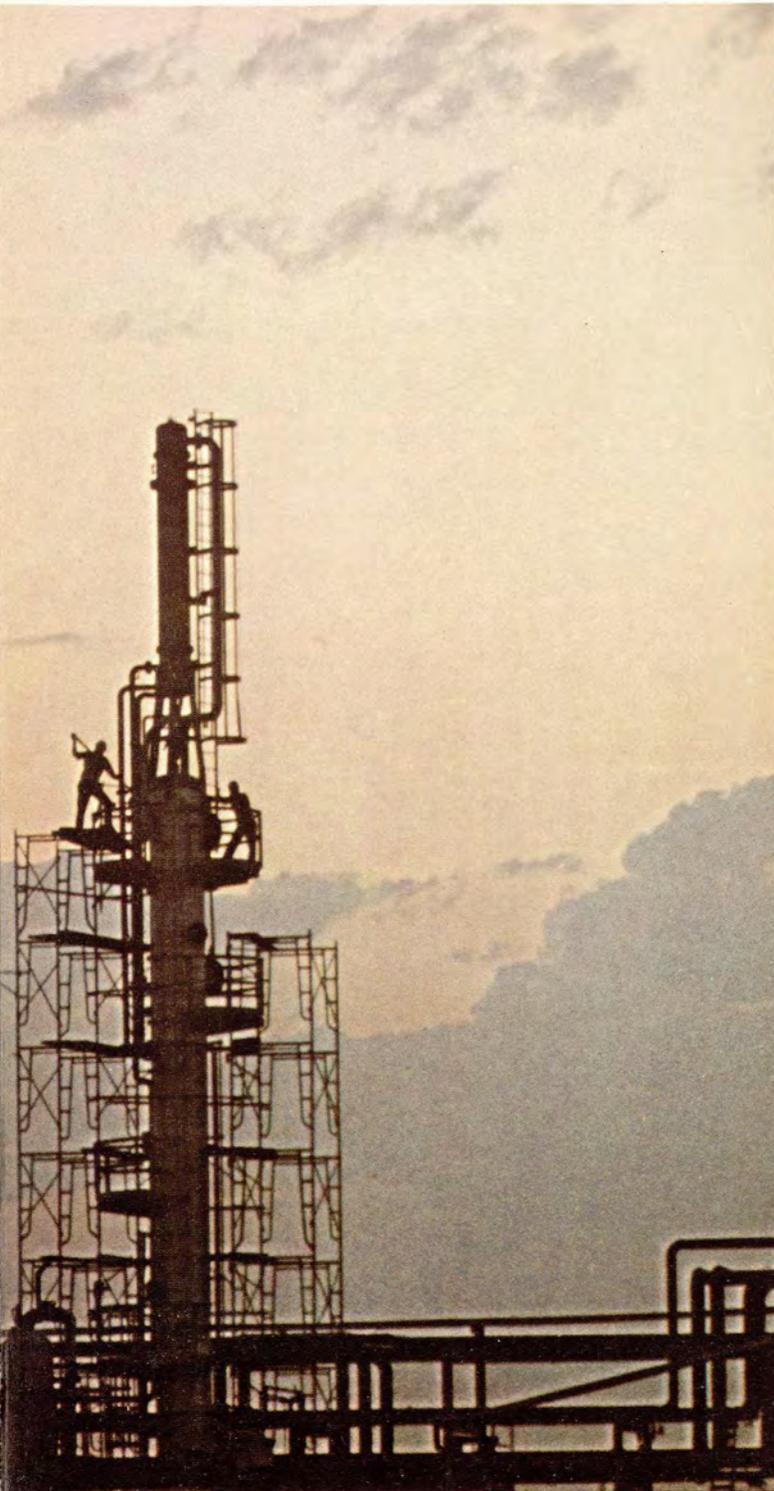




# Annual Report 1973



*This new facility, which will double fatty amine capacity of Armak Co. (U.S.A.), began initial production toward the end of the year.*



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The survey of the principal companies of the Akzo group and the five-year financial review are shown on the inside of the front and the back cover, respectively.

The agenda for the annual meeting of stockholders appears on the back cover.

# Principal companies of the Akzo group

March, 1974

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

<b>Enka Glanzstoff, Arnhem/Wuppertal</b>	<b>Netherlands/ W. Germany</b>		
<i>chemical fibers, non-wovens, plastics, synthetic leather, film, machines and various industrial products</i>			
Enka Glanzstoff B.V., Arnhem	Netherlands		
Strucol B.V., Zutphen	Netherlands		
Akzo Plastics B.V., Zeist	Netherlands		
Enka Glanzstoff AG, Wuppertal	W. Germany		
Barmag Barmer Maschinenfabrik AG, Remscheid-Lennep	W. Germany		
with establishments in Switzerland and the U.S.A.			
Fabelta, division of Akzo België N.V., Brussels	Belgium		
93 – Ferenka Ltd, Limerick	Rep. of Ireland		
Italenka S.p.A., Milan	Italy		
93 – Erste Oesterr. Glanzstoff-Fabrik AG, Vienna	Austria		
Feldmühle A.G., Rorschach	Switzerland		
<b>Akzo International, Arnhem</b>	<b>Netherlands</b>		
<i>chiefly chemical fibers</i>			
62 – British Enkalon Ltd, Leicester	U.K.		
62 – Teesside Textiles Ltd, Thornaby/Stockton- on-Tees	U.K.		
37 <sup>a</sup> – Brand-Rex Ltd, Glenrothes	U.K.		
58 – La Seda de Barcelona S.A., Barcelona	Spain		
45 – Cyanenka S.A., Prat de Llobregat	Spain		
40 – Fibras Químicas S.A., Monterrey	Mexico		
40 – Petroquímica Sudamericana S.A., Buenos Aires	Argentina		
40 – Hilanderías Olmos S.A., Buenos Aires	Argentina		
40 – Hilanderías Beccar S.A., Buenos Aires	Argentina		
51 – Polyenka S.A., Indústria Química e Têxtil, São Bernardo do Campo	Brazil		
48 – Enka de Colombia S.A., Medellín	Colombia		
49 – Enkador S.A., Quito	Ecuador		
44 – Century Enka Ltd, Calcutta	India		
<b>Akzo Zout Chemie, Hengelo (O)</b>	<b>Netherlands</b>		
<i>salt and heavy chemicals</i>			
Akzo Zout Chemie Nederland B.V., Hengelo	Netherlands		
Ned. Soda-industrie B.V., Delfzijl	Netherlands		
Petrochemie Delfzijl B.V., Delfzijl	Netherlands		
Zoutchemie Botlek B.V., Rotterdam	Netherlands		
50 – Methanol Chemie Ned. v.o.f., Delfzijl	Netherlands		
		Norddeutsche Salinen GmbH, Stade	W. Germany
	50 –	Elektro-Chemie Ibbenb. GmbH, Ibbenbüren	W. Germany
		Konezo, division of Akzo België N.V., Brussels	Belgium
	50 –	Dansk Salt I/S, PR Mariager	Denmark
	90 –	Comp. Ind. do Rio Grande do Norte (CIRNE), Macau	Brazil
		<b>Akzo Chemie, Amersfoort</b>	<b>Netherlands</b>
		<i>specialty chemicals and industrial chemicals</i>	
		Akzo Chemie Nederland B.V., Amersfoort	Netherlands
	60 –	Ketjen Carbon B.V., Rotterdam	Netherlands
	50 –	Cyanamid-Ketjen Katalysator B.V., Amsterdam	Netherlands
		Akzo Chemie GmbH, Düren	W. Germany
	66 –	Carbqsulf Chemische Werke GmbH, Cologne	W. Germany
		Akzo Chemie, div. of Akzo België N.V., Mons	Belgium
		Akzo Chemie France S.à.r.l., Compiègne	France
		Akzo Chemie Italia S.p.A., Milan	Italy
		Akzo Chemie U.K. Holdings Ltd, London	U.K.
		Armour Hess Chemicals Ltd, Harrogate	U.K.
	50 –	Nippon Ketjen K.K., Tokyo	Japan
	50 –	Kayaku Noury K.K., Tokyo	Japan
	50 –	Japan Interstab K.K., Tokyo	Japan
	50 –	Lion Akzo Co. K.K., Tokyo	Japan
		<b>Akzo Coatings, Amstelveen</b>	<b>Netherlands</b>
		<i>paints, powder coatings, synthetic resins, adhesives and waxes</i>	
		Sikkens B.V., Sassenheim	Netherlands
		Kon. Talens B.V., Apeldoorn	Netherlands
		Kunstharsfabr. Synthese B.V., Bergen op Zoom	Netherlands
		Syntac B.V., Voorburg	Netherlands
		Sikkens GmbH, Emmerich	W. Germany
		K.G. Lesonal-Werke Chr. Lechler & Sohn Nachf., Stuttgart	W. Germany
		with establishment in Austria	
	50 –	Resicoat GmbH, Reutlingen	W. Germany
		Akzo Coatings Belgium N.V., Ternat	Belgium
	89 –	Astral S.A., Paris	France
		with establishments in Morocco <sup>c</sup> , Tunisia, Senegal <sup>c</sup> , Ivory Coast <sup>c</sup> and Cameroun <sup>c</sup>	
		Vercolac S.p.A., Milan	Italy
		Sikkens S.p.A., Dormelletto	Italy
		Colorificio Linvea S.p.A., Naples	Italy
	40 –	Miluz S.A.I.C.I.F., Buenos Aires	Argentina
		Comp. de Tintas e Vernizes R. Montesano S.A., São Paulo	Brazil

<b>Akzo Pharma, Oss</b>	<b>Netherlands</b>	Fino Fabrieken B.V., Harderwijk	Netherlands
<i>pharmaceuticals for human use, hospital supplies and equipment, raw materials for the pharmaceutical industry, veterinary products and crop protection products</i>		Van Vollenhoven B.V., Emmen	Netherlands
Organon International B.V., Oss, with establishments in the Netherlands, West Germany, Belgium, France, Italy, United Kingdom, Republic of Ireland, Spain, Portugal, Greece, Turkey, Denmark, Norway, Sweden, Finland, Mexico, Argentina, Brazil, Colombia, Ecuador, Venezuela, Hong Kong, India <sup>b</sup> , Indonesia, Iran <sup>b</sup> , Japan <sup>b</sup> , Philippines, Thailand, Australia, New Zealand, Zaire and South Africa <sup>b</sup>		Kortman, division of Akzo België N.V., Brussels	Belgium
Chefaro International B.V., Rotterdam, with establishments in the Netherlands, West Germany, Belgium, United Kingdom, Spain, Finland and Mexico		California, division of Akzo België N.V., Boechout	Belgium
Organon Teknika International B.V., Oss, with establishments in the Netherlands, West Germany, Belgium, France and Spain		50 – Mayolande S.A., Seclin	France
Diosynth B.V., Oss, with establishments in the Netherlands, West Germany, France, Italy, United Kingdom and Mexico		A/S Blumøller, Odense	Denmark
Intervet International B.V., Boxmeer, with establishments in the Netherlands, West Germany, Belgium, France, Italy, United Kingdom and Mexico		Lilla Edets Pappersbruks AB, Lilla Edet with establishments in the Netherlands, West Germany, United Kingdom and Denmark	Sweden
Organon B.V., Oss, with establishments in the Netherlands, West Germany, Belgium, France, Italy, United Kingdom and Mexico		Tomten A/S, Sandvika	Norway
AAgrunol B.V., Groningen, with establishments in the Netherlands, West Germany <sup>b</sup> and Belgium		<b>Akzona, Asheville, North Carolina</b>	<b>U.S.A.</b>
<b>Akzo Consumenten Produkten, The Hague</b>	<b>Netherlands</b>	<i>chemical fibers, non-wovens, salt, specialty chemicals, pharmaceuticals, wire and cable, leather, foodstuffs and various industrial products</i>	
<i>detergents and cleaning products, disposable paper, body-care products and foodstuffs</i>		65 – Armak Co., Chicago, Illinois with establishment in Canada	U.S.A.
Aerofako B.V., Apeldoorn	Netherlands	65 – American Enka Co., Enka, North Carolina	U.S.A.
50 – Grada Produkten B.V., Amsterdam	Netherlands	65 – Armira Corp., Sheboygan, Wisconsin	U.S.A.
Intec B.V., The Hague	Netherlands	65 – Brand-Rex Co., Willimantic, Connecticut with establishments in United Kingdom <sup>a</sup> and Canada	U.S.A.
Kon. Eau de Colognefabriek J.C. Boldoot B.V., Amsterdam	Netherlands	65 – International Salt Co., Clarks Summit, Pennsylvania with establishments in Canada and the Netherlands Antilles	U.S.A.
Kortman & Schulte B.V., Dordrecht	Netherlands	65 – Organon Inc., West Orange, New Jersey with establishment in Canada	U.S.A.
Otarès B.V., Enschede	Netherlands	<b>Other companies</b>	
Kon. Fabr. T. Duyvis Jz. B.V., Zaanstad	Netherlands	50 – Silenka B.V., Hoogezand (glass fibers)	Netherlands
		20 – N.V. Verenigde Instrumentenfabrieken Enraf-Nonius, Delft (medical equipment, etc.)	Netherlands
		Akzo Chemie Verkoopkantoor B.V., Amsterdam	Netherlands
		Akzo Engineering B.V., Arnhem	Netherlands
		Kemias B.V., Arnhem (engineering)	Netherlands
		50 – Moulinages Motte S.A., Mouscron (textured synthetic yarns)	Belgium
		a affiliate of British Enkalon Ltd (60%) and Brand-Rex Co. (40%); total participation of Akzo N.V.: 63%	
		b participation less than 95%	
		c participation slightly different from 89%	

## Supervisory council and board of management

*Akzo is a multinational industrial group of companies. Products include chemical fibers, salt, basic and specialty chemicals, coatings, pharmaceuticals and consumer products.*

*The Group has operations in more than 45 countries, and employs about 106,000 people. Invested capital is Hfl 6,900 million; 1973 Group sales totaled Hfl 9,400 million.*

### Supervisory Council

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

### Board of Management

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

### Secretary

A. H. M. Wentholt



## Report of the supervisory council

The composition of the supervisory council remained unchanged in 1973. Mrs. K. Schudel-van Zwanenberg, J. de Vries and O. Wolff von Amerongen, whose terms of office had ended, were re-elected at the annual meeting of stockholders held May 10, 1973.

At the above meeting, stockholders accepted the resignation from the board of management of F. Prakke, who had reached the retirement age. At the start of his 25-year career with the company, Mr. Prakke capably directed the setting up and expansion of the first Dutch manufacturing facility for nylon filament yarn and staple fiber at Emmen. Later, as a vice-president of American Enka Corporation, he contributed much to the development of the synthetic filament yarn and staple fiber production of that company. In 1962, he was appointed to the board of management of Algemene Kunstzijde Unie N.V., where he was specifically charged with promoting the geographical distribution of the chemical fiber operations. Within this company, and subsequently in the wider scope of Akzo, his energetic efforts toward the attainment of this goal brought remarkable successes.

The annual meeting of stockholders also accepted the resignation from the board of management, effective July 1, 1973, of A. Stikker, who had expressed his wish to resign. Mr. Stikker, who had been with the company since 1957, when he joined Sikkens Lakfabrieken N.V., made a significant contribution to the development of the Group's chemical sector. In 1969, he was appointed to the board of management, where in the past few years he was specifically charged with the coordination of our chemical interests.

Our experience over the past few years has been a primary factor in demonstrating the desirability of an expansion of the board to include those who, in our decentralized organization, bear direct responsibility for important segments of the Group. The annual meeting of stockholders accordingly decided that, as of July 1, 1973, the board of management should have a membership of twelve and, effective as of that date, appointed to the board A. G. van den Bos, president of Akzo Chemie, H. Kramers, deputy president of Akzo Research & Engineering, J. A. Wolhoff, president of Akzo Zout Chemie, B. Zevenbergen, president of Enka Glanzstoff, and H. G. Zempelin, deputy president of Enka Glanzstoff. For information concerning the division of responsibilities among the board members, please refer to page 36.

The annual meeting of stockholders convened for May 9, 1974, will be asked to appoint to the board of

management J. Veldman, president of Akzo Pharma since January 1, 1974, and H. van Doodewaerd, president of Akzo Consumenten Produkten since December 1, 1973.

We record with deep regret the death, on March 12, 1974, of Dr. Saal van Zwanenberg, founder of N.V. Organon and architect of the Zwanenberg-Organon group. As our adviser, he gave us the benefit of his vast store of knowledge and experience sustained by his warm humanity.

We will sorely miss him.

Pursuant to the provisions of the articles of association, we herewith submit to you the balance sheet and statement of income, with notes, including the consolidated statements of the Group, prepared by the board of management for the 1973 financial year. These financial statements have been examined by Klynveld Kraayenhof & Co., *Registeraccountants*. Their report appears on page 22.

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

This proposal comprises a dividend payment for 1973 of Hfl 3.80 on each share of common stock, par value Hfl 20 per share. Of this amount, Hfl 1.20 was paid earlier as an interim dividend. Until September 1, 1974, stockholders may choose to receive the final dividend of Hfl 2.60 in cash or in Akzo N.V. common stock, chargeable to capital surplus, at the rate of one new share of Hfl 20 par value for every 18 shares of common stock held.

We propose that you approve the balance sheet and the statement of income, with notes, as well as discharge the responsibility of the board of management for their conduct of the business and the supervisory council for the supervision exercised by it.

Arnhem, March 29, 1974

For the supervisory council,

J. R. M. van den Brink,  
chairman

## Financial highlights

	1973	1972*	percentage change
<b>in Hfl million</b>			
sales	9,418	8,235	14
operating income	764	585	31
net income	291	217	34
distributed income	107	97**	10
cash flow (Group income plus depreciation)	913	795	15
property, plant and equipment			
capital expenditures	549	555	(1)
depreciation	540	527	3
personnel costs (salaries, wages and social charges)	2,764	2,478	12
stockholders' equity	3,287	3,065	7
common stock	561	540	4
common stock, in thousands of shares of Hfl 20 par value	28,062	26,989	4
number of employees	105,800	101,000	5
<b>per share of common stock, in Hfl</b>			
cash flow***	27.48	25.26	9
net income	10.37	8.02	29
dividend****	3.80	3.60	6
stockholders' equity	117.08	113.49	3
<b>ratios</b>			
operating income as percentage of sales	8.1	7.1	
net income as percentage of stockholders' equity	8.9	7.1	
distributed income as percentage of net income	36.6	44.9	
personnel costs as percentage of sales	29.3	30.1	

\* certain figures have been restated for comparison in view of the discontinuation of additional depreciation, among other factors; see page 5

\*\* of which Hfl 33 million in cash

\*\*\* computed on the basis of the parts of the 1973 and 1972 cash flows of Hfl 771 million and Hfl 682 million, respectively, allocable to Akzo stock, after deduction of minority interest

\*\*\*\* of which Hfl 2.60 (1973) and Hfl 2.40 (1972) in cash or, at stockholder's option, in common stock

# Report of the board of management

## General

1973 was the first year since 1969 to see a material improvement in income, both in absolute terms and in relation to sales and invested capital.

Net income increased 34% to Hfl 291 million. The comparable net income figure for 1969 was Hfl 324 million. In comparing these two figures, account should also be taken of the decrease in purchasing power of the guilder since 1969.

The principal contribution to the 1973 rise in income came from chemical fibers, which main product group showed an unanticipated rapid recovery.

1973 was a year marked by drastic changes in the raw materials supply situation and by monetary unrest resulting in many alterations in exchange rates. We are grateful to the managements and personnel of our companies for their dedication and competence in dealing with past year's events. We trust that, with vigor and resource, they will contribute to a solution of the problems that will continue to face the Group in 1974, notably in the areas of energy and raw materials supply.

In the year under review, the Group's top management was broadened. This has created a better basis for the development of a well-balanced Group strategy, for the fixing of priorities and for an early response to new developments.

Petrochemical raw materials are essential for the production of synthetic filament yarns and staple fibers and of several of our chemical products. With the exception of salt, we do not produce any basic raw materials ourselves.

When entering into long-term contracts for the purchase of raw materials required by the Group, we will make certain that sufficient quantities of the relevant basic raw materials are available to our suppliers. By the same token, decisions on expansion projects cannot be taken before a regular supply of raw materials has been ensured.

In general, it may indeed be expected that producers of chemical fibers and basic chemicals will exercise greater caution in undertaking expansion projects. This will reduce the risks of supply-demand imbalances and of the ensuing and often excessive price deterioration. As far as the chemical fiber industry is concerned, we also expect this development to have a mitigating effect on the intensity of the textile cycle.

The sharp increases in prices of energy and raw

materials will lead to changes in the relative prices of products, and hence may cause changes in production and consumption patterns. It is still too early to assess the impact of such changes on our Group.

However, we do not expect the new raw materials situation to lead to essential changes in our policy of improving the Group's geographical and product diversification. We believe such a policy is fully compatible with the desires for greater certainty with regard to the supply of raw materials and for decreased dependence on basic raw materials.

Our geographical policy is directed toward a relatively stronger expansion of our interests in countries where our position is still fairly modest and where the means for expansion is available through such factors as an adequate supply of labor.

With regard to our product mix, our policy is to come to a more balanced distribution of activities among our three main product groups. However, we will continue to utilize opportunities for participation in, or expansion of, synthetic filament and staple plants in industrializing countries, while maintaining our leading position on the Western European chemical fiber market. This means that a significant reduction in the relative share of chemical fibers will only be realized over a long term.

In Brazil, Akzo International and Akzo product divisions, with the support of local financiers, have initiated a vigorous expansion of the activities of our three main product groups. A new company, Akzo Ltda, was formed to coordinate and stimulate this development; the company is located at São Paulo.

## Financial results

The development of sales, cash flow (Group income plus depreciation) and net income is shown in the table below.

in Hfl million	1973	1972	increase
sales	9,418	8,235	14%
cash flow	913	795	15%
net income	291	217	34%

After the decrease in previous years, operating income, expressed as a percentage of sales, recovered from 7.1% in 1972 to 8.1% in the year under review. This was mainly due to an improvement in profit margins

for certain important categories of chemical fibers, which was largely attributable to better plant capacity utilization and increased shipments.

The many alterations in exchange rates, such as the revaluations of the Dutch guilder and the German mark, reduced net income for 1973 by some Hfl 40 million. In addition, stockholders' equity expressed in guilders was reduced by Hfl 88 million.

Depreciation on property, plant and equipment, which is charged against operating income, is calculated on a historical cost basis. Moreover, in previous years additional depreciation used to be charged against Group income to allow for the effects of increased prices on the cost of replacements, insofar as such effects had not been compensated by economies of scale and technological improvements. In other countries, however, it is not customary for such additional depreciation to be taken into account in the determination of income. Hence, to achieve a better comparison of reported income with results of other companies, no additional depreciation has been included in our 1973 consolidated statement of income. Income figures reported for previous years have been restated for comparison purposes.

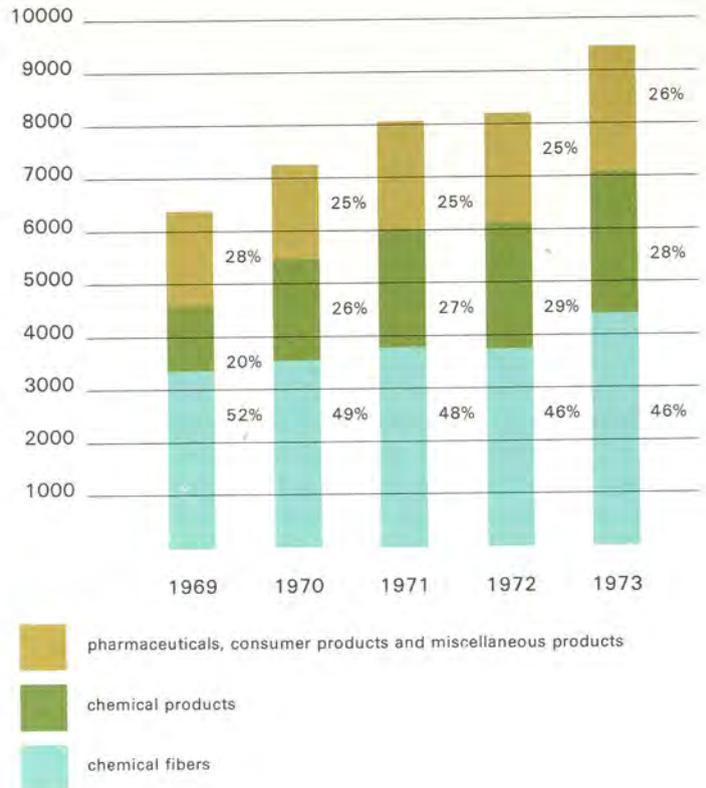
This change in the calculation of income does not alter our dividend policy. Henceforth, pursuant to article 38, paragraph 2, of the articles of association, we will reserve that part of net income that is deemed necessary to counteract the effect of price rises of assets. For 1973, this reservation amounts to Hfl 50 million, so that Hfl 241.5 million remains for allocation.

Of this amount, it is proposed to distribute Hfl 106.8 million and to retain Hfl 134.7 million. This proposal comprises a dividend payment of Hfl 3.80 on each share of common stock, par value Hfl 20 per share. In January, 1974, an interim dividend of Hfl 1.20 was paid. Until September 1, 1974, stockholders may choose to receive the final dividend of Hfl 2.60 in cash or in Akzo N.V. common stock, chargeable to capital surplus, at the rate of one new share of Hfl 20 par value for every 18 shares of common stock held.

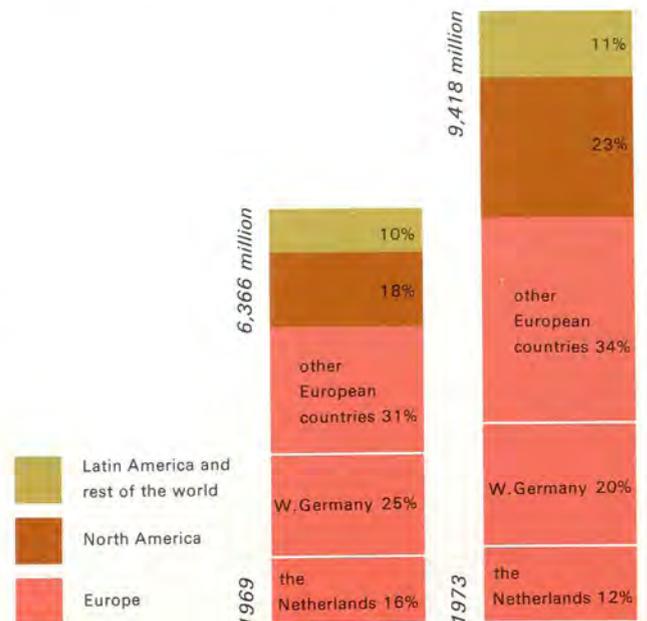
#### Sales and incomes of the main product groups

*Chemical fiber* sales and income went up strongly. Sales rose 16% to Hfl 4,398 million; after-tax operating income increased 59% to Hfl 204 million. The rise in sales related almost entirely to volume increases. While selling prices in local currencies improved, the effect of this improvement was canceled by the lower guilder amounts

Sales by main product group, in Hfl million



Sales by sales area, in Hfl million



for sales effected in currencies that dropped in value with respect to the Dutch guilder.

In our plants in Western Europe, the favorable market development generally caused higher capacity utilization; for some products, capacity was even insufficient to meet the increase in demand.

In general, the strong rise in raw materials costs and the production restrictions that proved necessary for certain synthetics in the last few months of the year did not significantly affect 1973 income from chemical fibers.

For *chemical products*, the 10% rise in sales to Hfl 2,595 million was satisfactory. The development of after-tax operating income was restrained by the unprofitability of salt operations in the United States, which was mainly due to the mild winter weather.

In the year under review, both basic and specialty chemicals met with increasing demand, which for some products was all the stronger because of incipient scarcity of important petrochemical and other chemical raw materials on the world market. Although this development had a beneficial effect on the capacity utilization of our chemical facilities, the substantial rises in costs of energy and raw materials, for which it was impossible to compensate sufficiently through increases in selling prices, adversely affected profit margins.

Insufficient opportunities for a timely adjustment of selling prices to the considerably increased raw materials costs caused income from coatings to fall short of the 1972 level.

Sales of *pharmaceuticals, consumer products and miscellaneous products* rose 17% to Hfl 2,425 million. The rise was most pronounced for plastics, and wire and cable (Brand-Rex). In the case of Brand-Rex, this was partly due to the acquisition of Pyle-National. For consumer products, the rise was lower as a result of stagnancy in the food sector.

The 17% increase in after-tax operating income mainly came from technical products (Barmag and Brand-Rex) and from pharmaceuticals.

#### Investments

Capital expenditures for property, plant and equipment in 1973 totaled Hfl 549 million, as compared with Hfl 555 million in 1972. For 1974 and 1975 together, we expect capital expenditures to be some Hfl 2,000 million.

The oil crisis necessitated a reappraisal of investment plans. Consequently, decisions on certain expansion projects had to be deferred. This, however, has not materially affected our estimate of the amount of capital expenditures for the next two years.

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

#### Sales

in Hfl million and in %	1973		1972*		1971*	
chemical fibers	4,398	46	3,798	46	3,840	48
chemical products	2,595	28	2,367	29	2,187	27
pharmaceuticals, consumer products and miscellaneous products	2,425	26	2,070	25	2,029	25
total	9,418	100	8,235	100	8,056	100

#### Operating income after taxes

in Hfl million and in %	1973		1972*		1971*	
chemical fibers	204	50	128	40	192	57
chemical products	93	23	99	31	72	21
pharmaceuticals, consumer products and miscellaneous products	108	27	92	29	72	22
total	405	100	319	100	336	100

\* restated for comparison

Pre-tax operating incomes for 1971, 1972 and 1973 stood at Hfl 641 million, Hfl 585 million and Hfl 764 million, respectively, while taxes amounted to Hfl 305 million, Hfl 266 million and Hfl 359 million, respectively.

	1973	1972	1971
<i>main product groups</i>			
chemical fibers	48%	59%	69%
chemical products	34%	29%	25%
pharmaceuticals, consumer products and miscellaneous products	18%	12%	6%
<i>geographical areas</i>			
Europe	70%	68%	69%
North America	22%	25%	28%
rest of the world	8%	7%	3%

Invested capital, in Hfl million\*



\* Group equity plus long-term liabilities

Our objective to maintain our leading position in *chemical fibers* in Western Europe calls for investments to raise capacity, notably for products exhibiting continued strong growth. In addition, increasing amounts will have to be expended on technological improvement, automation of production processes, and pollution control projects. Outside Western Europe, investments for expansion continue to be predominant.

A higher priority has been assigned to further internationalization, on the basis of our know-how, of *chemical products*. As it is, the existing plants are largely to be found in the EEC countries. In the immediate future, however, the bigger share of expenditures will still relate to areas where present operations are established. This applies notably if our plan to expand vinyl chloride monomer production can be carried into effect. A decision on this project had to be deferred because of uncertainty with regard to availability of adequate ethylene supplies.

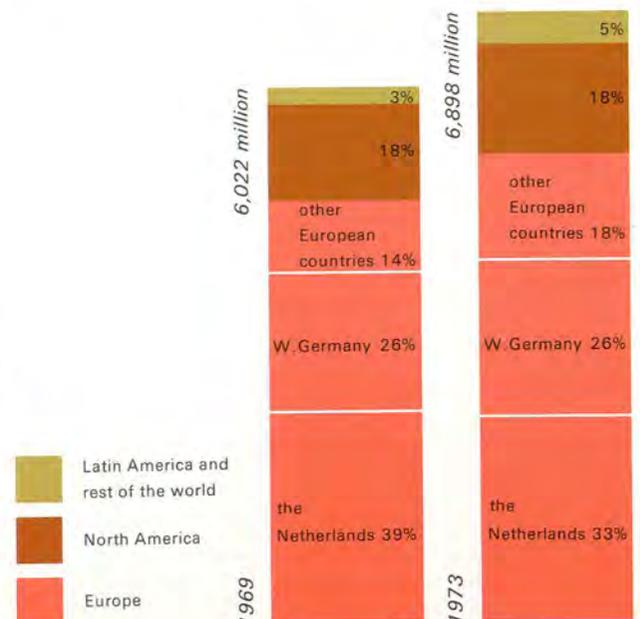
Our *pharmaceutical interests* display regular growth. Some segments of *consumer products* and, in particular, *miscellaneous products* are also showing further growth, such as wire and cable and synthetic leather, in which capacity will be expanded.

#### Employment of capital; financing

The year under review saw a more intensive employment of invested capital. Its turnover rate increased from 1.26 to 1.42, because the rise in sales was achieved without a significant rise in invested capital. This was largely due to improved capacity utilization for chemical fibers and chemical products.

Furthermore, the ratio of inventories plus trade receivables to sales decreased from 40% to 37%. With capital expenditures and working capital liable to increase, the

Geographical distribution of invested capital, in Hfl million



*By the end of 1973, Organon GmbH of Munich inaugurated a new training center that is principally intended for the training of medical representatives.*

*To improve educational opportunities for young children at the Girardota site near Medellin, Enka de Colombia five years ago took the initiative to establish a school, where 100 pupils are now receiving a basic education.*

rate of turnover is not expected to further increase in 1974.

The table below shows the development of financing in 1972 and 1973.

in Hfl million	1973	1972
working capital at January 1	2,130	1,980
cash flow	913	795
issuance of stock	3	17
investments, including acquisitions	(650)	(694)
change in borrowings	(293)	9
dividends	(56)	(124)
other changes	179	147
working capital at December 31	2,226	2,130
of which cash and marketable securities	840	645

Funds raised through medium and long-term borrowings aggregated Hfl 53 million (1972: Hfl 519 million).

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

in Hfl million and in %	Dec. 31, 1973		Dec. 31, 1972	
non-current assets	4,672	51	4,721	54
current assets	4,487	49	4,042	46
total	9,159	100	8,763	100
financed from:				
Group equity	3,860	42	3,635	41
long-term liabilities	3,038	33	3,216	37
current liabilities	2,261	25	1,912	22
total	9,159	100	8,763	100
<u>Group equity</u>				
liabilities	0.73		0.71	
<u>Group equity</u>				
non-current assets	0.83		0.77	
<u>current assets</u>				
current liabilities	1.98		2.11	

Of the Hfl 300 million provision formed in 1971 to cover additional write-offs on certain facilities that were to be put out of operation as a result of structural excess capacity, an amount of Hfl 139.3 million had been used by December 31, 1973. An amount of Hfl 30 million must be kept available for write-offs that are still to be

expected. The then remaining part of the provision, in the amount of Hfl 130.7 million, has been returned to stockholders' equity; the relevant tax effect has been taken into account.

Our policy in these times of considerable fluctuations in exchange rates continues to be oriented toward maximum elimination of currency risks. In addition to covering short-term positions, we seek to restrict the impact of exchange rate shifts on Group equity. We therefore strive to structure the currency composition of liabilities to reflect the currency composition of assets.

In the year under review, we obtained a listing of our Akzo N.V. common stock on the Vienna Stock Exchange. Akzo shares are now listed on stock exchanges in the Netherlands, Belgium, West Germany, France, Switzerland, the United Kingdom and Austria. Addition of further listings is being considered.

In 1973, we sold our 16% holding in the Unie van Kunststestfabrieken to one of our partners in this venture (DSM). In 1974, we will sell our 40% holding in Chemische Industrie AKU-Goodrich to Goodrich. These transactions were decided upon because participation in the further development of these companies no longer corresponds to our interests.

We anticipate that capital expenditures for property, plant and equipment and the increase in inventories and trade receivables will exceed cash flow in 1974. Consequently, a reduction in cash and marketable securities and, possibly, an increase in aggregate borrowings have to be taken into account.

#### Labor relations

In many countries, tensions are apparent due to imbalances between the demands for increased spending power and the desires for greater social well-being.

Other types of tension result from the processes of shifts in power and influence, which call for new forms of consultation between those who determine the social and economic climate.

It is a source of satisfaction to us that, in spite of the above, the industrial peace in our companies was substantially preserved. We trust that our drive toward implementation of the policy principles outlined below will contribute to a continued harmonious development of our internal and external labor relations.



We strongly feel that the actions of the managements of our companies in any of the more than 45 countries where they are established should be governed by a code of good citizenship of the host nation. This is viewed as a precondition for the effective implementation of certain personnel and social policy principles.

The primary principle in our Group is that every individual should be valued according to his skills and performance. We further demand from the managements of our companies that they strive to enhance the economic security of their personnel, and to accord every individual the opportunities for advancement he deserves as a result of his proven abilities, without reference to sex, race, creed or nationality. In addition, employees should be offered fair pay in line with local standards.

The managements, who are responsible for the application of these principles, are expected to pursue positive employee participation policies and to respond flexibly to social change in their countries. In our appraisal of a company's performance, the commercial, technological and financial results are not the sole criteria. Weight is also given to the realization of the principles outlined above.

However, the above policy will not be uniform in its effects since there are not only differences in stages of development between countries, but also material divergencies in social laws and climates. Such lack of uniformity even applies to the EEC countries where, for the time being, it appears wise to make allowance for the continued existence of differences in social systems, despite laudable attempts on the part of the EEC authorities to develop a common policy.

The various national governments, especially in the EEC, currently devote much attention to legislation covering workers' participation and co-determination. However, it is our experience that each government develops its own structures, which tend to diverge rather than converge. This situation raises the danger of a fragmentation within the EEC that could confront multinational companies with major problems of organization and management. We will be happy to contribute to the continuing debate on forms of participation that meet legitimate desires without being detrimental to the efficient management of the Group.

Official memoranda and position papers on workers' participation deal almost exclusively with ways in which the labor factor can exert influence on the policies

pursued by, and the composition of, top management.

However, it is at least as important for the well-being of the individual and for the effectiveness of the organization that the individual employee should share as much as possible in the decision-making process with regard to his own job and his job situation. Therefore, while we seek to create the conditions aiding the proper functioning of workers' representative bodies, we also encourage such activities as joint consultation on the shopfloor, job enlargement and job enrichment.

The responsibility for continued adequate staffing of executive posts in the Group is entrusted to a central staffing committee. In close consultation with divisions and Group companies, this committee establishes career and job rotation plans for the appropriate category of personnel. One of its starting points is that, as a rule, top-level posts in each of the countries where we carry on operations should be filled by nationals who should preferably have international experience. Consequently, placement in various positions where such experience can be acquired is one of the committee's prominent concerns.

In many of Europe's industrial nations, labor supply is a problem, despite unemployment in certain regions. These problems are largely attributable to the fact that levels of skill are higher and reluctance to do unpleasant work or work at irregular hours is increasing. An added factor is the relatively low mobility of labor.

Industry has so far supplied the deficiency in lower-skilled personnel by further automation and by recruiting foreign labor. This category is making a contribution to the economy that is not to be underestimated. In the interest of all concerned, however, a substantial increase in the number of foreign workers must be avoided. Expansions of production requiring lower-skilled labor should therefore preferably be effected in countries where jobs for this category of workers are needed.

The Group's personnel strength in the year under review increased by 4,800 to 105,800 at end-1973. Acquisitions of companies in 1973 accounted for 1,300 of this increase.

To foster positive employee attitudes toward environmental management, the Akzo Zout Chemie plants at Delfzijl provided courses of instruction for all personnel employed on the site (1,400 people).



	personnel strength	
	Dec. 31, 1973	Dec. 31, 1972
the Netherlands	29,700	29,700
West Germany	28,500	27,800
rest of Europe	22,600	21,200
United States	20,100	17,900
other countries	4,900	4,400
	<u>105,800</u>	<u>101,000</u>

#### Research and engineering

In 1973, expenditures for research and development were approximately Hfl 310 million, or 3.3% of sales.

Positive coordination of divisional and corporate research programs and activities, and increased inter-divisional cooperation on projects of common interest, further expanded the scope for the speedy exploitation of the knowledge accumulated.

The primary target of research for *chemical fibers* is to develop characteristics – in the way of flame resistance, dyeability, static elimination, hand, etc. – that heighten the material's usefulness in existing applications or qualify it for new ones, both in the textile and in the industrial sector. Increasing importance attaches to the technological refinement of equipment and machinery toward higher quality and lower production costs, through such measures as combination of process stages, continued automation and the stepping up of machine speeds. A further goal of our research effort is to help customers by improving the processability of our products. Due to the sharply increased price level of raw materials, more attention will be given to the development of recycling processes.

In the field of *basic chemicals*, research emphasis is particularly on supporting the production process, with the aim of quality improvement and cost curtailment, and on combating pollution (mercury, chlorinated hydrocarbons, sulfur compounds). For *specialty chemicals*, increased attention is given to exploratory research aimed at the development of new products adapted to the needs of the process industries; typical areas involved are initiators, catalysts and sorbents. *Coatings* research is largely concerned with product improvement; in addition, development activities on new paint systems, new application techniques and the associated coating materials claim a growing share of research capacity.

With regard to *pharmaceuticals*, our research – traditionally very strong in the area of hormone preparations and diagnostics – made a significant

breakthrough into a new field to us, psychopharmacologic drugs, with the development of an antidepressant. The principal task of research for *consumer products* is to help meet ever growing consumer demands respecting quality and composition of the product line.

Akzo Engineering, a unit employing about 550 people, is involved in the design and construction of plants, both for Akzo companies and for outside principals with whom know-how agreements have been concluded. At the end of 1973, some sixty investment projects, with an aggregate worth of approximately Hfl 600 million, had been started or were scheduled. About 30% of the total work load concerns consultancy and development activities to do with new processes and machines, automation, and environmental matters.

Kemias B.V. specializes in supplying installations to outside clients for various purposes, such as the incineration of liquid chemical wastes coupled with the recovery of valuable raw materials. For its activities, Kemias relies in part on know-how obtained under licenses from others.

#### The environment

Thanks to a successful blend of vigilance and resourcefulness on the part of our plant personnel and our research and engineering workers, and thanks to improved technology, further favorable results in the area of pollution control were accomplished in the year under review. Mercury losses at our electrolysis plants were reduced by 80%, while a 50% to 80% decrease in the total concentration of pollutants in the waste water of several plants was achieved.

Our rayon plants also demand much attention, both with regard to waste water (which contains such pollutants as zinc) and with regard to air pollution. In the years ahead, metal recovery processes developed by us will help to reduce the zinc problem in the rayon plants to substantially smaller proportions. The reduction of sulfur compound concentrations in the air to below the odor threshold is a difficult problem which we are attempting to resolve in cooperation with outside experts.

In anticipation of prospective government regulations, all mercury and nearly all polychlor-polyphenyl compounds were eliminated from paints and adhesives. Considerable progress is being made in the development of paint systems that contain no polluting solvents, and of water-borne paint systems.

*In 1973, the department of Environmental Hygiene at Arnhem acquired a mobile laboratory equipped to measure air pollution in the vicinity of Akzo plants.*

Environmental considerations increasingly affect the selection of process technology, site and mode of construction for new plants. In recognition of this fact, guidelines for the preparation of plant designs were revised to take account of such considerations.

More effective government procedures are needed in dealing with applications to establish new facilities or expand existing ones. Streamlining of consultations between the interested parties might help curb untoward external effects and shorten the time needed for the decision-making.

#### **Outlook**

Seldom have we known a period in which it was so difficult to make a forecast with regard to the outlook for business.

The energy crisis has not yet spent its force, and currency exchange rates are unstable. Inflation continues at a high rate and so does the resulting cost-push effect.

However, in the initial months of 1974, demand for our products was generally good.

Provided that no major economic disturbances occur, 1974 should be a good year for Akzo.



Arnhem, March 29, 1974

the board of management

## Financial statements

### Consolidated balance sheet of the Akzo group

after allocation of profit\*

in Hfl 1,000	December 31, 1973	December 31, 1972
non-current assets		
property, plant and equipment	4,234,763	4,249,657
investments in non-consolidated companies	282,539	341,482
other non-current assets	<u>155,053</u>	<u>130,041</u>
	4,672,355	4,721,180
current assets		
inventories	1,640,647	1,614,622
short-term receivables	1,953,742	1,728,072
prepaid expenses	51,965	54,234
cash and marketable securities	<u>840,394</u>	<u>644,490</u>
	4,486,748	4,041,418
total assets	9,159,103	8,762,598
Group equity		
Akzo N.V. stockholders' equity	3,286,727	3,064,691
minority interest in Group equity	<u>573,722</u>	<u>570,383</u>
	3,860,449	3,635,074
long-term liabilities		
provisions	990,974	809,122
long-term debt	<u>2,046,529</u>	<u>2,406,795</u>
	3,037,503	3,215,917
current liabilities		
bank overdrafts	162,175	222,999
other current liabilities	<u>2,098,976</u>	<u>1,688,608</u>
	2,261,151	1,911,607
total Group equity and liabilities	9,159,103	8,762,598

\* based on a cash dividend

## Consolidated statement of income of the Akzo group

in Hfl 1,000	1973	1972*
sales	9,418,272	8,234,809
operating costs		
salaries, wages and social charges	2,763,581	2,478,166
depreciation	540,384	526,945
other costs	<u>5,350,479</u>	<u>4,644,546</u>
	<u>8,654,444</u>	<u>7,649,657</u>
operating income	763,828	585,152
interest	<u>147,012</u>	<u>172,110</u>
	616,816	413,042
taxes on operating income and interest	<u>282,277</u>	<u>180,952</u>
	334,539	232,090
equity in earnings of non-consolidated companies	<u>41,632</u>	<u>28,709</u>
Group income before extraordinary items	376,171	260,799
extraordinary items	<u>(3,113)</u>	<u>7,560</u>
Group income	373,058	268,359
of which minority interest	81,564	51,412
Akzo N.V. net income	291,494	216,947

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

net income	10.37	8.02
net income before extraordinary items	10.48	7.70

\* restated for comparison in view of the discontinuation of additional depreciation

# Notes to the consolidated financial statements of the Akzo group

## Principles of consolidation

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

The principal affiliated companies are listed on the inside of the front cover. A list of names and registered offices of affiliates, drawn up in conformity with article 14, paragraph 2, and using article 14, paragraph 3, subpara a, of the Dutch Corporations' Financial Statements Law ('Wet op de Jaarrekening van Ondernemingen'), has been filed at the Trade Registry of Arnhem.

## Principles of valuation

The valuation principles for property, plant and equipment, investments in non-consolidated companies, other non-current assets, inventories, securities included in cash and marketable securities, and provisions are stated separately in the below notes to the consolidated balance sheet.

Receivables, cash and marketable securities, and liabilities are stated at face amounts, less such provisions as are deemed necessary. The parts of long-term receivables and long-term debt becoming due within one year are included under short-term receivables and other current liabilities, respectively.

Intangible assets, which include exploitation rights, are not capitalized; they are charged against operating income.

Paid goodwill is charged directly against Group equity.

## Currency

In the consolidated balance sheet, amounts in foreign currencies have been translated into guilders at rates virtually equal to the rates of exchange in force at December 31, 1973, except for the U.S. dollar convertible debentures, whose valuation in guilders is based on a rate of U.S. \$ 1 = Hfl 3.60. In the consolidated statement of income, foreign currencies have been translated into guilders at rates of exchange fixed for each quarter as typical of the rates then applicable.

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

## Consolidated balance sheet

### Property, plant and equipment

Land is stated at cost with a revaluation, however, at January 1, 1969, of approximately Hfl 70 million for land acquired long ago. Other property, plant and equipment are stated at cost, less depreciation.

Depreciation is calculated by the straight-line method based on estimated life. In cases where the book value calculated in this way exceeds the working value, additional write-offs were made. Of the Hfl 300 million provision for facilities to be put out of operation, which was formed at December 31, 1971 from other reserves and the provision for deferred taxes and of which an amount of Hfl 195.8 million remained at January 1, 1973, Hfl 35.1 million was used in 1973 for write-offs on decommissioned installations in the chemical and chemical fiber sectors. Furthermore, Hfl 30 million has been added to a provision which has been deducted from the book value of property, plant and equipment and is intended to cover write-offs on facilities expected to be decommissioned after balance-sheet date. Of the remainder of Hfl 130.7 million of the provision for facilities to be put out of operation, Hfl 65.35 million has been returned to other reserves, while an equal amount has been added to the provision for deferred taxes.\*

in Hfl 1,000

book value at December 31, 1972	4,445,479**
amount charged against provision for facilities to be put out of operation	(65,127)
changes due to acquisition and disposal of consolidated companies	1,420
capital expenditures	548,563
disinvestments	(28,940)
depreciation	(540,384)
foreign exchange differences	(148,787)
other changes	22,539
book value at December 31, 1973	4,234,763

see also page 8 of the report of the board of management

\*\* before deduction of the provision for facilities to be put out of operation of Hfl 195,822,000

The book value comprises the following items:

in Hfl 1,000	cost of acquisition	book value at Dec. 31, 1973	book value at Dec. 31, 1972
land	231,471	231,471	230,844
buildings	1,898,765	1,149,916	1,225,363
plant equipment and machinery	6,803,178	2,722,212	2,849,887
means of transport	109,892	44,661	46,131
assets not used in the production process	208,809	86,503	93,254
	<u>9,252,115</u>	<u>4,234,763</u>	<u>4,445,479</u>
projects under construction, included in book value		<u>249,318</u>	<u>269,755</u>
purchase commitments (not included in consolidated balance sheet)		<u>305,127</u>	<u>131,211</u>
insured value		<u>13,400,000</u>	<u>11,900,000</u>

#### Investments in non-consolidated companies

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

in Hfl 1,000	
situation at December 31, 1972	292,609
changes in participation equity in 1973 earnings	(23,135)
dividends received	40,213
foreign exchange differences	(28,923)
other changes	(12,616)
	(240)
situation at December 31, 1973	<u>267,908</u>
loans at December 31, 1973	14,631
(at December 31, 1972: 48,873)	
	<u>282,539</u>

#### Other non-current assets

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

#### Inventories

Inventories are stated at cost or market value, whichever was lower. Provisions have been made for obsolescence and other risks. In the valuation of inventories, profits arising as a result of transactions between consolidated companies have been eliminated.

in Hfl 1,000	Dec. 31, 1973	Dec. 31, 1972
raw materials and supplies	606,354	523,691
work in process	379,630	329,833
finished goods	654,663	761,098
	<u>1,640,647</u>	<u>1,614,622</u>

#### Short-term receivables

in Hfl 1,000	Dec. 31, 1973	Dec. 31, 1972
trade receivables	1,851,440	1,709,176
receivables from non-consolidated companies	33,516	38,824
other receivables	<u>293,612</u>	<u>263,449</u>
	2,178,568	2,011,449
discounted drafts	224,826	283,377
	<u>1,953,742</u>	<u>1,728,072</u>

#### Cash and marketable securities

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

The securities include 111,067 shares of Akzo N.V. common stock acquired in 1972, which are stated at market value at December 31, 1973.

in Hfl 1,000	Dec. 31, 1973	Dec. 31, 1972
securities	64,013	32,505
cash loans and time deposits	535,720	398,806
cash on hand and in banks	240,661	213,179
	<u>840,394</u>	<u>644,490</u>

## Survey of Group equity

in Hfl 1,000	capital stock	capital surplus, paid in	retained earnings	other reserves	stock- holders' equity	minority interest	Group equity
situation at December 31, 1972	541,601	709,643	1,322,469	490,978	3,064,691	570,383	3,635,074
transfer of additional depreciation for the years 1969 through 1972			89,766	(89,766)			
			1,412,235	401,212			
payment of final 1972 dividend in stock	21,313	(21,313)	63,985		63,985		63,985
newly issued common stock	163	325			488		488
issuance of stock of Group companies to third parties						2,441	2,441
purchase of cumulative preferred stock	(698)			112	(586)		(586)
goodwill resulting from acquisitions of companies			(8,639)		(8,639)	(644)	(9,283)
retained 1973 earnings*			184,727		184,727	58,642	243,369
change in exchange rates				(88,105)	(88,105)	(56,961)	(145,066)
remainder of provision for facilities to be put out of operation (net after taxes)**				65,348	65,348		65,348
other changes		(26)		4,844	4,818	(139)	4,679
situation at December 31, 1973	562,379	688,629	1,652,308	383,411	3,286,727	573,722	3,860,449

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

\*\* see note under Property, plant and equipment

At least Hfl 240 million of the capital surplus, paid in, 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 1,000	Dec. 31, 1973	Dec. 31, 1972
deferred taxes	461,870	357,367
pension rights	246,423	203,735
other provisions	282,681	248,020
	990,974	809,122

### Provisions for deferred taxes

This item comprises the tax liabilities, less the part expected to become due in 1974. These liabilities have in general not been discounted to present value.

### Provisions in respect of pension rights

With due observance of the statutory regulations and customs in

the countries concerned, most Group companies have arranged appropriate pension schemes for their employees.

The ensuing liabilities are covered:

- by provisions, in the aggregate amount of Hfl 246 million, made by Group companies in their balance sheets;
- by the funds accumulated in independent pension funds through payment of contributions;
- by payment, for periods not exceeding the remaining service lives of the employees concerned, of contributions in respect of unfunded past service liabilities; the present value of the pension benefits to be so covered aggregates approximately Hfl 80 million.

### Other provisions

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

## Long-term debt

in Hfl 1,000	Dec. 31, 1973	Dec. 31, 1972
convertible debentures	252,000	252,000
other debentures	354,307	386,555
private borrowings	1,545,336	1,752,501
other long-term debts	178,217	244,136
	<u>2,329,860</u>	<u>2,635,192</u>
part becoming due within one year	283,331	228,397
	<u>2,046,529</u>	<u>2,406,795</u>

Private borrowings and other long-term debts have been secured to an aggregate amount of Hfl 469 million by means of mortgages, etc. The average interest rate of the debentures and private borrowings is 7.6% (1972: 7.0%).

Redemption on the other debentures and private borrowings will occur:

in 1974	258,228
during the years 1975 through 1979	929,428
during the years 1980 through 1984	420,510
after 1984	291,477
	<u>1,899,643</u>

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

in Hfl 1,000	situation at Dec. 31, 1972	increase	decrease*	situation at Dec. 31, 1973
Group companies in:				
the Netherlands	1,173,578	5,225	99,507	1,079,296
West Germany	313,633	4,643	25,374	292,902
United States	408,892	31	89,298	319,625
other countries	242,953	33,372	68,505	207,820
	<u>2,139,056</u>	<u>43,271</u>	<u>282,684</u>	<u>1,899,643</u>

\* including the effect of alterations in exchange rates

### Convertible debentures

U.S. \$ 70 million principal amount of 4½% debentures Akzo N.V. 1969 convertible into Akzo N.V. common stock. These debentures mature not later than 1989. Because of the payment of the final 1972 dividend in

common stock, the conversion price was lowered from Hfl 135.80 to Hfl 131.80 per share of Hfl 20 par value, based on an exchange rate of U.S. \$ 1 = Hfl 3.60. The valuation of these debentures in guilders is also based on this rate.

Redemption at par occurs in 10 equal annual installments, which will become due in the years 1980 through 1989. Full or partial accelerated redemption is permitted.

This borrowing includes the debentures held available for exchange of the remaining 4¾% convertible debentures Zout-Organon B.V. of U.S. \$ 1,000 each; 102 of these debentures had not been exchanged.

252,000

### Other debentures

in Hfl 1,000

Currently outstanding principal amount of 4½% debentures Akzo N.V. 1962. These debentures are redeemable in 13 equal annual installments, the first of which became due on July 1, 1968. Accelerated redemption is permitted.

9,595

Sfr 50 million principal amount of 5½% debentures Akzo N.V. 1967. These debentures are redeemable in 5 equal annual installments, the first of which will become due on July 31, 1978. Accelerated redemption is permitted from August 1, 1974.

43,600

Sfr 60 million principal amount of 6¾% debentures Akzo N.V. 1970. These debentures are redeemable in 6 equal annual installments, the first of which will become due on September 15, 1980. Accelerated redemption is permitted from September 15, 1974.

52,320

Profit-sharing employee debentures Akzo N.V.

6,438  
111,953

Currently outstanding principal amount of 6% debentures Koninklijke Zout-Ketjen 1965. These debentures are redeemable in 10 equal annual installments, the first of which became due on December 1, 1971. Accelerated redemption is permitted in the years 1976 through 1979.

35,000

Currently outstanding principal amount of 4½% debentures Akzo Pharma B.V. 1961. These debentures are redeemable in 15 annual installments of Hfl 1 million each, in the years 1967 through 1981. Accelerated redemption is permitted.

8,000

Other debentures issued by consolidated companies

199,354  
354,307

### Other current liabilities

in Hfl 1,000	Dec. 31, 1973	Dec. 31, 1972
suppliers	734,029	580,372
non-consolidated companies	17,264	14,354
taxes on income	170,438	93,683
dividend relating to financial year	106,287	96,864
redemptions on borrowings	283,331	228,397
pensions	28,016	13,928
other liabilities and accrued charges	759,611	661,010
	2,098,976	1,688,608

### Liabilities not shown in the balance sheet

With regard to non-consolidated companies and third parties, guarantees were given and liabilities contracted to an aggregate amount of Hfl 164 million, of which Hfl 98 million direct by Akzo N.V. In respect of leasehold, rent, etc., liabilities have been contracted for a number of years to an amount of approx. Hfl 13 million per year.

### Consolidated statement of income

#### Sales

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

#### Interest

in Hfl 1,000	1973	1972
interest paid	212,618	209,921
interest received, including income from securities, etc.	65,606	37,811
	147,012	172,110

#### Taxes on income

This item includes current and deferred tax liabilities. The taxes charged against Group income amount to Hfl 288 million (1972: Hfl 201 million) and break down as follows:

in Hfl 1,000	1973	1972
taxes on:		
operating income	359,162	265,892
interest	76,885	84,940
balance	282,277	180,952
taxes on equity in earnings of non-consolidated companies	(576)	1,812
taxes included in extraordinary items	6,703	17,823
	288,404	200,587

#### Equity in earnings of non-consolidated companies

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

#### Extraordinary items

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

in Hfl 1,000	1973	1972
extraordinary gains	24,064	15,635
extraordinary losses	27,177	8,075
	(3,113)	7,560

Extraordinary items for 1973 mainly consist of isolated gains and losses resulting from sale of fixed assets and from provisions formed to cover risks entailed by guarantees given.

# Consolidated statement of source and application of funds of the Akzo group

in Hfl million	1973	1972
working capital (excess of current assets over current liabilities) at January 1	2,130	1,980
<b>source of funds</b>		
cash flow (Group income plus depreciation)	913	795
issuance of stock by Akzo N.V. and Group companies	3	17
aggregate borrowings	53	519
disposal of participations	80	11
working capital of new participations	28	6
miscellaneous	<u>161</u>	<u>131*</u>
	1,238	1,479
	3,368	3,459
<b>application of funds</b>		
expenditures for property, plant and equipment	549	555*
new participations (including increase in existing interests)	70	115
investments in non-consolidated companies	31	24
redemptions on borrowings	346	510
dividends paid to:		
stockholders of Akzo N.V.	33	97
minority stockholders of Group companies	<u>23</u>	<u>27</u>
	56	124
miscellaneous, including the effect of alterations in exchange rates	<u>90</u>	<u>1</u>
	1,142	1,329
working capital at December 31	2,226	2,130
<b>increase (decrease) in components of working capital**:</b>		
inventories	26	(50)
short-term receivables	225	138
prepaid expenses	(2)	(2)
cash and marketable securities	<u>196</u>	<u>29</u>
increase in current assets	445	115
bank overdrafts	(61)	(50)
other current liabilities	<u>410</u>	<u>15</u>
increase (decrease) in current liabilities	349	(35)
increase in working capital	<u>96</u>	<u>150</u>

\* restated for comparison

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

# Akzo N.V. balance sheet

after allocation of profit\*

in Hfl 1,000	December 31, 1973	December 31, 1972
affiliated companies		
consolidated companies	3,585,175	3,466,228
non-consolidated companies	88,313	92,689
receivables from affiliated companies	<u>770,297</u>	<u>1,132,643</u>
	4,443,785	4,691,560
other receivables and prepaid expenses		
other receivables	74,352	55,664
prepaid expenses	<u>10,931</u>	<u>12,363</u>
	85,283	68,027
cash and marketable securities		
marketable securities	14,493	17,276
cash loans and time deposits	275,972	260,621
cash on hand and in banks	<u>77,381</u>	<u>50,001</u>
	367,846	327,898
<b>total assets</b>	<b>4,896,914</b>	<b>5,087,485</b>
stockholders' equity		
common stock	561,247	539,771
cumulative preferred stock	1,084	1,782
priority stock	48	48
capital stock	<u>562,379</u>	<u>541,601</u>
capital surplus, paid in	688,629	709,643
retained earnings	1,652,308	1,412,235**
other reserves	<u>383,411</u>	<u>401,212**</u>
	3,286,727	3,064,691
borrowings		
convertible debentures	252,000	252,000
other debentures	111,953	104,588
private borrowings	<u>667,060</u>	<u>714,300</u>
	1,031,013	1,070,888
amounts due to affiliated companies	359,178	810,606
sundry debts		
dividend relating to financial year	106,287	96,864
other liabilities and accrued charges	<u>113,709</u>	<u>44,436</u>
	219,996	141,300
<b>total stockholders' equity and debts</b>	<b>4,896,914</b>	<b>5,087,485</b>

\* based on a cash dividend

\*\* restated for comparison in view of the discontinuation of additional depreciation

The notes to the balance sheet and statement of income are given on page 22.

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

in Hfl	1973
net income	291,494,000
reservation, pursuant to art. 38, para 2, of the articles of association, deemed necessary to counteract the effect of price rises of assets	<u>50,000,000</u>
profit available for allocation pursuant to the provisions of the articles of association	241,494,000
with due observance of art. 42 of the articles of association, it is proposed to allocate this amount as follows:	
to be distributed:	
dividend on priority stock – Hfl 60 per share of Hfl 1,000 par value	2,880
dividend on cum. pref. stock – Hfl 60 per share of Hfl 1,000 par value	69,150
bonus to supervisory council	480,000
dividend on common stock – Hfl 3.80 per share of Hfl 20 par value	<u>106,214,955</u>
	106,766,985
to be retained	<u>134,727,015</u>
	241,494,000

Following the acceptance of this proposal, the holders of common stock will receive a dividend of Hfl 3.80 per share of Hfl 20 par value, of which Hfl 1.20 was paid earlier as an interim dividend. The final dividend of Hfl 2.60 will be made available on dividend coupon no. 10 from May 22, 1974.

Until September 1, 1974, stockholders may choose to receive the final dividend on this coupon in cash, less 25% withholding tax, or in Akzo N.V. common stock, chargeable to capital surplus, at the rate of one new share of Hfl 20 par value for every 18 shares of common stock held.

Arnhem, March 29, 1974

the board of management:

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

the supervisory council:

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

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

## General

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

## Non-consolidated companies

in Hfl 1,000

situation at December 31, 1972	92,689
changes in participation	(12,108)
equity in 1973 earnings	17,412
dividends received	(5,440)
foreign exchange differences	(6,170)
other changes	1,930
situation at December 31, 1973	88,313

## Capital stock

Authorized capital stock of Akzo N.V. is Hfl 1,030,048,000 and consists of 48 shares of priority stock, par value Hfl 1,000 per share, 30,000 shares of cumulative preferred stock, par value Hfl 1,000 per share, and 50 million shares of common stock, par value Hfl 20 per share. Outstanding capital stock consists of 48 shares of priority stock, 1,084 shares of cumulative preferred stock and 28,062,371 shares of common stock (of which 111,067 shares of common stock are held by the company). In 1973, 698 shares of cumulative preferred stock were purchased.

A number of employees were granted options to purchase a total of 34,440 shares of common stock at a price of Hfl 100 per share. Options are exercisable through December 31, 1974.

The priority stock is held by 'Akzostichting' (Akzo Foundation), which is controlled by the members of the supervisory council and the board of management.

## Borrowings

Redemptions becoming due in 1974 total Hfl 123 million. For information on the convertible and other debentures, see the notes to the consolidated financial statements (page 17).

## Remuneration of supervisory council

For 1973, the members of the supervisory council were paid a total of Hfl 780,000, of which Hfl 480,000 was a bonus pursuant to art. 42 of the articles of association.

At end 1973, the council numbered 16 members; all members receive a remuneration.

## Auditors' report

*We have examined the foregoing financial statements 1973 of Akzo N.V., Arnhem, which also include the consolidated financial statements.*

*In our opinion, these statements present fairly the financial position of the company at December 31, 1973. With regard to the financial data of certain Group companies included in the financial statements, we have based our opinion in part on reports issued by other auditors, established in the Netherlands and abroad.*

Arnhem, March 29, 1974

Klynveld Kraayenhof & Co.



*On October 26, 1973, Organon of Oss commemorated its fiftieth anniversary. Originally an offshoot of a meat-packing plant, Organon developed into a leading pharmaceutical company with establishments in more than 30 countries. Gracing the festivities with their presence were H.R.H. Prince Bernhard of the Netherlands and Dr. Saal van Zwanenberg, founder of Organon.*

## Chemical fibers

in Hfl million	1973	1972	1971
sales	4,398	3,798	3,840
operating income after taxes	204	128	192

This main product group includes: filament yarns and staple fibers from polyamide, polyester and cellulose, staple fibers from polyacrylonitrile and elastomeric yarns from polyurethane. It further comprises glass yarn and fiber, steel cord, and non-wovens from polyamide, polyester and rayon.

Uses include: apparel, carpeting and other home furnishings and household textiles; auto and airplane tires, safety belts, conveyor belts, fishing nets, ropes, roofing and covering materials, and various other industrial uses.

### Sales and income

The substantial improvement in business for chemical fibers is reflected by the Hfl 76 million rise in after-tax operating income to Hfl 204 million; the rise was to some extent negatively affected by the alterations in exchange rates.

Enka Glanzstoff and British Enkalon made a vigorous recovery from 1972. Income from Enka Glanzstoff's industrial yarns was affected by the fact that the steel cord plant in the Republic of Ireland did not achieve full production.

Sales and income of American Enka, expressed in U.S. dollars, reached a new high in 1973. The effects of the favorable cycle for chemical fibers in the United States were most notable in the dramatic rise in demand for polyester textile filament. The new Clemson facility, which was completed in 1972 and which was started up smoothly, was able to benefit fully from this condition.

For the other consolidated fiber companies, business was quite satisfactory, particularly for La Seda de Barcelona and Polyenka (Brazil). Our non-consolidated affiliates, as in Spain, Argentina, Mexico and India, also showed satisfactory results. With local consumption of chemical fibers showing continued vigorous growth, sales and incomes of our establishments in industrializing nations were marked by a reasonably consistent upward trend.

### Market situation

In the year under review, world consumption of chemical fibers increased an estimated 12% to approximately 11.5 million metric tons, as compared to a 10% rise established for 1972.

For synthetic filament and staple, world production in 1973 increased an estimated 17% to approximately 7.7 million metric tons (1972: 14%). The increase in

Western Europe was 20% (1972: 10%) and in North America was 16% (1972: 24%).

The unanticipated rapid improvement of the market situation was fostered by a number of exceptional factors.

The wool and cotton supply pinch, signs of which became apparent in 1972, and the strong price rise related thereto, accelerated the replacement of natural fibers by chemical and, particularly, synthetic staple fibers.

Additionally, the processing industry and trade realized that persistent strong inflation of costs had to terminate the period of continuing chemical fiber price drops. Consequently, they increased purchases to replenish low stocks. The trend became more pronounced in the course of the second half of the year when the chemical fiber industry itself began to experience a scarcity of petrochemical raw materials, which threatened to assume grave proportions with the onset of the oil crisis.

This development, together with the changes in exchange rates which occurred in the spring of 1973, occasioned chemical fiber producers in some countries (e.g. Japan) to give greater priority to the supply of their home markets. This presented our Western European fiber companies with opportunities to maintain or increase their substantial exports of filament yarns and staple fibers, thus creating a material improvement in capacity utilization.

For some products, such as synthetic staple fibers, the growth in demand was such as to render the available production capacities inadequate.

Limited supplies of such raw materials as caprolactam and nylon salt for nylon products, and of dimethyl terephthalate (DMT) for polyester products, forced both our Western European and our American plants to rearrange their product lines and to adopt production restrictions.

In the course of the latter half of the year, these major changes in the market situation were instrumental in initiating a distinct further recovery of the prices of synthetic filament and staple, which until that time had remained quite low. Even so, for most products the average 1973 prices in Western Europe barely exceeded the level of early 1972. With prices of petrochemical raw materials rising strongly as a result of the continuing short supply of these materials, further adjustments in the prices of our products are inevitable.

A significant event for the chemical fiber industry was the preparation of an International Multifiber Agreement, to be effective as of January 1, 1974. This proposed

Diolen® BC, a silklike, light and special-crimp polyester filament yarn produced by Enka Glanzstoff, meets with growing success – particularly in high-fashion women's apparel fabrics.



agreement, which was submitted to all GATT countries for ratification, now covers our products and provides for action if volume or pricing of imports should give rise to serious market imbalances.

### Investments

In our companies in the EEC and Spain, the year under review saw a resurgence of investment activity. However, insofar as expansion was concerned, investments were confined to products showing continued strong growth. For example, capacity expansions were authorized for nylon filament carpet yarn, synthetic staple fibers and textured filament yarns, including modernization of texturing plant equipment. A significant portion of all investment projects was for modernization and rationalization of production, and for pollution control.

American Enka will make major additions to its capacity for nylon staple, a product for which there is an increasing demand from the carpet industry. At the end of 1972, it had been decided to considerably enlarge capacity for nylon filament carpet yarn. The success of producer-textured polyester filament textile yarn, for which a leading position in the American market was attained, prompted the decision to make further additions to capacity in this market.

The steady expansion at our establishments in Latin America continued in 1973. In Brazil, a second production facility for synthetic filament and staple for textile and industrial applications will be established at Camaçari under the name of Companhia Bahiana de Fibras Ltda (a 45% participation). In Quito (Ecuador), construction has begun of the first plant for synthetic filament yarns in that country.

Establishment of a polyester filament and staple manufacturing company in Indonesia is in an advanced stage of preparation.

### Products

#### [a] Chemical fibers for textile uses

Despite improvements in the market situation, prospects for a reasonable profitability of *nylon filament textile yarn* operations in the EEC area presently remain uncertain. The increase in consumption of these yarns is likely to be fairly slight, due to the few uses that remain where they could replace cotton and wool. In areas other than the EEC, prospects are considered better.

In our opinion, the position of *polyester filament textile yarn* is more satisfactory; continued strong growth in consumption is anticipated, especially for textured polyester yarn. Knitting still predominates for outerwear, but we are also successfully pursuing the development of other fabric-making techniques for this purpose.

We are giving constant attention to the development of nylon and polyester filament textile yarn specialties, which is a necessity for safeguarding and consolidating our competitive position.

For *rayon filament textile yarn*, our position of strength remains unaffected. In the United States, we were unable to fully satisfy demand. A decline in shipments to the European lining fabrics industry was offset by higher exports. Possible further advance, notably with regard to synthetics, will be restrained to some extent by the effect of stricter environmental standards for rayon plants.

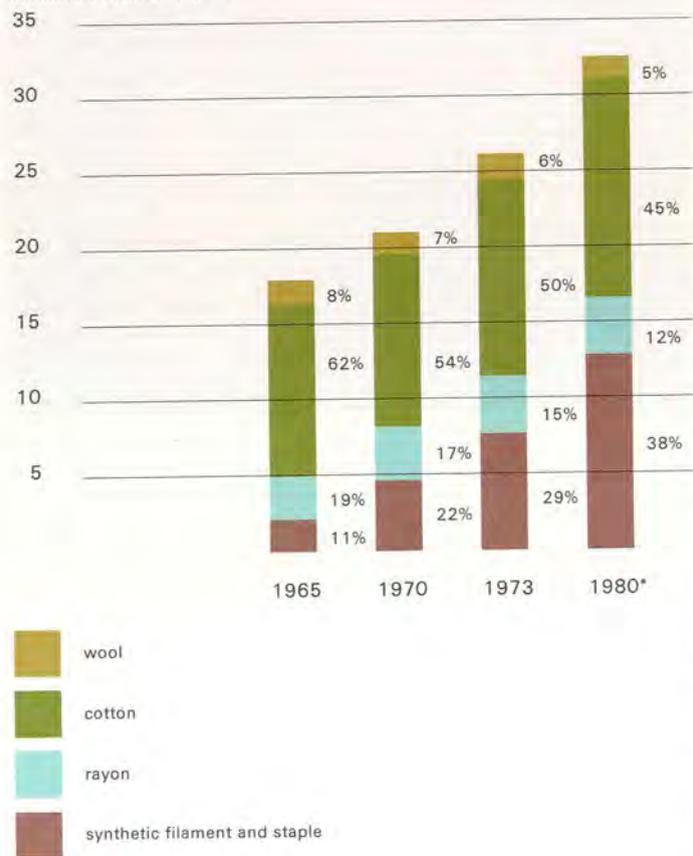
The production capacities for *polyester and acrylic staple* in Western Europe were not adequate to absorb the rise in demand, which was over 25%. These staple types especially benefited from the weakened competitive position of cotton and wool. Prospects for *rayon staple* also remain favorable in this regard. High quality and relatively low prices eminently suit special staple types, such as our modal staple, for blending with cotton and polyester. In addition, rayon staple is considered the most satisfactory material for non-wovens used in disposable articles, such as surgical gowns, wiping cloths and diapers.

*Nylon filament and staple* occupy a leading position in carpet manufacture; the use of nylon staple is particularly advanced in the United States. Carpets are among the end-use areas where growth is fastest, with no demand-capacity discrepancies experienced so far, in either Europe or the United States. In the filament carpet yarn field, we are among the leading producers. Our position will be strengthened further by the success of such products as our antistatic yarns, which are of particular importance for carpeting for large floorspaces, as in office buildings and hotels.

With quality improved further, *synthetic filament and staple non-wovens* gained greater acceptance in the floor-covering industry, both as high-grade carpet backings and as substrates for vinyl-coated and other floorcoverings. Considerable energy is being invested in the development of further applications of this material, particularly in the area of textiles.

\* indicates registered trademarks

World production of cotton, wool and chemical fibers, in million of metric tons



\* forecast

Colorful, light sarees from Enkalon® yarns produced by Century Enka, India.

Enka Glanzstoff's Colbond® P350 polyester non-woven being placed on the deck of a bridge in the Autostrada del Sole, Italy. Impregnated with bitumen, it forms a waterproof reinforcing membrane in the finished roadway.

New impregnating agents developed within the Group further improved abrasion resistance and knot slip resistance of Enkalon® fishing nets.

Europe and the United States. Demand for synthetic reinforcing materials continued strong but, with raw materials in short supply, it could not be met fully.

For a considerable time, the anticipation of a decline in the growth within the tire industry has stimulated our efforts to expand existing fields of application, and to open up new ones. Shipments of yarns for industrial fabrics were increased in the year under review and their geographical distribution was improved. We expect to open up a potentially strong market for *synthetic fabrics* in civil engineering, which will add further uses to such existing ones as seat belts, rubber hoses, conveyor belts, and roofing and covering materials. In a joint project with a Dutch bitumen producer, bituminized nylon fabrics will be used as reinforcing and sealing membranes in hydraulic engineering and environmental applications. We see further attractive markets in the fields of soil stabilization and soil erosion control.

We continued to maintain our strong position in the rope and netting industry.

The use of polyester *non-wovens* for reinforcement of bitumen for high-grade roofing materials and for waterproofing of bridge decks, tunnels, basements, water reservoirs, etc. is rapidly increasing in importance.

#### Research and development

The problem of static buildup in *nylon filament yarn*, felt to be a detrimental feature especially in lingerie and carpets, has now for all practical purposes been solved.

Special types of *textured nylon filament yarns* for printed knit fabrics, for upholstery, and for lingerie and pantyhose, were introduced successfully. *Nylon filament carpet yarns* permitting special multicolor and luster effects in carpets were also received well by the processing industry.

*Polyester filament yarns* with special crimp properties for use in apparel have now also been made suitable for the production of woven home furnishing textiles, printed or otherwise, such as draperies. A high-capillary *textured polyester filament yarn* imparting a full and luxurious hand to woven and knitted fabrics was successfully launched on the American market. A new *polyester staple* was developed for the production of piece-dyed carpets with distinctive color and structural effects.

Research for *industrial yarns* is mainly aimed at quality improvement and addition of new applications; in the field of *non-wovens*, the development of new types with special processing characteristics is of major importance.

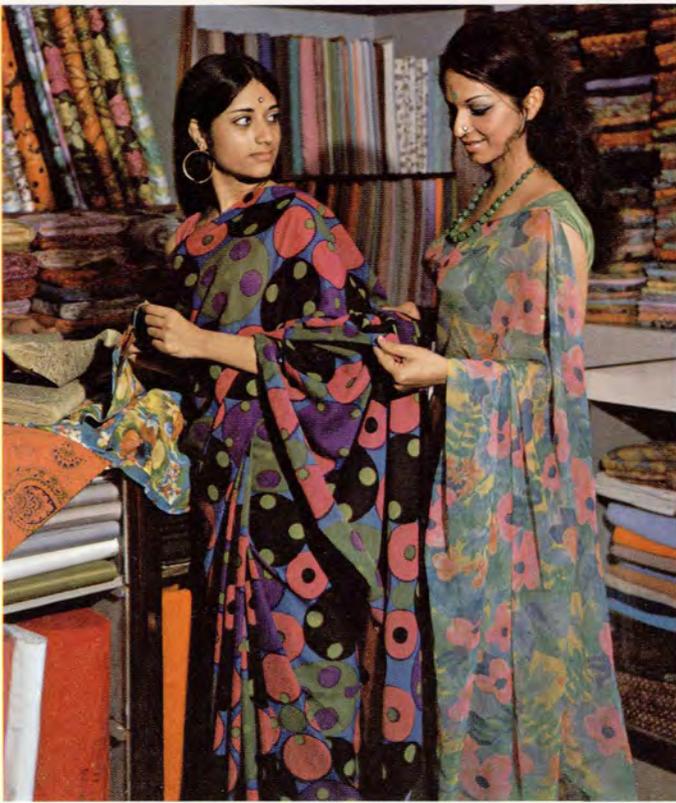
#### [b] Chemical fibers for industrial uses

The principal application of *industrial yarns* is in auto tire reinforcing materials. Growth in the auto tire industry, which averaged 8% over the last ten years, has been leveling off since 1972. In the industrialized countries, a continuation of this trend is to be anticipated for the next few years.

As a result of the radial tire replacing the conventional tire, consumption of *steel cord* is now growing at a higher rate. Such growth will be in part at the expense of other reinforcing materials, such as *rayon* and *nylon*.

The timely availability of a second steel cord plant, established in the Republic of Ireland, should enable us to keep our leading position as producers of a broad line of reinforcing materials.

Notwithstanding this favorable development for steel cord, we were able, by virtue of high product quality and customer service, to improve our position for rayon in



## Chemical products

in Hfl million	1973	1972	1971
sales	2,595	2,367	2,187
operating income after taxes	93	99	72

## Salt and heavy chemicals

This product group includes: vacuum, rock, and solar salt for industrial uses, consumption, as well as snow and ice control; chlorine, caustic soda, soda ash, sodium sulfate, hydrochloric acid, hydrogen, bleaching liquor; chlorinated hydrocarbons, chloroacetic acid derivatives, methylamines, vinyl

chloride, dimethyl terephthalate (DMT), acetic acid, butanol, butyl acetate, vinyl acetate, phenol and fluorine compounds, methanol, formaldehyde, urea formaldehyde; edible and technical oils, citric acid, sulfuric acid, carbon disulfide and other sulfur compounds.

In early 1974, the holding of International Salt Company, a division of Akzona, in the CIRNE solar salt plant in Brazil was transferred to Akzo N.V. The control of this operation now rests entirely with Akzo Zout Chemie, a subsidiary of Akzo N.V.

### Sales and income

In 1973, sales went up 10%. However, operating income after taxes decreased due to the unprofitable salt operations of International Salt Company in the United States. Owing to another mild winter in 1972/1973, demand in the United States for ice-control salt was far below the normal level, so that the resulting increase in stocks necessitated curtailment of production. An additional loss was incurred through a prolonged strike in one of the salt mines.

For the products of Akzo Zout Chemie (except salt) and the industrial chemicals of Akzo Chemie, sales and income developed satisfactorily.

However, the improvement in capacity utilization of our plants was counteracted by increasing pressure on income as a result of substantial price rises for energy and petrochemical raw materials.

### Products

As a result of the boom in the U.S. chemical industry, a distinct reduction of imports of petrochemical raw materials into Western Europe was caused in early 1973. The subsequent scarcity resulted in marked price improvements for several of our products, notably for *butanol* and *butyl acetate*.

Methanol Chemie of Delfzijl (the Netherlands), an Akzo/DSM joint venture, brought on stream the new facilities for *methanol* (330,000 metric tons per annum), *formaldehyde* (28,000 metric tons per annum) and *urea formaldehyde* (40,000 metric tons per annum). The basic

material used in this chemical manufacturing complex is natural gas.

The annual capacity of the existing formaldehyde plant near Rotterdam was stepped up to 55,000 metric tons.

A new *monochloroacetic acid* plant will be set up with an annual capacity of 33,000 metric tons; simultaneously, production capacity for *sodium monochloroacetic acid* will be raised. The increased production will also enable us to meet the growing consumption of these materials within Akzo (for the manufacture of trichloroacetic acid, CMC, herbicides, etc.).

At Lüneburg (West Germany), a manufacturing facility for *calcium silicate foam* is under construction, which will enable us to enter the market for materials used in heat insulation and fire prevention with our own products.

For *salt*, the excess capacity situation is beginning to abate. The installation for the production of salt for water softening and other uses was expanded.

For *chlorine*, the excess capacity situation in Western Europe has ended. There is now a balance between the associated output levels of *chlorine* and *caustic soda* and demand for these products. In the consumption of *soda ash*, the trend from light to dense soda ash intensified. Consequently, it was decided to expand our production capacity for dense soda ash.

Of Akzo Chemie's industrial chemicals, sales of *technical and edible oils* showed a very favorable development. Problems in the production of *citric acid* and low prices again caused income for this product to drop in the year under review. Business for *sulfuric acid and sulfur compounds* remained satisfactory, although longer-term prospects are less favorable.

### Research and development

In the area of production process technology, special attention was given to reduction of energy consumption in electrolysis processes and to improvement of the raw materials efficiency in production processes for organic chemicals, such as terephthalic acid.

Innovative and exploratory research to promote product diversification and internationalization was intensified.

At Mons, Belgium, the new facility for organic peroxides and peresters was completed by the end of the year. Branded 'Noury Initiators', its products are primarily supplied to the plastics industry.

## Specialty chemicals

This product group includes: initiators for the plastics industry and catalysts for the petroleum and chemical industries; rubber chemicals and fillers (carbon black), stabilizers for the thermoplastics industry, sequestering agents and disinfectants, sorbents (ion exchangers,

adsorption resins), and other chemicals for use as auxiliaries or additives in various industries and in road construction; fatty acids and fatty acid derivatives, such as esters, amines and amides for mainly industrial applications.

The field of specialty chemicals is covered by Akzo Chemie and by Armak (Akzona). In a transaction aimed at enhancing business capability, the Armak subsidiaries in Italy (Italcolloid) and the United Kingdom (Armour Hess) were transferred by Akzona to Akzo, as was Armak's 50% holding in Lion Armour, Japan (now Lion Akzo). Against this, Akzona acquired Noury Chemical Corporation (United States).

### Sales and income

In 1973, sales gained 10%, principally through volume increases, which had the added effect of producing excellent plant capacity utilization percentages. Initiators and catalysts contributed most to Akzo Chemie's rise in income. Armak's sales and income rose to record levels.

### Products

The new facility for *organic peroxides and peresters (initiators)* at Mons (Belgium) was completed by the end of the year. Production of ketone peroxides has meanwhile been started up successfully. Around mid-1974, Armak hopes to put into operation a second initiator manufacturing facility in the United States, which is to turn out peroxydicarbonates used in polyvinyl chloride and polyethylene production.

We feel that, with more and more high-sulfur crude oil being processed and with environmental standards becoming stricter, great expansion opportunities are available for *desulfurization catalysts*. Construction of a plant in the United States is slated, while preparations have been made to expand the production capacity of Nippon Ketjen (Japan). The success achieved in 1973 with our *catalysts* for acrylonitrile production had the effect of considerably intensifying the further development and manufacture of catalysts tailored to the specific requirements of the chemical industry.



In some Latin American countries, production and marketing of specialty chemicals, notably process auxiliaries, will be developed jointly with local partners.

New *sorbents* developed in our laboratories permit extraction of metals and other substances from liquids. Within the foreseeable future this will enable us to make a further contribution to environmental hygiene by facilitating the removal of, among other things, mercury and other heavy metals from waste water.

The cement processing industry, a major potential market for our products, uses increasing volumes of *additives*, such as pigments and plasticizers, and surface treatment products. In a move to strengthen our position in this industry, we acquired a French formulating company and its strong marketing capability.

We enjoy a leading position in the production of *fatty acids and fatty acid derivatives*. Both in the United States (Armak) and in the United Kingdom (Armour Hess), significant capacity additions came on stream. We feel there is considerable further scope for process and application development in this field.

### Research and development

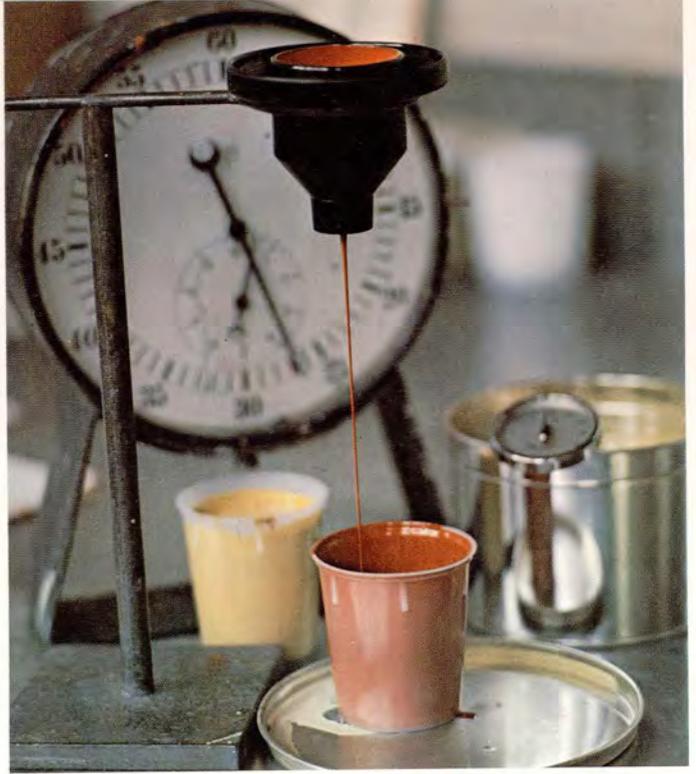
Increased emphasis on fundamental research yielded interesting results in 1973, including:

- a greater fundamental knowledge of *catalysts* and *initiators* resulting in product and process improvements;
- development of new *synthetic resin types, antioxidants, flame retardants* and *ultraviolet absorbers*;
- new technology for the manufacture of *polycarbonic acids*;
- development of a new process for the production of *long-chain fatty acids*;
- development of a new process for the production of *aromatic amines* and derivatives.

Among ArmaK's new products is Armostat®, an antistatic agent to prevent static buildup in synthetic film.

Round the turn of the year, Methanol Chemie Nederland v.o.f., an Akzo/DSM joint venture, brought on stream its new methanol plant at Delfzijl. The plant has an annual capacity of 330,000 metric tons; the feedstock is natural gas.

Instead of the usual powdery concrete-coloring pigments, Akzo Chemie markets liquid colorants. These Kleenotone® colorants are now available in a choice of black, brick red and purple.



Bright topcoat finishes enhance appeal of these motorbikes.

## Coatings

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This product group includes paints, powder coatings, synthetic resins, adhesives and waxes for: industrial uses, e.g. for automobiles, airplanes, railroad cars and for products of the metal-working, wood-working,

furniture, packaging and other industries; non-industrial uses, e.g. for car repair, building, road marking, shipbuilding and other anti-corrosive uses; the do-it-yourself market.

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## Sales and income

In the year under review, sales increased 11%. The rise in costs was substantial and was mainly caused by marked increases in raw materials prices, which could not be fully offset by increases in selling prices. As a result, income was lower than in 1972.

## Products

In the sector of *house painting products*, growth is leveling off. This is due to a shift in sales to products for the do-it-yourself market and to the increasing use of prefabricating techniques in housing and office construction. In West Germany, we started marketing a new type of wall paint (*Diwatop*<sup>®</sup>). In France, a range of transparent wood finishes for both professional and do-it-yourself use was introduced successfully. We expect that the changes effected in our sales organizations in the Netherlands and Italy will bring several benefits, including more effective marketing of house painting products.

Shipments of *do-it-yourself products* again showed satisfactory growth. In view of the increasing importance of the market for these products, we are working with wholesale and retail dealers to actively stimulate an extension of the range of do-it-yourself products for interior decoration and leisure-time pursuits. The Talens line, especially, is aimed at leisure-time relaxation.

We have succeeded in maintaining our market share in Western Europe for *automotive paints*, although the diminished growth of the automobile market began to have a distinct effect on our sales of these paints.

We anticipate a growing use by body shops of the sophisticated color mixing equipment, developed by us, for *car repair paints*; this equipment permits an extension of color ranges at reduced stock levels.

The development of special application techniques and of the appropriate coating materials offers good opportunities for further internationalization. This is, for instance, the case for our *coil coating* (coating of steel strip), *can coating* and *powder coating* processes. Resicoat (a joint venture with Robert Bosch), Europe's biggest supplier of powder coatings, granted licenses for its powder coating process to major companies in Japan, Australia, New Zealand and South Africa.

Synthese, a producer of *synthetic resins*, experienced a good year, despite increasing problems in raw materials supply. In the field of resins for printing inks, Synthese holds a leading position in Western Europe. The further improvement in market position for specialties, such as resins for industrial paints, was largely effected outside Europe.

Syntac, a company specializing in *wax products* mainly for the packaging industry, was included in a form of cooperation with a subsidiary of Burmah Oil, which offers Syntac better opportunities for further growth.

Early in 1974, we further improved our international position through acquisition of Montesano, a paint producer of São Paulo, Brazil.

## Research and development

A better insight has been gained into the problem of permeation of moisture through paint layers on wood. Much attention was paid to new systems for car painting using water-free dispersions.

In general, the improved integration of our research activities led to a more efficient utilization of the available capacity, notably for research into new areas.

# Pharmaceuticals, consumer products and miscellaneous products

in Hfl million	1973	1972	1971
sales	2,425	2,070	2,029
operating income after taxes	108	92	72

## Pharmaceuticals

This product group includes: ethical drugs, such as hormone preparations (anabolics, contraceptives), alkaloids, as well as non-prescription drugs, such as vitamins, pain-killers, cough remedies and sweetening agents; hospital supplies, such as infusion

liquids, blood fractions, diagnostics and medical equipment; raw materials for the pharmaceutical industry; veterinary products, such as vaccines and hormone preparations; crop protection products.

## Sales and income

In 1973, the rise in sales was 17%. The trend of the past few years was thus continued. Our operations in West Germany in particular contributed materially to this rise; in Italy, Brazil and Japan, sales developed very satisfactorily. The rises in costs and the effects of the alterations in exchange rates were offset by the rise in sales.

Almost all sectors contributed to the continued growth.

## Products

In the sector of *ethical drugs*, the *oral contraceptives* are developing into our most important class of products. Regular introduction of new and improved products has substantially contributed to our success in this area with its diversified needs. Following the good reception of *Exluton*<sup>®</sup>, which was introduced in 1972, we extended our product range in 1973 by the addition of *Pregnon 28*<sup>®</sup>, a combination-type preparation with programmed administration to ensure that menstruation will not occur during weekends.

Hopes are high for an antidepressant, GB 94, developed by us, which was announced during the commemoration of Organon's fiftieth anniversary. Initial results obtained in the treatment of mental depression by the medical profession have confirmed our appraisal of the good prospects offered by this product.

Chefaro, which combines our activities in *non-prescription drugs*, was increasingly successful in its sales of *Predictor*<sup>®</sup>, the do-it-yourself pregnancy test. Chefaro's broad product range, which is offered in various countries, was extended by the introduction of an appetite-suppressant in the Netherlands (*Slankosan*<sup>®</sup>) and West Germany (*Optogran*<sup>®</sup>).

Organon Teknika, which is mainly active in *diagnostic aids and equipment for hospital use*, added to its range in 1973:

*Redy*<sup>®</sup>, the first portable monitoring system for kidney dialysis that can also be used by patients while on vacation;

*Echo cardio Visor*<sup>®</sup>, an ultrasonic apparatus to show the action of the heart in two dimensions;

*Diatek*<sup>®</sup>, an electronic thermometer;

*Pregnostisec*<sup>®</sup>, a dry-dot two-minute pregnancy test.

This constitutes our initial move toward expansion of our relatively new line of hospital supplies. This expansion is a condition for realization of Organon Teknika's projected international growth.

Several other products, specifically intended for hospital and clinical use, are planned for introduction in 1974.

Business for Diosynth, which is engaged in the manufacture of *pharmaceutical raw materials* for both captive and commercial use, was considerably better than in 1972. The supply of natural basic materials continues to give cause for concern. Our policy is to increase emphasis on preliminary processing of basic materials in the countries where they are produced.

In the sector of *veterinary products* (Intervet), prices continued under pressure. As a result, sales were lower than expected. On the other hand, the upward trend for *crop protection products* (AAgrunol) continued unabated. For both groups of products, internationalization of operations remains among our key objectives.

## Investments and acquisitions

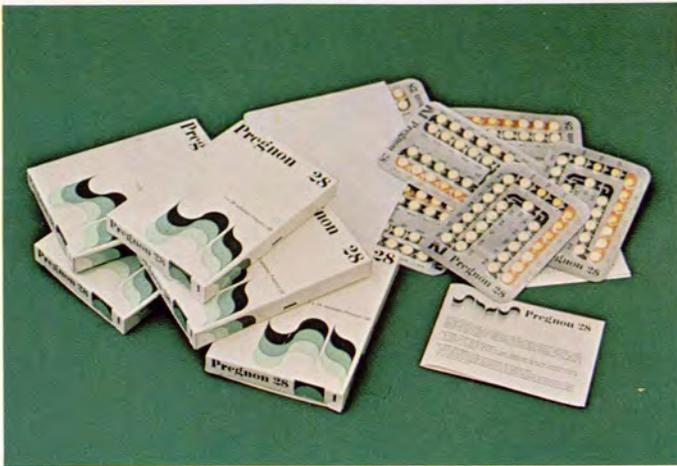
Our international position was further strengthened through acquisitions in Scandinavia, Spain, Mexico and South America.

In the Netherlands, West Germany and Indonesia, manufacturing and packaging facilities were expanded.

## Research and development

In the year under review, research and development costs again increased significantly.

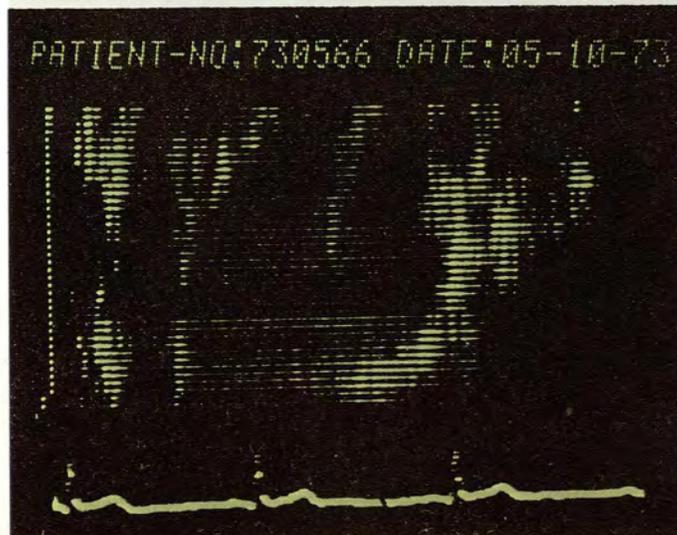
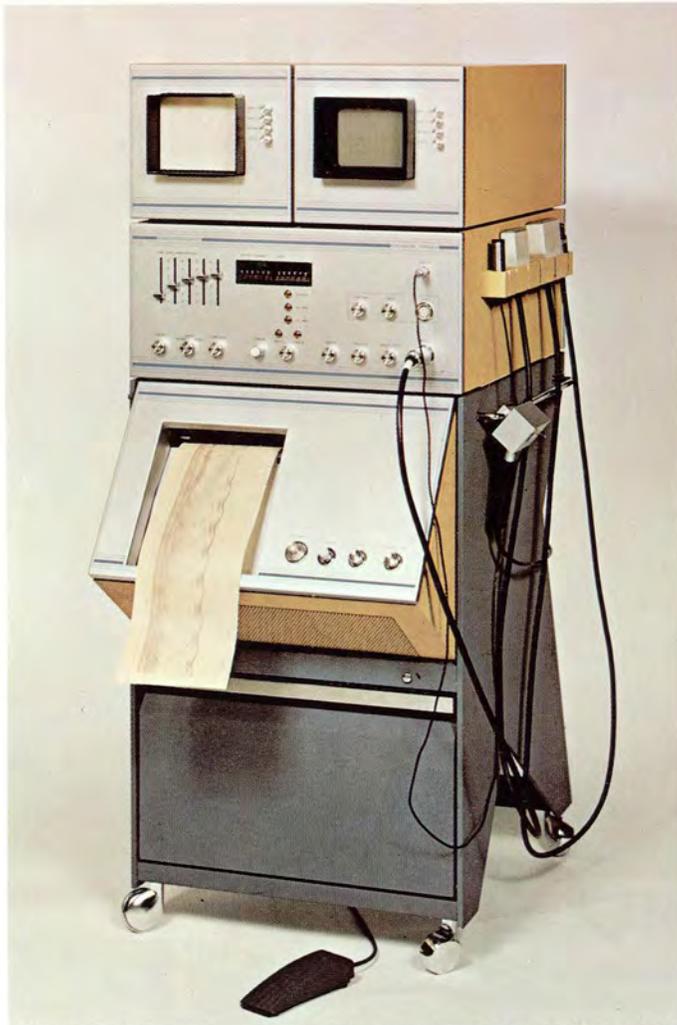
The larger part of Organon's efforts is directed toward product development and improvement in the areas of *fertility control, treatment of inflammation, diagnostics, sex steroids*, and in the new and important area of *treatment of depression*.



Pregnon 28®, a new, 'pre-programmed' Organon oral contraceptive to be taken daily, which ensures a menstruation-free weekend.

The Echo cardio Visor® 01 significantly broadens the scope of cardiology. Its operation is based on ultrasonic waves reflected by the heart. This reflection (or echo) is picked up and converted into a two-dimensional image showing the heart in action.

Sigatoka (*Cercospora musae*), a dreaded leaf spot disease of bananas, is successfully controlled in Latin America and elsewhere with AAmazin®, an AAgrunol product.



In a move to intensify our research effort for the development of new veterinary products, we acquired a complex of buildings at Boxmeer (the Netherlands) in the year under review.

Research efforts in the other sectors were also stepped up.

## Consumer products

This product group includes: detergents and cleaning products, such as soaking and prewashing agents, laundry detergents, fine-laundry detergents, liquid detergents, soap, soda and bleaching agents; disposable paper products, such as toilet paper, tissue paper for kitchen use, towels and table napkins;

body-care products, such as toiletries, fragrances, baby-care products and cosmetic creams; aerosol propellents; foodstuffs, such as oils, fats, mayonnaises, sauces, dry mixes, party snacks, nuts, preserves, soups, bouillon cubes, flavorings, spices, salads, dried vegetables and potatoes.

## Sales and income

In 1973, sales increased 7%. Business for detergents and cleaning products, disposable paper products, and body-care products was satisfactory. Foodstuffs proved to be an area where opportunities to raise prices to reflect the increase in raw material expenditures and other costs were insufficient.

Overall, income was approximately equal with 1972.

## Market situation

Consumer preferences as regards quality and composition of the product line offered indicate increasing discrimination. For various lines this necessitates constant product adjustment. This enhances the importance of marketing and research as aids to the prompt recognition and anticipation of changes in the demand pattern. Vigorous competition for the consumers' favor forces producers to intensify these activities, whose rising cost compels them to seek an expansion of business, nationally and internationally.

This summary fits the case of *Biotex*<sup>®</sup>, for which product a solid international position on the detergents market was built up over a period of ten years. In 1973, sales again improved compared with the previous year. The acquisition of Tomten A/S, Norway, will add further strength to our market position in that country.

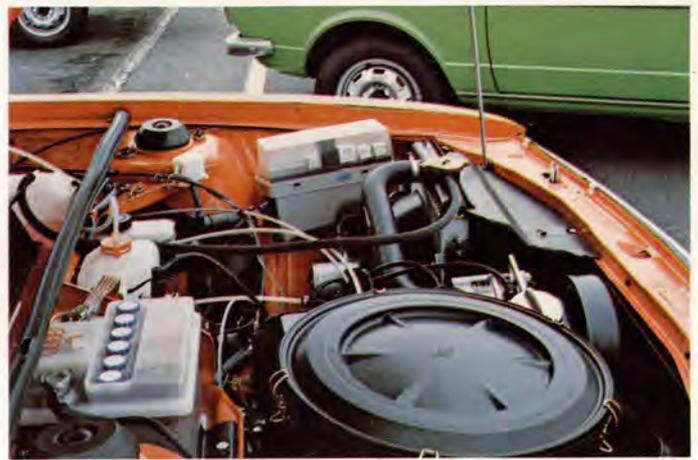
By virtue of flexible marketing policies we have so far been able to substantially compensate for the effects of shifts in the distribution pattern and of the discontinuation of vertical price control in the Netherlands. Partly as a consequence of the changes indicated, profit margins of a number of brand-name products suffered some contraction, but for strong brands such as *Biotex*<sup>®</sup>, *Edet*<sup>®</sup>, *Zwitsal*<sup>®</sup>, *Duyvis*<sup>®</sup>, as well as *Bénédictin*<sup>®</sup> in France, we successfully defended or strengthened our market position.



Plans are to further integrate our companies in the food sector. Such integration is expected to create a better basis for continuity, growth and improved earnings performance.

We will strive to accelerate the growth pace of consumer products through cooperation with others in the field and through acquisitions. Plans to meet this objective are currently being developed for all product sectors, with emphasis on further geographical diversification of operations in Europe.

To replace the conventional Bowden cable, Akzo Plastics and Volkswagen jointly developed Arnite®-cased clutch and throttle cables which offer substantial technical benefits.



## Miscellaneous products

Miscellaneous products include: acetate, nylon and polyester for the plastics processing industry, wrapping film, adhesive tape, synthetic and other adhesives, carboxymethyl cellulose (CMC), dialysis membranes, and various industrial products; leather and synthetic leather, sponges, shammies, household and floor cloths; wire and cable for electrical and

electronic end-uses in the telecommunications industry, in computers, etc.; spinning machines, processing and finishing equipment mainly for the chemical fiber industry, extrusion equipment for the plastics industry, hydraulic equipment for elevators, pumps, etc.

Akzo Plastics, one of Enka Glanzstoff's product groups, comprises plastics, wrapping film, adhesive tape, industrial adhesives and carboxymethyl cellulose (CMC).

The *plastics* sector is engaged in the supply of high-grade plastics for the injection molding and extrusion industries. Sales of nylon (*Akulon*®) were again up compared with the previous year. The end-use field for this material was extended through the addition of brown-and-bake film. We have succeeded in making our polyester (*Arnite*®) suitable for Bowden cable in automobiles.

Income from *wrapping film* (cellulose) remained unsatisfactory, although an improvement was noticeable in the year under review. This improvement was partly due to further rationalization of the Italenka production plant in Italy. Business for Feldmühle of Switzerland, a producer of *adhesive tape*, was markedly better than in the previous year. New product types also made a contribution to this improvement.

Strucol (the Netherlands) is mainly active in the development of special *adhesives* for industrial use. In the year under review, we succeeded in strengthening our market position in the promising field of film adhesives for the aviation industry.

The steep rise in demand for *carboxymethyl cellulose* (CMC), special types of which are used, among other things, as drilling mud in oil and gas exploration, necessitated a considerable expansion of production capacity.

Pilot production of *Tenax*®, a heat-resistant polymer, was for the most part discontinued in 1973. The competitive potential of this polymer proved insufficient vis-à-vis a new material recently placed on the market.

The use of *Cuprophan*® film as *dialysis membranes* in artificial kidneys is developing favorably; in the year under review, production capacity was expanded. The

results of trials using hollow fibers of the same material for dialysis purposes have been so encouraging that small-scale production of such fibers can probably be started in 1974.

High price levels for leather and improvements in process control and quality have considerably speeded up the introduction of our *Xylee*® *synthetic leather* to the footwear industry. Enka Glanzstoff will double its production capacity. Armira (formerly Armour Leather), a division of Akzona, will start production in the United States.

In 1973, income of Armira, a producer of *leather*, was considerably below the previous year's level as a result of fluctuations in hide supplies and prices due to government price controls for cattle and beef.

Brand-Rex, Akzona's *wire and cable division*, achieved record sales and income, despite materials shortages and government price controls. About half of the improvement was attributable to Pyle-National, a manufacturer of special electrical and electronic connectors, which was acquired early in 1973. Shipments of wire and cable products to the telephone and business machine industries in particular were up substantially.

Production capacity for communications cables will be doubled. Facilities became operational for the manufacture of special cable types of high temperature resistance for telephony, industrial business machines, etc. For nuclear power stations, special connectors were developed and introduced.

The start-up of the Brand-Rex Ltd facility in Scotland has been hampered by supply shortages and product approval delays.

Sales and income for 1973 of Barmag Barmer Maschinenfabrik, a producer mainly of *machines and equipment for the chemical fiber and plastics industries*, were again favorable. The company's order position improved, and exports – 71% of sales – were increased.

Barmag's strong position is mainly attributable to intensive research in the field of chemical fiber manufacturing and processing equipment, which makes heavy demands in terms of technology and cost performance. The company is a major contributor to process development in the chemical fiber industry.

March, 1974

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

## Board of management of Akzo N.V.

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

The following board members are primarily charged with the preparation of Group policy and with the day-to-day management of Akzo N.V.: G. Kraijenhoff (president), L. H. Meerburg, S. C. Bakkenist, H. J. Schlange-Schöningen, H. Kramers, and H. J. Kruisinga.

The other board members are specifically charged with the management of Group units: A. G. van den Bos (Akzo Chemie), A. van Driel (Akzo Coatings), D. W. van Krevelen (Akzo Research & Engineering), J. A. Wolhoff (Akzo Zout Chemie), and H. G. Zempelín and B. Zevenbergen (Enka Glanzstoff).

Subject to the approval of the annual meeting of stockholders on May 9, 1974, J. Veldman, president of Akzo Pharma, and H. van Doodewaerd, president of Akzo Consumenten Produkten, will join the board of management.

The secretary of the board of management is A. H. M. Wentholt.

Within the board of management, Messrs. Meerburg and Kramers coordinate the interests in the fields of chemical fibers and chemical products, respectively. Mr. Schlange-Schöningen coordinates the Group's international operations and is also president of Akzo International. Messrs. Kraijenhoff, Bakkenist, Kruisinga, and the secretary of the board of management are each responsible for a number of central staff departments and for the coordination of the relevant functional activities within the Group.

## Management of central staff departments

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

P. R. A. Maltha and E. W. Meier are charged with activities in the areas of chemical development and international relations, respectively.

## Management of Akzo Research & Engineering

D. W. van Krevelen (president), H. Kramers (deputy president), F. C. A. A. van Berkel, E. Meyer.

## Managements of national organizations

Akzo Nederland, J. P. van den Bent, president  
Akzo België, J. van den Driest, president  
Akzo Ltda, Brazil, J. R. Hutter, president  
Mercator Internationaal, Japan, T. A. Townsend, managing director

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

### *Enka Glanzstoff*

B. Zevenbergen (president), H. G. Zempelín (deputy president), F. C. A. A. van Berkel, J. van den Driest, S. Lochner, E. Meyer, G. Tückmantel, H. F. Wesenhagen

### *Akzo International*

H. J. Schlange-Schöningen (president), H. G. Karus, H. W. Muzerie, A. F. J. C. Zillikens

### *Akzo Zout Chemie*

J. A. Wolhoff (president), M. Boogaerd, J. H. Dijkema, G. H. W. Meeder, R. M. Smulders

### *Akzo Chemie*

A. G. van den Bos (president), J. C. P. van Oosterom, H. J. J. van der Werf  
D. B. Kagenaar, P. W. Pfeiffer, H. A. Praetorius, M. D. Westermann

### *Akzo Coatings*

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

### *Akzo Pharma*

J. Veldman (president), G. Hes, R. A. P. van Iersel (until May 1, 1974), C. P. Spoel

### *Akzo Consumenten Produkten*

H. van Doodewaerd (president), T. Bouterse, M. A. Hoolboom, P. B. van Hulst, H. B. Jacobs, J. E. H. Sikkink

# Five-year financial review

Certain figures relating to previous years have been restated for comparison.

	1973	1972	1971	1970	1969
in Hfl million					
sales to third parties					
chemical fibers	4,398	3,798	3,840	3,561	3,326
chemical products	2,595	2,367	2,187	1,900	1,282
pharmaceuticals, consumer products and miscellaneous products	2,425	2,070	2,029	1,788	1,758
total	9,418	8,235	8,056	7,249	6,366
cash flow (Group income plus depreciation)	913	795	791	791	785
net income	291	217	209	261	324
distributed income	107	97*	98	104*	102
property, plant and equipment					
capital expenditures	549	555	943	1,035	742
depreciation	540	527	526	472	397
acquisitions of affiliates and investments in non-consolidated companies	101	139	203	99	276
common stock, in thousands of shares of Hfl 20 par value	28,062	26,989	26,989	25,958	25,590
number of employees	105,800	101,000	104,500	100,800	100,300
per share of common stock, in Hfl					
cash flow	27.48	25.26	24.94	26.22	26.36
net income	10.37	8.02	7.72	10.01	12.65
stockholders' equity	117.08	113.49	110.78	120.06	116.40
ratios					
operating income as percentage of sales	8.1	7.1	8.0	8.8	12.6
net income as percentage of stockholders' equity	8.9	7.1	7.0	8.4	10.9
distributed income as percentage of net income	36.6	44.9	46.8	40.1	31.5
personnel costs as percentage of sales	29.3	30.1	29.2	28.6	26.2
Group equity : liabilities	0.73	0.71	0.71	0.77	0.83
Group equity : non-current assets	0.83	0.77	0.76	0.77	0.83
current assets : current liabilities	1.98	2.11	2.02	2.15	2.09
sales : invested capital	1.42	1.26	1.26	1.13	1.12
development of stockholders' equity, 1969-1973 (in Hfl million)		dividend per share of common stock, 1969-1973			
stockholders' equity at January 1, 1969	2,519	1969: Hfl 4.00 in cash			
issuance of stock, including capital surplus	405	1970: Hfl 4.00, of which Hfl 2.80 in cash or, at stockholder's option, in common stock at the rate of one new share for every 25 shares held			
stock dividends	136	1971: Hfl 3.60 in cash			
retained earnings	794	1972: Hfl 3.60, of which Hfl 2.40 in cash or, at stockholder's option, in common stock at the rate of one new share for every 25 shares held			
goodwill resulting from acquisitions of companies	(392)	1973: Hfl 3.80, of which Hfl 2.60 in cash or, at stockholder's option, in common stock at the rate of one new share for every 18 shares held			
change in exchange rates	(92)				
provision for facilities to be put out of operation	(85)				
other changes	2				
stockholders' equity at December 31, 1973	3,287				

\* of which Hfl 33 million and Hfl 32 million in cash for 1972 and 1970, respectively

**consolidated balance sheet at year's end**

	1973*	1972*	1971	1970*	1969
in Hfl million					
property, plant and equipment	4,235	4,250	4,274	4,280	3,745
investments in non-consolidated companies	282	341	335	306	315
other non-current assets	155	130	140	143	124
non-current assets	4,672	4,721	4,749	4,729	4,184
inventories	1,641	1,615	1,664	1,581	1,458
short-term receivables	1,954	1,728	1,590	1,563	1,369
prepaid expenses	52	54	56	61	38
cash and marketable securities	840	645	616	493	656
current assets	4,487	4,042	3,926	3,698	3,521
total assets	9,159	8,763	8,675	8,427	7,705
capital stock	562	542	542	521	514
capital surplus, paid in	689	710	710	730	703
retained earnings	1,652	1,412	1,340	1,218	1,139
other reserves	384	401	400	649	625
stockholders' equity	3,287	3,065	2,992	3,118	2,981
minority interest in Group equity	573	570	610	536	503
Group equity	3,860	3,635	3,602	3,654	3,484
provisions	991	809	725	857	809
long-term debt	2,047	2,407	2,402	2,198	1,729
long-term liabilities	3,038	3,216	3,127	3,055	2,538
bank overdrafts	162	223	273	270	237
other current liabilities	2,099	1,689	1,673	1,448	1,446
current liabilities	2,261	1,912	1,946	1,718	1,683
total Group equity and liabilities	9,159	8,763	8,675	8,427	7,705

**consolidated statement of income**

in Hfl million					
sales	9,418	8,235	8,056	7,249	6,366
salaries, wages and social charges	2,764	2,478	2,354	2,073	1,670
depreciation	540	527	526	472	397
other costs	5,350	4,645	4,535	4,064	3,498
operating income	764	585	641	640	801
interest	147	172	165	112	61
taxes on operating income and interest	283	181	238	259	375
equity in earnings of non-consolidated companies	42	29	23	31	28
Group income before extraordinary items	376	261	261	300	393
extraordinary items	3	7	4	19	5
Group income	373	268	265	319	388
of which minority interest	82	51	56	58	64
net income	291	217	209	261	324

\* based on a cash dividend

*Dividends are paid through the following banks:*

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

Annual meeting of stockholders to be held at the RAI Congress Center, 8 Europaplein, Amsterdam, on Thursday, May 9, 1974, at 10.30 a.m.

#### *Agenda*

- 1 Opening
- 2 Report of the board of management for the 1973 financial year
- 3 Approval of the balance sheet and statement of income, with notes; consideration of the dividend proposal
- 4 Determination of the number of members of the supervisory council and of the board of management
- 5 Appointment of members of the supervisory council
- 6 Appointment of members of the board of management
- 7 Annual decision concerning issues as required by the London Stock Exchange\*
- 8 Other business

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

