

Annual Report 1983

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## Agenda

Agenda of the Annual Meeting of Stockholders to be held in Musis Sacrum, Velperplein, Arnhem, on Tuesday, April 24, 1984, at 10.30 a.m.

- 1 Opening
- 2 Report of the Board of Management for the fiscal year 1983
- 3 Approval of the financial statements; consideration of the dividend proposal
- 4 Determination of the number of members of the Supervisory Council; appointment of members of the Supervisory Council
- 5 Proposal to designate the Board of Management as entitled to issue shares and to restrict or disregard the preemptive rights of stockholders
- 6 Proposal to authorize the Board of Management to acquire shares in the Company on behalf of the Company
- 7 Any other business



Translation: in the event of a conflict in interpretation, reference should be made to the Dutch version of this Annual Report.

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Phone (085) 66 44 33 Telex 45438

## Financial highlights

	1983	1982	change	1
<hr/>				
in Hfl million				
sales	15,085	14,154	+ 7%	
operating income	843	493	+ 71%	
net income	428	165	+ 160%	
stockholders' equity	2,967	2,488	+ 19%	
property, plant and equipment				
expenditures	625	730	- 14%	
depreciation	584	533	+ 10%	
per common share of Hfl 20 par value, in Hfl				
net income	12.91	5.56	+ 132%	
dividend	4.00	1.60*	+ 150%	
stockholders' equity	89.48	84.06	+ 6%	
<hr/>				
additional current-value information (see pages 48 and 49)				
<hr/>				
in Hfl million				
operating income	567	259	+ 119%	
net income	290	49	+ 493%	
stockholders' equity	3,692	3,212	+ 15%	
per common share of Hfl 20 par value, in Hfl				
net income	8.75	1.65	+ 430%	
stockholders' equity	111.35	108.52	+ 3%	
<hr/>				
number of employees at year-end	66,300	73,700	- 10%	
<hr/>				
* of which Hfl 0.60 in cash or, at stockholder's option, in common stock, at the rate of one new share for every 50 shares held				

### Akzo

Akzo is an international group of companies with operations in more than 50 countries.

Akzo's product range includes man-made fibers, salt, commodity and specialty chemicals, coatings, pharmaceuticals, consumer products, and miscellaneous industrial products.

Akzo's worldwide business activities are organized in the Enka, Akzo Zout Chemie, Akzo Chemie, Akzo Coatings, Akzo Pharma, and Akzo Consumenten Produkten divisions, and in Akzona which concentrates its efforts on the North American market.

In the Netherlands, Belgium, Brazil, and Japan, Akzo has central organizations which have a coordinating function or render services to local Akzo companies.

With approximately 66,000 employees at year-end, the Group achieved consolidated sales of more than Hfl 15 billion in 1983.

Akzo recognizes the importance of good communications regarding its policies and activities with those who are directly or indirectly involved with the Group. It accepts the codes of conduct established by the Organisation for Economic Co-operation and Development (OECD) and the International Labour Organisation (ILO).

# Supervisory Council and Board of Management

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## 2 **Supervisory Council**

G. Kraijenhoff, Chairman  
J.R.M. van den Brink, Deputy Chairman  
Y. Scholten, Deputy Chairman  
S.C. Bakkenist  
A.G. van den Bos  
A. Herrhausen  
C.S. Ramsey  
H.J. Schlange-Schöningen  
H.A. van Stiphout  
E.G.G. Werner  
O. Wolff von Amerongen

### **Board of Management**

A.A. Loudon, President  
J. Veldman  
H.J.J. van der Werf  
H.G. Zempelín

Adviser: W.K.N. Schmelzer

### **Secretary**

J.P. Huges

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### **Management Committee**

In addition to the members of the Board of Management,  
the Management Committee includes:

S. Bergsma  
G.J. Coli  
F.A.G. Collot d'Escury  
M.W. Geerlings  
J.R. Hutter  
H.B. Jacobs  
A.G.J. Vermeeren  
M.D. Westermann  
C. Zaal

## Changes in Supervisory Council and Management Committee

At the Annual Meeting of Stockholders held on May 10, 1983, Mrs. K. Schudel-van Zwanenberg, P.M.H. van Boven, and H.L. Merkle resigned from the Council since they had reached the mandatory retirement age.

These members served on the Council from the establishment of Akzo. The Company will truly miss their wisdom and experience.

Mrs. Schudel, daughter of the founder of Organon, will be especially remembered for her valuable contributions in the medical field. We are greatly indebted to this remarkable person for her wise counsel and great dedication to the Company.

Mr. van Boven brought to the Council his comprehensive knowledge of social relations in the Netherlands, and we are sorry to lose his valued advice in this complex area.

Mr. Merkle, previously a member of the Supervisory Council of Glanzstoff AG, rendered great service to the Council and the Company, by virtue of his experience as an international entrepreneur. We appreciate his significant contribution to establishing a harmonious cooperation between our German and Dutch fiber companies.

O. Wolff von Amerongen, whose term of office had expired, was reappointed.

At the meeting, stockholders adopted the proposal to reduce the Council's membership from 13 to 11.

The vacancy was filled by appointment to the Council of C.S. Ramsey, Chairman of the Advisory Council of Akzona Inc. We recognize the great importance to the Company of the appointment of an experienced representative of the U.S. business community. Mr. Ramsey has been with our U.S. affiliate for 33 years.

At the Annual Meeting of Stockholders to be held on April 24, 1984, S.C. Bakkenist, J.R.M. van den Brink, Y. Scholten, and E.G.G. Werner will resign because their terms of office are expiring. They are willing to accept a new term, and we propose that they be reappointed.

In addition, we recommend that F.H. Fentener van Vlissingen be appointed.

Adoption of this proposal will raise the Council's membership to 12.

In view of the Company's great interests in the United States, G.J. Coli, President of Akzona Inc., was named a member of the Management Committee effective January 1, 1984.

## Supervision

The Council is particularly pleased to report that the Group is entering a new era of growth and that the fundamentals are in place for a further improvement of the

Group's competitive position. Regrettably, however, this turnaround was accompanied by further job losses in 1983.

The Company's successful re-entry into the risk-bearing capital market in the spring of 1983 is regarded by us as a mark of renewed confidence in its future.

We are grateful to the Board of Management and to all employees for their dedicated efforts.

We herewith submit to you for approval at the Annual Meeting of April 24, 1984, the financial statements for 1983 as prepared by the Board of Management. These financial statements have been examined by Klynveld Kraayenhof & Co., *Registeraccountants*. Their report appears on page 53.

We have approved these financial statements and the Board of Management's proposal made therein with regard to the allocation of profit.

Acceptance of this proposal by stockholders means that the 1983 dividend will be fixed at Hfl 4 per common share of Hfl 20 par value, of which Hfl 1 was paid earlier as an interim dividend.

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, March 12, 1984

For the Supervisory Council,

G. Kraijenhoff,  
Chairman

# Report of the Board of Management

## General review

### 4 Major earnings gain

During fiscal 1983 net income rose significantly from Hfl 165 million in 1982 to Hfl 428 million. In terms of earnings per common share of Hfl 20 par value it increased from Hfl 5.56 in 1982 to Hfl 12.91.

Sales were up 7% to Hfl 15.1 billion. Approximately 6 points of the increase related to volume gains, an improvement over 1982 in which volume was down 6%.

As a result of this, the return on stockholders' equity was 14.4%. It should be remembered, however, that the tax burden (14%) was relatively low, primarily because loss compensation facilities were utilized in a number of countries. In contrast, income was diminished by extraordinary losses amounting to more than Hfl 100 million.

The restoration of earning capacity was in large measure attributable to the economic upturn, particularly that experienced in the United States, the higher dollar exchange rate, and the recovery in the chemical industry. Other key factors were an improvement of the cost structure and a reduction of costs in various product sectors.

Chemical products especially, but also man-made fibers, contributed to the increase in income. Coatings, pharmaceuticals, and consumer products again posted higher overall earnings, such that the share of these three consumer-oriented product groups in overall income remained at a high level.

Net income on the basis of current value, up from Hfl 49 million in 1982 to Hfl 290 million in 1983, also reflects the major progress in Group earnings. The inflationary effect on depreciation and inventories was comparable with that of 1982.

### Dividend proposal

In light of the earnings for the year, we propose to the Annual Meeting of Stockholders that the 1983 dividend be fixed at Hfl 4 per common share of Hfl 20 par value (1982 dividend: Hfl 1.60). Of this amount, Hfl 1 has already been declared as an interim dividend.

If the Annual Meeting approves this proposal, Hfl 133 million of the total net income of Hfl 428 million will be distributed as dividends, and Hfl 295 million will be retained.

This dividend proposal is consistent with our policy, stated a few years ago, of adjusting the level of the dividend to the level of income.

### Financial structure

Stockholders' equity was augmented by the amount of retained income (Hfl 295 million) and the proceeds (Hfl 153

million) of the Company's issue of common stock in the spring of 1983. During 1984 it is anticipated that further additions will be made, as stockholders exercise the warrants awarded them at the time of the 1983 stock issue.

In March 1984 it was resolved again to issue new common shares. The proceeds (approximately Hfl 300 million) will be used to finance investments in 1984 and the years beyond and to further strengthen the Group's financial position.

### Economic climate

A decline in inflation and interest rates in a number of countries where we have major operations beneficially affected the general economic climate. Improvements in business conditions were noticed sooner and more strongly in the United States than in Western Europe, where recovery has been selective and hesitant. Some of the greater activity was, however, evidently due to the replenishment of inventories, which had generally shrunk to exceptionally low levels.

The rise in the price of the U.S. dollar vis-à-vis other major currencies had, on balance, a positive effect on Group results. The disadvantages of higher prices for energy and certain raw materials were more than compensated by higher revenue from sales, due in part to our heightened ability to compete with American suppliers. In addition, the improved performance of our U.S. subsidiaries was accentuated by the translation of their earnings into guilders.

In our view the failure to reduce high public deficits in many countries jeopardizes the nascent recovery of the world economy. The debt problems of certain countries, including a few Latin American ones, constitute another threat to the growth of world trade. We are particularly anxious about the situation in Brazil, a country where our subsidiaries operate under difficult economic conditions.

We are also concerned by the conspicuous absence of a joint EEC policy on industry at a time when competition from the United States and Japan is intensifying. In technologically advanced areas the gap between these countries and Europe threatens to become structural, which emphasizes the necessity of a common policy on technology. Indeed, the European strategic program for research and development of information technology (Esprit) will be initiated during 1984. It would be in the interest of industry at large, however, if international cooperation were also encouraged in the wider area of fundamental technological research.

In this regard it would be helpful if the remaining restrictions to trade inside the Common Market were removed. A homogeneous internal market would materially strengthen the competitive position of the EEC. We believe this should provide industry and governments with the

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Members of the Management Committee are (left to right):  
F.A.G. Collot d'Escury (Akzo Zout Chemie), M.D. Westermann  
(Akzo Chemie), S. Bergsma (Financial Affairs), H.G. Zempelin  
(Deputy Chairman), A.G.J. Vermeeren (Akzo Pharma),  
H.B. Jacobs (Akzo Consumenten Produkten),

A.A. Loudon (Chairman), J.R. Hutter (Enka), H.J.J. van der Werf  
(Deputy Chairman), J. Veldman (Deputy Chairman),  
M.W. Geerlings (Research and Technology), and  
C. Zaal (Akzo Coatings). G.J. Coli (Akzona), who joined the  
Management Committee at January 1, 1984, is not pictured.



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On October 10, 1983, G.M.V. van Aardenne, Dutch Minister of Economic Affairs, inaugurated our Rotterdam membrane electrolysis plant. Assisted by plant manager A. Ronteltap, the Minister starts the electrolysis process physically located in the so-called cell room.

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incentive to initiate adjustments and outright change at the Community level.

#### The product groups in 1983

##### Man-made fibers

After a long period of restructuring our Western European textile fiber operations, during which there were very substantial financial losses and the elimination of many thousands of jobs, we are convinced that a balanced fiber package has emerged. As a consequence, the share of synthetic textile and carpet fibers in sales of the Enka fiber operations in the EEC has declined from 53% in 1974 to 34% in 1983.

We have succeeded in maintaining our leadership in the Western European marketplace through modernization of production equipment, further product specialization, and concentration of production. Still, however, certain segments of the fiber business fail to make positive contributions to earnings.

Prospects for the Western European textile industry – or at least of its major segments – now seem brighter. The numerous plant closings of the recent past have left a hard core of manufacturing operations which have created for themselves a much improved cost structure, principally by use of process automation.

Prompt action on the part of our U.S. fiber operations to deal with the structural problems went a long way toward restoring earning capacity. With the U.S. fiber market bouncing back, our American operations, after suffering fairly heavy losses during 1982, were able once more to achieve a positive operating income.

##### Chemical products

For *salt and heavy chemicals*, the year's highlights were a revival in the world market for VCM/PVC and a very smooth start-up of the new membrane electrolysis plant at Rotterdam, which was officially inaugurated by the Dutch Minister of Economic Affairs on October 10, 1983. Reinforced by strict cost management, energy conservation moves, and lower power rates in the Netherlands, these events turned the business from considerable losses in 1982 to a profit in 1983.

Since the problem of excess capacity in the VCM/PVC market is still existing, it is not possible to state with certainty whether the recovery will be lasting.

In the field of *specialty chemicals*, integration of the business of Akzo Chemie and Armak (now Akzo Chemie America) is proceeding on schedule. The objective is to accomplish a balanced distribution of products manufactured by both entities among the key industrial areas of the world, as well as to secure a stronger presence

products retained their ability to withstand the pressures of competition.

#### Miscellaneous products

Since the sale of Brand-Rex Company (wire and cable products and systems) in November 1983, this class of products is now chiefly comprised of Enka products (such as membranes, polymer specialties, and machinery) which have exciting innovative potential. Examples are *Accurel*<sup>®</sup> microporous polymer, which has a variety of unique applications, and the all-plastic *heat exchangers* which are based on our hollow-fiber technology.

#### Akzo's business strategy

To ensure a healthy development of the Group, we are pursuing a strategy which emphasizes high-growth products in fields where we have built a sound position technologically or commercially. In addition, of course, we keep giving technological and marketing support to products which are to generate the cash flow needed to finance innovation in our product range. Activities which have become structurally unprofitable or which do not fit our technology profile will be divested.

These key strategic commitments have had a major impact on our business decisions over the last few years and significantly boosted our 1983 financial results.

For the record, some of the achievements and developments of the past several years include:

- The restructuring, now virtually completed, of our EEC fiber operations, which has reduced the share of synthetic textile and carpet fibers in Group sales to a mere 6%.
- The modernization of operations and facilities in the area of industrial fibers, a field in which we are a world leader.
- The addition to our line of reinforcing materials of aramid yarns and carbon fibers which, when embedded in composites, will open up novel fields of application.
- The strengthening of the salt-chlorine-VCM-PVC production chain through modernization of much of our chlorine production (membrane electrolysis), through major energy savings, and through participation in ROVIN, a combined operation with Shell Chemie Nederland.
- The acquisition, in September 1982, of all the remaining shares of Akzona Inc., a move which enabled us to commence adjustment of the U.S. product range and integrate activities in the pharmaceutical and specialty chemicals fields. Among the first visible results during 1983 were, on the one hand, the restructuring of American Enka, Armira, and International Salt Company, the acquisition of Wyandotte Paint Products Company, and the decision to build a fluid cracking catalyst plant, and, on the other hand, the divestiture of Brand-Rex



in the North American market. The decision to build a fluid cracking catalyst plant in the United States is an illustration of this policy.

In 1983, the revenues from specialty chemicals were enhanced by increased demand from such industries as petroleum refining (catalysts) and plastics (various process additives) and were additionally augmented as the result of economizing and other cost-cutting measures.

#### Coatings, pharmaceuticals, and consumer products

*Coatings* enjoyed a good business year, in spite of the fact that a recovery in a number of markets failed to materialize. The introduction of new products and the abandonment of market segments of low profitability contributed to the success of coatings operations.

Wyandotte Paint Products Company, a U.S. paint producer acquired in early 1983, exhibited fair earnings growth. Our coatings operations in the United States have been amalgamated into Akzo Coatings America Inc.

*Pharmaceuticals* had another good year, with almost all product sectors contributing. In 1983, Organon Inc. (United States) was included in Akzo Pharma's worldwide strategy. Possibilities for further strengthening the pharmaceutical business in the United States are receiving much attention.

Timely adjustments to structural changes associated with shifting distribution patterns ensured that *consumer*

Company and of certain activities of Organon Inc. (nutritional products) and of ArmaK (adhesive tape).

- The entry into the field of recombinant-DNA technology, and the development, as its first product, of veterinary vaccines.
- The continued exploration of medical and industrial membrane applications, including the development of ready-to-use systems and modules.
- The concentration in the engineering plastics field on compounds and elastomers, and the use of plastics in composites.

We see the eighties primarily as a period in which we will further implement plans to optimize our product ranges and diversify our geographic markets.

We seek to exploit the growth potential of knowledge- and marketing-intensive products, not only to boost profitability but also to stabilize earnings. Akzo products answering this description include pharmaceuticals and other medical products and systems, specialty chemicals, coatings, and specialty polymers, as well as our promising, lightweight aramid and carbon reinforcing fibers.

Rapid strides in technology have placed the chemical industry under the necessity to take a more systems-oriented approach in order for it to meet the requirements of new – mostly composite – materials and the demands that result from the use of advanced production techniques in customers' plants. We already possess the building blocks for these new technological developments in certain of our commercial products and in others about to issue from the R&D phase. In addition, we are continually updating our substantial expertise in these areas. In the research and development of composite and other products we recognize the importance of maximizing the use of knowledge and experience available from processors and consumers.

Akzo therefore welcomes a recent EEC initiative which seeks to encourage cooperation with industry and other centers of knowledge in areas where new, advanced technologies and materials play a key role. Such cooperation would certainly promote rapid and large-scale commercialization of European know-how.

Geographically, our position in Western Europe, which accounts for over 70% of our invested capital, should stay strong throughout the eighties. The key countries of our present and future activities are the Netherlands and the Federal Republic of Germany, which now employ 34% and 25%, respectively, of Group invested capital.

In the next few years we expect to pursue openings in the U.S. market. A high priority will be given to strengthening our position in medicinal drugs for human use. Additionally, we intend to keep alert to opportunities of industrial establishment in the rapidly expanding economies of Southeast Asia and Japan.

## Research and technology

R&D costs in 1983 totaled Hfl 620 million (1982: likewise Hfl 620 million). The number of employees engaged in R&D decreased 120 to 4,930 at December 31.

For further data on developments and projects see the appropriate product group sections.

## Outlook for 1984

The spectacular increase in net income during 1983 was caused by various factors. An important factor was the further improvement in the cost structure of the Group. The distinct upturn of the economy in the United States and the strong U.S. dollar also made major contributions.

The recovery of the economy in the United States is gathering pace, and also in Western Europe signs of an economic upturn are visible. These trends are expected to continue. Therefore, if no undue changes in foreign exchange rates occur, net income should show further growth.

On the basis of these considerations, we anticipate that net income per common share will be at least maintained at the 1983 level, after allowance has been made for the dilutive effects of the present issue and the exercise of the warrants that are still outstanding.

This expectation is also based on the fact that in 1984 we will fully benefit from the cost-cutting measures implemented during the past years.

## Financial review

in Hfl million	sales		operating income	
	1983	1982	1983	1982
first quarter	3,617	3,710	136	127
second quarter	3,760	3,592	200	134
third quarter	3,754	3,379	238	96
fourth quarter	3,954	3,473	269	136
<b>total</b>	<b>15,085</b>	<b>14,154</b>	<b>843</b>	<b>493</b>

## Results of operations

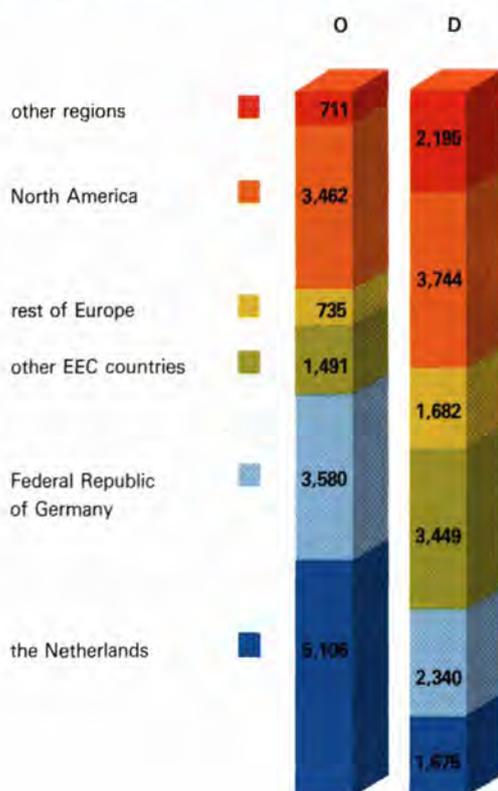
### Sales and income

in Hfl million	1983	1982
sales	15,085	14,154
operating costs	(14,242)	(13,661)
operating income	843	493
interest	(341)	(297)
taxes on operating income less interest	(73)	(28)
equity in earnings of non-consolidated companies	110	59
Group income before extraordinary items	539	227
extraordinary items	(102)	(49)
Group income	437	178
of which minority interest	(9)	(13)
net income	428	165

on a current-value basis

operating income	567	259
net income	290	49

Sales 1983, by origin (O) and by destination (D) · in Hfl million



The 7% increase in sales was in large part (6%) attributable to gains in volume sales of commodity and specialty chemicals, man-made fibers, coatings, pharmaceuticals, and plastics. Higher volume for coatings was almost entirely due to the acquisition of Wyandotte.

Overall operating costs rose by 4%. As a percentage, this increase was lower than the increase in sales, reflecting higher capacity utilization and enhanced cost effectiveness.

in Hfl million	1983	1982	change
salaries, wages, and social charges	4,303	4,229	+ 2%
depreciation	584	533	+ 10%
raw materials	5,650	5,400	+ 5%
energy	950	1,000	- 5%
supplies, purchased services, etc.	2,755	2,499	+ 10%
<b>total</b>	<b>14,242</b>	<b>13,661</b>	<b>+ 4%</b>

The almost 2% rise in salaries, wages, and social charges was the net effect of an 8% increase in labor costs per employee and a 6% decrease in the average number of employees.

The turnaround of the economy in 1983 exerted an upward pressure on prices for certain raw materials, in particular those priced in dollars. Energy costs were down 5% to Hfl 950 million, partly attributable to ongoing energy conservation programs.

On balance, interest expense increased by Hfl 44 million to Hfl 341 million, due notably to lower interest received on cash and marketable securities.

As in 1982, taxes amounted to just 14% of operating income less interest. In 1983 we were again able to utilize loss compensation facilities in the Netherlands and the Federal Republic of Germany.

Compared with the prior year's level, equity in earnings of nonconsolidated companies was almost twice as high. Major contributions to this increase were made by the man-made fiber companies Cyanenka (Spain) and Fibras Químicas (Mexico), while Enka de Colombia and Century Enka (India) also achieved good results. The glass fiber company Silenka (the Netherlands) registered a substantially improved performance. In the chemical sector, income gains were reported notably by the Dutch-based methanol companies and by Delamine, a producer of ethylene amines.

The negative balance of extraordinary items amounting to Hfl 102 million reflects primarily the book loss on the sale of Brand-Rex Company and provisions for restructuring measures at, among others, certain companies in North America.

## 10 Current-value information

Calculation of operating income on the basis of current value shows that the total correction as a result of inventory profits and additional depreciation was somewhat higher than in the previous year.

in Hfl million	1983	1982
operating income on the basis of historical cost	843	493
inventory profits	120	69
additional depreciation	<u>156</u>	<u>165</u>
	<u>276</u>	<u>234</u>
operating income on the basis of current value	567	259

### Sales, operating income, and invested capital

product groups in Hfl million	sales		operating income		invested capital**		operating income in % of			
	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
man-made fibers	4,526	4,359	151	(19)	2,364	2,477	3.3	(0.4)	6.4	(0.8)
chemical products	4,097	3,817	193	89	2,025	1,895	4.7	2.3	9.5	4.7
coatings	1,796	1,572	143	97	653	598	8.0	6.2	21.9	16.2
pharmaceuticals	1,647	1,563	260	233	772	701	15.8	14.9	33.7	33.2
consumer products	1,080	1,055	59	47	315	295	5.5	4.5	18.7	15.9
miscellaneous products	2,142	1,976	65	51	604	1,007	3.0	2.6	10.8	5.1
total	15,288	14,342	871	498	6,733	6,973	5.7	3.5	12.9	7.1
intra-Group deliveries, non-allocated items	(203)	(188)	(28)	(5)	(67)	(92)				
total	15,085	14,154	843	493	6,666	6,881	5.6	3.5	12.6	7.2

The terms and conditions for intra-Group deliveries are negotiated at arm's length and therefore are, in principle, identical with the ones used in transactions with third parties. International intra-Group deliveries and international deliveries within a single product

group are made in accordance with standard procedures that take due account of tax, currency, and pricing regulations in force in the countries concerned.

regions in Hfl million	sales*		operating income		invested capital**		operating income in % of			
	1983	1982	1983	1982	1983	1982	1983	1982	1983	1982
the Netherlands	5,106	4,528	229	75	2,293	2,288	4.5	1.7	10.0	3.3
Federal Republic of Germany	3,580	3,395	178	128	1,694	1,688	5.0	3.8	10.5	7.6
other EEC countries	1,491	1,561	112	100	650	645	7.5	6.4	17.2	15.5
rest of Europe	735	831	62	64	242	264	8.4	7.7	25.6	24.2
North America	3,462	3,048	123	(24)	1,510	1,695	3.6	(0.8)	8.1	(1.4)
other regions	711	791	139	150	277	301	19.5	19.0	50.2	49.8
total	15,085	14,154	843	493	6,666	6,881	5.6	3.5	12.6	7.2

\* by origin, i.e. sales of consolidated companies established in the region

\*\* total assets of consolidated companies less cash and marketable securities, and less non-interest-bearing current liabilities

## Product group statistics

For details on sales and operating income of the product groups see pages 17 and following.

### Regional statistics

In the Netherlands operating income rose sharply. Contributions were made by all divisions, particularly by Enka B.V. (man-made fibers, plastics, nonwovens) and Akzo Zout Chemie Nederland (commodity chemicals). The results of these latter two divisions were positive again.

Recovery in the results of Enka AG in the *Federal Republic of Germany* continued because of an increase in operating income for man-made fibers. Income gains were also posted by Deutsche Akzo Coatings.

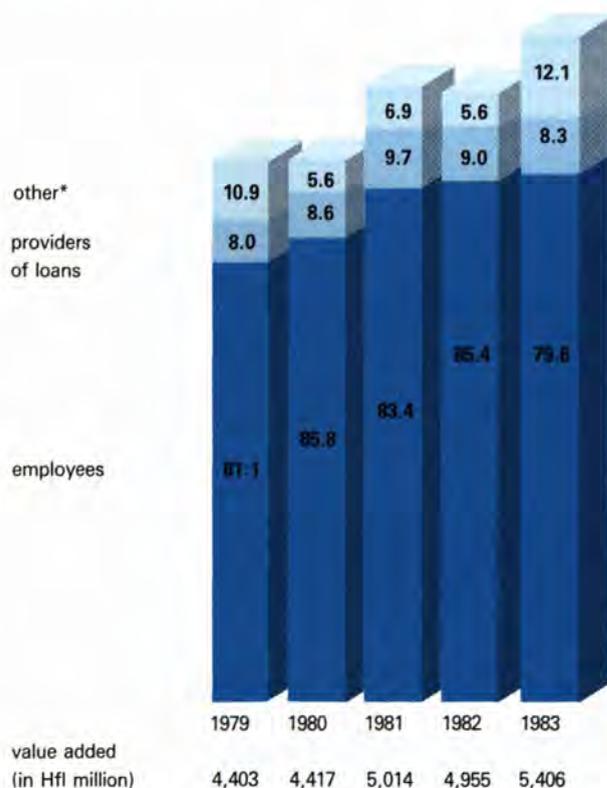
Income growth in the *other EEC countries* was satisfactory. The results of our present operations in the *United Kingdom* improved gradually, due in part to the implementation of restructuring programs at Akzo Chemie U.K.

Our results in the *rest of Europe* were largely determined by the man-made fiber company La Seda de Barcelona, which registered lower income.

In *North America* Akzona's results improved substantially. The greatest contribution was made by American Enka, where restructuring measures and market recovery boosted operating results from a negative amount of Hfl 59 million in 1982 to a positive amount of Hfl 56 million in 1983. International Salt's performance was significantly affected by the mild winter season.

Wyandotte (coatings) also contributed to the gain in earnings.

Shares in value added (in %)



\* governments, stockholders, Group equity

For the *other regions* we registered a decline in the results of our operations in *Brazil* due to the financial and economic difficulties of that country.

In appraising the relatively favorable relation between operating income and sales, and between operating income and invested capital, respectively, for our companies in the *other regions*, due allowance should be made for the fact that operating income is reduced by high financing charges as a result of strong inflation.

#### Value added

Group value added, was up by 9% to Hfl 5,146 million in 1983. Expressed as a percentage of sales, it rose from 33.4% in 1982 to 34.1% in 1983.

The share of employees in value added available for distribution (the above figure augmented by equity in earnings of nonconsolidated companies and some other items of income) in the aggregate amount of Hfl 5,406 million decreased from 85.4% in 1982 to 79.6% in 1983.

## Financing and capital expenditures

### Group financing in the 1981/83 period

in Hfl million	1983	1982	1981
working capital* at January 1	2,729	2,822	2,813
<i>sources</i>			
funds from operations	1,179	756	846
borrowings	558	670	425
issuance of Akzo N.V. stock	170**	-	-
other	222	14	6
	<u>2,129</u>	<u>1,440</u>	<u>1,277</u>
<i>applications</i>			
expenditures for:			
- property, plant and equipment	625	730	693
- acquisitions and other noncurrent assets	130	219	46
repayment of borrowings	895	434	452
Akzo N.V. dividend	133	47	59
miscellaneous	(33)	103	18
	<u>1,750</u>	<u>1,533</u>	<u>1,268</u>
working capital at December 31	3,108	2,729	2,822
of which cash and marketable securities	1,206	778	898

\* current assets less current liabilities

\*\* including Hfl 17 million in stock paid as 1982 dividend

In 1983 the Group's financial position was strengthened by the relatively high amount of internally generated funds, the divestiture of Brand-Rex, the net proceeds of the shares of common stock issued by Akzo N.V., and the diminution of capital expenditures.

The aggregate repayment of borrowings was substantially higher than the total amount of drawdowns.

The increase in working capital was in fact attributable to an increase in cash and marketable securities.

### Capital expenditures

Expenditures for property, plant and equipment in 1983 totaled Hfl 625 million, down 14% from the previous year. This decrease is attributable to the completion of the Rotterdam membrane electrolysis plant, which, at a cost of Hfl 320 million, is the largest investment project in the Group's history. Since the amount for additions to property, plant and equipment authorized in 1983 was Hfl 889 million (1982: Hfl 637 million), we expect a rise in expenditures for the years ahead.

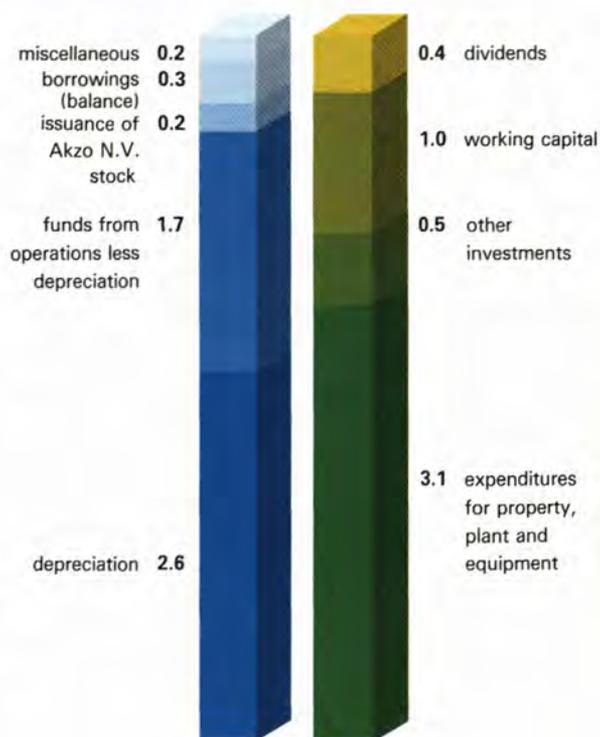
Expenditures for acquisitions (Hfl 125 million) were substantially lower than in the previous year (Hfl 230 million), largely due to the acquisition of the 34% minority interest in Akzona Inc. in 1982. The 1983 expenditures chiefly related to our participation in Aramide Maatschappij v.o.f. and the acquisition of Wyandotte Paint Products Company.

Meanwhile, the further financing of the aramid fiber project through bank loans (Hfl 370 million) has been arranged.

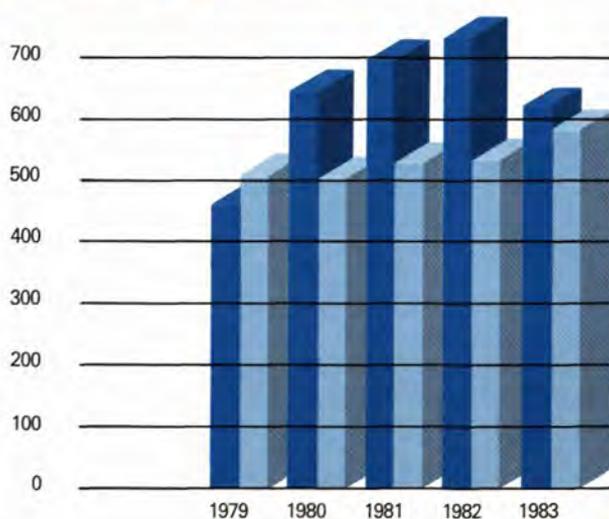
expenditures for property, plant and equipment (in Hfl million)

product groups	1983	1982	1981
man-made fibers	157	222	241
chemical products	250	282	239
coatings	45	47	46
pharmaceuticals	66	52	59
consumer products	23	27	22
miscellaneous products	84	100	86
<b>total</b>	<b>625</b>	<b>730</b>	<b>693</b>
<i>regions</i>	1983	1982	1981
the Netherlands	283	338	303
Federal Republic of Germany	110	136	138
other EEC countries	53	37	43
rest of Europe	24	31	52
North America	136	148	139
other regions	19	40	18
<b>total</b>	<b>625</b>	<b>730</b>	<b>693</b>

Sources and applications of funds, 1979-1983 (in Hfl billion)



Expenditures for property, plant and equipment and depreciation (in Hfl million)



## Working capital

Operational working capital, defined as trade receivables, inventories, and accounts payable (suppliers), increased by a mere Hfl 5 million to Hfl 3,692 million at year-end. Compared with the 7% increase in sales, this means a relative decrease, as is shown in the table below.

	Dec. 31, 1983	in % of sales Dec. 31, 1982
inventories	16.3	18.0
trade receivables	16.4	15.2
	32.7	33.2
accounts payable (suppliers)	8.2	7.1
operational working capital	24.5	26.1

## Liquidity

Cash and marketable securities rose from Hfl 778 million at December 31, 1982, to Hfl 1,206 million at December 31, 1983. In addition to the improved performance, the main contributors to this increase were the issuance of Akzo N.V. common stock and careful control of operational working capital.

The proceeds of the sale of Brand-Rex (more than Hfl 300 million) were for the most part utilized to repay short-term bank credits and medium-term borrowings of Akzona Inc.

## Stock issues

The issuance in May 1983 of 2,959,358 shares of common stock, par value Hfl 20 per share, at a price of Hfl 53.50 per share, raised Hfl 153 million. Full exercise of the warrants attached to this issue (i.e. for each new share the right to purchase a second share at the price of Hfl 60, exercisable before December 1, 1984) will further increase stockholders' equity by approximately Hfl 175 million.

The new issue relates to some 3.3 million shares of common stock, which are offered at the price of Hfl 93 per share (proceeds approximately Hfl 300 million).

## Borrowings

In April 1983, Akzo N.V. issued Sfr 100 million of 5½% debentures 1983/93. Holders of 7¼% debentures 1975/90, principal amount Sfr 60 million, retired in 1983, were given the opportunity to convert their debentures into the new 5½% debentures.

During 1983, Akzo Zout Chemie drew down the remaining Hfl 50 million of the subordinated loan made available by the Nationale Investeringsbank to finance the Rotterdam membrane electrolysis plant.

At Hfl 750 million at December 31, 1983, the amount of unused medium- and long-term credit facilities was unchanged from the previous year.

The average rate of interest on loans outstanding at year-end was down from 8.8% to 8.5%.

Compared with a floating rate debt of Hfl 1.2 billion, which was 34% of total borrowings, the Company had liquid assets of Hfl 1.2 billion outstanding at a variable interest rate.

## Financing requirements in 1984

In light of our ample liquidity and the amount of unused credit lines, we are well placed to finance projects in markets and product areas within our chosen sphere of interest, and to meet additional requirements of working capital which may ensue upon a positive development of business conditions in Western Europe.

The new stock issue testifies to our readiness to utilize attractive opportunities arising in the capital market to cover our financing requirements in the years ahead.

## Human resources

*In 1983, Organon took into use its new laboratory for recombinant-DNA research. This gene-splicing laboratory was officially opened at end-1982.*

### 14 Employment statistics

As indicated in the following table, the number of employees of the consolidated companies was down 7,400 to 66,300 at December 31, 1983. Some 5,700 of this reduction was attributable to divestitures, including Enka Austria (1,000), Brand-Rex (4,300), and Armak's adhesive tape facilities (300).

Other major decreases occurred at Enka, American Enka, and Akzo Zout Chemie. On balance, there were no significant changes in the personnel levels of Akzo Chemie, Akzo Coatings, Akzo Pharma, and Akzo Consumenten Produkten, although the acquisition of Wyandotte added more than 300 persons to the total.

number of employees	Dec. 31, 1983	Dec. 31, 1982	change
Enka	28,100	30,000	-1,900
Akzo Zout Chemie	4,700	5,000	-300
Akzo Chemie	4,100	4,200	-100
Akzo Coatings	8,500	8,300	+200
Akzo Pharma	8,500	8,500	-
Akzo Consumenten Produkten	3,100	3,200	-100
Akzona	8,400	13,500	-5,100
other companies	900	1,000	-100
<b>total</b>	<b>66,300</b>	<b>73,700</b>	<b>-7,400</b>

Enka's Kassel plant, scheduled to be closed by mid-1984, gradually adjusted its personnel strength to a lower level of production. The employees were offered jobs in other German Enka plants.

We managed to dispose of part of the site and buildings of the Antrim (Northern Ireland) plant. The new owners may have approximately 500 jobs to offer, for which part of the former British Enkalon labor force may be eligible.

Akzo Zout Chemie began implementing its plan, announced early in the year, for the reduction of personnel in its Dutch plants. This reduction will continue through 1984 and 1985.

The fall in employment at Akzona, aside from the jobs lost through the divestiture of operations, is attributable to restructuring moves at American Enka, International Salt, and Armira.

Wherever we have been faced with the economic necessity of closing down or restructuring operations, we have attempted to act in close consultation with employee councils and unions, and have tried to reduce the impact on our employees.

### Outlook for 1984

In the absence of any acquisitions and divestitures during

1984, we do not expect that there will be a significant decline in the number of people employed in the Group. In the Netherlands the reduction in working hours to be implemented as of July 1, 1984 will no doubt exercise an additional restraining effect.

employees of consolidated companies, by region	Dec. 31, 1983	Dec. 31, 1982	change
the Netherlands	22,000	22,600	-600
Federal Republic of Germany	18,700	19,400	-700
other EEC countries	6,800	7,200	-400
rest of Europe	4,200	5,500	-1,300
North America	9,100	13,400	-4,300
other regions	5,500	5,600	-100
<b>total</b>	<b>66,300</b>	<b>73,700</b>	<b>-7,400</b>



### Shorter working hours

The present high level of unemployment and its structural nature make increasingly topical the question whether – and, if so, on what conditions – joblessness can be substantially alleviated by a redistribution of work achieved through a reduction in working hours.

Internationally there is no consensus about the value and efficacy of shorter hours as a remedy for unemployment. Indeed the social and economic differences between individual countries seem too significant for all to arrive at a consensus. Similarly, the willingness to effectuate this remedy is not universal.

In the interest of fair competition, any reduction in working hours should not lead to an increase in labor costs per hour spent on the job, nor to lower utilization of manufacturing capacity. In practice, the latter restriction means that the number of operating hours must be held at the existing level, or even extended. The combination of maintaining or extending operating hours while reducing individual working hours creates numerous organizational problems, which cannot be resolved without the dedicated efforts of all people concerned.

Industry's success or failure to cope with these problems will turn the scales when the time comes to decide on the efficacy of shorter working hours as a means of controlling unemployment. The Company must reserve judgment, however, until after the full implementation of the 5% reduction in working hours by Akzo Nederland to begin at July 1, 1984.

### Safety and the environment

Both on the national and international levels the problem of handling, processing, and storing chemical wastes has in recent years rightly absorbed much official and industry attention.

Given the sheer bulk of the chemical waste produced annually – several tens of millions of metric tons in the EEC alone – it is a problem for which there are no immediate solutions. Nevertheless, it is with some satisfaction that we can report that several industrialized countries are making substantial efforts to come to grips with the problem. At the EEC level, guidelines are being formulated which seek to coordinate and control the processing of chemical wastes. The role of the European chemical industry in this regulatory activity is to press for workable rules. Countries with a high population density and a relatively strong presence of the chemical industry have a vested interest in the development of methods for the effective elimination of chemical wastes.

In the Netherlands a two-pronged approach has been suggested which calls for construction of a new waste processing unit with an annual capacity of 40,000 metric tons and construction, over the next five years, of storage

facilities with a capacity of 230,000 metric tons for irreducible wastes. Akzo was represented in the project group that made the above recommendation to the authorities, but argued that salt mines are a storage option with major ecological advantages. Storage in salt mines (as such mines are currently exploited elsewhere) isolates the waste from the environment, is completely manageable, and is reversible. There is also an economic dimension to such storage, in that it would make the exploitation of a salt mine in the Netherlands more attractive.

### Energy conservation

In October 1980 we initiated an energy conservation campaign in order to provide an additional stimulus for energy-saving projects already under way in our plants. In addition to energy audits in the plants and the publication of technical literature on energy conservation, an Akzo Energy Trophy was instituted for Akzo locations in Western Europe. Two out of every three of our locations have participated in competitions for this trophy – some of them several times. The energy conservation projects submitted since 1981 have yielded energy savings of about Hfl 135 million on an annual basis (1983 prices). The pay-out time of these projects was less than two years. A bonus feature of these competitions was the exchange of ideas and experience within the Group.

There are, of course, many possibilities for conserving energy, but three now are particularly salient:

- good housekeeping and minor adaptations;
- optimization and modification of systems, processes, and equipment;
- structural change in processes, equipment, and buildings.

In order to achieve the greatest economies it is essential to observe this order of energy conservation steps. Simple measures aimed at early results are necessary before committing large capital expenditures.

Our energy conservation programs have shown that savings on heat are easier to realize than are savings on electricity. However, economically attractive reductions in the consumption of heat may lead to a higher consumption of electricity. It is important to consider this when projects for the cogeneration of heat and power are being evaluated, since lower heat consumption will reduce the possibilities of profitable power generation.

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*The aramid fiber developed by us will be marketed in commercial quantities starting in late 1985.  
The photo pictures construction of the spinning facility on the Emmen site.*

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## Man-made fibers

in Hfl million	1983	1982		1981
sales: textile uses	3,223	3,105	+4%	3,427
industrial uses	1,303	1,254	+4%	1,251
total	4,526	4,359	+4%	4,678
operating income	151	(19)		33
in % of sales	3.3	(0.4)		0.7

### General

The 4% increase in sales was primarily a result of higher shipments for both Enka and American Enka.

Enka Europe operated in a fiber market that showed a slight improvement. This was caused by an upswing in the automotive and tire industries and by greater demand from textile and carpet manufacturers, in part due to the replacement of depleted inventories. In the second half of the year, selling prices for most of our products advanced to higher levels, although in some cases they were still inadequate.

With the U.S. fiber market rallying from a deep low in 1982, American Enka was able to realize significant gains in volume.

Our fiber activities in Brazil were adversely affected by the depressed economic situation in that country.

The rise in operating income is mainly attributable to the substantially improved performance of American Enka. The Enka fiber plants in the Netherlands and the Federal Republic of Germany also did better.

### Enka group

#### Europe

##### *Man-made fibers for textiles and carpets*

As remarked earlier, prospects have brightened for certain sectors of the Western European textile industry. The earnings base of the man-made fiber industry has also gained in strength, although the structural problems have not yet been fully resolved. Both of these industries will in the foreseeable future consist of companies that are leaner and better equipped to face increasingly keen competition.

In light of persistent excess capacities in some sectors of the man-made fiber industry we applaud the European Commission's decision to ban government subsidies that help maintain or even aggravate this serious problem.

The results in the *polyester textile filament* area remained unsatisfactory in 1983. This was primarily due to the poor performance of textured yarn for the circular knit sector. Throughout the year there was a brisk demand for flat filament, especially from weavers and, as a result, production capacities were fully utilized.

We expect to achieve a better price/cost performance in the years ahead.

Demand for *polyamide textile filament* in Western Europe continued to decline. Performance was also affected by market softness in the knitting industry, which remains of importance to us. Some compensation, however, was afforded by stepped-up exports.

The lining fabrics market, a major outlet for our *rayon textile filament*, firmed up after being weak for the first half

of the year. This, in addition to higher volume sales to the outerwear industry and satisfactory exports, resulted in high utilization of production capacity.

*Polyester staple* benefited from a trend in fashion favoring cotton-like fabrics. In addition, higher cotton prices boosted the use of man-made fibers as a substitute for cotton in some sectors. Sales to other markets and exports remained at a low level.

By mid-1984 production of polyester staple will be concentrated in our plants in Emmen and Barcelona.

Market volume for *polyamide carpet fibers* in Western Europe was up significantly from its 1982 level. Apart from the slight economic recovery, this improvement was fully attributable to the replacement of depleted inventories by carpet producers. Export opportunities also increased.

Concentration of carpet fiber production at Emmen, which is expected to be completed by the end of 1984, will open further possibilities for offering attractive yarn types for the consumer market, in addition to our specialties for the contract carpeting sector (carpeting for offices, hotels, etc.)

##### *Man-made fibers for industrial uses*

After weak volume sales in 1982, business improved throughout the year, aided in particular by an upturn in the tire industry. While capacity utilization increased as a result of higher domestic and export shipments, income was not yet at a satisfactory level.

Our exports to North America are backed up by a marketing group at American Enka, enlarged during the year to explore the North American market for our aramid fibers and to strengthen our market position in the more traditional reinforcing materials.

The greater demand for tire yarn favorably influenced business for all tire reinforcing materials.

Partly due to the divestiture of the unprofitable Austrian rayon plant in early 1983, *rayon yarn* performed better than in the previous year.

Although the market is weak and the competition is keen for *synthetic yarn*, we were again able to record satisfactory results for *polyester yarn* and – at a somewhat lower level – for *polyamide 6.6 yarn*. The outlook for these yarns is good.

While volume sales were up, selling prices of *polyamide 6 yarn* were totally inadequate to achieve reasonable income.

Good progress is being made with respect to the modernization of the synthetic yarn production facilities. These renovations will be completed within a few years.

The development of a special cord construction, which is meeting with favorable customer reception, helped to turn the losses of *steel cord* into modest earnings.

Sales of *Enkamat*® increased considerably, reflecting growing market appreciation for this versatile synthetic mat, which has many applications – chief of which are soil stabilization and drainage.

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*With its polyamide specialty yarns, American Enka has built up an attractive position in the ladies' sheer hosiery market. This position will be strengthened by the change-over to heavier yarn packages (10 lbs) for processing on high-speed knitting machines, as can be seen in the plant of one of Enka's customers.*

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18 Ground was broken for the construction of an intermediates plant in Delfzijl and a spinning plant in Emmen, both for the production of *aramid fibers*. Preparations for the commercialization of this fiber by the end of 1985 are under way.

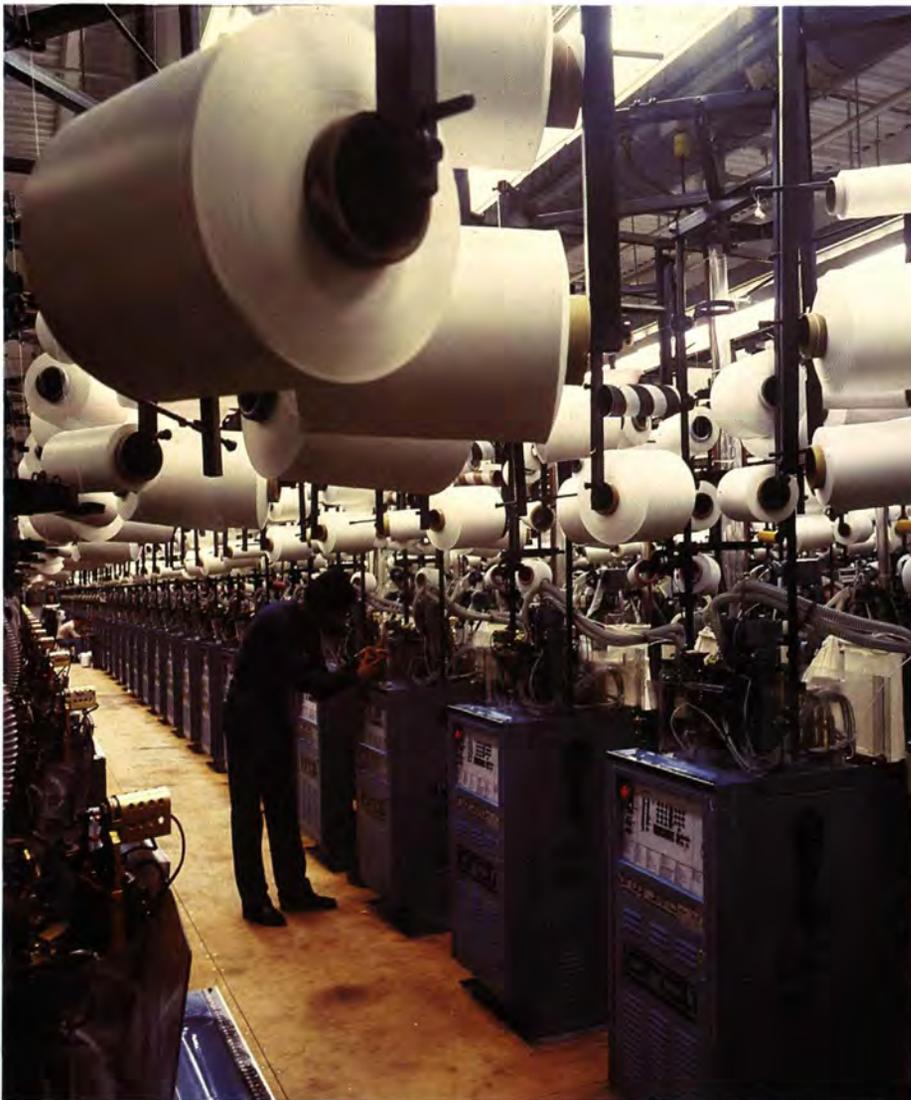
In 1983, we explored the market for *carbon fibers* with material provided by Toho Beslon, the Japanese manufacturer with whom we concluded a licensing agreement. Know-how and experience are now being transferred in conjunction with our decision to construct a production facility in the Federal Republic of Germany, which calls for a capital outlay of approximately Hfl 55 million.

#### Other regions

At Polyenka (Brazil) a major capacity expansion for polyester textile filament came on stream, which was almost fully utilized despite the recessionary market development. Nevertheless, the results were negative due to the impossibility of raising prices sufficiently to offset excessive inflationary costs.

Adversely impacted by falling currency exchange rates, sales of Enka's nonconsolidated fiber companies totaled Hfl 1,140 million (1982: Hfl 1,120 million).

Substantially improved earnings were registered for



Cyanenka, while practically all the Latin American companies were able to achieve a satisfactory income level. Century Enka (India), which again turned in a good performance, decided to expand production capacity for polyamide and polyester textile filament, while work was started on the construction of a production facility for polyamide tire yarn.

#### American Enka

American Enka was able to quickly implement cost reduction programs, which contributed significantly to the restoration of profitability in 1983 and which will be reflected in full in the 1984 results.

The major move was the transfer of polyester textile filament from the Clemson, South Carolina, plant to the Lowland, Tennessee, plant. Production capacity for carpet yarn at Clemson will be expanded during 1984 to bolster American Enka's prominent position in polyamide carpet yarn in the U.S. market. The cost-cutting programs involved drastic personnel reductions in the nonmanufacturing sector.

The upturn of the U.S. fiber market was reflected in increased shipments rather than in higher selling prices.

The positive results in 1982 for the major *carpet fibers* segment were significantly exceeded in 1983.

Performance of *polyamide and polyester textile filament* showed a substantial improvement but was still unsatisfactory.

In the case of *rayon staple* American Enka broadened its stake in a flat market, aided by the very good quality of the product. Since volume sales are expected to remain high in the years ahead, work will start on modernization of the production plant. Lower production costs should further improve competitiveness.

American Enka was able to increase *Enkamat*<sup>®</sup> volume sales substantially.

The steps taken to improve American Enka's earnings base resulted in a further shift toward specialties. More emphasis was placed on enhancing product quality and improving quality control methods.

#### Research and development

To cope successfully with international competition, R&D efforts mainly center on quality improvement and product modification in response to ever higher customer demands, as well as on process improvement aimed at greater efficiency and lower cost. This strategy especially holds for our *synthetic fibers* for textile, carpeting, and industrial applications.

Key R&D areas in 1983 were highly automated spindrawwinding processes for industrial polyester and polyamide yarns, integrated production processes for carpet

yarns, and high-tech machinery for polyester and polyamide textile yarn.

Product improvements mainly related to polyester tire yarns with enhanced properties, new high-modulus types with low shrinkage, new specialty carpet yarns, and *Diolen Ultra*<sup>®</sup> polyester textile filament.

R&D in the field of *rayon yarns* was chiefly concerned with major modernization projects and stricter environmental regulations.

In all technical developments an important role was played by sophisticated, highly automated process control.

For the new generation of reinforcing materials, R&D work on *aramid fibers* will continue to be focused on existing and new applications.

Research in the field of *carbon fibers* is primarily directed toward the development of new applications.

Cooperation with users and processors in the challenging field of high-performance structural composites should benefit the development of sales of our reinforcing materials.

#### Outlook for 1984

Enka Europe's man-made fibers should show a further improvement in earnings performance, primarily because of the measures taken to improve the production and cost structure in our plants and secondarily as a reflection of a slight recovery of the European and overseas markets compared with the whole of 1983.

The restructuring measures implemented in 1983 should be a major factor in the anticipated higher income for the fiber activities of American Enka.

By and large the results of our fiber operations in Latin America and India should again be at a reasonable level.

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*Applications of Stablenka® heavy-duty, high-modulus polyester fabric in road construction and hydraulic engineering are increasing. Shown here is earth reinforcement preparatory to construction of a road along the river Isère in France.*

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## Chemical products

in Hfl million	1983	1982		1981
sales:				
salt and heavy chemicals	2,366	2,269	+4%	2,398
specialty chemicals	1,731	1,548	+12%	1,613
total	4,097	3,817	+7%	4,011
operating income	193	89	+117%	125
in % of sales	4.7	2.3		3.1

### General

*Chemical products* showed a substantial improvement over the previous year. In addition to a cyclical upswing and more favorable market conditions for various products, rationalization and cost-cutting measures were key contributors to nearly doubled operating income.

For *salt and heavy chemicals* gains in earnings were mainly brought about by higher selling prices for VCM/PVC, by the utilization of new export opportunities for vinyl chloride monomer, and by the reduction of electricity charges in the Netherlands. On the other hand, volume sales of deicing salt in the Netherlands as well as in the United States were materially affected by the mild 1982/83 winter season.

The upturn in a number of industries, and notably the chemical industry, contributed to the considerably better performance of *specialty chemicals*, which are produced in our facilities in Western Europe, the United States, Japan, and Brazil. The performance of fluid cracking catalysts was particularly outstanding.

## Salt and heavy chemicals

### Salt

Deicing salt apart, the earnings picture for *salt* did not deviate much from last year.

In 1983, sales of salt in Western Europe broke down into 35% for the sector of heavy chemicals, mainly electrolysis plants, 4% for deicing, and 61% for human consumption, water softening, cattle feed, the fishing industry, and various other industries. The corresponding figures for International Salt Company were 10%, 37%, and 53%, respectively.

During the year, the U.S. salt company took a number of restructuring measures, including the shutdown of production in one of the salt mines and shutdown of a recrystallization facility at another. Moreover, it was decided to implement a modernization program that should substantially improve International Salt's competitive position within a few years.

### Chlor-alkali products

The upturn of the economy in the United States, combined with the higher dollar, led in the first half of the year to such great demand for *chlorine* products that U.S.-based producers of *vinyl chloride monomer* withdrew from export markets in the Far East. Through its VCM/PVC joint venture ROVIN, Akzo Zout Chemie was able to capture a share of this market. A beneficial factor was the major contribution made by the new membrane electrolysis plant, which shortly after the start-up was running at near design

capacity (250,000 metric tons of chlorine per annum).

Although the PVC industry recovered significantly from the dismal market situation in 1982, the substantially increased price level still offers little prospect of an acceptable return on investment.

The stepped-up production of chlorine temporarily led to an excessive supply of *caustic soda lye* and consequent downward pressure on prices. Akzo Zout Chemie's *Natrets® caustic pills* were less sensitive to market fluctuations.

The *soda ash* market was appreciably affected by increased recycling in the glass industry. In the EEC area selling prices remained at a reasonable level, but in export markets we were faced with strong competition from soda ash produced in the United States from trona, a naturally occurring ore. The modernization of the light-grade soda ash plant in Delfzijl entered its third and final stage at the end of 1983. The renovations are scheduled for completion in 1985.

### Other commodity chemicals (Akzo Zout Chemie)

As in the previous year, the performance of these products was lackluster.

In the last quarter of 1983, higher capacity utilization and price markups were registered for *acetic acid* as a result of reduced pressure of imports from the United States. Nevertheless, the results for this group of products continued unsatisfactory, in spite of substantial modernization investments.

Low volume sales of *monochloroacetic acid (MCA)* continued into 1983 because of market softness for sodium carboxymethyl cellulose (CMC), for which MCA is an important raw material. In the second half of the year, demand for CMC as a drilling mud additive rose and performance improved somewhat.

Part of our chemicals business is conducted by joint ventures in which we do not hold a majority interest. Total sales of these nonconsolidated companies rose from Hfl 880 million in 1982 to Hfl 1,060 million in 1983. This advance was due in part to the expansion of ROVIN's operations.

The results of the *methanol* operations (MCN/Methanor) were, on balance, distinctly higher than in the prior year, although methanol imports into Western Europe showed a further increase in 1983. These imports primarily come from new producer countries having abundant supplies of cheap natural gas. The joint venture Methanor (the Netherlands), which is one of the most efficient methanol producers in Western Europe, with a current annual production capacity of more than 700,000 metric tons, can continue to face the ever-fiercer competition only if natural gas in the Netherlands is priced at a fair level.

Methanol has excellent prospects for use as an octane enhancer. A major outlet remains the particle-board

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*The sudden recovery of the VCM/PVC market in 1983 resulted in major shipments of our vinyl chloride monomer to Southeast Asia.*

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industry, which uses the methanol-based *formaldehyde resins* produced by Methanol Chemie Nederland (a joint venture with DSM) as a binder. Qualitywise, MCN is among the leading producers.

Delamine (the Netherlands), a producer of *ethylene amines*, posted considerable income gains during 1983. An improved performance, partly attributable to plant closures by competitors, was reported by Denak (Japan), a producer of *monochloroacetic acid*.

In Delfzijl work was started on the infrastructure for the intermediates plant of Aramide Maatschappij v.o.f., which is to undertake production of aramid fibers.

#### Other commodity chemicals (Akzo Chemie)

Sales and income of *sulfuric acid* continued to be depressed by slack demand from, among others, the fertilizer industry and by the supply of sulfuric acid produced as a by-product in the industrial processes of third parties.

Substantial energy savings were a major factor in the structurally improved profitability of the *carbon disulfide* plant in Cologne (Federal Republic of Germany).

Thanks to the capital expenditures made in the past years for restructuring measures and for energy conservation we recorded substantially higher earnings for *silicates*.

Satisfactory performance was again posted for *sulfo products*, which was due to volume gains of pure ortho-toluene sulfonamide, the raw material for saccharine.

#### Energy

Akzo Zout Chemie is the largest consumer of energy in the Netherlands, with a 1983 energy bill of almost Hfl 300 million.

The electrolysis plants, in particular, use huge amounts of energy from public power stations. Accordingly, the competitive position of these plants can only be maintained if energy prices in the Netherlands do not deviate too much from those charged to competitors in other countries. We are therefore happy to report that in 1983 the rates charged to us in the Netherlands were reduced to levels comparable with those in the Federal Republic of Germany. In addition, substantial savings were achieved through the resourcefulness of our personnel and as a result of large capital outlays.

Akzo Zout Chemie has always expended much effort on efficient on-site cogeneration of steam and electricity, using gas turbines. Now that the division is faced with adaptation and replacement of power generation plants, the choice of equipment will in part be determined by price differences between natural gas/oil and coal.

At our Hengelo location, for instance, approximately half of the energy requirement will be provided by a coal-fired

fluidized bed boiler. Although this technology is by no means new, the Hengelo project is of national significance because its boiler is the largest of its kind in the Netherlands. Compared with present fuel costs at this location, a savings of approximately 20% can be achieved. In view of the pioneering nature of the project, the Dutch government has made available additional funds through the National Coal Research Program.

The power plant of the Delfzijl location is due to be replaced. We have concluded a cooperative agreement for the realization and operation of a new energy cogeneration plant with the Groningen/Drenthe utility company. The new plant will also supply electricity to the public grid. This cooperation should bring nationwide savings of about 120 million cubic meters of natural gas per year.

#### Research and development

Since the 1979 energy crisis, research efforts focusing on raw material and energy conservation have been intensified. Possibilities for reducing energy losses and achieving energy cost savings are being systematically explored.

As far as methodology is concerned, an increasingly important role is being played by automated analysis and computer-aided experiments in the production plants, stimulated by rapid advances in computer technology.

#### Outlook for 1984

The performance of commodity chemicals is largely determined by the VCM/PVC market. Although the chemical industry, including the PVC industry, is still facing structural overcapacities in Western Europe, we trust that as the economy picks up the 1984 results will be at least equivalent to those achieved in 1983.

Higher earnings are expected for our salt operations in the United States, contingent, of course, upon the weather, but nevertheless enhanced by the restructuring efforts heretofore completed.

## Specialty chemicals

We are pleased to report that the integration of Akzo Chemie with Armak (now Akzo Chemie America) is beginning to bear fruit.

#### Products for plastic and elastomer manufacturers and processors

For the polymer industry, 1983 was a year of strong recovery, particularly for our *organic peroxides*. Various new peroxides and formulations were added to the product line. Work was completed on a new peroxide manufacturing plant for our joint venture Kayaku Noury

(Japan). We successfully introduced some novel, highly concentrated polymer additives.

In the United States, major efforts were undertaken to launch *Nouryset*<sup>®</sup> 200, whose polymer (organic glass) is used in high-quality lenses for optical instruments and eyeglasses.

#### Metal carboxylates

This internationally marketed group of products chiefly consists of *stabilizers* for the PVC industry, such as ester tin stabilizers, and *additives* for the paint industry. This product segment, paced by the upturn of the economy, notably in the United States, turned in a better performance than in the previous year.

#### Organic chemicals

Significant contributions to the improved earnings performance were made by *fatty acids*, *paper chemicals*, and *chlorofluorocarbons*. Lower earnings, however, were posted by *raw materials for detergents*, which was due to the traditionally vigorous competition in this market and to fewer export orders.

#### Fatty amines

Results improved across the board, in particular in Western Europe, although rising raw material prices (for oils and fats) have begun to cause concern. A new basic material for laundry softeners was launched.

During 1983, the main emphasis was on quality control, rationalization, and geographic expansion. Quality improvement and enhanced process efficiency raised earnings of our Mons (Belgium) operations. In order to meet the demands of the detergent industry we are now implementing a drastic modernization in our Littleborough (United Kingdom) plant and adjustments in our Arese (Italy) plant. In Brazil, Poliquíma will start construction of a new manufacturing plant. Expansion of production capacity should also strengthen our position in Canada.

#### Catalysts

Despite much keener competition, our market position in Europe for *cracking catalysts* was strengthened considerably through the modernization of the Amsterdam plant and the introduction of new product variations. As a result, earnings were up substantially.

The success of these catalysts, which gave us a leading position in the European market, has been a major factor in our decision to construct a production facility in the United States. The 40,000-metric-ton-per-year plant to be built on our Houston site calls for capital expenditures of more than U.S. \$ 40 million. The first deliveries to the American

market, which is much larger than its European counterpart, are scheduled to start in early 1985. In view of our position in the European market and in light of overseas demand for our new products, we intend to expand the capacity of the Amsterdam plant.

The global market for *hydrodesulfurization catalysts* was soft, with prices low. Nevertheless, a much better performance was recorded in the United States, due largely to new catalyst introductions. We are satisfied with the results obtained for *reforming catalysts* and *catalysts for the chemical industry*.

#### Research and development

Research at the Deventer Research Laboratory, which has a central function for organic product and process research, process development, and pilot-plant production, will be strengthened and expanded. During 1983, the pilot plant for the development of *organic peroxides* came on stream. With the development project for *specialty di-isocyanates* having reached the final stage, we expect to start on the construction of a semicommercial production unit in Deventer sometime during 1984. These di-isocyanates serve to make high-performance engineering-grade polyurethanes.

At the central laboratory for *catalysts* in Amsterdam, research capabilities will also be strengthened because of the major expansion of manufacturing capacity for *cracking catalysts*.

In Cologne (Federal Republic of Germany), our new semicommercial production unit was started up to test a proprietary process for the production of certain *rubber chemicals*, including ultra accelerators.

#### Outlook for 1984

For specialty chemicals we foresee somewhat higher earnings than in 1983 because of economic growth in the United States and – to a lesser extent – in other parts of the world. Such improvement in earnings is largely contingent upon stable conditions in the raw material market and the success of continued cost control programs.

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Shipment of organic peroxides, used chiefly as initiators in the plastics processing industry, must take place under strict safety precautions. Some products can only be transported at temperatures far below 0° C. For overseas exports there are specially designed refrigerated containers, which are reliable under a

wide range of climatological conditions and so help ensure constant product quality. These special transport facilities are part of the "Noury Care" system originally conceived to advise customers on the handling and use of organic peroxides.

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in Hfl million	1983	1982		1981
sales	1,796	1,572	+ 14%	1,513
operating income	143	97	+ 47%	110
in % of sales	8.0	6.2		7.3

## 26 General

Akzo Coatings had a good year despite a persistent depression of trade and industry in the majority of countries where we have operations. This dampened paint sales. The automotive industry excepted, there has been little or no economic recovery in our paints markets.

Viewed in this context, 1983 operating income was good, with most of our operations contributing to the growth in earnings.

The distinctly higher operating income was achieved for a sales volume which is barely higher, if shipments by Wyandotte Paint Products Company are left out of account. The earnings gain was due in part to cutbacks in our activities in market segments where profitability is structurally low. In addition, higher levels of efficiency in our plants during 1983 restrained increases in operating costs. Also contributing to income were the introduction of new products and further advances in geographic diversification.

A substantial contribution to operating income was made by Wyandotte.

### Decorative paints and D-I-Y paints

The construction market in a great many countries continued weak during 1983, with intensified price competition.

*Cetol Filter*<sup>®</sup> 7, a new, long-life translucent wood finish, was successfully launched. In all European countries where we have operations this product met with acclaim – evidently meeting an urgent market need.

In this important segment of the paints market, we concentrate on high-value products based on new technology. This strategy has benefited our market position and profitability in several countries, including the Federal Republic of Germany.

### Automotive finishes; car refinishes

Auto sales in 1983 were on a rising trend in the United States, Western Europe, and South America. We were thus able to increase our sales volume, in part also as result of market expansion in the United States through the acquisition of Wyandotte. In the South American countries we bolstered our position through the introduction of European know-how.

New products, such as *basecoat/clearcoat* paints, also enhanced earnings performance.

In *car refinishes*, a product category centered in Sikkens in the Netherlands, our geographic diversification programs continued to advance. In Europe and overseas, we therefore again strengthened our international position.

Our line of *Autobase*<sup>®</sup> two-component paints for two-

layer metallic finishes and our line of *Autofine*<sup>®</sup> air-drying one-component acrylic resins, both of which were launched in 1982, were well received in several countries. In addition, we developed new primers which substantially improve application of our *Autocryl*<sup>®</sup> finish, still the most outstanding product in our topcoat series.

Our market approach emphasizes the complete paint system, including the ancillary equipment customers need to obtain the best results. Examples of such equipment are our proprietary carousel mixing machine and a new type of fresh air mask.

### Paints for the wood- and metal-working industries

These industries in particular suffered from slack business conditions. This diminished our customers' earnings and reduced investment for innovation. Even so, we managed a slight improvement in profitability in this market by further specialization in high-grade products for selected market segments. We also abandoned areas where we anticipate no long-term earnings improvement. One of the principal consequences of this policy during 1983 was the transfer of part of our business in France.

### Other products

Performance in the *coil coatings* market was satisfactory, with major contributions coming from *Zincromet*<sup>®</sup> sales in the United States, through Wyandotte, and from our Dacral joint venture in Europe. Sales of coil coating products benefited from the upturn in automobile production.

Overall *resin* sales for Synthese increased, with gratifying operating income for both *paint resins* and *printing ink resins*. In the United States, Lanchem Corp., a manufacturer of technologically advanced paint resins, was acquired in early 1984.

Satisfactory earnings were reported for Talens, a producer of *artists colors*.

### Research and development

Our understanding of both the theoretical and practical characteristics of paint and resin systems has over the past year produced significant improvements in our universal *Autocryl*<sup>®</sup> *Filler* and *Washfiller 580* primers for car refinishing. Also in the car refinishes segment, *basecoat/clearcoat* products were added to our range of *Autofine*<sup>®</sup> paints.

For the automotive industry we developed a higher-solids polyester *topcoat*, with a major contribution being made by our patented technology on sag control agents. Our new low-polluting, water-borne *immersion primer* is now being used on fully assembled truck chassis in Sweden. The range

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*This colorful demonstration car is part of an information campaign aimed at body shops and concerned with four Sikkens refinishing systems applicable to instant small repairs, dents and deep scratches, new panels, and complete resprays.*

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of *basecoat/clearcoat* products was further improved and supplemented with solid-color systems. A new, water-based *protecting wax* with a solids content in excess of 20% has been proven after a period of intensive trials.

#### **Outlook for 1984**

We expect to maintain our current level of operating income and to strengthen our position in the various market segments.

We will continue to pursue our selective market strategy, so that volume growth will be slight. With regard to geographic diversification we plan to continue our program of expansion, particularly in countries with a record of economic stability.

As ever, the efficient utilization of working capital and the application of cost controls are key auxiliary tools in the achievement of earnings targets.

# Pharmaceuticals

in Hfl million	1983	1982		1981
sales	1,647	1,563	+5%	1,484
operating income	260	233	+12%	190
in % of sales	15.8	14.9		12.8

## 28 General

Sales growth during 1983 continued at a gratifying pace, especially when viewed in light of the fact that currency translations once again had a negative effect (7%). The high level of operating income achieved in 1982 was surpassed.

Almost all sectors of Akzo Pharma made their contribution to the company's improved performance. Organon Inc. (United States), which was incorporated in the global strategy of Akzo Pharma in 1983, was no exception. As it adjusts better to Akzo Pharma's worldwide product profile, we expect Organon Inc. gradually to strengthen its position and, by implication, our overall pharmaceutical position in the American marketplace.

### Ethical drugs

Volume sales of these products, which are managed by the Organon group, developed favorably. By and large so did operating income, in part as a result of improvements in the product range and in part because of effective cost management.

In many countries, and particularly in the United Kingdom, France, Italy, Spain, and in the Latin American countries suffering from hyperinflation, such price rises as were realized were insufficient to offset the depreciation of the local currency.

The net growth in sales and earnings was largely attributable to our *Marvelon*<sup>®</sup> oral contraceptive and our *Cordium*<sup>®</sup> angina pectoris preparation, both of which are still fairly new. In the countries where *Marvelon*<sup>®</sup> is being sold our position in this specific market segment was strengthened. *Cordium*<sup>®</sup> is scheduled to be introduced in Brazil in 1984. Volume sales of *Tolvon*<sup>®</sup> antidepressant were up, aided by its introduction in Japan and Brazil.

Substantial efforts were made to ensure the progress of research and development work, in particular for cardiovascular drugs and for drugs which act on the central nervous system.

### Hospital products

Organon Teknika did well in the year under review, especially in terms of its operating income. The company was able to strengthen its position in various market segments.

The introduction of two *duoclonal* pregnancy tests, *Neo-Pregnosticon*<sup>®</sup> and *Neo-Planotest*<sup>®</sup>, constituted another world first. The first commercial test based on *monoclonal* antibodies had been introduced as recently as 1981. The novel *duoclonal* technique permits the manufacture of diagnostics of enhanced specificity and sensitivity. The latest results of our research were hailed by professional

clinical chemists, and interest in our pregnancy tests soared.

The introduction of a new generation of artificial kidneys helped to increase our market share and so made necessary an expansion of production at Boxtel (the Netherlands).

*Norcuron*<sup>®</sup>, Organon Teknika's new short-effect neuromuscular blocking agent, is already being routinely used in operating rooms in the Netherlands, Belgium, and the Federal Republic of Germany.

### Nonprescription products

Chefaro almost matched earnings of the previous year but a projected rise in sales did not materialize.

In the Netherlands a further deterioration of the vitamins segment was more than compensated by improvements in other market segments. In the United Kingdom both sales and income were up. Business in the Federal Republic of Germany, however, failed to meet expectations.

In Mexico and Brazil recent constraints on the public's spending power exercised a negative effect on the planned growth in sales of *Predictor*<sup>®</sup> pregnancy tests. Volume sales to customers in the United States also fell short of expectations.

In most other countries sales and operating income tended to move up, despite intensifying competition.

### Raw materials for the pharmaceutical industry

Diosynth can look back on a good year. Operating income was boosted by better capacity utilization (itself the result of higher sales) and by fair selling prices for most materials.

Earnings from *alkaloids* were satisfactory by virtue of a good market position for *codeines*. Also helpful was the fact that, in the face of difficult circumstances, endeavors to realize a troublefree supply of raw materials for *opiates* were largely successful.

In the *biochemicals* segment, the principal products - *insulin*, *heparin*, and *gonadotrophic hormones* - held their ground. The much-increased price of pork pancreas, which is the raw material for the manufacture of insulin, was a matter for concern.

Shipments of *chemical products* were held at the previous year's level, so that it was possible to sustain the high rate of capacity utilization and the satisfactory earnings level. Progress was made on the development and implementation of new production processes for the synthesis of *steroids*.

### Veterinary products

Sales and operating income of Intervet International were significantly up from 1982, despite lower rates of exchange. Earnings for this dynamic segment were gratifying.

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The anesthetist is a key figure in the care of patients during, and immediately before and after, operations. He is materially assisted in his task by Organon Teknika's Pavulon® and Norcuron® muscle relaxants, and by its neurotransmission monitor. Norcuron®, a short-effect relaxant which enables the surgeon to do

a perfect job, had already acquired a considerable reputation in scientific circles when it was introduced in 1983. Pictures shown here were taken in the Voorburg Diaconessenhuis, a hospital near The Hague.



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*Our affiliate Blumøller is a leading detergents producer in Denmark.*

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Our new affiliate in the United States, Inter-Continental Biologics Inc. (ICB), struggled through a difficult year, which was in part attributable to the worldwide crisis in the poultry industry. Even so, ICB managed to capture a larger share of the poultry health market.

New products developed as a result of in-house research provided for healthy growth and caught the attention of companies specialized in recombinant-DNA technology. Such companies often do not have the kind of effective veterinary product development and marketing expertise possessed by Intervet. With some of these companies, Intervet has entered into cooperative agreements in order to ensure that in the future new products will continue to be developed with the latest techniques.

#### **Outlook for 1984**

Subject to the necessary reservations arising out of persistent uncertainties in foreign exchange markets, we look for sales growth of the order of the last two years. Operating income should be roughly on a par with that realized in 1983.



## Consumer products

in Hfl million	1983	1982		1981
sales	1,080	1,055	+ 2%	1,013
operating income	59	47	+ 26%	50
in % of sales	5.5	4.5		4.9

### General

Sales were about even with the prior year but did not quite meet expectations. Operating income, however, was substantially higher than in the previous year, due in part to the sale of manufacturing and selling rights of *Zendium*<sup>®</sup> toothpaste.

The market for consumer products is acutely affected by changes in distribution patterns and consumer behavior. This requires producers to be flexible and able to adjust promptly, in organizational as well as in other respects.

During 1983, Akzo Consumenten Produkten completed the concentration of its Dutch branded product activities with the inauguration of the Veenendaal office building.

In Belgium the Division is likewise implementing a concentration.

### Food

Earnings in this segment trailed the 1982 level.

Duyvis Recter maintained the prominent position of *Roosvicee*<sup>®</sup> rose hip products in the Dutch market. The company also continued to lead in nuts and dry mixes with its *Duyvis*<sup>®</sup>-brand products.

Also in the nuts market, Duyvis-Belgium expanded its market share, and Mayolande (France) consolidated its position as market leader with its *Bénénuts*<sup>®</sup> line.

Mayolande's *Bénédicta*<sup>®</sup> mayonnaise and sauces experienced heavy competition, but exports of French sauces yielded handsome returns.

In the Netherlands, California *soups* achieved reasonable earnings in a highly competitive market segment, as did the California operation in Belgium.

Margins for Romi's *edible oils, fats, and margarine* were under pressure.

### Nonfood

Nonfood products turned in a better performance than in 1982. This was largely attributable to the beginning recovery of Kortman Redipro (*detergents*), with other contributions coming from Grada Productiebedrijven (the Netherlands), Ashe Laboratories (United Kingdom), and Blumøller (Denmark).

Sales of *Biotex*<sup>®</sup> enzymatic detergent in the United Kingdom made remarkable gains. Our Belgian operations, Kortman (*detergents*) and Intec (*bodycare products*) were amalgamated in mid-1983. We expect this move to bring a distinct advance in profitability. In the Netherlands, our detergents *Biotex*<sup>®</sup> and *Dobbelman*<sup>®</sup> *Alleswasser* captured a larger share of the market.

Sales of *Driehoek*<sup>®</sup> *Wasbultje*<sup>®</sup> combidetergent in sachet form did not meet expectations. This new phosphateless product will be modified to reflect consumers' changed washing habits.

Production and selling rights for *Zendium*<sup>®</sup> toothpaste were sold to Cooper Laboratories (United States) for North America and all other countries, except those where Akzo Consumenten Produkten is represented and where *Zendium*<sup>®</sup> is already being marketed.

Grada Producten (*liquid detergents and cleaning agents*) of Amsterdam and Aerofako (producers of *Zwitsal*<sup>®</sup> bodycare products and *Zendium*<sup>®</sup> toothpaste) of Apeldoorn pooled their operations. The new company, named Grada Productiebedrijven and established at Apeldoorn, appears to be well placed for further growth.

Otarès *cleaning systems* for institutional and industrial use reported reasonable earnings in the Netherlands and Denmark. This market has gained in attractiveness as demand for effective and cost-saving systems has increased.

### Outlook for 1984

Starting from a stronger position, we will make every effort in all of our markets to advance earnings by higher sales, further cost-cutting measures, and increased productivity.

We will respond flexibly to changes in the marketplace, for one thing by launching new or improved products. Our varied, high-quality range of strong brands in several countries offers ample scope in this regard. We therefore expect to at least repeat 1983 earnings.

## Miscellaneous products

in Hfl million	1983	1982		1981
sales	2,142	1,976	+8%	1,959
operating income	65	51	+27%	88
in % of sales	3.0	2.6		4.5

### 32 General

Operating income during 1983 was up, with most Enka products contributing to the increase. In the United States, Brand-Rex, an Akzona division which was divested in late November, and Armira reported only fractionally improved results.

#### Machinery and other engineering products

Barmag Barmer Maschinenfabrik (Federal Republic of Germany), and its subsidiaries in Switzerland, the United States, and Hong Kong, successfully resisted pressures caused by weak business conditions worldwide and growing payment problems in certain export countries; the Brazilian subsidiary alone did not. The high share (approximately 80%) in exports of the German parent company remained virtually unchanged from the previous year.

The 6% rise in Barmag group sales to Hfl 471 million was attributable to *spinning and texturing equipment*. The other segments, including *hydraulic and automotive products*, matched 1982 sales.

For 1984 we anticipate that we will realize further sales gains, which would ensure full capacity utilization of our Remscheid-Lennep works during much of 1984. We were notably encouraged in this expectation by the results of major international exhibitions in Milan (ITMA International Textile Machinery Exhibition) and Düsseldorf (K'83 Plastics Fair).

#### Plastics

Sales of Akzo Plastics grew a further 17% to Hfl 322 million, chiefly as a result of higher shipments. The increase in operating income was of roughly the same order, with *engineering plastics* showing above-average growth.

The plastics segment benefited from the recovery in the automotive, electrical, and household appliances industries, which constitute important outlets for our high-performance *Akulon*<sup>®</sup> polyamide and *Arnite*<sup>®</sup> polyester compounds. Compounds are blends of *Akulon*<sup>®</sup> or *Arnite*<sup>®</sup> with such fillers as glass fibers, minerals, or carbon fibers.

At the end of the year, our in-house developed *Arnitel*<sup>®</sup> S thermoplastic elastomer reached the test marketing stage. A decision to construct a production facility may be made sometime during 1984.

Shipments of spinning chips were well ahead of the previous year's figure.

#### Membranes

In the medical field, the original high growth in shipments of *kidney dialysis membranes* has of late been showing an expected decline. At the same time, a shift in the consumption pattern in favor of hollow fibers has occurred.

This development is to be attributed to a smaller increase

in the number of kidney patients, while the possibilities of transplantation and peritoneal dialysis have become greater. Furthermore, the increase in the reuse of artificial kidneys, notably in the United States, also plays a part.

We plan to bolster our world leadership in dialysis membranes through the introduction of very thin membranes which increase the efficiency of purification.

In addition to blood purification by means of *Cuprophane*<sup>®</sup> membranes and blood separation and fractionation by means of *Plasmaphan*<sup>®</sup> membranes, we developed an *oxygenator* capable of taking over the lung function during heart surgery.

A key research area is the development of membranes to correct malfunctions of the body's immune system. It now seems that a combination of medication and dialysis could significantly advance the therapeutic treatment of such diseases as rheumatoid arthritis and multiple sclerosis.

Starting from our *crossflow microfiltration system* we are working to widen the range of membrane applications. The broad spectrum of industrial uses will lead us in certain cases to enlist outside cooperation. We devised a membrane distillation process (known as the Enka TMD process) to be used in the production of water of high purity, including boiler feedwater, and in the concentration of product solutions in process industries.

#### Industrial colloids

The market for *cellulose-based industrial colloids* continued depressed in 1983 because of the reduction in drilling activities by the petroleum industry. In the second half of the year, however, demand began to recover and it is expected that this trend will carry over into 1984.

Despite the unresolved crisis in the steel industry, interest in our energy-saving *Peridur*<sup>®</sup> ore pelletizer is growing.

We continue to concentrate on the important American market – not only for drilling fluids, but also for the use of colloids as a binding agent in such products as foodstuffs and toothpaste.

Volume sales of our proprietary *Akucell*<sup>®</sup> SW superabsorbent for sanitary product applications are at a satisfactory level.

#### Nonwovens

Colbond's *nonwovens* business was gratifying. This was true of carriers in bituminous roofing materials as well as of tufted-carpet substrates. In regard to the latter we have in the last few years built up an especially strong position in the European automotive industry, which is based on the excellent processing characteristics of our bicomponent nonwoven.

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*The automotive industry is an important market for our bicomponent nonwovens for use as substrate in thermally molded tufted auto carpets.*

*The photo shows the fitting of carpet in a car produced by AUDI/NSU at Ingolstadt (Federal Republic of Germany).*

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## **Leather**

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In an attempt to counter persistent operating losses in a depressed U.S. leather market, Armira concentrated the operations of its three plants in one. The company, which had 1983 sales of Hfl 106 million, hopes that this move will significantly improve its competitive position.

## **Outlook for 1984**

With the divestiture of Brand-Rex, we expect lower 1984 sales for the group of miscellaneous products. Earnings, however, should be much the same as in 1983.

Arnhem, March 12, 1984

The Board of Management



## Organization of the Akzo Group

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**Akzo N.V.**  
Arnhem  
Netherlands



Central staff departments

Central service organizations

Divisions and products

**Enka**  
Wuppertal  
FRG

Man-made fibers, machinery, engineering plastics, membranes, nonwovens, industrial colloids, various industrial products

**Akzo Zout Chemie**  
Hengelo  
Netherlands

Salt, chlorine, alkali products, VCM, methanol, petrochemicals

**Akzo Chemie**  
Amersfoort  
Netherlands

Specialty chemicals, organic chemicals, industrial chemicals, catalysts

**Akzo Coatings**  
Hoofddorp  
Netherlands

Paints, stains, synthetic resins

**Akzo Pharma**  
Oss  
Netherlands

Ethical drugs, nonprescription products, hospital supplies, diagnostic aids, raw materials for the pharmaceutical industry, veterinary products

**Akzo Consumenten  
Produkten**  
The Hague  
Netherlands

Detergents and cleaning products, health and bodycare products, foodstuffs

**Akzona**  
Asheville, N.C.  
United States

Man-made fibers, specialty chemicals, leather, salt, pharmaceuticals, various industrial products

National organizations

Netherlands

Akzo Nederland, Arnhem

Belgium

Akzo België, Brussels

Brazil

Akzo Indústria e Comércio, São Paulo

Japan

Mercator Internationaal, Tokyo

March 1984

## Board of Management of Akzo N.V.

The Board of Management consists of four members who are jointly responsible for directing the Akzo Group.

In addition, the members are individually entrusted with a number of management tasks. Their main tasks and responsibilities are listed below:

A.A. Loudon, President

Responsible for strategic planning, financial and social policies, coordination of Group activities in the United States

J. Veldman

Supervision of Akzo Coatings, Akzo Pharma, and Akzo Consumenten Produkten; responsible for the effective functioning of staff departments and services within the Group

H.J.J. van der Werf

Supervision of Akzo Zout Chemie and Akzo Chemie; responsible for research, technology and energy policies

H.G. Zempelin

Responsible for the Enka Group

## Management Committee

The Board of Management is assisted in policy-making by a Management Committee, which includes the members of the Board.

A.A. Loudon

J. Veldman

H.J.J. van der Werf

H.G. Zempelin

S. Bergsma

G.J. Coli

F.A.G. Collot d'Escury

M.W. Geerlings

J.R. Hutter

H.B. Jacobs

A.G.J. Vermeeren

M.D. Westermann

C. Zaal

Chairman

Deputy Chairman

Deputy Chairman

Deputy Chairman

Financial Affairs

President of Akzona

President of

Akzo Zout Chemie

Research and Technology

Deputy President of Enka

President of Akzo

Consumenten Produkten

President of Akzo Pharma

President of Akzo Chemie

President of Akzo Coatings

## Secretary

J.P. Huges is secretary to the Supervisory Council and to the Board of Management.

## Adviser

W.K.N. Schmelzer acts as adviser to the Board of Management, specifically in relation to international affairs and issues of a general social nature.

**Managements of divisions***Enka*

H.G. Zempelin                      President  
 J.R. Hutter                         Deputy President  
 H. Stöhr  
 G. Tückmantel  
 J. Verhaar

A. Bendziula  
 R. van den Berg

*Akzo Zout Chemie*

F.A.G. Collot d'Escury            President  
 L.J. Boone  
 A. van Es  
 H.A. van Karnebeek

*Akzo Chemie*

M.D. Westermann                 President  
 J.C.P. van Oosterom

H.C. Bijvank  
 M.E. Hartman  
 J. den Hoed  
 A. Moolenburgh  
 H.A. Praetorius  
 E. Snoeck

*Akzo Coatings*

C. Zaal                                 President  
 K. Bakker  
 H.C. Ekker  
 W.L.W. Ludekens  
 J. Mainçon  
 K.G. Schultze

*Akzo Pharma*

A.G.J. Vermeeren                 President  
 P.K. Brons  
 B.H.M. van Dommelen  
 H.E. Foord  
 W. Smit  
 F.L. Vekemans

*Akzo Consumenten Produkten*

H.B. Jacobs                         President  
 M.A. Hoolboom  
 P.B. van Hulst  
 A.M. van der Linden  
 R.S. Schortinghuis  
 J.E.H. Sikkink

*Akzona*

G.J. Colí                                President  
 J.M. Hessels  
 V.A. Parsons

**Managements of coordinating national organizations***Akzo Nederland*

J.W. Berghuis                        President

*Akzo België*

F.C.L. De Deken                     President

*Akzo Indústria e Comércio, Brazil*

J.W. Bootz                             President

## Principles of consolidation

The consolidated financial statements include Akzo N.V. and all companies in which Akzo N.V. or any of its majority subsidiaries has an interest, directly or indirectly, of more than 50% of the outstanding voting stock. 100% of the assets, the liabilities, and the results of the consolidated companies are included. Minority interest in Group equity and Group income (loss) is shown separately.

The principal affiliated companies are listed on pages 59 and 60. A list of names and registered offices of affiliates, drawn up in conformity with article 2:320, paragraph 2, and using paragraph 3, subpara a, of the Dutch Civil Code, has been filed at the Trade Registry of Arnhem.

## Principles of valuation and determination of income

The valuation principles for property, plant and equipment, investments in nonconsolidated companies, other noncurrent assets, inventories, prepaid expenses, securities and private borrowings included in cash and marketable securities, and provisions are stated separately in the notes to the consolidated balance sheet.

Receivables, cash loans and time deposits, cash on hand and in banks, and liabilities are stated at face amounts, less such provisions for receivables as are deemed necessary.

The parts of long-term receivables and long-term debt becoming due within one year are included under short-term receivables and other current liabilities, respectively. Preparation and start-up expenses of large investment projects are capitalized and charged against income, in not more than five equal annual installments, after the facilities concerned have been put into service.

Other intangible assets are not capitalized; they are charged against operating income.

Purchased goodwill is charged directly against Group equity.

In the consolidated balance sheet, amounts in foreign currencies have been translated into guilders at rates virtually equal to the rates of exchange in force at year's end. The valuation in guilders of the U.S. dollar convertible debentures is based, however, on a rate of U.S. \$ 1 = Hfl 3.60, except for the portion due within one year.

In the consolidated statement of income, foreign currencies have been translated into guilders at rates of exchange fixed for each quarter as typical of the rates then applicable.

Foreign exchange differences are included in income, except for foreign exchange differences resulting from translation into guilders, at changed exchange rates, of stockholders' equities of affiliated companies outside the Netherlands; the latter differences are directly added to, or deducted from, Group equity.

The principal exchange rates (rounded) used in drawing up the balance sheet and the statement of income are:

	unit	balance sheet		statement of income	
		Dec. 31, 1983	Dec. 31, 1982	1983*	1982*
U.S. dollar	1	3.08	2.62	2.87	2.67
Deutsche mark	1	1.12	1.11	1.12	1.10
Pound sterling	1	4.43	4.23	4.32	4.68
French franc	1	0.37	0.39	0.38	0.41
Swiss franc	1	1.41	1.32	1.36	1.32
Spanish peseta	100	1.96	2.10	2.00	2.45
Braz. cruzeiro	100	0.33	1.04	0.54	1.51

\* average exchange rates

## Current-value information

The principles of valuation and determination of income used in the consolidated financial statements shown on pages 38 through 47 are based on historical cost. The effect of price rises on Group equity and income is shown on pages 48 and 49.

## Net income per share of common stock

Net income per share of common stock is calculated by dividing net income, less the part thereof distributed in the form of dividends on priority and cumulative preferred stock, by the number of shares of common stock outstanding at December 31.

# Consolidated balance sheet of the Akzo Group

after allocation of profit

see notes on pages 41 through 45

38	in Hfl million	December 31, 1983	December 31, 1982*
	noncurrent assets		
	property, plant and equipment	3,840.4	3,910.5
	investments in nonconsolidated companies	451.7	351.4
	other noncurrent assets	<u>119.3</u>	<u>104.7</u>
		4,411.4	4,366.6
	current assets		
	inventories	2,457.1	2,542.0
	short-term receivables	2,679.1	2,319.4
	prepaid expenses	61.9	62.9
	cash and marketable securities	<u>1,205.8</u>	<u>777.8</u>
		6,403.9	5,702.1
	total assets	10,815.3	10,068.7
	Group equity		
	Akzo N.V. stockholders' equity	2,967.0	2,488.1
	minority interest in Group equity	<u>119.8</u>	<u>122.0</u>
		3,086.8	2,610.1
	long-term liabilities		
	provisions	1,535.5	1,426.8
	subordinated loans	202.6	175.0
	other long-term debt	<u>2,695.0</u>	<u>2,883.5</u>
		4,433.1	4,485.3
	current liabilities		
	bank borrowings and overdrafts	348.7	570.9
	other current liabilities	<u>2,946.7</u>	<u>2,402.4</u>
		3,295.4	2,973.3
	total Group equity and liabilities	10,815.3	10,068.7

\* based on a cash dividend of Hfl 1.60 per common share of Hfl 20 par value

# Consolidated statement of income of the Akzo Group

see notes on pages 45 and 46

in Hfl million	1983	1982	39
sales	15,084.5	14,154.3	
operating costs			
salaries, wages, and social charges	(4,302.8)	(4,229.5)	
depreciation	(584.1)	(533.0)	
other costs	(9,354.9)	(8,898.6)	
	<u>(14,241.8)</u>	<u>(13,661.1)</u>	
operating income	842.7	493.2	
interest	<u>(340.9)</u>	<u>(297.1)</u>	
operating income less interest	501.8	196.1	
taxes on operating income less interest	<u>(72.5)</u>	<u>(27.9)</u>	
	429.3	168.2	
equity in earnings of nonconsolidated companies	<u>109.9</u>	<u>58.4</u>	
Group income before extraordinary items	539.2	226.6	
extraordinary items	<u>(102.5)</u>	<u>(49.2)</u>	
Group income	436.7	177.4	
of which minority interest	(8.6)	(12.7)	
Akzo N.V. net income	428.1	164.7	
net income before extraordinary items	527.4	210.9	
extraordinary items	(102.5)	(49.2)	
of which minority interest	<u>3.2</u>	<u>3.0</u>	
	<u>(99.3)</u>	<u>(46.2)</u>	
Akzo N.V. net income	428.1	164.7	
net income before extraordinary items, per common share of Hfl 20 par value, in Hfl	15.91	7.13	
net income per common share of Hfl 20 par value, in Hfl	12.91	5.56	

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

see notes on page 47

40 in Hfl million	1983	1982
working capital (excess of current assets over current liabilities) at January 1	2,729	2,822
<b>source of funds</b>		
Group income before extraordinary items	539	227
depreciation and disposals	614	564
other noncash items	<u>89</u>	<u>21</u>
	<u>703</u>	<u>585</u>
extraordinary items affecting funds	1,242 <u>(63)</u>	812 <u>(56)</u>
funds from operations	1,179	756
disposal of participations	471	15
working capital of consolidated companies disposed of	<u>(253)</u>	<u>(1)</u>
borrowings	218	14
issuance of stock by:	558	670
Akzo N.V.	170*	-
Group companies	<u>4</u>	<u>-</u>
	<u>174</u>	<u>-</u>
	2,129	1,440
<b>application of funds</b>		
expenditures for property, plant and equipment	625	730
acquisitions	125	230
working capital of new consolidated companies	<u>(8)</u>	<u>(2)</u>
other noncurrent assets and similar items	117 <u>13</u>	228 <u>(9)</u>
repayment of borrowings	755	949
dividends paid to:	895	434
stockholders of Akzo N.V.	133	47**
minority stockholders of Group companies	<u>7</u>	<u>14</u>
other applications	140 <u>(40)</u>	61 <u>89</u>
	1,750	1,533
working capital at December 31	3,108	2,729

\* including Hfl 17 million in stock paid as 1982 dividend

\*\* based on a cash dividend of Hfl 1.60 per common share of Hfl 20 par value

# Notes to the consolidated financial statements of the Akzo Group

## General

### Changes in consolidated companies

In 1983, the accounts of Wyandotte Paint Products Co. (United States) were included in consolidation.

The consolidated balance sheet at December 31, 1983 no longer covers the operations of Brand-Rex Co., the adhesive tape business of Armaq Co., and the activities of Enka Austria AG, which were divested in 1983.

There were no other material changes.

### Consolidated balance sheet

#### Property, plant and equipment

Property, plant and equipment are stated at cost, less depreciation,

with a revaluation of approximately Hfl 50 million for land acquired long ago. Additionally, revaluations in Argentina, Brazil, Colombia, and Mexico have been taken into account, in recognition of the very high inflation in these countries. Cost includes the financing expenses of capital investment projects under construction.

Government subsidies, etc. are deducted from cost of acquisition. Depreciation is calculated by the straight-line method based on estimated life, which in the majority of cases is 10 years for plant equipment and machinery and ranges from 20 to 30 years for buildings. In cases where the book value calculated in this way exceeded the value to the business, additional write-offs were made.

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The table below shows the changes in 1983.

in Hfl million	total	land	buildings	plant equip- ment and machinery	means of transport	assets not used in the production process
<b>situation at December 31, 1982</b>						
cost of acquisition	11,347.3	211.1	2,223.0	8,549.4	122.3	241.5
depreciation	(7,436.8)	(5.1)	(1,176.4)	(5,982.6)	(88.7)	(184.0)
book value	3,910.5	206.0	1,046.6	2,566.8	33.6	57.5
<b>changes in book value</b>						
changes in consolidated companies	(211.8)	(5.0)	(30.1)	(178.1)	(1.1)	2.5
capital expenditures	624.6	2.3	82.7	511.2	14.9	13.5
depreciation	(584.1)		(79.0)	(486.7)	(12.6)	(5.8)
disposals	(29.6)	(3.6)	(2.8)	(17.8)	(2.8)	(2.6)
additional write-offs	(46.4)		(24.3)	(22.1)		
changes in exchange rates and revaluations	173.7	8.6	47.3	115.4	1.2	1.2
other	3.5	(1.3)	2.9	(2.4)	1.0	3.3
total changes in 1983	(70.1)	1.0	(3.3)	(80.5)	0.6	12.1
<b>situation at December 31, 1983</b>						
cost of acquisition	11,481.7	207.0	2,297.0	8,639.0	123.7	215.0
depreciation	(7,641.3)		(1,253.7)	(6,152.7)	(89.5)	(145.4)
book value	3,840.4	207.0	1,043.3	2,486.3	34.2	69.6

Capital investment projects under construction included in cost of acquisition and book value totaled Hfl 281.2 million at December 31, 1983 (at December 31, 1982: Hfl 516.9 million).

Purchase commitments not included in the consolidated balance sheet totaled Hfl 149.2 million at December 31, 1983 (at December 31, 1982: Hfl 153.2 million).

42 **Investments in nonconsolidated companies**

This item includes the nonconsolidated companies and the loans to these companies. Investments in nonconsolidated companies are stated at the amount of Akzo's share in stockholders' equity. The calculation of stockholders' equity has been based as much as possible on the Akzo principles of valuation. Loans to nonconsolidated companies totaled Hfl 24.9 million (at December 31, 1982: Hfl 5.2 million).

in Hfl million

situation at December 31, 1982	351.4
investments	79.8
equity in 1983 earnings	112.5
dividends received	(57.0)
changes in exchange rates and revaluations	(0.3)
other changes	(34.7)
<hr/>	
situation at December 31, 1983	451.7

**Other noncurrent assets**

This item includes mainly long-term receivables and other assets that are not directly realizable.

Other noncurrent assets are stated at cost or estimated value, whichever was lower.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is defined as full cost exclusive of interest, research expenditure, and general administrative expense, taking into account the stage of processing. The cost of inventories has been accounted for using the FIFO formula. Provisions have been made for obsolescence and other risks.

In the valuation of inventories, profits arising as a result of transactions between consolidated companies have been eliminated.

in Hfl million	Dec. 31, 1983	Dec. 31, 1982
raw materials and supplies	649.1	710.7
work in process	583.0	599.5
finished goods	1,225.0	1,231.8
<hr/>		
	2,457.1	2,542.0

**Short-term receivables**

in Hfl million

	Dec. 31, 1983	Dec. 31, 1982
trade receivables	2,480.8	2,155.1
receivables from nonconsolidated companies	58.6	69.6
other receivables	421.3	405.9
	<hr/>	<hr/>
	2,960.7	2,630.6
of which discounted	281.6	311.2
<hr/>		
	2,679.1	2,319.4

**Prepaid expenses**

Prepaid expenses are stated at face amounts. This item includes Hfl 20 million (at December 31, 1982: Hfl 18 million) in respect of discount on borrowings and costs of negotiating loans, which are charged to income over the life of the loans.

**Cash and marketable securities**

With few exceptions, securities included in this item are listed on stock exchanges. They are stated at cost or market value, whichever was lower.

The other investments consist of cash loans, time deposits, and marketable private borrowings. These borrowings are stated at the lower of cost or market value.

in Hfl million	Dec. 31, 1983	Dec. 31, 1982
securities	114.2	53.5
other investments	932.5	614.6
cash on hand and in banks	159.1	109.7
<hr/>		
	1,205.8	777.8

The total amount of medium- and long-term credit facilities arranged by Akzo but not yet utilized was approximately Hfl 750 million at December 31, 1983 (at December 31, 1982: approximately Hfl 750 million).

Group equity						
in Hfl million	capital stock	capital surplus, paid in	other reserves	stock- holders' equity	minority interest	Group equity
situation at December 31, 1982	592.5	658.0	1,237.6	2,488.1	122.0	2,610.1
issuance of common stock	59.6	93.8		153.4		153.4
payment of 1982 dividend in stock	11.6	(11.6)	17.1	17.1		17.1
changes in minority interest in Group companies					1.8	1.8
goodwill resulting from acquisition of companies			(23.7)	(23.7)		(23.7)
retained earnings			295.4	295.4	1.7	297.1
changes in exchange rates and revaluations			36.7	36.7	(5.7)	31.0
situation at December 31, 1983	663.7	740.2	1,563.1	2,967.0	119.8	3,086.8

At least Hfl 300 million of the capital surplus, paid in (at December 31, 1982: Hfl 210 million) can be considered free from income tax within the meaning of the Dutch 1964 Income Tax Law (Wet op de Inkomstenbelasting 1964).

#### Provisions

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

in Hfl million	Dec. 31, 1983	Dec. 31, 1982*
deferred taxes	238.2	304.6
pension rights	549.7	475.5
other provisions	747.6	646.7
	1,535.5	1,426.8

\* restated for comparison

The current portions in respect of provisions of pension rights and other provisions amount to approximately Hfl 189 million (at December 31, 1982: approximately Hfl 200 million).

in Hfl million	
situation at December 31, 1982	1,426.8
changes in consolidated companies	(22.1)
changes in exchange rates	41.5
additions less amounts used	89.3
situation at December 31, 1983	1,535.5

#### Provisions for deferred taxes

This item includes the tax liabilities, less the part expected to be settled in 1984. These liabilities are stated at face amounts. See also the note to taxes on income (page 46).

#### Provisions in respect of pension rights

Most Group companies have arranged appropriate pension plans for their employees, with due observance of the statutory regulations and customs in the countries concerned, including the computational methods and interest rates used. The ensuing liabilities and the required contributions and admission fees are generally computed on an actuarial basis.

The item salaries, wages, and social charges in the consolidated statement of income includes Hfl 340 million (1982: Hfl 320 million) for pension expense.

At December 31, 1983, as at December 31, 1982, the present value of the pension benefits was on balance fully covered by:

- provisions, in the aggregate amount of Hfl 550 million (at December 31, 1982: Hfl 476 million), made by Group companies in their balance sheets;
- the funds accumulated in independent pension funds through payment of contributions.

#### Other provisions

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

The principal provisions are for restructuring of activities and total Hfl 284 million (at December 31, 1982: Hfl 285 million).

The provisions also include amounts for liabilities in respect of guarantees, and for self-insurance and litigation.

44 **Subordinated loans**

This item is composed of the amounts borrowed in respect of subordinated loans arranged by Akzo Nederland B.V., together with either Enka B.V. or Akzo Zout Chemie Nederland B.V. Akzo N.V. has agreed to be jointly and severally liable for these loans. They are subordinated to all third-party debts of the companies named.

The interest payable on borrowings under these loan agreements is based on the going rate for comparable credit facilities and averages 11.1% (1982: 11.8%).

Repayment will take place in the years 1984 through 1992. Redemption before maturity is permitted as from September 1, 1987.

The current portion of this debt, in the amount of Hfl 18 million, to be repaid in 1984 is included under Other current liabilities.

**Other long-term debt**

in Hfl million	Dec. 31, 1983	Dec. 31, 1982
convertible debentures	147.6	168.6
other debentures	865.4	862.4
installment buying and leasing arrangements	47.7	34.2
private borrowings and other long-term debts	2,072.0	2,161.8
	3,132.7	3,227.0
current portion	437.7	343.5
	2,695.0	2,883.5

in Hfl million		
situation at December 31, 1982		2,883.5
changes in exchange rates		166.4
borrowings		507.5
repayment of borrowings		(872.9)
other changes		10.5
situation at December 31, 1983		2,695.0

The breakdown by country is shown in the following table.

in Hfl million	Dec. 31, 1983	Dec. 31, 1982
the Netherlands	1,685.3	1,772.9
Fed. Rep. of Germany	121.5	211.3
United States	605.0	653.5
other countries	283.2	245.8
	2,695.0	2,883.5

Aggregate maturities after 1984 are as follows:

during the years 1985 through 1989	Hfl 1,409 million
during the years 1990 through 1994	Hfl 1,127 million
after 1994	Hfl 159 million
	<u>Hfl 2,695 million</u>

The average interest rate is 8.5% (1982: 8.8%).

The book value of assets financed by installment buying and leasing amounts to approximately Hfl 33 million (at December 31, 1982: approximately Hfl 25 million).

Long-term debts have been secured to an aggregate amount of Hfl 149 million (at December 31, 1982: Hfl 179 million) by means of mortgages, etc.

*Convertible debentures* *in Hfl million*

The amount outstanding at December 31, 1983, of 4¼% debentures Akzo N.V. 1969 convertible into Akzo N.V. common stock was U.S. \$ 42 million. In 1983, the conversion price was reduced from Hfl 127.10 to Hfl 122.80 per share of Hfl 20 par value, based on an exchange rate of U.S. \$ 1 = Hfl 3.60.

Redemption at par (by drawing) occurs in 10 equal annual installments of U.S. \$ 7 million, the first of which became due in 1980.

Redemption before maturity is permitted.

This borrowing includes the debentures held available for exchange of the remaining 4¼% convertible debentures Zout-Organon B.V. of U.S. \$ 1,000 each; 18 of these debentures have not been exchanged.

147.6

*Other debentures* *in Hfl million*

Currently outstanding amount of 11¼% debentures Akzo N.V. 1974. These debentures are payable in 10 approximately equal annual installments, the first of which became due on November 1, 1975.

Redemption before maturity is not permitted.

7.3

Currently outstanding amount of 9¼% debentures Akzo N.V. 1976. These debentures are payable in 5 approximately equal annual installments, the first of which became due on July 15, 1982.

Redemption before maturity is not permitted.

75.0

to be carried forward

82.3

carried forward

82.3

**Other current liabilities**

Currently outstanding amount of 9½% debentures Akzo N.V. 1979. These debentures will be repaid in 4 approximately equal annual installments, the first of which became due on July 15, 1983.

Redemption before maturity is not permitted.

93.8

Currently outstanding amount (Lfrs 410 million) of 9¼% debentures Akzo N.V. 1979/1987. These debentures will be repaid in 3 annual installments of Lfrs 30 million each in the years 1984 through 1986. The remaining amount will be payable at October 25, 1987.

Redemption before maturity is permitted.

22.6

DM 125 million principal amount of 9% debentures Akzo N.V. 1980/1990. These debentures will be repaid in 5 annual installments in the years 1986 through 1990: DM 12.5 million in 1986, DM 25 million annually in 1987 through 1989, and the remaining amount of DM 37.5 million in 1990.

Redemption before maturity is permitted as from May 15, 1985.

140.5

DM 100 million principal amount of 9½% debentures Akzo N.V. 1982/1989. These debentures will be repaid on July 1, 1989.

Redemption before maturity is permitted as from July 1, 1987.

112.4

Hfl 100 million principal amount of 10¾% debentures Akzo N.V. 1982 due 1988/1992. Redemption by drawing will occur in 5 approximately equal annual installments in the years 1988 through 1992.

Redemption before maturity is not permitted.

100.0

Sfr 100 million principal amount of 5¾% debentures Akzo N.V. 1983/1993.

Subject to certain conditions, these debentures will be repaid in 5 annual installments of Sfr 5 million each in the years 1988 through 1992.

The remaining amount will be payable at May 9, 1993.

Redemption before maturity is permitted as from May 9, 1988.

141.0

Profit-sharing employee debentures Akzo N.V.

0.7

Total other debentures Akzo N.V.

693.3

Other debentures issued by consolidated companies

172.1  
865.4

in Hfl million

Dec. 31, 1983

Dec. 31, 1982

suppliers	1,246.4	1,009.8
nonconsolidated companies	66.0	57.1
taxes on income*	38.2	33.8
Akzo N.V. dividend	99.5	47.4
current portion of long-term debt	455.7	343.5
pensions	25.4	3.0
other liabilities and accrued charges	1,015.5	907.8
	2,946.7	2,402.4

\* less tax receivables of Hfl 21 million (at December 31, 1982: Hfl 27 million)

**Liabilities not shown in the balance sheet**

With regard to nonconsolidated companies and third parties, guarantees were given and liabilities contracted to an aggregate amount of Hfl 203 million (at December 31, 1982: Hfl 216 million), of which Hfl 60 million (at December 31, 1982: Hfl 80 million) direct by Akzo N.V.

In respect of leasehold, rent, etc., liabilities have been contracted for a number of years to an amount of approximately Hfl 77 million (at December 31, 1982: approximately Hfl 72 million) per year.

**Consolidated statement of income****Sales**

This item shows the total of amounts invoiced to third parties, including nonconsolidated companies, in respect of goods supplied and services rendered, less sales taxes and excise duties. There are practically no differences in timing of invoicing and delivery.

in Hfl million	1983	1982
man-made fibers	4,526	4,359
chemical products	4,097	3,817
coatings	1,796	1,572
pharmaceuticals	1,647	1,563
consumer products	1,080	1,055
miscellaneous products	2,142	1,976
	15,288	14,342
intra-Group deliveries	(203)	(188)
	15,085	14,154

**Depreciation**

in Hfl million	1983	1982
buildings	79.0	74.8
plant equipment and machinery	486.7	443.7
means of transport	12.6	11.8
assets not used in the production process	5.8	2.7
	<u>584.1</u>	<u>533.0</u>

For the method of calculation of depreciation, see page 41.

**Operating income**

in Hfl million	1983	1982
man-made fibers	151	(19)
chemical products	193	89
coatings	143	97
pharmaceuticals	260	233
consumer products	59	47
miscellaneous products	65	51
	<u>871</u>	<u>498</u>
nonallocated costs	(28)	(5)
	<u>843</u>	<u>493</u>

**Interest**

in Hfl million	1983	1982
interest paid	(451.4)	(447.3)
interest received, including income from securities, etc.	110.5	150.2
	<u>(340.9)</u>	<u>(297.1)</u>

Interest paid decreased by Hfl 26 million (1982: Hfl 48 million) due to the capitalization of financing expenses of capital investment projects under construction.

**Taxes on income**

The taxes on earnings included in this item consist of both current and deferred tax liabilities. No tax deductions are made from earnings to the extent that these earnings can be offset against losses suffered in previous years. From the losses incurred, taxes have been deducted to the extent that they can be offset against taxes charged to income in previous years.

A portion of income (loss) is thus not included in taxable income. At December 31, 1983, losses not yet compensated amounted to approximately Hfl 600 million (December 31, 1982: Hfl 800 million).

Within the compensation periods provided by law, earnings to be achieved in the coming years can therefore be included up to this amount in the statement of income without tax deductions.

The taxes included in the statement of income break down as follows:

in Hfl million	1983	1982
taxes on operating income less interest	(72.5)	(27.9)
taxes on equity in earnings of nonconsolidated companies	(40.1)	(24.0)
taxes included in extraordinary items	45.8	5.3
	<u>(66.8)</u>	<u>(46.6)</u>

**Equity in earnings of nonconsolidated companies**

Under this heading are included the Group's equity in earnings of nonconsolidated companies and interest received on loans granted to these companies, with due allowance made for taxes on these items.

**Extraordinary items**

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

in Hfl million	1983	1982
extraordinary gains	15.9	2.4
extraordinary losses	(118.4)	(51.6)
	<u>(102.5)</u>	<u>(49.2)</u>

Extraordinary losses for 1983 principally relate to the restructuring of activities in the United States.

Consolidated statement of changes in financial position

Acquisitions

47

Working capital

in Hfl million	Dec. 31, 1983	Dec. 31, 1982
inventories	2,457	2,542
short-term receivables	2,679	2,319
prepaid expenses	62	63
cash and marketable securities	1,206	778
bank borrowings and overdrafts	(349)	(571)
other current liabilities	(2,947)	(2,402)
	3,108	2,729

in Hfl million

1983

1982

investments in nonconsolidated companies	80	16
acquisition of consolidated companies	45	214
	125	230

Acquisitions in 1983 principally relate to our 50% participation in Aramide Maatschappij v.o.f. and the acquisition of Wyandotte Paint Products Co.

Funds from operations

This item is computed from Group income, with adjustments for items which in years prior to the fiscal year caused, or which will yet cause, increases or decreases in funds.

For this purpose, Group income before extraordinary items is augmented by the amount for depreciation and disposals, and by the balance of the changes detailed below.

in Hfl million	1983	1982
changes in provisions from normal operational activities	96	43
retained earnings of nonconsolidated companies	(56)	(7)
other	49	(15)
	89	21

Extraordinary items affecting funds are determined from the extraordinary items as follows:

in Hfl million	1983	1982
extraordinary items	(102)	(49)
changes in provisions of an unusual character	(7)	(39)
other	46	32
	(63)	(56)

Disposal of participations

This item primarily concerns the sale of Brand-Rex Co. and of the adhesive tape business of Armak Co.

## Current-value information

48 Because of inflation in virtually all countries, the current value of property, plant and equipment and of investments in nonconsolidated companies, included in noncurrent assets, is higher than is shown in the consolidated balance sheet. Hence, Group equity is correspondingly higher. Income is lower if costs are determined in relation to current prices. There exists no generally accepted method to show the effects of price rises on Group equity and income. The method of calculation adopted in this section is set forth below.

### Method of calculation

#### Condensed consolidated balance sheet

##### Noncurrent assets

The current value of land has generally been approximated on the basis of appraisals.

To calculate the current value of buildings, machinery, and equipment, indexes from external sources in the principal countries of establishment were used, 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. This applies in particular to part of the buildings, machinery, and equipment for the production of man-made fibers in Europe.

Current value in foreign currencies has been translated into guilders at rates virtually equal to the rates of exchange in force at year's end.

For nonconsolidated companies, an overall revaluation was made on the basis of the estimated current value of their property, plant and equipment, with due allowance made for taxes.

##### Current assets

For inventories, no revaluation was made, as the value shown in the consolidated balance sheet does not differ materially from the current value of inventories.

##### Stockholders' equity

Stockholders' equity on a current-value basis has been determined by adding to stockholders' equity as shown in the consolidated balance sheet, the amount of the revaluation of noncurrent assets, with minority interest being taken into account.

Due allowance was made for deferred taxes arising from the revaluation of property, plant and equipment, which were calculated at a rate of 50%.

##### Liabilities

Liabilities on a current-value basis have been determined by adding to liabilities as shown in the consolidated balance sheet the amount for deferred taxes arising from the revaluation of property, plant and equipment.

#### Condensed consolidated statement of income

##### Operating costs

The amount of the adjustment to current prices of depreciation and other operating costs includes:

- the additional depreciation needed if depreciation is computed on the current value of property, plant and equipment;
- the increase in the value of inventories computed for the normal inventory level.

##### Taxes

The amount of the adjustment of taxes is computed on the basis of a rate of 50% applied to additional depreciation and to the increase in the value of inventories.

##### Equity in earnings of nonconsolidated companies

The amount of the adjustment to current prices of equity in earnings of nonconsolidated companies reflects the effect of additional depreciation and of the increase in the value of inventories on earnings of these companies, with due allowance made for taxes.

### Financial ratios

	1983		1982	
	on the basis of historical cost	on the basis of current value	on the basis of historical cost	on the basis of current value
Group equity : liabilities	0.40	0.46	0.35	0.41
stockholders' equity per common share of Hfl 20 par value, in Hfl	89.48	111.35	84.06	108.52
operating income as percentage of sales	5.6	3.8	3.5	1.8
net income before extraordinary items:				
per common share of Hfl 20 par value, in Hfl	15.91	11.75	7.13	3.21
as percentage of stockholders' equity	17.8	10.5	8.5	3.0
net income				
per common share of Hfl 20 par value, in Hfl	12.91	8.75	5.56	1.65
as percentage of stockholders' equity	14.4	7.9	6.6	1.5

**Condensed consolidated balance sheet**

in Hfl million	December 31, 1983		December 31, 1982	
	on the basis of historical cost	on the basis of current value	on the basis of historical cost	on the basis of current value
noncurrent assets	4,411	5,912	4,367	5,867
current assets	6,404	6,404	5,702	5,702
total assets	10,815	12,316	10,069	11,569
Akzo N.V. stockholders' equity	2,967	3,692	2,488	3,212
minority interest	120	166	122	176
Group equity	3,087	3,858	2,610	3,388
liabilities	7,728	8,458	7,459	8,181
total Group equity and liabilities	10,815	12,316	10,069	11,569

**Condensed consolidated statement of income**

in Hfl million	1983		1982	
	on the basis of historical cost	on the basis of current value	on the basis of historical cost	on the basis of current value
sales	15,085	15,085	14,154	14,154
operating costs				
depreciation	(584)	(740)	(533)	(698)
other costs	(13,658)	(13,778)	(13,128)	(13,197)
operating income	843	567	493	259
interest	(341)	(341)	(297)	(297)
taxes	(73)	65	(28)	89
equity in earnings of nonconsolidated companies	110	104	59	46
extraordinary items	(102)	(102)	(49)	(49)
Group income	437	293	178	48
minority interest	(9)	(3)	(13)	1
Akzo N.V. net income	428	290	165	49
net income before extraordinary items	527	389	211	95
extraordinary items less minority interest	(99)	(99)	(46)	(46)
Akzo N.V. net income	428	290	165	49

**Changes in stockholders' equity**

in Hfl million	1983		1982	
stockholders' equity on a current-value basis at January 1		3,212		3,206
net income	290		49	
goodwill resulting from acquisition of companies	(24)		(1)	
dividend	(133)		(47)	
issuance of Akzo N.V. stock	170*		—	
other changes	177		5	
		480		6
stockholders' equity on a current-value basis at December 31		3,692		3,212

Other changes include the revaluation of noncurrent assets, the increase in the value of inventories, and the effect of changes in exchange rates.

\* including Hfl 17 million in stock paid as 1982 dividend

# Akzo N.V. balance sheet

after allocation of profit

see notes on page 52

50	in Hfl million	December 31, 1983	December 31, 1982*
	affiliated companies		
	consolidated companies	3,580.3	3,014.8
	nonconsolidated companies	92.0	75.3
	loans to affiliated companies	<u>1,186.3</u>	<u>1,300.1</u>
		4,858.6	4,390.2
	other noncurrent assets	20.5	-
	short-term receivables and prepaid expenses		
	receivables from affiliated companies	35.7	12.6
	other receivables	80.9	64.5
	prepaid expenses	<u>19.3</u>	<u>19.6</u>
		135.9	96.7
	cash and marketable securities		
	marketable securities	1.4	0.2
	other investments	853.3	687.8
	cash on hand and in banks	<u>0.6</u>	<u>6.9</u>
		855.3	694.9
	<b>total assets</b>	<b>5,870.3</b>	<b>5,181.8</b>
	stockholders' equity		
	common stock	663.1	591.9
	cumulative preferred stock	0.6	0.6
	priority stock	<u>0.0</u>	<u>0.0</u>
	capital stock	663.7	592.5
	capital surplus, paid in	740.2	658.0
	other reserves	<u>1,563.1</u>	<u>1,237.6</u>
		2,967.0	2,488.1
	borrowings		
	convertible debentures	147.6	168.6
	other debentures	693.3	693.2
	borrowings from affiliated companies	764.7	570.3
	other borrowings	<u>1,043.1</u>	<u>1,082.8</u>
		2,648.7	2,514.9
	current liabilities		
	amounts due to affiliated companies	1.8	3.8
	dividend	99.5	47.4
	bank borrowings and overdrafts	53.5	45.7
	other liabilities and accrued charges	<u>99.8</u>	<u>81.9</u>
		254.6	178.8
	<b>total stockholders' equity and liabilities</b>	<b>5,870.3</b>	<b>5,181.8</b>

\* based on a cash dividend of Hfl 1.60 per common share of Hfl 20 par value

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

see notes on page 52

in Hfl	1983	1982	51
net income	428,100,000	164,700,000	
reservation, pursuant to art. 39, para 1, of the articles of association	<u>(137,900,000)</u>	<u>(115,800,000)</u>	
profit remaining for allocation	290,200,000	48,900,000	
with due observance of art. 39, para 2, of the articles of association, it is proposed that this amount be allocated as follows:			
to be distributed:			
dividend on priority stock - Hfl 60 per share of Hfl 1,000 par value	2,880		
dividend on cum. pref. stock - Hfl 60 per share of Hfl 1,000 par value	36,120		
dividend on common stock - Hfl 4 per share of Hfl 20 par value	<u>132,605,284</u>		
	<u>132,644,284</u>		
to be retained	157,555,716		

Following the acceptance of this proposal, the holders of common stock will receive a dividend of Hfl 4 per share of Hfl 20 par value, of which Hfl 1 was paid earlier as an interim dividend.

The final dividend of Hfl 3 will be made available on dividend coupon no. 21 from May 9, 1984.

Arnhem, March 12, 1984

The Board of Management:

A.A. Loudon  
J. Veldman  
H.J.J. van der Werf  
H.G. Zempelin

The Supervisory Council:

G. Kraijenhoff  
J.R.M. van den Brink  
Y. Scholten  
S.C. Bakkenist  
A.G. van den Bos  
A. Herrhausen  
C.S. Ramsey  
H.J. Schlange-Schöningen  
H.A. van Stiphout  
E.G.G. Werner  
O. Wolff von Amerongen

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

## 52 General

The investments in affiliated companies, as well as the other assets and liabilities, have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income mentioned on page 37. Thus stockholders' equity and net income are equal to stockholders' equity and net income as shown in the consolidated financial statements on pages 38 and 39.

### Nonconsolidated companies

in Hfl million

situation at December 31, 1982	75.3
equity in 1983 earnings	20.8
dividends received	(5.9)
changes in exchange rates and revaluations	3.3
other changes	(1.5)
situation at December 31, 1983	92.0

### Other noncurrent assets

This item includes a long-term receivable.

### Cash and marketable securities

Other investments in the amount of Hfl 132.4 million (December 31, 1982: Hfl 130.0 million) are not freely available to Akzo N.V.

### Capital stock

Authorized capital stock of Akzo N.V. is Hfl 1,030,048,000 and consists of 48 shares of priority stock of Hfl 1,000 each, 30,000 shares of cumulative preferred stock of Hfl 1,000 each, and 50 million shares of common stock of Hfl 20 each. Outstanding capital

stock consists of 48 shares of priority stock, 602 shares of cumulative preferred stock, and 33,151,321 shares of common stock.

In 1983 the Company issued a total of 2,959,358 shares of Akzo N.V. common stock, with warrants attached. Each warrant entitles its holder through November 30, 1984 to one share of Akzo N.V. common stock at a price of Hfl 60. At December 31, 1983, the option rights of 2,952,852 warrants had not yet been exercised.

The priority stock is held by "Akzostichting" (Akzo Foundation), which is controlled by the members of the Supervisory Council and the Board of Management. The meeting of holders of priority stock has the right to draw up binding lists of nominees for appointment to the Supervisory Council and the Board of Management.

### Borrowings

For information on the convertible and other debentures, see the notes to the consolidated financial statements (pages 44 and 45). Borrowings from affiliated companies have no fixed repayment schedule. A portion of these borrowings bears no interest. To the extent that interest is charged, it averages 8.7% (1982: 8.9%). Interest on other borrowings averages 8.0% (1982: 7.7%).

The repayment schedule for the other borrowings is as follows:

in 1984	Hfl 155 million
during the years 1985 through 1989	Hfl 191 million
during the years 1990 through 1994	Hfl 697 million
	Hfl 1,043 million

### Remuneration of Supervisory Council

For 1983, the members of the Supervisory Council were paid a total amount of Hfl 679,584 (1982: Hfl 548,667), of which Hfl 502,084 (1982: Hfl 500,000) was a fixed amount and Hfl 177,500 (1982: Hfl 48,667) was a variable remuneration. All members receive remuneration.

At end-1983 the Council numbered 11 members (end-1982: 13).

## Provisions of the articles of association with regard to profit allocation

### Article 39

1

The Board of Management shall be authorized to determine, with the approval of the Supervisory Council, how great a share of the profit as shown by the approved statement of income shall be added to reserves; the general meeting of shareholders may dispose of such reserves only on the proposal of the Board of Management approved by the Supervisory Council. The remainder of the profits shall be put at the disposal of the general meeting of shareholders, with due observance of the provisions in paragraph 2.

2

The remainder of the profits shall, to the extent possible, be allocated as follows:

a to the holders of priority shares:  
six per cent per share or the statutory interest as stated in article 8, paragraph 1, whichever is lower, plus any accrued and unpaid dividends;

b to the holders of cumulative preferred shares:

six per cent per share, plus any accrued and unpaid dividends;

c to the holders of ordinary shares:

a dividend of such an amount per share as the remaining profit, less the aforesaid payments and less such amounts as the general meeting of shareholders may decide to carry to reserves, shall permit.

3

The holders of ordinary shares are, to the exclusion of everyone else, entitled to allocations made from reserves accrued by virtue of the provision of the second paragraph sub c.

4

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

## Auditors' report

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We have examined the foregoing 1983 financial statements of Akzo N.V., Arnhem. For the purpose of our examination we also have made use of the reports of other independent auditors with respect to a number of subsidiaries.

In our opinion, these financial statements present fairly the financial position of Akzo N.V. at December 31, 1983, and the results of its operations for the year then ended.

Arnhem, March 12, 1984

Klynveld Kraayenhof & Co.

## Ten-year financial summary

The figures set forth below are based on historical cost;  
for figures based on current value, see page 56.

54	consolidated balance sheet December 31	1983	1982*	1981	1980	1979	1978	1977	1976	1975	1974
	in Hfl million										
	property, plant and equipment	3,840	3,911	3,673	3,441	3,273	3,360	3,577	3,904	4,396	4,322
	investments in nonconsolidated companies	452	351	351	357	297	338	321	288	307	285
	other noncurrent assets	119	105	135	119	144	152	148	162	125	175
	noncurrent assets	4,411	4,367	4,159	3,917	3,714	3,850	4,046	4,354	4,828	4,782
	inventories	2,457	2,542	2,506	2,454	2,233	1,902	1,920	1,949	2,113	2,562
	short-term receivables	2,679	2,319	2,570	2,289	2,231	1,992	1,882	1,787	1,906	1,831
	prepaid expenses	62	63	63	68	46	48	60	59	51	56
	cash and marketable securities	1,206	778	898	883	805	598	580	611	539	524
	current assets	6,404	5,702	6,037	5,694	5,315	4,540	4,442	4,406	4,609	4,973
	total assets	10,815	10,069	10,196	9,611	9,029	8,390	8,488	8,760	9,437	9,755
	capital stock	664	593	593	593	593	593	593	593	593	593
	capital surplus, paid in	740	658	658	658	658	658	658	658	658	658
	other reserves	1,563	1,237	1,198	1,015	1,074	980	1,074	1,377	1,733	2,223
	stockholders' equity	2,967	2,488	2,449	2,266	2,325	2,231	2,325	2,628	2,984	3,474
	minority interest in Group equity	120	122	407	393	408	397	414	486	541	565
	Group equity	3,087	2,610	2,856	2,659	2,733	2,628	2,739	3,114	3,525	4,039
	provisions	1,535	1,427	1,335	1,329	1,147	1,054	1,039	942	1,052	958
	subordinated loans	202	175	75	25	—	—	—	—	—	—
	other long-term debt	2,695	2,884	2,715	2,717	2,600	2,276	2,496	2,626	2,693	2,124
	long-term liabilities	4,432	4,486	4,125	4,071	3,747	3,330	3,535	3,568	3,745	3,082
	bank borrowings and overdrafts	349	571	613	574	453	386	347	310	308	410
	other current liabilities	2,947	2,402	2,602	2,307	2,096	2,046	1,867	1,768	1,859	2,224
	current liabilities	3,296	2,973	3,215	2,881	2,549	2,432	2,214	2,078	2,167	2,634
	total Group equity and liabilities	10,815	10,069	10,196	9,611	9,029	8,390	8,488	8,760	9,437	9,755
	invested capital**:										
	of consolidated companies	6,666	6,881	6,744	6,418	6,074	5,777	6,014	6,415	7,013	7,033
	in nonconsolidated companies	452	351	351	357	297	338	321	288	307	285
	total	7,118	7,232	7,095	6,775	6,371	6,115	6,335	6,703	7,320	7,318
	property, plant and equipment										
	capital expenditures	625	730	693	645	461	434	409	413	745	799
	depreciation	584	533	527	504	506	486	494	533	519	531
	ratios										
	sales : invested capital	2.26	2.06	2.15	1.94	1.98	1.85	1.73	1.68	1.39	1.53
	Group equity : liabilities	0.40	0.35	0.39	0.38	0.43	0.46	0.48	0.55	0.60	0.71
	Group equity : noncurrent assets	0.70	0.60	0.69	0.68	0.74	0.68	0.68	0.72	0.73	0.84
	current assets : current liabilities	1.94	1.92	1.88	1.98	2.09	1.87	2.01	2.12	2.13	1.89

development of stockholders' equity since 1969\*\*\*  
in Hfl million

stockholders' equity at January 1, 1969	2,519
issuance of stock, including capital surplus	558
stock dividends	225
retained earnings	1,001
goodwill resulting from acquisition of companies	(511)
change in exchange rates and revaluations	(706)
other changes	(119)
stockholders' equity at December 31, 1983	2,967

\* based on a dividend in cash

\*\* total assets less cash and marketable securities, and less non-interest-bearing other current liabilities

\*\*\* year in which Akzo was established

consolidated statement of income	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
in Hfl million										
sales	15,085	14,154	14,476	12,453	12,015	10,666	10,433	10,750	9,717	10,761
salaries, wages, and social charges	(4,303)	(4,229)	(4,182)	(3,789)	(3,572)	(3,395)	(3,277)	(3,277)	(3,109)	(3,144)
depreciation	(584)	(533)	(527)	(504)	(506)	(486)	(494)	(533)	(519)	(531)
other costs	(9,355)	(8,899)	(9,203)	(7,744)	(7,248)	(6,364)	(6,422)	(6,635)	(6,106)	(6,314)
operating income (loss)	843	493	564	416	689	421	240	305	(17)	772
interest	(341)	(297)	(329)	(261)	(259)	(248)	(245)	(249)	(234)	(147)
taxes on operating income less interest	(73)	(28)	(79)	(48)	(136)	(113)	(65)	(59)	58	(226)
equity in earnings of nonconsolidated companies	110	59	83	72	32	28	34	24	13	42
Group income (loss) before extraordinary items	539	227	239	179	326	88	(36)	21	(180)	441
extraordinary items	(102)	(49)	7	(246)	(60)	(25)	(122)	(167)	(253)	8
Group income (loss)	437	178	246	(67)	266	63	(158)	(146)	(433)	449
of which minority interest	(9)	(13)	(7)	(3)	(36)	(39)	(8)	(7)	(7)	(69)
net income (loss)	428	165	239	(70)	230	24	(166)	(153)	(440)	380
dividend	133	47*	59	—	71	—	—	—	—	118
common stock, in thousands of shares										
of Hfl 20 par value	33,151	29,594	29,594	29,594	29,594	29,594	29,594	29,594	29,594	29,594
number of employees	66,300	73,700	77,800	83,100	83,000	83,200	84,400	91,100	98,200	105,400
per common share of Hfl 20										
par value, in Hfl										
net income (loss) before extraordinary items	15.91	7.13	7.58	5.77	9.75	1.66	(1.75)	0.20	(6.53)	12.55
net income (loss)	12.91	5.56	8.07	(2.35)	7.74	0.82	(5.63)	(5.16)	(14.86)	12.83
dividend	4.00	1.60	2.00	—	2.40	—	—	—	—	4.00
stockholders' equity	89.48	84.06	82.72	76.56	78.55	75.35	78.52	88.78	100.80	117.36
ratios										
operating income (loss), as percentage of sales	5.6	3.5	3.9	3.3	5.7	3.9	2.3	2.8	(0.2)	7.2
operating income (loss), as percentage of invested capital	12.6	7.2	8.4	6.5	11.3	7.3	4.0	4.8	(0.2)	11.0
salaries, wages, and social charges, as percentage of sales	28.5	29.9	28.9	30.4	29.7	31.8	31.4	30.5	32.0	29.2
net income (loss) before extraordinary items, as percentage of stockholders' equity	17.8	8.5	9.2	7.5	12.4	2.2	(2.2)	0.2	(6.5)	10.7
net income (loss), as percentage of stockholders' equity	14.4	6.6	9.7	(3.1)	9.9	1.1	(7.2)	(5.8)	(14.7)	10.9

\* of which Hfl 30 million in cash

**consolidated statement of changes in financial position**

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
<i>in Hfl million</i>										
working capital (excess of current assets over current liabilities) at January 1	2,729	2,822	2,813	2,766	2,108	2,228	2,327	2,441	2,339	2,226
<b>source of funds</b>										
funds from operations	1,179	756	846	631	976	659	539	503	370	1,024
borrowings	558	670	425	593	538	390	289	496	826	422
issuance of Akzo N.V. stock	153									
payment of Akzo N.V. dividend in stock (1982 and 1973 dividends)	17									72
other sources	222	14	6	16	3	19	62	41	17	20
	2,129	1,440	1,277	1,240	1,517	1,068	890	1,040	1,213	1,538
<b>application of funds</b>										
expenditures for property, plant and equipment acquisitions	625	730	693	645	461	434	409	413	745	799
other noncurrent assets and similar items	117	228	36	77	76	90	60	50	92	65
repayment of borrowings	13	(9)	10	(26)	(8)	4	(12)	41	(43)	20
dividends paid to stockholders of Akzo N.V.	895	434	452	498	202	557	408	446	277	306
miscellaneous applications	133	47*	59	—	71	—	—	—	—	118
	(33)	103	18	(1)	57	103	124	204	40	117
	1,750	1,533	1,268	1,193	859	1,188	989	1,154	1,111	1,425
working capital at December 31	3,108	2,729	2,822	2,813	2,766	2,108	2,228	2,327	2,441	2,339

<b>figures on a current-value basis</b>	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Group equity, in Hfl million	3,858	3,388	3,757	3,448	3,357	3,290	3,369	3,764	4,225	4,559
stockholders' equity, in Hfl million	3,692	3,212	3,206	2,929	2,828	2,803	2,870	3,193	3,585	3,928
Group equity : liabilities	0.46	0.41	0.46	0.45	0.49	0.52	0.54	0.61	0.64	0.74
stockholders' equity, per common share of Hfl 20 par value, in Hfl	111.35	108.52	108.32	98.93	95.54	94.69	96.95	107.87	121.14	132.73
<b>operating income (loss)</b>										
in Hfl million	567	259	193	161	363	269	104	77	(315)	402
as percentage of sales	3.8	1.8	1.3	1.3	3.0	2.5	1.0	0.7	(3.2)	3.7
<b>net income (loss) before extraordinary items</b>										
in Hfl million	389	95	47	53	141	(28)	(124)	(105)	(339)	216
per common share of Hfl 20 par value, in Hfl	11.75	3.21	1.62	1.80	4.75	(0.95)	(4.19)	(3.55)	(11.46)	7.30
as percentage of stockholders' equity	10.5	3.0	1.5	1.8	5.0	(1.0)	(4.3)	(3.3)	(9.5)	5.5
<b>net income (loss)</b>										
in Hfl million	290	49	62	(187)	82	(53)	(239)	(264)	(585)	224
per common share of Hfl 20 par value, in Hfl	8.75	1.65	2.11	(6.32)	2.76	(1.79)	(8.08)	(8.92)	(19.77)	7.57
as percentage of stockholders' equity	7.9	1.5	1.9	(6.4)	2.9	(1.9)	(8.3)	(8.3)	(16.3)	5.7

\* based on a dividend in cash

product group statistics	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	57
in Hfl million											
sales											
man-made fibers											
textile uses	3,223	3,105	3,427	2,663	2,817	2,633	2,590	2,834	2,880	3,386	
industrial uses	1,303	1,254	1,251	1,119	1,035	934	1,008	970	827	1,142	
	<u>4,526</u>	<u>4,359</u>	<u>4,678</u>	<u>3,782</u>	<u>3,852</u>	<u>3,567</u>	<u>3,598</u>	<u>3,804</u>	<u>3,707</u>	<u>4,528</u>	
chemical products											
salt and heavy chemicals	2,366	2,269	2,398	2,174	2,237	1,794	1,854	1,722	1,428	1,653	
specialty chemicals	1,731	1,548	1,613	1,375	1,244	1,122	1,144	1,061	824	991	
	<u>4,097</u>	<u>3,817</u>	<u>4,011</u>	<u>3,549</u>	<u>3,481</u>	<u>2,916</u>	<u>2,998</u>	<u>2,783</u>	<u>2,252</u>	<u>2,644</u>	
coatings											
pharmaceuticals	1,647	1,563	1,484	1,320	1,274	1,211	1,099	1,071	971	819	
consumer products	1,080	1,055	1,013	869	725	696	611	789	779	679	
miscellaneous products	2,142	1,976	1,959	1,670	1,595	1,349	1,274	1,362	1,172	1,319	
	<u>6,665</u>	<u>6,166</u>	<u>5,969</u>	<u>5,291</u>	<u>4,815</u>	<u>4,305</u>	<u>3,959</u>	<u>4,163</u>	<u>3,758</u>	<u>3,589</u>	
total											
intra-Group deliveries	15,288	14,342	14,658	12,622	12,148	10,788	10,555				
sales to third parties	(203)	(188)	(182)	(169)	(133)	(122)	(122)				
	<u>15,085</u>	<u>14,154</u>	<u>14,476</u>	<u>12,453</u>	<u>12,015</u>	<u>10,666</u>	<u>10,433</u>	<u>10,750</u>	<u>9,717</u>	<u>10,761</u>	
operating income (loss)											
man-made fibers											
	151	(19)	33	(170)	74	10	(88)	(142)	(326)	223	
chemical products											
	193	89	125	183	253	122	110	134	54	304	
coatings											
pharmaceuticals	143	97	110	110	98	64	45				
consumer products	260	233	190	145	134	140	133				
miscellaneous products	59	47	50	40	31	31	16				
	65	51	88	116	132	107	80				
	<u>527</u>	<u>428</u>	<u>438</u>	<u>411</u>	<u>395</u>	<u>342</u>	<u>274</u>	<u>313</u>	<u>255</u>	<u>245</u>	
total											
nonallocated costs	871	498	596	424	722	474	296				
operating income (loss)	(28)	(5)	(32)	(8)	(33)	(53)	(56)				
	<u>843</u>	<u>493</u>	<u>564</u>	<u>416</u>	<u>689</u>	<u>421</u>	<u>240</u>	<u>305</u>	<u>(17)</u>	<u>772</u>	
invested capital											
man-made fibers											
	2,364	2,477	2,328	2,123							
chemical products											
	2,025	1,895	1,851	1,749							
coatings											
pharmaceuticals	653	598	569	585							
consumer products	772	701	714	733							
miscellaneous products	315	295	289	261							
	604	1,007	1,058	973							
	<u>2,344</u>	<u>2,601</u>	<u>2,630</u>	<u>2,552</u>							
total											
nonallocated invested capital	6,733	6,973	6,809	6,424							
invested capital	(67)	(92)	(65)	(6)							
	<u>6,666</u>	<u>6,881</u>	<u>6,744</u>	<u>6,418</u>	<u>6,074</u>	<u>5,777</u>	<u>6,014</u>	<u>6,415</u>	<u>7,013</u>	<u>7,033</u>	

For the years 1974 through 1976, intra-Group deliveries and nonallocated costs are deducted from sales and operating income, respectively, of the several product groups. This does not materially affect the comparability with subsequent years.

## regional statistics

	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
<i>in Hfl million</i>										
<i>the Netherlands</i>										
sales by area of destination	1,675	1,561	1,460	1,454	1,419	1,289	1,284	1,295	1,218	1,302
sales by area of origin	5,106	4,528	4,699	4,255	4,212	3,623	3,585	3,706	3,237	3,554
operating income	229	75	133	117						
expenditures for property, plant and equipment	283	338	303	246	170	180				
invested capital	2,293	2,288	2,143	2,095	2,069	1,983	1,962	2,286	2,255	2,277
number of employees	22,000	22,600	23,000	23,600	23,700	24,300	25,400	27,600	29,700	30,600
<i>Federal Republic of Germany</i>										
sales by area of destination	2,340	2,168	2,266	2,198	2,243	1,966	1,932	2,056	1,939	2,115
sales by area of origin	3,580	3,395	3,385	3,106	3,087	2,825	2,658	2,727	2,547	2,819
operating income	178	128	105	66						
expenditures for property, plant and equipment	110	136	138	130	100	96				
invested capital	1,694	1,688	1,660	1,578	1,613	1,576	1,690	1,622	1,835	1,846
number of employees	18,700	19,400	20,200	21,000	21,200	21,300	21,800	23,800	26,000	28,800
<i>other EEC countries</i>										
sales by area of destination	3,449	3,398	3,431	2,966	2,791	2,348	2,143	2,198	2,020	2,229
sales by area of origin	1,491	1,561	1,633	1,498	1,287	1,161	1,055	1,003	994	1,124
operating income	112	100	78	46						
expenditures for property, plant and equipment	53	37	43	63	44	36				
invested capital	650	645	601	632	583	541	521	393	633	743
number of employees	6,800	7,200	8,200	9,600	9,600	10,200	10,000	11,000	13,400	14,700
<i>rest of Europe</i>										
sales by area of destination	1,682	1,739	1,845	1,750	1,732	1,384	1,473	1,646	1,432	1,531
sales by area of origin	735	831	825	718	711	573	561	712	685	691
operating income (loss)	62	64	31	37	56	40	(2)	16	10	68
expenditures for property, plant and equipment	24	31	52	36	16	11	11	36	76	
invested capital	242	264	332	309	329	254	303	433	507	495
number of employees	4,200	5,500	5,800	6,400	6,300	6,000	6,300	7,600	7,800	8,100
<i>North America</i>										
sales by area of destination	3,744	3,241	3,375	2,362	2,413	2,315	2,334	2,292	2,018	2,318
sales by area of origin	3,462	3,048	3,210	2,253	2,224	2,027	2,133	2,147	1,909	2,163
operating income (loss)	123	(24)	99	45	113	99	87	53	103	166
expenditures for property, plant and equipment	136	148	139	150	117	93	87	103	134	
invested capital	1,510	1,695	1,721	1,542	1,291	1,188	1,339	1,459	1,556	1,387
number of employees	9,100	13,400	14,900	16,000	16,200	15,600	15,300	15,500	16,100	17,100
<i>other regions</i>										
sales by area of destination	2,195	2,047	2,099	1,723	1,417	1,364	1,267	1,263	1,090	1,266
sales by area of origin	711	791	724	623	494	457	441	455	345	410
operating income	139	150	118	105	79	86	72	90	57	64
expenditures for property, plant and equipment	19	40	18	20	14	18	20	15	54	
invested capital	277	301	287	262	189	235	199	222	227	285
number of employees	5,500	5,600	5,700	6,500	6,000	5,800	5,600	5,600	5,200	6,100

# Principal companies of the Akzo Group

December 31, 1983

Percentages of participation are only stated for companies in which Akzo N.V. holds a direct and/or indirect interest of less than 95% in voting stock.

Enka, Wuppertal	Federal Republic of Germany (F.R.G.)	Akzo Chemie, Amersfoort	Netherlands	59
<i>Man-made fibers, machinery, engineering plastics, membranes, nonwovens, various industrial products</i>		<i>Specialty chemicals, organic chemicals, industrial chemicals, catalysts</i>		
Enka B.V., Arnhem	Netherlands	Akzo Chemie Nederland B.V., Amersfoort	Netherlands	(50)
Enka International B.V., Arnhem	Netherlands	Cyanamid-Ketjen Katalysator B.V., Amsterdam	Netherlands	(33)
Akzo Plastics B.V., Arnhem	Netherlands	Silenka B.V., Hoogezand	F.R.G.	
Colbond B.V., Arnhem	Netherlands	Akzo Chemie GmbH, Düren	F.R.G.	(67)
Aramide Maatschappij v.o.f., Emmen	Netherlands (50)	Carbosulf Chemische Werke GmbH, Cologne	F.R.G.	(67)
Enka AG, Wuppertal	F.R.G.	Rhodanid Chemie GmbH, Cologne	F.R.G.	(67)
Barmag Barmer Maschinenfabrik AG, Remscheid-Lennep	F.R.G.	Akzo Chemie, division of Akzo België N.V., Mons	Belgium	
with establishments in Switzerland*, U.S.A., Brazil*, and Hong Kong		Amdic S.A., Mons	Belgium	(50)
Kuag Textil AG, Wuppertal	F.R.G.	Soc. des Dérivés Azotés S.A., Mons	Belgium	
Membrana GmbH, Wuppertal	F.R.G.	Akzo Chemie France S.à.r.l., Venette	France	
Italenka Film S.p.A., Milan	Italy	Akzo Chemie Italia S.p.A., Arese	Italy	
La Seda de Barcelona S.A., Barcelona	Spain (57)	Akzo Chemie U.K. Ltd, Gillingham	U.K.	
Cyanenka S.A., Prat de Llobregat	Spain (44)	Interstab Chemicals Inc., N. Brunswick, New Jersey	U.S.A.	
Fibras Químicas S.A., Monterrey	Mexico (40)	Poliqúima Indústria e Comércio, division of Akzo Indústria e Comércio Ltda, São Paulo	Brazil	
Polyenka S.A., São Paulo	Brazil (51)	Nippon Ketjen Co. Ltd, Tokyo	Japan	(50)
COBAFI Companhia Bahiana de Fibras S.A., Camaçari	Brazil (45)	Kayaku Noury Corp., Tokyo	Japan	(50)
Enka de Colombia S.A., Medellín	Colombia (48)	Lion Akzo Co. Ltd, Tokyo	Japan	(50)
Enkador S.A., Quito	Ecuador (48)	<b>Akzo Coatings, Hoofddorp</b>	<b>Netherlands</b>	
Century Enka Ltd, Calcutta	India (39)	<i>Paints, stains, synthetic resins</i>		
<b>Akzo Zout Chemie, Hengelo (O)</b>	<b>Netherlands</b>	Sikkens B.V., Sassenheim	Netherlands	
<i>Salt, chlorine, alkali products, vinyl chloride monomer, methanol, petrochemicals</i>		Koninklijke Talens B.V., Apeldoorn	Netherlands	
Akzo Zout Chemie Nederland B.V., Hengelo	Netherlands	Kunstsharsfabriek Synthese B.V., Bergen op Zoom	Netherlands	
Methanol Chemie Nederland v.o.f., Delfzijl	Netherlands (50)	Akzo Farben Beteiligungs-GmbH, Stuttgart	F.R.G.	
Methanor v.o.f., Delfzijl	Netherlands (28)	Deutsche Akzo Coatings GmbH, Stuttgart	F.R.G.	
Delamine B.V., Delfzijl	Netherlands (35)	Austro-Lesonal GmbH, Salzburg	Austria	
ROVIN Rotterdamse Vinylunie v.o.f., The Hague	Netherlands (50)	Akzo Coatings, division of Akzo België N.V., Ternat	Belgium	
Norddeutsche Salinen GmbH, Stade	F.R.G.	Astral S.A., Paris	France	
Elektro-Chemie Ibbenb. GmbH, Ibbenbüren	F.R.G. (50)	with establishments in Morocco*, Senegal*, Ivory Coast*, and Cameroun*		
Konezo, division of Akzo België N.V., Brussels	Belgium	Dacral S.A., Paris	France	(48)
Dansk Salt I/S, PR Mariager	Denmark (50)	Sikkens U.K. Ltd, London	U.K.	
CIRNE - Companhia Industrial do Rio Grande do Norte, Macau	Brazil	Akzo Coatings Italia S.r.l., Milan	Italy	
Denak Co. Ltd, Tokyo	Japan (50)	Ivanow S.A., Barcelona	Spain	
		Svenska Sikkens AB, Tyresö	Sweden	(50)
		American Sikkens Inc., Philadelphia, New Jersey	U.S.A.	
		Wyandotte Paint Products Co. Inc., Troy, Michigan	U.S.A.	
		Miluz S.A.I.C.I. y F., Buenos Aires	Argentina	
		R. Montesano S.A. - Tintas Wanda, São Paulo	Brazil	
		Metropolitan Paint Factory Ltd, Bangkok	Thailand	
		Toa Akzo Coatings Ltd, Tokyo	Japan	(50)

\* participation less than 95%

Akzo Pharma, Oss

Netherlands

*Ethical drugs*

(Organon International B.V., Oss, the Netherlands)

*Hospital supplies*

(Organon Teknika N.V., Turnhout, Belgium)

*Nonprescription products*

(Chefaro International B.V., Rotterdam, the Netherlands)

*Raw materials for the pharmaceutical industry*

(Diosynth B.V., Oss, the Netherlands)

*Veterinary products*

(Intervet International B.V., Boxmeer, the Netherlands)

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

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

Akzo Consumenten Produkten, The Hague

Netherlands

*Detergents and cleaning products, health and bodycare products, foodstuffs*

Kortman Redipro B.V., Veenendaal	Netherlands
Duyvis Recter B.V., Veenendaal	Netherlands
Grada Productiebedrijven B.V., Apeldoorn	Netherlands
Rotterdamse Margarine Industrie	
ROMI B.V., Vlaardingen	Netherlands
California Verkoopmaatschappij B.V., Harderwijk	Netherlands
Otarès B.V., Enschede	Netherlands
Kortman, division of Akzo België N.V., Brussels	Belgium
Ashe Laboratories Ltd, Leatherhead	U.K.
Mayolande S.A., Seclin	France
A/S Blumøller, Odense	Denmark
Tomten A/S, Sandvika	Norway

Akzona Inc., Asheville, North Carolina

U.S.A.

*Man-made fibers, specialty chemicals, leather, salt, pharmaceuticals, various industrial products*

American Enka Co., Enka, North Carolina U.S.A.

Akzo Chemie America Co., Chicago, Illinois U.S.A.

with establishment in Canada

Armira Corp., Sheboygan, Wisconsin U.S.A.

International Salt Co., Clarks Summit, Pennsylvania U.S.A.

with establishments in Canada and the Netherlands Antilles

Organon Inc., West Orange, New Jersey U.S.A.

with establishment in Canada

Membrana Inc., Wilmington, Delaware U.S.A.

**Other companies**

N.V. Verenigde Instrumentenfabrieken		
Enraf-Nonius, Delft (medical equipment, etc.)	Netherlands	(15)
Akzo Engineering B.V., Arnhem	Netherlands	
Akzo Systems B.V., Velp	Netherlands	
Rijnconsult B.V., Arnhem	Netherlands	

\* participation less than 95%

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*Dividends are paid through the following banks:*

**the Netherlands**

Amsterdam-Rotterdam Bank  
Algemene Bank Nederland  
Bank Mees & Hope  
Nederlandse Credietbank  
Nederlandsche Middenstandsbank  
Pierson, Heldring & Pierson  
Rabobank Nederland  
at their offices in Amsterdam, Rotterdam, The Hague, Utrecht  
(Rabobank Nederland), and Arnhem, if established there

**Federal Republic of Germany**

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

**Belgium**

Generale Bankmaatschappij  
Bank van Parijs en de Nederlanden België  
Kredietbank  
at their offices in Brussels and Antwerp

**Luxembourg**

Banque Générale du Luxembourg, Luxembourg

*Akzo N.V. common stock is listed on the following stock exchanges:*

the Netherlands:	Amsterdam
Federal Republic of Germany:	Frankfurt/Main, Düsseldorf, and Berlin (West)
Switzerland:	Zurich, Basel, and Geneva
France:	Paris
Belgium:	Brussels and Antwerp
United Kingdom:	London
Austria:	Vienna
Norway:	Oslo

**United Kingdom**

Barclays Bank  
Midland Bank  
at their offices in London

**France**

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

**Austria**

Creditanstalt-Bankverein, Vienna

**Switzerland**

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

**U.S.A.**

The Chase Manhattan Bank, New York

