.V., Delfzijl	Netherlands	(50)
ROVIN Rotterdamse Vinylunie v.o.f., Amsterdam	Netherlands	(50)
Kali-Chemie Akzo GmbH & Co., Hanover	Germany	(50)
Elektro-Chemie Ibbenbüren GmbH, Ibbenbüren	Germany	(50)
Dansk Salt I/S, Mariager	Denmark	(50)
Eurecat S.A., La Voulte-sur-Rhône	France	(42)
Omega Soufre S.A., Sète	France	(47)
Cornwall Chemicals Ltd, Cornwall, Ontario	Canada	(50)
FCC-Fábrica Carioca de Catalisadores S.A., Rio de Janeiro	Brazil	(40)
Centak Chemicals Ltd, Calcutta	India	(40)
Nippon Ketjen Company Ltd, Tokyo	Japan	(50)
Kayaku Akzo Corporation, Tokyo	Japan	(50)
Lion Akzo Company Ltd, Tokyo	Japan	(50)
Tosoh Akzo Corporation, Tokyo	Japan	(50)
Denak Co. Ltd, Tokyo	Japan	(50)
Akzo & Pacific Oleochemicals Sdn. Bhd., Selangor	Malaysia	(50)
Pacific Chemical Industries Pty Ltd, Camellia	Australia	(50)

Coatings Group

(Arnhem/Hoofddorp, Netherlands)

Akzo Coatings International, Hoofddorp with establishments in the Netherlands, Germany, Austria, Belgium, Denmark, Norway, France, Switzerland, Greece, United Kingdom, Italy, Spain, United States, Canada, Argentina, Brazil, China*, Thailand, Japan, Singapore, Morocco*	Netherlands	
Koninklijke Brink/Molyn B.V., Groot-Ammers	Netherlands	
Akzo Resins B.V., Bergen op Zoom	Netherlands	
Akzo Kemipol A.S., Izmir	Turkey	(51)
General Paint Company de Mexico S.A. de C.V., Tlalnepantla	Mexico	
Macpherson plc, Bury	U.K.	

Nonconsolidated companies:

Akzo-TVK Paint Production and Trade Company Ltd, Tiszaûváros	Hungary	(51)
Akzo Red Lion Powder Coatings Ltd, Beijing	China	(50)
Synthese (Malaysia) Sdn. Bhd., Kuala Lumpur	Malaysia	(38)

* In this country Akzo has a participation of less than 95% in one or more companies.

Fibers Group

(Arnhem/Wuppertal, Netherlands/Germany)

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	
Akzo Faser AG, Wuppertal	Germany	
Kuagtextil GmbH, Konz	Germany	
Fortafil Fibers Inc., Rockwood, Tennessee	United States	
Polyenka S.A., São Paulo	Brazil	(51)
COBAFI Companhia Bahiana de Fibras S.A., Salvador, Bahia	Brazil	(82)

Nonconsolidated companies:

Aramide Maatschappij v.o.f., Emmen	Netherlands	(50)
Fibras Químicas S.A., Monterrey	Mexico	(40)
Enka de Colombia S.A., Medellín	Colombia	(49)
Enkador S.A., Quito	Ecuador	(49)
Century Enka Ltd, Bombay	India	(39)

Pharma Group

(Arnhem/Oss, Netherlands)

Organon International B.V., 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	Netherlands
Organon Teknika N.V., Turnhout	Belgium

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

- the Netherlands, Germany*, Belgium, France, Italy, United Kingdom, Republic of Ireland, Denmark, Norway, Sweden, Finland, Switzerland, Austria, Spain, Portugal, Greece, Turkey*, Cyprus, Hungary
- United States, Canada
- Mexico, Argentina, Brazil, Chile, Colombia, Ecuador, Venezuela
- Bangladesh*, China*, India*, Malaysia, Pakistan*, Thailand, Republic of Korea*, Singapore, Indonesia*, Hong Kong, Japan*, Taiwan*
- Australia
- Morocco, Nigeria*, South Africa

Other companies

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

Nonconsolidated companies:

AMP-Akzo Corporation, Hauppauge, New York	United States (50)

* In this country Akzo has a participation of less than 95% in one or more companies.

Akzo N.V. 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
Switzerland:	Zurich, Basel and Geneva
United States:	NASDAQ

Dividends are paid through the following banks:

The Netherlands

ABN AMRO Bank
Bank Mees & Hope
Internationale Nederlanden Bank
Pierson, Heldring & Pierson
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

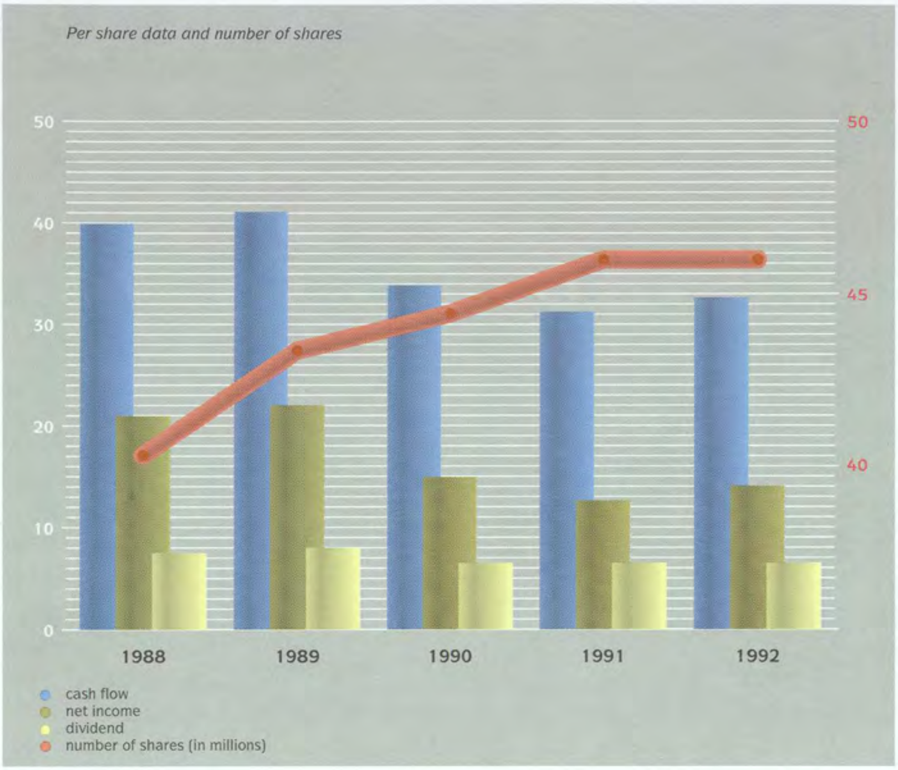
Switzerland

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

SELECTED STATISTICS ON AKZO'S STOCK



	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)	Number of Akzo shares traded* (in thousands)
1992	46%	42%	45,996	25,775
1991	52%	43%	45,961	26,532
1990	44%	40%	44,421	21,377
1989	36%	37%	43,324	24,597
1988	36%	35%	40,241	19,675

Quarterly net income per share**

Amounts in guilders	I	II	III	IV
1992	4.47	4.75	3.52	1.31
1991	4.18	4.15	3.51	0.78
1990	4.54	4.63	3.73	2.03
1989	5.25	6.25	5.16	5.36
1988	4.82	6.02	5.13	4.97

Amounts in guilders	Net income per share	Stockholders' equity per share	Highest share price	Lowest share price	Year-end price
1992	14.05	110.40	166.20	123.70	140.10
1991	12.62	103.62	134.60	70.90	133.40
1990	14.93	104.50	141.90	63.20	74.70
1989	22.02	103.84	157.30	122.00	141.50
1988	20.94	106.61	158.40	83.30	154.00

* Shares sold at Amsterdam Stock Exchange.
** On the basis of number of shares of common stock outstanding at year end.

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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 in contexts 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.

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