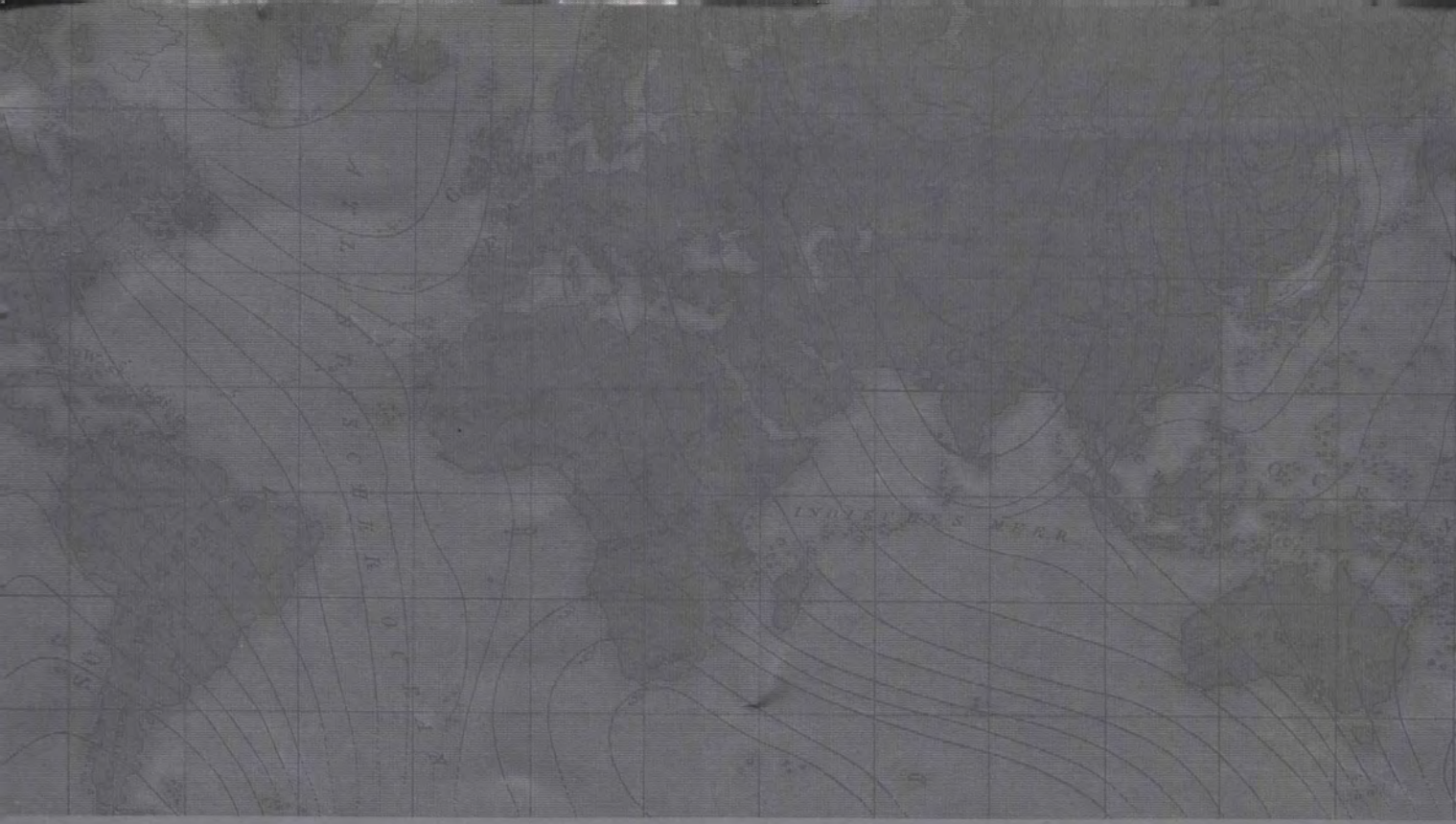

Annual Report 1994

AKZO NOBEL

PROFILE

Akzo Nobel, headquartered in Arnhem, the Netherlands, is a worldwide operating company with activities in more than 50 countries and over 70,000 employees. Consolidated sales aggregated NLG 22.2 billion in 1994. The product range includes chemicals, coatings, healthcare products, and fibers.

Akzo Nobel's objective is to acquire and defend leadership positions in its markets and to maintain structural long-term profitability. We try to achieve sufficient critical mass in order to play an active role in the restructuring of the business segments in which the Company operates.

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

Akzo Nobel conducts a proactive environmental policy with respect to its products and processes.

Geographically, Akzo Nobel's activities are largely concentrated in Europe and the United States. It is a Company objective to expand in other key geographic markets.

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AGENDA

Agenda for the Annual Meeting of Stockholders of Akzo Nobel N.V. to be held at the Nederlands Congresgebouw, Churchillplein 10, The Hague, the Netherlands, on Thursday, April 27, 1995, at 2:00 p.m.

1 Opening

2 Report of the Board of Management for the fiscal year 1994

3 Approval of the 1994 financial statements of Akzo Nobel N.V. and of the dividend

4 Appointments to the Supervisory Board

5 Proposal to authorize the Board of Management to issue shares and to restrict or disregard the preemptive rights of stockholders

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

7 Proposal to appoint KPMG Accountants N.V. as the Company's auditors for an indefinite period of time

8 Any other business

FINANCIAL CALENDAR 1995

- Annual Meeting of Stockholders
  April 27
- Report for the 1st quarter
  April 27
- Payment of the 1994 final dividend
  May 15
- Report for the 2nd quarter
  August 3
- Report for the 3rd quarter
  November 2

MAJOR EVENTS IN 1994

January
Akzo stockholders approve the stock issue for the acquisition of Nobel Industries AB.

February
Completion of the share exchange with former Nobel shareholders.

Announcement of the top management structure of the new company.

Unveiling of the new name and logo.

May
Mr. C.J.A. van Lede takes over the helm from Mr. A.A. Loudon, who is appointed Deputy Chairman of the Supervisory Board.

September
Ground is broken for Diosite, a major investment project for Pharma's new Diosynth plant in the Netherlands.

First Corporate Environmental Annual Report issued.

Letter of intent signed for the sale of 51 percent of Kuagtextil GmbH (polyester textile filament yarns) to Textilwerke Deggendorf GmbH.

October
Divestment of the Nobel Pharma Chemistry business.

Presentation of Akzo Award to Dr. W. Spakman, Utrecht University.

November
Commemoration of the 25th anniversary of the formation of Akzo. Establishment of Akzo Nobel Education Fund 1994 supporting educational projects in developing countries.

Announcement of cooperation with Courtaulds on a new solvent spun cellulosic fiber.

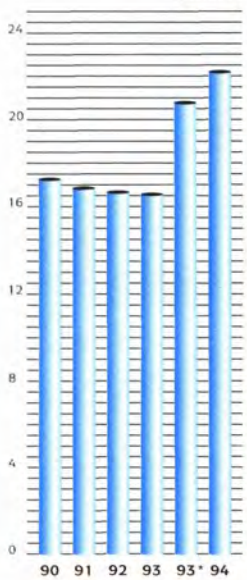
Announcement of decision to discontinue the polyester staple fiber activities in Emmen, the Netherlands.

Preliminary agreement to divest Akzo Nobel's 40 percent stake in the Swedish Njordkraft AB (hydro-electric power stations).

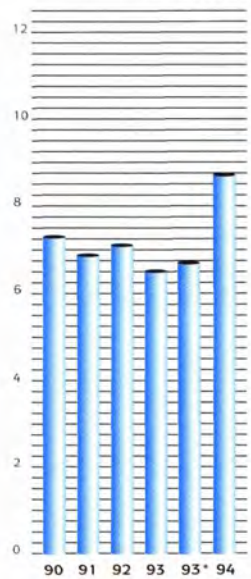
December
Announcement of the formation of a 50/50 worldwide joint venture in rubber chemicals with Monsanto Company, United States, for implementation in 1995.

Presentation of the prizes of the Akzo Nobel Education/Industry Partnership (EIP) program stimulating interest in science and technology, notably among young people in Western Europe.

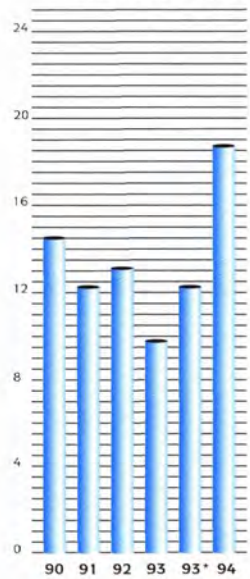
Net sales, in billions of guilders



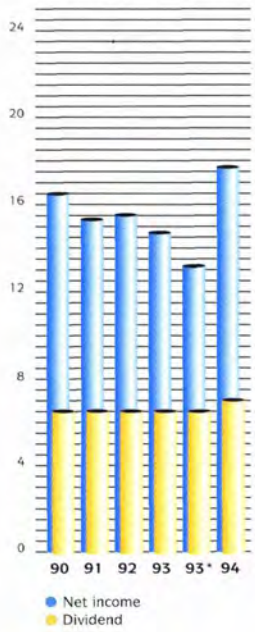
Operating income, as percentage of net sales



Net income, as percentage of average stockholders' equity



Net income before extraordinary items and dividend per share of NLG 20, in guilders



* Pro forma

FINANCIAL HIGHLIGHTS*

Millions of guilders (NLG)	Akzo Nobel **1994**	Akzo Nobel *pro forma 1993***	Akzo 1993
Net sales	**22,208**	*20,874*	16,509
Operating income	**1,932**	*1,404*	1,071
Net income	**1,178**	*790*	549
Cash flow	**2,364**	*1,940*	1,439
Stockholders' equity	**6,257**	*6,370*	6,152
Property, plant and equipment			
– expenditures	**1,633**	*1,410*	1,170
– depreciation	**1,137**	*1,141*	885
Per share of NLG 20, in NLG			
Net income	**16.58**	*11.12*	11.67
Cash flow	**32.46**	*26.91*	30.12
Dividend	**7.00**	*6.50*	6.50
Stockholders' equity	**88.04**	*89.69*	113.99
Key ratios			
Operating income, as % of net sales	**8.7**	*6.7*	6.5
Operating income, as % of average invested capital	**15.7**	*11.5*	11.5
Net income, as % of average stockholders' equity	**18.7**	*12.3*	9.8
Equity/net debt	**0.60**	*0.60*	0.87
Number of employees at year end	**70,400**	*73,400*	60,700

* *For definitions of financial ratios and concepts see back cover foldout.*

** *Unless stated otherwise, the figures for 1993 have been calculated on a pro forma basis. The underlying assumptions are given on page 65.*

CHAIRMAN'S STATEMENT

1994 marked both the twenty-fifth anniversary of Akzo and the creation of Akzo Nobel.
The anniversary, on November 4, was celebrated with a concert in The Hague in the presence of Her Majesty the Queen and His Royal Highness Prince Claus of the Netherlands.
The commemoration also afforded today's management and employees the opportunity to express their appreciation and respect for their predecessors, who steered the Company through often difficult times. Now renamed Akzo Nobel, the Company is acknowledged as a major player in the markets for chemicals, coatings, healthcare products, and fibers.

The economy in 1994 showed the long expected upturn, with continued, surprisingly strong growth in the United States, followed later by a recovery in Europe. The entire chemical industry benefited from this trend, with higher capacity utilization leading to better prices. Our Company was no exception to this trend, although later in the year higher raw material prices put pressure on margins for coatings and fibers. But on the whole, 1994 was a better year than 1993. The other side of the coin, however, is that the sense of urgency to continue the much needed fundamental restructuring of the industry seems to be waning. For example, there are already some worrying signs of unwarranted capacity expansions in the polymer industry.

Politically, 1994 was a year of great uncertainty. While we were pleased to witness the ratification of the GATT and NAFTA treaties, we were confronted with discontinuities in government policies in most of the important countries in which we operate.

With the world in a constant state of flux, it remains of great importance, for our shareholders and employees alike, that clarity exist on the direction of the Company. We therefore re-emphasized, both internally and publicly, the policy followed over the past several years.
Akzo Nobel continues to strive for leadership positions in the markets it serves, backed by strong proprietary technology. Where we cannot achieve such positions on our own, we may seek acquisitions, alliances or divestments, thus striving for structural, long-term shareholder value.
We will also continue to emphasize productivity, while at the same time benchmarking our operations against the best performers in our markets, and we will use and develop the critical mass needed to anticipate developments and play a major role in the restructuring of the businesses in which we operate.
These businesses indeed continue to undergo fundamental changes. Most chemical companies—each in their own way—seem to follow similar patterns of focusing on a limited number of core activities, leading to portfolio swaps and alliances. In this context we announced two major alliances: a 50/50 joint venture with Monsanto Company in the United States to build a strong global position in rubber chemicals and a 49/51 joint venture with Textilwerke Deggendorf GmbH (TWD) for our European textile polyester filament business. TWD specializes in this market and has an outstanding performance and reputation.

In the United States—and recently also in Europe—we have seen some unprecedented takeovers in the area of healthcare. Although the rationale may not be totally clear in all cases, we take these developments seriously and make due allowance for them in the design of our policies for a further strengthening of our healthcare business.
In light of the apparent quest for size of the major companies in this still fragmented market, we carefully weigh the benefits of organic growth —the key to the success of our Pharma business to date—and the opportunities for acquisitions and alliances.

On January 27, 1994, a special General Meeting of Stockholders approved the issuance of new shares to acquire Nobel shares. Our bid was accepted by shareholders representing 99.3 percent of Nobel's share capital. As a result, the merger with Nobel could be formally concluded on February 25, 1994. This allowed us to start the integration process. We developed a tight time schedule—two years—within which the integration should be completed. We opted for clear and quick decision making on the basic organizational structure, we nominated the managers for the key functions, and we announced where the business units would be located. Together with the upswing of the economy, we have made a good start on this integration and we are happy to report that we are on or slightly ahead of schedule.

As we announced on the date of the merger, we expected any dilutive effects to be soon outweighed by the benefits. We can now report that in 1994 earnings per share did indeed increase 49 percent relative to the pro forma 1993 figure. Moreover, earnings per share relative to the Akzo figure in 1993 showed an increase of 42 percent. This has allowed us to propose an increase in the dividend to NLG 7.00 per share, the first increase since the present level of NLG 6.50 per share was set in 1990.
We are particularly pleased to report that all four groups have contributed to this success and that the merger itself has certainly had a positive impact. Some additional merger provisions proved necessary, but we are confident that the benefits originally expected will materialize in the years to come and will add to shareholder value.

1994 was also the year in which we published our first corporate Environmental Annual Report, based on the reports issued over the years by our individual sites in their own regional context. It reflects the continued attention and sense of responsibility we demand from our management in this important field. We realize that in many instances we are entrusted with the management of hazardous and potentially harmful materials, which places on us special responsibilities and obligations that extend far beyond our factory gates.

For 1995 we are cautiously optimistic and we expect a further increase in sales and earnings. The underlying trend for most of our markets is positive. However, the stability of this trend could be endangered by such sudden currency crises as the one witnessed in Mexico at the end of the year.

At the end of my statement in Akzo Nobel's first Annual Report, I would like to thank all employees on behalf of the Board of Management for their contribution and dedication over the past year. We realize that we have undertaken some far-reaching but highly necessary restructuring programs that sometimes have involved difficult decisions for our employees. We are grateful for the understanding shown. Finally, a special word of thanks to Mr. Loudon for his leadership during the past twelve years and for his role in shaping Akzo Nobel.

Cees J.A. van Lede

REPORT OF THE SUPERVISORY BOARD

Changes in the Supervisory Board

On February 25, 1994, Mr. B. Magnusson and Mr. L.H. Thunell joined the Supervisory Board. Mr. Thunell was appointed Deputy Chairman.
At the Annual Meeting of Stockholders of April 26, 1994, membership of the Supervisory Board was increased from ten to eleven.
Mr. A.A. Loudon was appointed to fill the vacancy.
The terms of Mr. F.H. Fentener van Vlissingen, Mr. H. Kopper, and Mr. H.H. van den Kroonenberg as members of the Supervisory Board expired at the end of the Annual Meeting of Stockholders. They were immediately re-elected. Mr. Kopper had expressed the wish to step down as Deputy Chairman; he was succeeded as such by Mr. Loudon.

Changes in the Board of Management

On May 1, 1994, Mr. Loudon handed over the chairmanship to Mr. C.J.A. van Lede, after having held that position for twelve years. On the same date, Mr. A.G. Vermeeren was appointed Deputy Chairman. Stockholders approved the appointment of Mr. P.K. Brons to the Board, also effective May 1, 1994. At the Annual Meeting of Stockholders of April 26, 1994, the Chairman expressed the Supervisory Board's gratitude and respect for Mr. Loudon's leadership over so many years and for his significant contribution to the Company.

Changes in the Management Council

After a career of almost thirty years with the Company, Mr. A. van Es retired on May 31, 1994. Since January 1989 he had chaired the board of Akzo Nederland. Before that he had been on the board of the Salt and Basic Chemicals Division for more than six years. We are indebted to Mr. van Es for his able and vigorous pursuit of the important tasks entrusted to him.
He was succeeded by Mr. P.J. Baart.
We deeply regret the early death of Mr. F.I.M. van Haaren, Executive Vice President for Technology and Environment, on August 29, 1994.
Mr. van Haaren had served the Company in various executive positions since 1968. He will be remembered for his great contribution and dedicated service to the Company.
Mr. J.F. Sistermans was appointed Mr. van Haaren's successor.

Supervision

During 1994 the Supervisory Board regularly received reports on the Company's business and consulted periodically with the Board of Management on strategy and such issues as human resources, financial planning, investments, acquisitions, and divestments.
The Audit Committee and the Remuneration Committee met several times. In the Audit Committee, consultations were held with Company officers and auditors about the financial statements, the administrative organization, and internal control.

MANAGEMENT AND SUPERVISION

Supervisory Board

Frits H. Fentener van Vlissingen (1933), *Chairman* [1] [2]
Aarnout A. Loudon (1936), *Deputy Chairman*
Lars H. Thunell (1948), *Deputy Chairman*
Abraham E. Cohen (1936)
Jean G.A. Gandois (1930)
Hilmar Kopper (1935) [1] [2]
Harry H. van den Kroonenberg (1933)
Bernt Magnusson (1941)
Henk A. van Stiphout (1934)
Lo C. van Wachem (1931) [2]
Dieter Wendelstadt (1929)

[1] *Member of Audit Committee*
[2] *Member of Remuneration Committee*

Board of Management

Cees J.A. van Lede (1942), *Chairman*
Alexander G. Vermeeren (1933), *Deputy Chairman*
Paul K. Brons (1941), *Pharma*
Fritz W. Fröhlich (1942), *Fibers*
Herman A. van Kamebeek (1938), *Coatings (outside Europe)*
Ove Mattsson (1940), *Coatings (Europe)*
Rudy M.J. van der Meer (1945), *Chemicals*

Secretary

Ernst C.E. van Rossum (1942)

Management Council

The Management Council is composed of the Board of Management and the following senior officers:

Peter J. Baart (1935), *Akzo Nobel Nederland*
Syb Bergsma (1936), *Financial Affairs*
Jean den Hoed (1937), *Administration and Control*
Joop F. Sistermans (1942), *Strategy and Technology* [1]
Felix L. Vekemans (1933), *Human Resources*

[1] *Until February 1, 1995, Mr. J.C.P. van Oosterom was responsible for Strategy.*

Financial statements and dividend proposal

We herewith submit for stockholders' approval at the Annual Meeting of April 27, 1995, the financial statements for 1994 as prepared by the Board of Management.
These financial statements have been audited by KPMG Accountants N.V. Their report appears on page 77.
Since KPMG Klynveld Accountants changed their name and legal form to KPMG Accountants N.V. effective January 1, 1995, it is proposed that the General Meeting of Stockholders appoint this organization for an indefinite period of time as the Company's auditors. As this appointment has no retroactive effect, the Supervisory Board commissioned KPMG Accountants N.V. to audit the 1994 financial statements.

We have approved these financial statements as well as the Board of Management's proposal made therein with regard to the allocation of profit, and the dividend proposal as stated in the Report of the Board of Management on page 13.
We recommend that stockholders also approve the financial statements, thus discharging the members of the Board of Management of their responsibility for their conduct of the business and the members of the Supervisory Board for their supervision.

Arnhem, February 24, 1995

The Supervisory Board

Malmö, Sweden.
Production facilities for Decorative Coatings
Northern Europe and Industrial Coatings.

Raw materials inventory check in Malmö.

Quality control during viscose production at Obernburg plant, Germany.

Hengelo, the Netherlands.
Production site, mainly for Salt Europe and Base Chemicals.

Akzo Nobel in 1994

1994 was marked by the merger of Akzo and Nobel, which became official in February. Nobel was included in the consolidated figures with effect from January 1, 1994. In 1994 the Company recorded sales of NLG 22.2 billion, an increase of 6 percent compared with sales of NLG 20.9 billion in 1993*. Operating income was up 38 percent from NLG 1.4 billion in 1993 to NLG 1.9 billion in 1994. Net income rose 49 percent from NLG 790 million to NLG 1,178 million. Extraordinary items excluded, net income increased NLG 319 million, or 34 percent.

Virtually all business units benefited from the recovery of the European economy. In the United States the economy showed sustained growth. Economic conditions in the other key industrialized countries were also better than in 1993. In addition to cyclical effects, which mainly favored volume, cost reductions resulting from the efficiency and restructuring measures implemented in recent years contributed to Akzo Nobel's improved performance.
The number of employees was down 3,000 from the 1993 year-end figure, mainly due to divestments and restructuring operations.
The merger between Akzo and Nobel was of paramount importance to the strengthening of our strategic position. In a separate section we will discuss in greater detail the consequences of the merger and the progress made.

Sales of the Chemicals business units improved from NLG 7,525 million to NLG 7,902 million in 1994. The main contributors to the sales gain were Pulp and Paper Chemicals and the vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) businesses, while highway salt sales were favored by severe winter conditions.
Total operating income for the Chemicals units rose from NLG 478 million to NLG 712 million in the year under review, an increase of 49 percent.

Sales of the Coatings business units were up 6 percent from NLG 6,503 million in 1993 to NLG 6,887 million in 1994. All business units contributed to this growth. This was a satisfactory development, in light of the fact that the merger has placed considerable strain on large parts of the Coatings organization. At NLG 521 million, operating income was well above the 1993 figure of NLG 398 million.

Mainly as a result of volume gains, the Pharma business units sustained their upward trend. Sales increased by NLG 248 million to NLG 3,669 million, a gain of 7 percent. Almost all business units contributed to this sales growth.
The continued upward trend of operating income was gratifying; it rose NLG 65 million to NLG 655 million in 1994, while R&D expenditure showed another substantial rise.

* *Unless stated otherwise, the figures for 1993 have been calculated on a pro forma basis. The underlying assumptions are given on page 65*

After many years of declining volumes, the man-made fiber industry posted volume gains. The Fibers business units benefited from this development but the recovery was limited as prices remained under pressure. Sales of Fibers increased by 12 percent to NLG 3,626 million. Part of the increase was caused by the consolidation of Aramid Products v.o.f. The year 1994 closed with a positive result of NLG 80 million. Streamlining of the product portfolio and cost reduction were major factors in the income gain. However, as income is still inadequate, further measures to improve margins and cost structure are being implemented.

For a detailed report on 1994 operations see pages 28 through 55.

Dividend proposal

Based on the average number of outstanding shares in 1994, net income per share was NLG 16.58, compared with a net income of NLG 11.12 in 1993. Before extraordinary items, net income per share was NLG 17.64 (1993: NLG 13.15). The 1993 premerger net income per share was NLG 11.67.

We will propose at the Annual Meeting of Stockholders of April 27, 1995, that the 1994 dividend be fixed at NLG 7.00 per share of common stock.
An interim dividend of NLG 1.50 was declared and made payable in November 1994. If the dividend proposal is adopted, NLG 497 million of net income will be allocated for dividend payment. The dividend payout will thus be 40 percent of net income before extraordinary items, versus a premerger figure of 43 percent in 1993*.

Integration process

The merger of Akzo and Nobel was of decisive importance in achieving industry leadership positions in coatings and specialty chemicals, notably for the business units Decorative Coatings, Industrial Coatings, Pulp and Paper Chemicals, and Surface Chemistry. It also contributed to the improvement of productivity and the enhancement of the Company's commercial and financial strengths.

The merger of business units and the grouping together of similar activities in existing business units already made modest contributions to profitability and provided critical mass.
As forecast in our 1993 Annual Report, the benefits of the merger were still modest in 1994. However, from 1995 onward we expect more structural effects from the merger.

The impact of the merger was most significant in the field of Coatings. As a result of the integration, leadership positions in Europe have been achieved by Decorative Coatings and Industrial Coatings—in the latter unit mainly for wood and coil coatings. Worldwide leading positions in resin-impregnated paper and car refinishes already existed before the merger.

At corporate and business unit management levels, the integration of Coatings is largely complete. Integration of research and development programs of the business units will result in cost savings and will improve product development.
The combined purchasing power for major raw materials and packaging materials is expected to bring significant benefits in the short term.
In Belgium, France, and the United Kingdom, where the overlap between Akzo and Nobel was largest, the commercial coatings organizations are integrated. In the Nordic countries, little in the way of integration was needed since Akzo only had a modest presence in that region. This also applies to Southern Europe, where only Akzo had a strong presence.
The merger calls for a reallocation of our production and distribution activities in Western Europe. Some other changes are to be effected in this area over the next few years to create more dedicated and specialized production units.
The brands under which our coatings for professional users and the do-it-yourself sector are sold will be repositioned in order to attain maximum market penetration.

During the year various Chemicals business activities were integrated. Akzo's paper chemicals operations were transferred to Nobel's pulp and paper chemicals business.

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

Nobel's monochloroacetic acid and chlor-alkali activities were transferred to Akzo's Functional Chemicals and Base Chemicals units. Some of the other Nobel businesses, such as organic peroxides and ethylene amines, were incorporated into the Polymer Chemicals and Functional Chemicals business units.

In the area of surface chemistry, Akzo's Detergent and Surfactants business unit was combined with the corresponding activities of Nobel. In addition to establishing strong positions in various markets, the merger of the surface chemistry operations has created better opportunities for a restructuring of the fatty amines business, which is now under way.

Besides cost reductions brought about by the centralization of the purchasing function, the reallocation of production and distribution, and the combination of research and development, the reduction of overheads will bring further economies.

The assumed benefits of the merger remain valid. The developments in 1994 corroborate our view that the merger will lead to a structurally stronger company with a sound financial position and enhanced shareholder value.

Internationalization

The merger has also influenced the geographic distribution of our activities. The significance of Europe has increased, while the relative shares of North America and the "other regions" have slightly decreased. However, the Company's stronger position in Europe and the increased cash flow have created a strong platform for expansion in such fast growing areas as South and Southeast Asia. Of course we realize that a structurally profitable position there can only be built over the long term.

In December 1994 an agreement was concluded with Tianjin No. 2 Organic Chemicals Plant in the People's Republic of China to establish a joint venture for the manufacture, marketing, and sale of organic peroxides for the rapidly expanding polymer industry. Akzo Nobel will have a majority ownership in the new company. It is to construct a plant at Tianjin Organic Chemicals' existing site, which will use Akzo Nobel's state-of-the-art technology. Our new partner is the largest producer and supplier of organic peroxides in China.

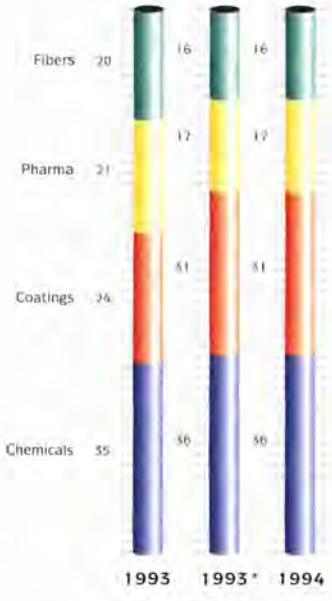
Coatings is well placed to expand its wood coatings and resin-impregnated paper activities in South and Southeast Asia. In China there are already joint ventures in powder coatings and automotive finishes.

In Eastern Europe, too, we are continuously strengthening our position. In Russia, we concluded a joint venture agreement with Kazan Orgsyntes and the petrochemicals group Roschimneft, for the marketing of organic peroxides. Akzo Nobel will acquire a majority participation in the joint venture. Also in Russia, Organon (Pharma) acquired a majority ownership in a joint venture with A.O. Akrikhin Chemical and Pharmaceutical Company and the International Foundation for Mother and Child Healthcare in the field of contraceptives.

In 1994, Coatings increased its shareholding in Akzo Nobel TVK Paint Production and Trade Company Ltd., Tiszaújváros, Hungary, from 51 to 100 percent.

Our focus on fast growing new markets in no way implies that we are not actively pursuing business development and new opportunities in our traditional markets, particularly in the United States.

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



* Pro forma

Sales, costs, and income

Sales

The gain in sales of approximately NLG 1.3 billion relative to sales of NLG 20.9 billion in 1993 was largely the result of 5 percent higher volume sold. Selling prices went up 2 percent, while changes in exchange rates caused a 1 percent decrease. The net effect of acquisitions and divestments was virtually nil.

Condensed statement of income

Millions of guilders	**1994**	1993
Net sales	**22,208**	20,874
Operating costs	**(20,276)**	(19,470)
Operating income	**1,932**	1,404
Financing charges	**(285)**	(276)
Operating income less financing charges	**1,647**	1,128
Taxes	**(458)**	(269)
Earnings of consolidated companies from normal operations, after taxes	**1,189**	859
Earnings from non-consolidated companies	**102**	84
Extraordinary items	**(75)**	(144)
Earnings before minority interest	**1,216**	799
Minority interest	**(38)**	(9)
Net income	**1,178**	790
Net income before extraordinary items	**1,253**	934

Operating costs

Operating costs as a percentage of sales decreased from 93.3 percent in 1993 to 91.3 percent.
Raw material costs were 31.7 percent of sales, against 32.0 percent in 1993. During the last quarter of 1994 raw material prices increased substantially. Labor costs as a percentage of sales decreased from 28.8 percent to 27.1 percent.

Operating income

Operating income was up 38 percent from NLG 1,404 million in 1993 to NLG 1,932 million in 1994. This is 8.7 percent of net sales, against 6.7 percent in 1993.

Financing charges

Financing charges aggregated NLG 285 million. The increase of NLG 9 million compared to 1993 was mainly attributable to generally higher interest rates.

Taxes

Taxes expressed as a percentage of operating income less financing charges were 28 percent, up 4 percent from the 1993 figure of 24 percent. Most of this increase was due to the fact that tax loss carryforwards of some fiscal units were exhausted early in the year. However, the tax burden remains relatively low due to the use of tax loss carryforwards, particularly in Sweden.

Earnings from nonconsolidated companies

Akzo Nobel's earnings from nonconsolidated companies rose from NLG 84 million in 1993 to NLG 102 million in 1994. Aggregate results of the Chemicals companies were well above the 1993 level, mainly due to Methanor v.o.f., Delfzijl,

the Netherlands. The Fibers companies in Mexico and India registered considerable declines in income, partially offset by better results in Colombia.

Extraordinary items

Extraordinary items, on balance a loss of NLG 75 million after taxes, consist of extraordinary losses (NLG 175 million) relating to restructuring measures, and of extraordinary gains (NLG 100 million) relating to profits on divestments.
The restructuring measures principally relate to the divestiture of the polyester textile activities (through the sale of 51 percent of Kuagtextil GmbH, Germany) and the termination of the polyester staple fiber activities in Emmen, the Netherlands.

Net income

Net income was NLG 1,178 million, up almost 50 percent from net income of NLG 790 million in 1993. Net income as a percentage of average stockholders' equity was 18.7 percent (1993: 12.3 percent).

Value added

Value added, defined as the aggregate amount of labor costs, financing charges, income taxes, and income from normal operations, was NLG 8.2 billion.
The share of labor costs in value added was 73 percent against 79 percent in 1993.

Capital investments, depreciation, and financial position

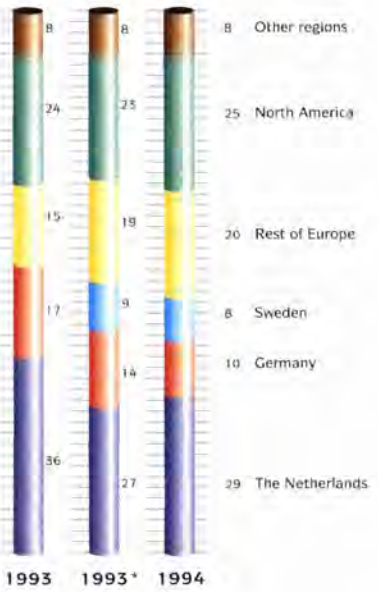
Capital investments

Expenditures for property, plant and equipment totaled NLG 1.6 billion in 1994, compared with an amount of NLG 1.4 billion in 1993.
Chemicals accounted for a substantial part of the NLG 0.2 billion increase. Project authorizations aggregated NLG 2.0 billion in 1994, against NLG 1.5 billion in 1993.

Depreciation

At NLG 1,137 million, depreciation was on a par with the 1993 figure of NLG 1,141 million.

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



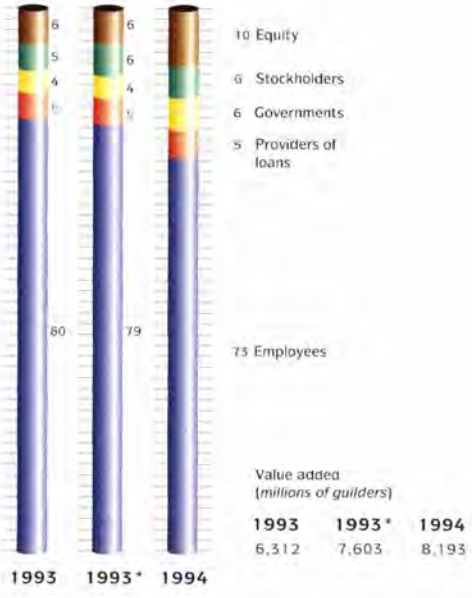
* Pro forma

Financial developments

Net cash provided by operations totaled NLG 2.7 billion in 1994, while expenditures for noncurrent assets totaled NLG 1.8 billion, leaving a financial surplus from normal operations of NLG 0.9 billion. Acquisitions required NLG 0.4 billion, principally relating to the balance of the cash element of the acquisition of Nobel shares (NLG 0.7 billion) and Nobel's liquid assets at the time of the merger (NLG 0.3 billion), while proceeds from divestments were NLG 0.3 billion. After these effects and dividend payments of NLG 0.4 billion are taken into account, a surplus of NLG 0.5 billion remains.

At the beginning of 1994, Akzo had a high liquidity of NLG 1.9 billion due to the issue of 7.9 million shares of common stock in November 1993 in anticipation of the merger with Nobel. As a large number of Nobel's shareholders opted for payment in shares of Akzo Nobel N.V. common stock, only NLG 0.7 billion was required for payment in cash. Furthermore, Akzo Nobel received NLG 1.0 billion (SEK 4.1 billion) from Securum AB for the Nobel interests in Biotechnology, Spectra-Physics AB, and Celsius Industrier AB that were not acquired.
This payment by Securum, the high liquidity, and the financial surplus in 1994 enabled us to reduce interest-bearing debt by NLG 2.6 billion, while maintaining a sound cash position of NLG 0.7 billion at year-end 1994.

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

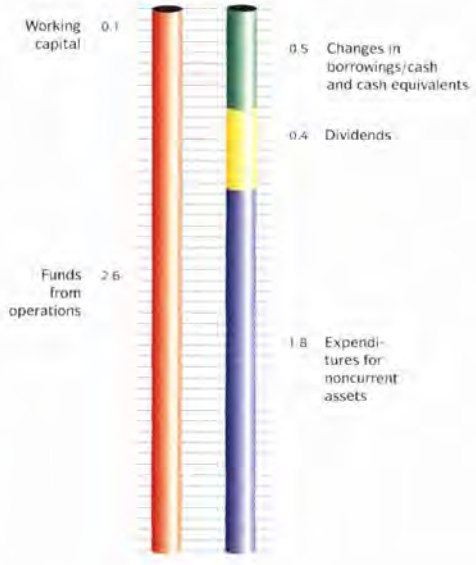


Value added (*millions of guilders*)

1993	1993*	1994
6,312	7,603	8,193

* Pro forma

Consolidated statement of cash flows 1994 (*in billions of guilders*)



Condensed statement of cash flows

Millions of guilders	1994	
Net cash provided by operations		2,718
Expenditures for noncurrent assets		(1,767)
		951
Cash effect of acquisitions and divestments		(96)
Dividends paid		(391)
		464
Issuance of stock	10	
Cash received from Securum	985	
Reduction of interest-bearing debt	(2,562)	
Net cash provided by financing activities		(1,567)
Changes in exchange rates		(32)
Change in cash and cash equivalents		(1,135)
Cash and cash equivalents at December 31, 1994		728

Capital stock

In 1994, the number of shares of common stock outstanding increased by 17,101,656, of which 17,054,789 were placed to acquire Nobel Industries AB shares. The remainder related to the exercise of options. The total number of shares of common stock outstanding therefore increased to 71,070,110 at December 31, 1994, compared to a 1993 premerger figure of 53,968,454.

Equity/net debt and interest coverage

Although the equity/net debt ratio at December 31, 1994, was 0.60, equal to the pro forma figure at December 31, 1993, interest coverage improved strongly from 5.1 to 6.8 in 1994.

Credit facilities

In the United States we continued to intensively use our commercial paper program for working capital financing.

To protect ourselves against the risk of excessive increases in interest rates under this program we have interest rate cap agreements for an amount of USD 400 million.

In November 1994 we completed a transaction with a syndicate of 15 banks for a standby multicurrency loan facility for an amount of USD 700 million. This facility, which will be available to us for a period of 7 years, enables us to improve the maturity schedule of available debt instruments. At the same time we canceled standby facilities with a short remaining life in the aggregate amount of USD 550 million.

Outlook for 1995

Market conditions are likely to be favorable in 1995. Barring unforeseen events, the economies of Europe and the United States should show a growth of about 3 percent in volume terms, with higher growth rates for Asia and certain other important areas.
Our cautious optimism on developments in Europe is based on the assumption that U.S. industry will not expand its share in other world markets. Presently, most of U.S. production capacity goes toward meeting domestic demand. Intensified U.S. competition in the world market, helped by a comparatively low dollar, would reduce our volume growth in Europe and Asia and put pressure on selling prices. However, we now assume that volumes will increase and that 1995 earnings will go up further.

Expenditures for property, plant and equipment will amount to approximately NLG 2.0 billion, compared with NLG 1.6 billion in 1994.
New debts will be attracted in 1995 for the repayment of borrowings only.

Without acquisitions and divestments, the number of employees will decline further in 1995 due to the implementation of organizational changes that have already been initiated.

Health, Safety, and the Environment

In 1994, we published our first overall corporate Environmental Annual Report, based on individual site reports. Alongside the worldwide emission data for the former Akzo companies, our next report will also furnish the emission data for the former Nobel units. The method developed for the collection of quantitative data enables us to generate integrated statistics for Akzo Nobel worldwide beginning January 1, 1995.
The number of environmental reports produced by our various sites increased further in 1994. Almost all countries made good progress in this area.

The Akzo Environmental Management System (EMS) developed in 1990 was updated and reissued in 1994 as the Akzo Nobel EMS.
As a management tool, the EMS is primarily meant to enable systematic control and progressive reduction of emissions and waste streams originating in the production processes.
In the Netherlands, Oss-based Diosynth B.V. was awarded an important environmental prize in recognition of the laudable manner in which it implemented the system.
It is our aim to expand the EMS to meet ISO 14000 environmental management requirements. The chief additions to be made concern environmental management in the field of products. Akzo Nobel Chemicals has developed an ISO 14000-based implementation procedure, which is to be perfected by means of pilot runs.

Instruction in the Company's environmental policy on products is provided by the Akzo Nobel Course on Care for Environmentally-friendly Products and Technology (ACCEPT), which is targeted at business unit management teams.
To enhance the safety of operations, a new Managing Total Safety (MTS) training program was developed on the basis of Managing Total Quality principles. We believe that this program will significantly advance the objective of further reducing the number of lost-time accidents, which has been steadily declining since 1989.

The Company's environmental policy would not be complete without the environmental audits.
The full roster of worldwide audits is annually submitted to the Board of Management and so are the findings.

Human Resources

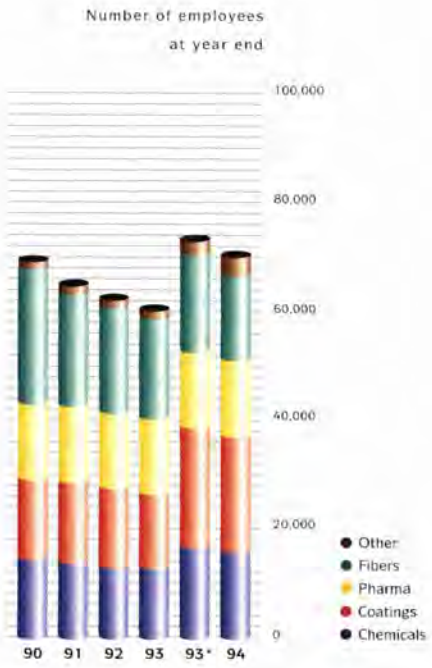
The future of the Company depends in large measure on the quality of its employees.
Our efforts in the fields of Compensation & Benefits and Management Development are therefore aimed at harmonizing terms of employment and producing development programs for executives in the principal Akzo Nobel countries. Their terms and conditions of employment were notably harmonized in Germany and the United States.

Numerous organizational adjustments and changes obviously follow from the integration of the former Akzo and Nobel units. We were able to implement quite a few modifications within a short space of time.

As training is an essential tool in Management Development, the corporate training programs of Akzo and Nobel were studied in an effort to improve their effectiveness. On the basis of this study, a new Akzo Nobel education and training program was initiated in the fall of 1994, with courses tailored to the experience and position of the individual participants.

The usefulness of our Management Development programs is acknowledged throughout the Company. Bringing these activities to full maturity requires a precise understanding of, first, the skills and capabilities of the Company's employees and, second, the Company's international needs and possibilities. To this end we have set up a database to which all Management Development officers have access.

The Company's overall recruiting effort remained at the same pitch, though there were significant group-to-group differences.
For the third consecutive year, the Education/Industry Partnership (EIP) prizes were awarded. The aim of the partnership program is to stimulate interest in science and technology, notably among young people in Western Europe. The program targets elementary school pupils. This year, the project "From Plant to Patient" of Pharma units Diosynth and Organon and their



* Pro forma

The increase of the category "other" in 1994 is mainly due to internal transfers as a result of the formation of Akzo Nobel Central Research.

partners in education in Oss, the Netherlands, was selected to receive the top prize. Prizes for Endeavor went to the partnership projects of the Deventer, Amsterdam, and Sassenheim locations. The international appreciation for this program is illustrated by the fact that Akzo Nobel was granted the "Best in Class Award" in New York this year—the first non-American company to receive this honor. The prize is conferred by the Conference Board, an independent business research group in the United States, on organizations making special efforts to improve the quality of education in elementary and secondary schools.

Research and technology

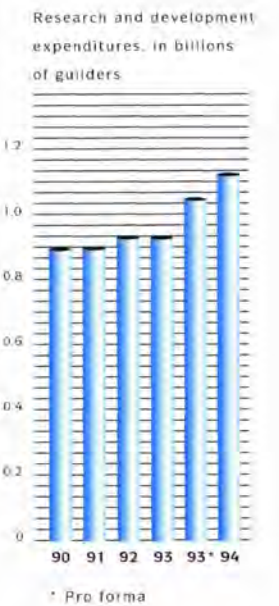
At NLG 1,124 million, R&D expenditure was 8 percent higher and represented 5.1 percent of sales (1993: 5.0 percent).
The main factor in this increase was higher research efforts for Pharma units.
Efficiency measures were instrumental in reducing the number of research employees by 100 to 6,600 at December 31, 1994.

The adjustments found to be necessary in 1993 to bring the steering of research programs into line with Akzo Nobel's two-layer management structure were largely implemented in 1994. Their realization has required careful definition of the corporate and the business units' responsibilities.

The business units are responsible for all short-term, medium-term, and long-term R&D activities needed to safeguard profitability in their specific markets.
The corporate research function is directed toward generating and developing additional options, so as to improve the product portfolios of the business units and offer strategic opportunities, with the emphasis on internal growth.

In 1994 the Akzo Award was presented to Dr. W. Spakman, of the Faculty of Earth Sciences of Utrecht University. Dr. Spakman has made an important contribution to progress in geophysics and earth sciences generally. His special field is a method for building a picture of the inside of the earth from seismological data.
This was the last time the prize was conferred as the Akzo Award. Henceforth it will be named the Akzo Nobel Science Award.

To illustrate the development and application of new technologies in various segments of the Company, we are highlighting a few items just as we did in 1993. The spotlight this time is on Pulp and Paper Chemicals, Car Refinishes, and Macroporous Polymers.



Paper, pulp, and the environment

Paper is one of the most widely used materials, not only as a vehicle of ideas, news, culture, education, and commerce, but also for protecting products. Most paper is made directly from wood or from recycled paper.
An important step in the papermaking process is the production of pulp. In the preparation of chemical pulp, wood chips are treated at an elevated temperature and pressure with sodium hydroxide and sodium hydrogen sulfide to remove lignin and hemicellulose (the kraft process).
The pulp so produced has excellent physical properties.
The unwanted compounds, lignin and hemicellulose, in the wood chips are dissolved and burned, producing energy for the whole process. The sodium chemicals are recovered in a closed system. The pulp mill, in fact, produces more energy than it consumes. By contrast, mechanical pulp mills leave most of the lignin and hemicellulose in the fiber and consume a great deal of energy.

Chlorine used as delignification agent forms highly chlorinated compounds, including toxic, persistent, bio-accumulating chemicals. It has become clear that these compounds in plant effluent have a negative impact on the environment.

Industry scientists were able to show that the formation of highly chlorinated compounds could be prevented if chlorine gas was replaced by chlorine dioxide in a so-called ECF (Elemental Chlorine Free) sequence. With this alternative available, the use of chlorine gas declined sharply and is now practically extinct in the European pulp industry.

In 1990, we developed and introduced the Lignox® process to further reduce organochlorine content. It is based on hydrogen peroxide bleaching. The Lignox® process is unique in that, for the first time, it permits a kraft pulp to be bleached without any chlorine compound at all. This is known as TCF (Totally Chlorine Free) delignification. However, since TCF pulp is more expensive than ECF pulp, the highest growth is currently in the ECF segment.
Only recently Akzo Nobel introduced peracetic acid as a new bleaching agent. Its adoption will result in better pulp strength and will increase the possibilities for closing the bleaching cycle.

The effluent from both the ECF and TCF bleaching processes has a high organics and inorganics content. The aim is therefore to make the pulp mill waste-free. After the elimination of most chlorides, the pulp industry has made considerable efforts to close the bleach loop. The first office printing paper from kraft pulp produced in a closed-cycle bleaching plant is currently being launched in the European market by a Swedish papermaker.

We at Akzo Nobel are working on the development of a closed bleaching cycle for both ECF and TCF bleaching and are making good progress.

Autowave® – Car refinishes on two tracks

Growing public concern for the environment is influencing both our industry and our daily lives. The following trends are apparent in the car refinishes market:
- higher customer awareness of environmental issues;
- ever stricter legislation relating to the emission of volatile organic compounds (VOCs) from bodyshops;
- industry commitment to the environment (shared by Akzo Nobel).

Based on these trends, the Car Refinishes unit established a framework for product and technology development. One element of this framework is the principle that the profitability of our customers—the refinishers—must not be adversely affected. It follows that the higher price of new products must be justified in terms of both increased environmental compatibility and higher operational efficiency.
Car Refinishes is following a two-track policy, pursuing the development of waterborne paints as well as high-solids coatings. These products serve different repair needs. Both are included in an ambitious research program.

The waterborne Autowave® line, launched in 1994, is one of the first results of this two-track policy and will gain in importance. First released at the Frankfurt Automechanika, the world's biggest automotive aftermarket fair, it attracted much attention. Akzo Nobel's Autowave® line of products consists of mixing toners, fillers, degreasers, and associated products, all using water as the major solvent. The mixing toners are based on a new, patented resin. Even the strictest VOC emission standards are easily met by the Autowave® line of products. In terms of functional performance and quality of the repair, the Autowave® system is comparable with traditional, solvent-based products.

At the fair we also presented high-solids products, including the new Autoclear® LV clearcoat line of products, which are applied over an Autowave® basecoat. Autocoat® LV high-solids topcoat was also made available to European car refinishers in 1994, following its successful U.S. market launch in 1993.

These products help cut VOC emissions from bodyshops by at least 60 percent.
A further reduction can be achieved by using recommended equipment. Akzo Nobel's Mixit® system, which includes a computerized weighing scale, also increases bodyshop efficiency and accuracy of the color match achieved in the refinished portions of the car body.

We are pledged to help maintain our customers' profitability to the best of our ability.
By holding that promise and by keeping the environment clean, cars beautiful, and functional performance high, Akzo Nobel plans to remain an important player in the car refinishes market.

Macroporous polymers (MPP) remove contaminants

In 1994, MPP Systems began to operate as a separate unit under the supervision of the Corporate Strategy and Technology Department. The MPP business illustrates how an invention from an Akzo Nobel core technology area not fitting in one of the existing business units is taken from laboratory scale to the market.

MPP Systems is active in environmental protection and develops and markets systems (processes and services) for the removal of contaminants from wastewater, process water, and groundwater as well as gas streams. The processes are based on the use of macroporous polymers as absorption and/or separation media. These macroporous polymers are polyolefins (e.g. polyethylene and polypropylene) with pore volumes of up to 70 percent and macropores varying from a few tenths of microns to hundreds of microns.
These porous structures are able to absorb hydrophobic materials such as oil, aliphatics, aromatics, and chlorinated hydrocarbons.

Macroporous polymers were developed and patented by Akzo Nobel. MPPE for extracting dissolved hydrocarbons from water and MPPA for absorbing dispersed oil from water have reached the commercialization stage. Related technologies now being developed are MPPC for removing heavy metals from water (e.g. zinc and copper) and MPPS for cleaning aerosols and air streams.
The MPPE system contains MPP material whose pore volume is filled with an extraction liquid. This material is used in a fixed bed with a high efficiency.
MPP field tests and marketing activities were started in 1994.

Electronic Products

Electronic Products stemming from existing Akzo Nobel technology is mainly active in two areas: electronics and photonics.

Electronics principally comprises the manufacture and sale of laminates and PWBs (printed wiring boards) in the United States. The activities are pursued by joint ventures of AMP and Akzo Nobel. In Arnhem, new pilot activities were started for the manufacture of highly dimensionally stable laminates (LinLam) to satisfy the demand in the high interconnection density market.

Photonics comprises two development activities: optical switches and films. The optical switches are made at the new pilot facility in Arnhem.

Presently, attention is gradually shifting away from exploration of in-house developed technology to commercial exploitation, with emphasis on new PWB technology (e.g. LinLam) and photonic components.

BREAKDOWN BY ACTIVITY

							Property, plant and equipment			
	Net sales		Operating income		Invested capital		Expenditures		Depreciation	
Millions of guilders	**1994**	1993	**1994**	1993	**1994**	1993	**1994**	1993	**1994**	1993
Chemicals	**7,902**	7,525	**712**	478	**5,180**	5,220	**733**	545	**497**	519
Coatings	**6,887**	6,503	**521**	398	**2,798**	2,970	**233**	270	**208**	203
Pharma	**3,669**	3,421	**655**	590	**1,803**	1,780	**238**	226	**135**	121
Fibers	**3,626**	3,239	**80**	(21)	**2,117**	2,653	**321**	311	**233**	246
Other activities, intercompany deliveries, and nonallocated items	**124**	186	**(36)**	(41)	**53**	77	**108**	58	**64**	52
Total	**22,208**	20,874	**1,932**	1,404	**11,951**	12,700	**1,633**	1,410	**1,137**	1,141

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

	Operating income as % of net sales		Operating income as % of average invested capital		Net sales/ av. invested capital ratio		Capital expenditures/ depreciation ratio	
Ratios	**1994**	1993	**1994**	1993	**1994**	1993	**1994**	1993
Chemicals	**9.0**	6.4	**13.7**	9.3	**1.52**	1.47	**1.5**	1.1
Coatings	**7.6**	6.1	**18.1**	13.4	**2.39**	2.20	**1.1**	1.3
Pharma	**17.9**	17.2	**36.6**	34.7	**2.05**	2.01	**1.8**	1.9
Fibers	**2.2**	(0.6)	**3.4**	(0.9)	**1.52**	1.34	**1.4**	1.3
Overall ratio	**8.7**	6.7	**15.7**	11.5	**1.80**	1.71	**1.4**	1.2

Chemicals

Pulp and Paper Chemicals
General Manager Dag Strömqvist
- Pulp bleaching chemicals, notably sodium chlorate and hydrogen peroxide; wet-end paper chemicals, such as sizing and retention agents; wet strength resins

Surface Chemistry
General Manager Christer A. Andersson
- Cationic, nonionic, and anionic surfactants for detergents, personal care, and industrial uses; cellulosic surfactants for paint and concrete; asphalt additives, viscose agents, feed additives; fatty acids

Base Chemicals
General Manager H.C.J. (René) Scheffers
- Electrolysis products: notably chlorine, caustic soda, soda ash, and sodium hypochlorite; vinyl chloride monomer; polyvinyl chloride

Salt America
General Manager Harry A. Burns
- Salt for deicing, industrial, and consumer uses

Polymer Chemicals
General Manager Arend-Jan Kortenhorst
- Polymerization catalysts, such as organic peroxides, metal alkyls, and Ziegler-Natta catalysts; optical monomers

Functional Chemicals
General Manager Simon J. Vogelaar
- Monochloroacetic acid and derivatives, such as carboxymethyl cellulose and phenoxy herbicides; methyl amines, choline chloride; ethylene amines; chelates; organophosphorus-based derivatives, notably flame-retardants for plastics, and hydraulic fluids

Catalysts
General Manager W.W. (Jon) Meijnen
- Refinery catalysts for fluid cracking and hydroprocessing; catalysts for the petrochemical industry

Salt Europe
General Manager Floris A. Bierman
- Salt for electrolytic conversion, industrial uses, consumer uses

Rubber Chemicals
General Manager G. Ian Kirkwood
- Vulcanization agents, such as insoluble sulfur, primary and secondary accelerators; antidegradants; carbon disulfide

Energy
General Manager Gert N. van Ingen
- Supply of energy (cogeneration) and utilities

Coatings

Decorative Coatings Northern Europe
General Manager Jan Andersson
- Decorative coatings for professional uses and the do-it-yourself sector

Decorative Coatings Southern Europe
General Manager M. (Rinus) Rooseboom
- Decorative coatings for professional uses and the do-it-yourself sector

Industrial Coatings Europe
General Manager Göran Jönsson
- Wood, plastic, metal, and coil coatings

Car Refinishes
General Manager Cor J.L.M. de Grauw
- Products for the automotive aftermarket

Industrial Products
General Manager Lars-Erik Thomsgård
- Industrial adhesives, impregnated paper, printing inks and polymers

Industrial Coatings North America
General Manager Robert J. Torba
- Wood, plastic, metal, and coil coatings

Resins
General Manager Klaas Hielkema
- Synthetic resins for coatings and printing inks

South America
General Manager Dilson Ferreira
- Automotive finishes, car refinishes, industrial coatings, decorative coatings, mainly in Mercosur countries

International Business Development
General Manager Marius Roest
- Development of emerging markets, notably in South and Southeast Asia

Aerospace Finishes
General Manager Arend Zwaneveld
- Aircraft finishes Europe, Asia, and Oceania

Pharma

Organon
General Manager Tjeerd Kalff
- Ethical drugs in the fields of oral contraception and profertility, medicines for the treatment of climacteric complaints, antidepressants, cardiovascular drugs

Organon Teknika
General Manager Bob Salsmans
- Diagnostic systems for infectious diseases, hormones, coagulation, and blood culture; surgical muscle relaxants and bladder cancer treatment

Intervet
General Manager A.T.M. (Toon) Wilderbeek
- Veterinary products: vaccines, antigens, endocrinological products, corticosteroids, antibiotics, antimastitis products

Diosynth
General Manager Johan C.C.B. Evers
- Pharmaceutical raw materials based on chemical and biochemical processes

Chefaro
General Manager Jan G. Vorstman
- Home pregnancy and ovulation tests; nonprescription drugs: vitamins, oral and topical analgesics, medicated skin care products, plant-based pharmaceuticals

Rosemont
General Manager G.H. (Han) Jalink
- Generic drugs

Fibers

Industrial Fibers
General Manager Willem H. Hupjé
- Polyester, polyamide, viscose fibers for industrial uses

Textile Fibers
General Manager Folkert B. Blaisse
- Polyester and viscose yarns for textile uses, breathable membranes, polyester chips and granules; equipment for the fiber and textile industries

Aramid Products
General Manager Willem H. Meyberg
- High-performance aramid fibers, carbon fibers

Nonwovens
General Manager Peter Wack
- Nonwovens as carrier for flooring and roofing, geosynthetics

Membrana
General Manager Günter H. Vitzthum
- Membranes for medical and industrial uses, microporous polymers

New Business:

Electronic Products
General Manager Jan G. Jansen Schoonhoven
- Printed wiring boards, photonic products

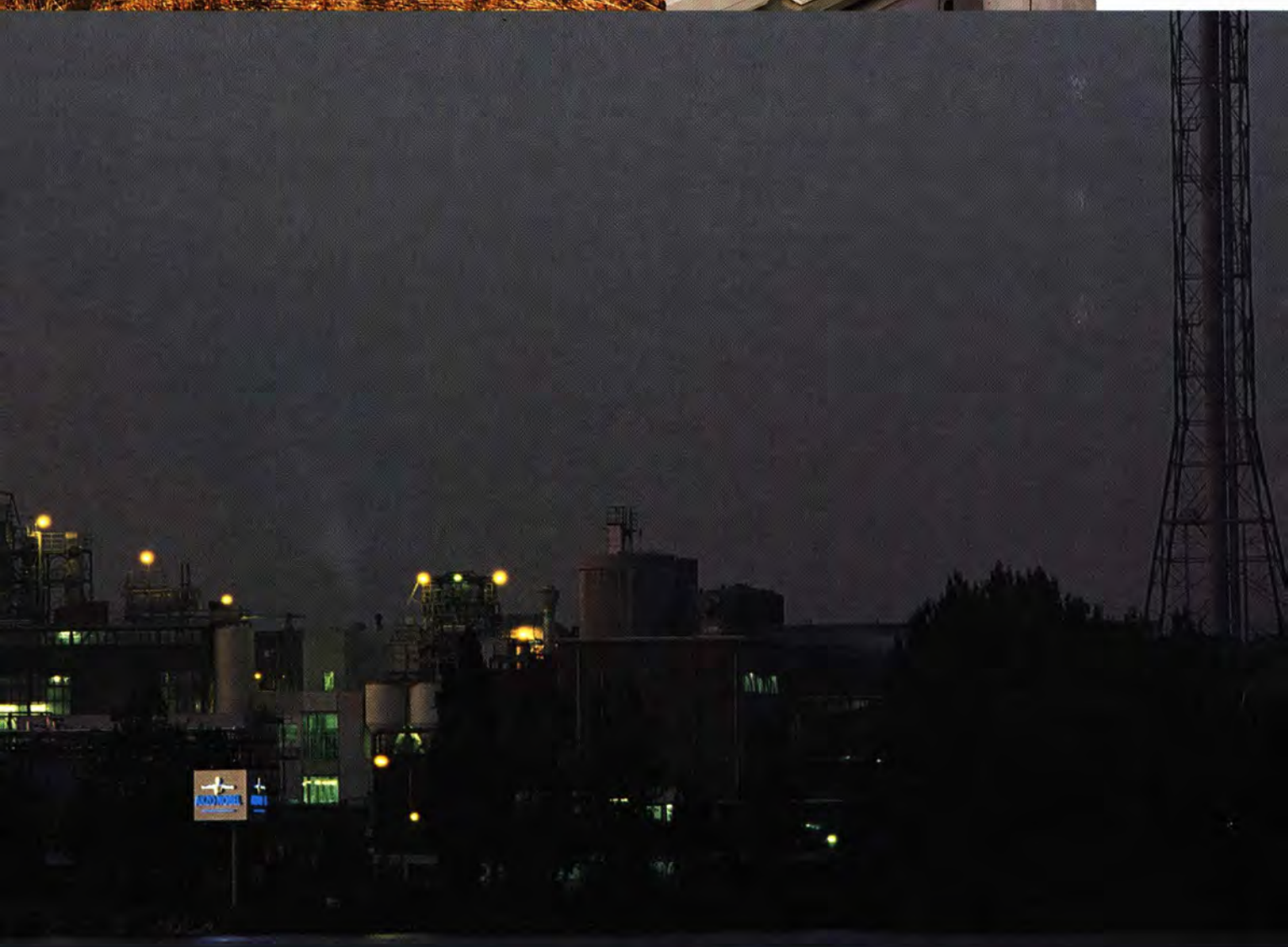
Akzo Nobel has a two-layer organization. At the corporate level, key tasks are coordinated in the fields of communications, control, safety and the environment, finance, human resources, strategy, and technology under the responsibilty of the Board of Management as the highest executive authority. The business activities are carried out in business units clustered in four groups on the basis of affinity.

Sundsvall, Sweden.
Multipurpose plant for specialty chemicals and industrial products.

Packaging material for water-based wallpaints in Malmö plant.

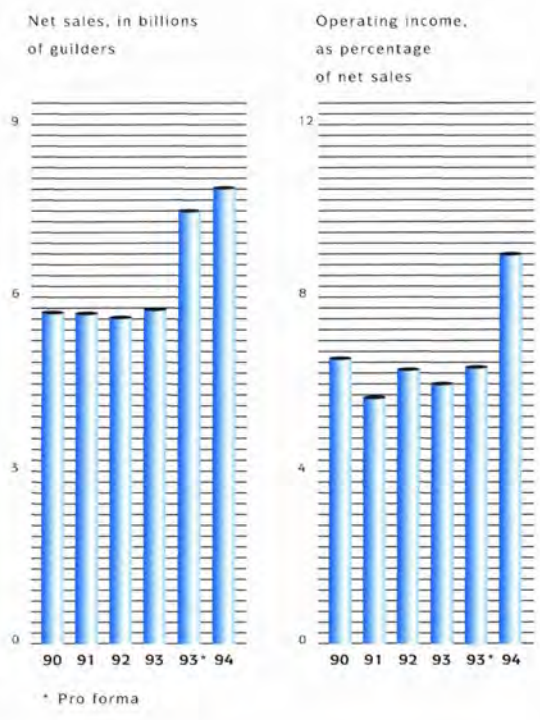
Amsterdam.
Production facilities for refinery catalysts and thermoset intermediates.

Laboratory at Akzo Nobel Coatings Singapore.



Sales and earnings

Sales of the Chemicals business units totaled NLG 7,902 million, up 5 percent from 1993 sales of NLG 7,525 million.
This increase represents volume gains (5 percent), higher prices (2 percent), acquisitions and divestments (−2 percent). Currency translation differences were virtually nil. Most business units had higher sales.
The most significant contribution to the sales gain was made by Pulp and Paper Chemicals, the VCM/PVC business, while highway salt sales were favored by severe winter conditions.
Operating income rose to NLG 712 million, up NLG 234 million from the 1993 figure of NLG 478 million. Expressed as a percentage of sales, operating income increased from 6.4 percent in 1993 to 9.0 percent in 1994.
Almost all business units contributed to the rise in operating income, with Base Chemicals (VCM/PVC included) taking the lead.
The process of reallocation of activities following the merger with Nobel was concluded at the end of 1994. The new organizational structure became effective at January 1, 1995.



Pulp and Paper Chemicals

Results of the Pulp and Paper Chemicals business unit, which operates under the name of Eka Nobel, showed an improvement compared to 1993. During the year, modest gains were posted in sales to the pulp and paper industries all over the world. Especially in the Nordic countries, business was brisk as our competitiveness improved, partly because of a favorable currency situation.

Worldwide sales of the business unit's sodium chlorate and hydrogen peroxide bleaches are growing. In Scandinavia, however, sodium chlorate has reached its peak, and this market will from now on decrease due to a higher production of totally chlorine free pulp. Chlorate capacity in Scandinavia was reduced by the closure of the Trollhättan plant in December 1994.
Demand for hydrogen peroxide is expected to continue to grow.
In Southern Europe, sodium chlorate consumption is increasing, which benefits our operations in France.
In North America, prices of chlorate began to rise toward the end of 1994, the first increase since 1990. With this compound showing considerable volume growth, we expect supply and demand in 1995 to be in balance. For hydrogen peroxide, too, strong growth and a balanced supply and demand situation are foreseen for 1995.

Integration of Akzo's and Nobel's paper chemicals businesses has resulted in a higher market share and an improved geo mix. We aim to be a truly global player in this market sector. In 1994, operations were started up in Thailand and Brazil. Introduction of new and improved systems for retention and sizing will further improve our paper chemicals position.

Industrial chemicals, including pure alkali and silicates, showed good results. A new plant for lump water glass production in Glomfjord, Norway, came on stream in 1994.

Eka Nobel's silicates businesses, with the exception of colloidal silica, were merged with those of our joint venture Akzo-PQ Silica (APS) on January 1, 1995, which will further strengthen its position as a leading silicate producer in Europe. As part of this deal, colloidal silica activities will be transferred from PQ Corporation and APS to Akzo Nobel, making this company the world's largest producer of colloidal silica.

Surface Chemistry

This business unit was formed in 1994 through a merger of Akzo's Detergent & Surfactants with Nobel's corresponding business, creating a strong base in surfactants, rheology additives, and fatty acids, with an emphasis on cationics, nonionics, and cellulose derivatives. The new organization aims to utilize synergies and new opportunities in the ongoing integration process.

Due to the overcapacity situation in Europe, restructuring was initiated for fatty amines and fatty acids production. In North America, the positive trend for fatty amine based surfactants continued, with healthy growth in most areas of application. A new proprietary softener family with environmental compatibility was successfully introduced.

Demand for cellulose derivatives as paint and building additives showed continuous growth. Two major investments were authorized concerning expansion of the ethylene oxide capacity in Stenungsund and the cellulose derivatives plant in Örnsköldsvik, both in Sweden.

Our niche segments developed favorably. They include asphalt additives, viscose chemistry, feed additives, and products for personal care and detergents (formulators Scandinavia).

Base Chemicals

Aided by the economic recovery, chlorine and caustic soda shipments and prices improved markedly from mid-1994, resulting in near-capacity operation of our chlorine plants as well as of the VCM and PVC plants of ROVIN, our joint venture with Shell. Overall earnings were significantly higher than in the previous year.
At the same time, soda ash prices in Europe deteriorated further as a result of overcapacity and imports from Eastern Europe and the United States. Nevertheless, Akzo Nobel's soda ash production reached an all-time record. Merger talks with a European producer were suspended.

In the last quarter, Kemax—a joint venture of Akzo Nobel and Kemira (Finland)—started production of liquid calcium chloride in Delfzijl, the Netherlands.

Our recycling and incineration services were successfully expanded, notably with a test facility for the treatment of polychlorinated biphenyls. Greater flexibility was achieved in the incineration of sulfur-containing waste products.
In water treatment chemicals, sales of hypochlorite benefited from brisk disinfection business during the unusually hot European summer.

For the aerosol market a new safety concept for the handling of dimethyl ether (DME) propellant was introduced. The DME business suffered from the surge in the price of methanol, its principal raw material.

In April 1994, the divestment of the fluor chemicals business (including the Weert site in the Netherlands), to AlliedSignal was completed.

Salt America

Sales of this business unit, one of the largest U.S. salt producers, benefited from the exceptionally harsh 1993/4 winter in North America.

In the fall of the year under review, the business unit announced approval of a preproject for a new salt mine in New York state. This mine may replace Salt America's Retsof (New York) mine, which suffered from a water intrusion following a subsidence early in 1994 and will eventually become unsuitable for further mining.

In an attempt to get the maximum of salt out before complete flooding, production at the Retsof mine was energetically stepped up. The result was an ample supply of rock salt to meet the expected high demand for deicing salt in North America. During the year, logistic systems were upgraded and efficiency was improved through the addition of ten new distribution centers.
Sales to the grocery, food, and water conditioning markets continue to grow.
Salt America has consolidated brand lines, selling its water conditioning, consumer, and deicing salt product lines nationally under the Diamond Crystal® brand name. To meet the strong demand from these market segments for its high-grade products, the business unit continues to modernize and upgrade its production and customer service operations.

Polymer Chemicals

The main products of this business unit are polymerization catalysts, such as organic peroxides, metal alkyls, and Ziegler-Natta catalysts. Its principal customers are producers and processors of olefin-based thermoplastic and thermosetting resins.

In Europe, volumes and prices largely recovered from the general recession of 1993.
Demand for our products, particularly for organic peroxides, in North America and Asia Pacific showed continued growth. In Japan, demand was sluggish as the polymer industry was still struggling with the economic downturn. Reflecting the recovery in Europe, overall earnings of the business unit were distinctly better than in 1993.
In 1994, we acquired the organic peroxides business of the Italian company Enichem.
In Russia, a joint venture was formed with Kazan Orgsyntes for the marketing of peroxides.
The third partner in the joint venture, in which Akzo Nobel has a majority share, is the Russian petrochemical industry's umbrella organization Roschimneft.
In China, we are setting up a joint venture with Tianjin No. 2 Organic Chemicals Plant to manufacture and market organic peroxides to meet demand from the fast-growing Chinese polymer industry. Akzo Nobel will have a majority interest in this joint venture.
In Pasadena, Texas, a capacity expansion project for organic peroxides was completed.

Expansion work on our metal alkyls plant in Deer Park, Texas, is now under way. In 1994 it was also decided to build a new metal alkyls plant in Rotterdam. The Rotterdam plant is scheduled for start-up in the second half of 1996.

Functional Chemicals

Favored by good market conditions in the United States and the economic upswing in Europe, the results of this business unit improved slightly despite a sharp increase in raw material prices in the second half of the year which could not yet be passed on to the market.

The acquisition of the Chemie AG phosphorus chemicals plant in Bitterfeld, Germany, in early 1994 will give the organophosphorus business a strong impetus in Europe. A major expansion and site improvement program will be implemented during the next two years. Furthermore, an extensive program for the upgrading of the production facilities in Gallipolis Ferry, West Virginia, has been started.

Investments in a more environmentally friendly production process for methyl amines in Delfzijl, the Netherlands, were authorized, and capacity expansion was completed. The expansion was necessary to meet the growing demand for these products in water treatment chemicals and as an ingredient in newly developed biodegradable surfactants.

Choline chloride, a trimethyl amine derivative, performed well in spite of fierce competition.
The steep methanol price increase had an unfavorable influence on the performance of methyl amines.
The high performance level of ethylene amines was maintained. Two expansion projects in Stenungsund, Sweden—one for ethylene amines and one for piperazine derivatives—were completed.

Monochloroacetic acid (MCA) and derivatives showed a stable performance despite higher raw material prices. Higher demand for granulated products in Europe reinforced the upward trend for MCA which commenced in 1993. Integration with the MCA activities in Sweden has begun.
In LeMoyne, Alabama, an MCA-dissolving station started operations.

Higher efficiency and the restructuring of production of carboxymethyl cellulose (CMC) clearly paid off, and demand for food and pharmaceutical grades remained strong.
Demand for crop protection chemicals was higher than in the previous year. This, coupled with programs aimed at higher production efficiency, resulted in higher earnings.
Our Japanese joint venture Denak performed somewhat below expectation, due mainly to lower MCA prices in the Japanese market.

Sequestering agents (mainly EDTA) were confronted with high raw material prices. However, sales were broadened to encompass more attractive markets, and the product mix was further focused toward specialties.

The results of the Glucona joint ventures in the Netherlands and the United States remained under pressure.

Catalysts

Stimulated by ever tighter environmental standards for refinery end products, worldwide demand for hydroprocessing catalysts (HPC) continued to increase.
A major capacity expansion project for our HPC plant in Amsterdam was approved.
The additional capacity will enable us to maintain our position among the world's leading HPC producers.

Our joint venture in Japan, Nippon Ketjen Company Ltd. benefited from the growth in demand for HPCs in Asia Pacific, particularly in Japan, and showed excellent results.

Demand for fluid cracking catalysts (FCC) developed favorably in Europe and Asia Pacific, reflecting the increase in consumption of transportation fuels and the trend toward conversion of heavier fractions into more valuable refinery end products. A major capacity expansion project for our FCC plant in Amsterdam was authorized.
This extra capacity, together with the new zeolite plant in Pasadena, Texas, announced in 1993, will enable us to remain a leading supplier of FCCs to the world market. However, restructuring of the refinery industry in the United States depressed both demand and prices for FCC catalysts, which was the main factor in the business unit's lower performance in 1994.

Our Brazilian joint venture Fábrica Carioca de Catalisadores S.A. increased its output and achieved higher earnings.

Salt Europe

Despite overcapacity and intense competition, the results of the European salt activities were satisfactory.
Our evaporated salt sales benefited from the recovery in European chlorine production. However, since rock salt producers have significantly improved the quality of their product, further replacement of rock salt by evaporated salt seems very unlikely.
Competition in the specialty salt markets continues to be tough, mainly due to imports through traders. Nevertheless, our high-grade products on the whole maintained their market position.

The renovation project in our German salt treatment plant in Stade was completed according to plan. In Delfzijl, the Netherlands, the brine field facilities were renovated and an investment program to further increase the quality of our product was completed successfully.
As a result of the above investments, the business unit's technology is now state of the art, making it Europe's top low cost producer of evaporated salt. All our production facilities in the Netherlands, Germany, and Denmark are now ISO-certified.

Rubber Chemicals

The overall performance of this unit was more or less on a par with the previous year's results. A modest recovery was to be seen in some markets, notably North America, where Crystex® insoluble sulfur continued to show healthy growth. In this context, the performance of our joint venture Kali Chemie/Akzo GmbH continued to improve.
Especially in the second half of the year, shipments of accelerators gradually increased, but there was no structural improvement in selling prices. Efforts continued to be targeted toward improvements in manufacturing efficiency and cost control in all areas.

Our new proprietary antireversion agent Perkalink® 900, which was launched in the second half of the year, met with an encouraging market response.

Shortly before year's end, we reached an agreement in principle with Monsanto Company, United States, on the merger of our rubber chemicals business with theirs in a joint venture that will secure a globally leading position.

Energy

Cogeneration is an effective way to reduce the consumption of fuel for the generation of steam and power.

Improved cogeneration technology using advanced gas turbines was adopted for use at several Akzo Nobel locations in the Netherlands.

In 1994, a cogeneration project at Akzo Nobel's Obernburg (Germany) site was approved. Here Akzo Nobel Faser AG will realize a cogeneration plant in a joint venture with the local power company ÜWU. This form of cooperation is the first of its kind in Germany.

A focus of attention is the optimization of the energy supply to our Delfzijl site by Delesto B.V., involving construction of a huge cogeneration plant which will increase output by approximately 290 megawatts. This project is currently under consideration.

Other activities

Akcros Chemicals, our joint venture with Harrisons & Crossfield plc in the field of PVC additives and other products, registered an operating income about level with 1993. Higher volume and the effects of continued plant rationalization were offset by start-up problems and downward pressure on margins due to price increases for raw materials.

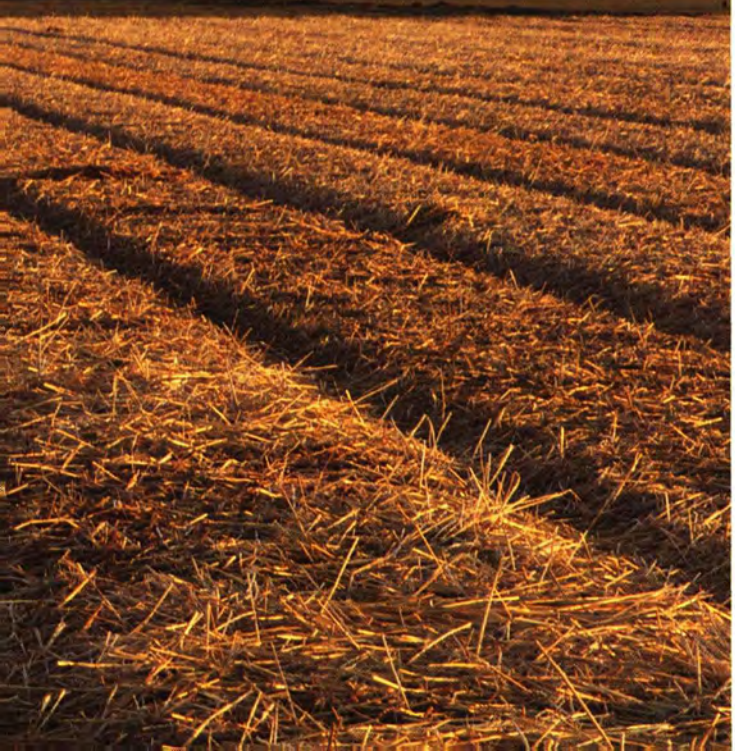
The operating result of the Akzo-PQ Silica joint venture was up from the previous year due to the upswing in the European economy.
The production capacity for and the range of precipitated silicas will be expanded in Düren, Germany. Also in Germany, the new colloidal silica plant constructed in Dehnitz, was started up.

Supported by steep price increases, results of Methanor v.o.f., our joint venture with DSM and Dyno Industrier A.S., Norway, for the production of methanol, showed an all-time record.

Stenungsund, Sweden.
One of Surface Chemistry's major production sites.

Filling station for industrial coatings in Malmö plant.

Autocoat® LV color testing at one of Akzo Nobel's state-of-the-art Car Refinishes Information Centers in North America.



Sassenheim.
Mainbase and production for Car Refinishes. Base for Decorative Coatings Southern Europe and aerospace finishes, Research laboratories.

Sales and earnings

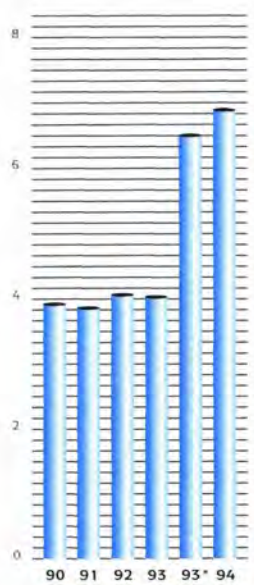
Operating income in 1994 was NLG 521 million, NLG 123 million more than the 1993 figure of NLG 398 million. Sales rose from NLG 6,503 million in 1993 to NLG 6,887 million in 1994, up NLG 384 million or 6 percent. This increase is due to higher volume (4 percent), higher prices (2 percent), currency translation effects (−1 percent), and acquisitions/divestments (+1 percent). The improvement in sales and earnings reflects the recovery in the European economy, the continuance of the favorable trend in North America, and the effects of efficiency measures and cost savings.

In the last few months of the year, margins came under pressure from rising raw material prices. The dollar exchange rate had no significant impact on results.

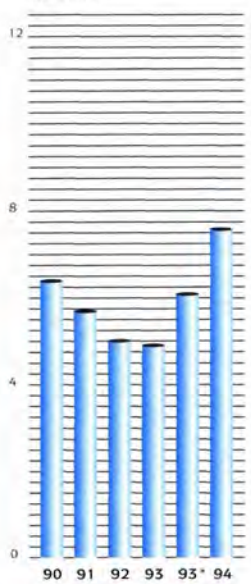
Sales growth was largely realized in Europe. In South America, Brazil showed a clear improvement in earnings due to restructuring and cost control measures.

During the year the integration process made good progress because of the great efforts of our employees.

Net sales, in billions of guilders



Operating income, as percentage of net sales



* Pro forma

Decorative Coatings

Northern Europe

Overall shipments were down marginally from the totals for the comparable units in 1993, while earnings were roughly the same.
The immediate post-merger goal for the Northern European decorative coatings activities of Nobel Industries and Akzo—the consolidation of market share—has thus been met.

A new internal organization was implemented in the first months of the year, creating the opportunity for all countries in the region to exploit the total decorative coatings know-how available within Akzo Nobel.
Our business segments are thus afforded fine possibilities of advancing competitiveness, with benefits accruing to our customers as well as to ourselves.

An investment program was started to strengthen production of cement-based powder products and liquid adhesives in Germany. The program is due to be completed in 1995.

The Nordic countries began a project to reduce working capital and increase the efficiency of logistics all round.

Work is continuing on the development of products offering a superior environmental profile.
This is a niche market in which the business unit has a good position.

The merger process in the United Kingdom was off to a smooth start.

Decorative Coatings

Southern Europe

In this area, satisfactory volume growth was achieved, assisted among other things by the recovery in the European construction industry, notably in France and Germany.

Operating income also improved, largely due to cost control and restructuring measures.
Rising raw material prices in the second half of the year slightly depressed earnings.

Waterborne paint systems continued to be very successful in 1994, and Akzo Nobel also improved its position in the market for high-solids products.
After a number of test marketing operations in 1993, high-solids lines were successfully introduced in several countries.
Market acceptance of these products is high.

The strengthening of the logistic system was an important focus of attention. Efforts in this area will be continued in 1995.

Good progress was made on the integration of the coatings operations of Akzo and Nobel, particularly in Belgium and France. The integration process is expected to be completed in 1995.

Industrial Coatings Europe

A new business unit combining the industrial coatings activities of Akzo and Nobel was formed on July 1, 1994. This unit, called Industrial Coatings Europe, comprises four segments: Metal, Wood, Coil, and Plastics.

The new business unit holds leading positions in Europe in areas including wood, coil, and plastic coatings as well as powder coatings.
These, together with the positions held by the business unit Industrial Coatings North America, give Akzo Nobel world leadership in wood and coil coatings.
Following a slow start, the unit's sales and earnings picked up during the year as a result of a general increase in industrial activity and the positive impact of cost savings. The use of organic solvent-based coatings continued to decline, while that of powder coatings and coatings for precoated metal increased. In wood coatings, substantial growth was realized in the furniture industry.
Automotive production rose during the year, which favored the consumption of coatings for plastics.
Earnings were up on 1993 in all areas due to increased volumes and higher productivity.

Throughout the year, the implementation of a new and leaner organization and integration of activities remained a key management focus, particularly in Belgium, France, and Italy.

A substantial investment program in the powder coatings facility in Dourdan, France, was completed.

Further progress was made in the development of new, environmentally superior coating systems.

The desire to standardize the range of products and purchased raw materials prompted further modifications of the organization.

Car Refinishes

Sales and earnings developed well. Volume in Europe was slightly down, but market share was retained, and satisfactory earnings were achieved. In North America, sales, earnings, and market share continued to expand.

Sales and earnings in Eastern Europe were strong. In Japan and China, footholds for further business expansion were created. Developments in South America hold out the promise of more growth.

Product development centers on optimization of technological, economic, and environmental performance. Waterborne and high-solids technologies both feature prominently in this scenario.

The Autocoat® LV high-solids product line introduced in North America in 1993 performed well in 1994. During the year, the line was also successfully introduced in the United Kingdom.

The new waterborne product line Autowave® was launched at the Automechanika trade fair in Germany and the NACE trade fair in North America. It meets the stringent environmental legislation due to take effect in several American States by mid-1995.

In 1994, three new Car Refinishes Instruction Centers (CRICs) were opened, bringing the total number of centers worldwide to 40 and taking the quality of customer services up another notch. Four more CRICs are scheduled for 1995.

Spectacular results were obtained with the Company-developed Automatchic® color checker, particularly in Europe.

Distribution capacity and efficiency improved as new distribution centers in Sassenheim, the Netherlands, and Pontiac, Michigan, began operations in 1994.

Early in 1995 agreement was reached with Alfort & Cronholm on the acquisition of Deckel Lack AB, Tyresoe, Sweden. Deckel Lack, renamed Akzo Nobel Car Refinishes AB, will strengthen our position in Sweden.

Industrial Products

In North America and Southeast Asia, business improved further, and in Central Europe demand inched up.
Sales growth, combined with the effects of steadily improving efficiency, significantly boosted earnings of all segments and hence those of the business unit as a whole.

Efforts toward internationalization continued.
Impregnated Paper increased its activities in North America and Southeast Asia.
Industrial Adhesives and Resins further expanded activities in Eastern and Southern Europe.
Performance in Southeast Asia and China was satisfactory.

Printing Inks showed an improved performance, especially in the Nordic countries. In Turkey there was a slight decline in business due to turbulence in the economy. Sales of Expancel® microspheres were excellent, with North America clearly taking the lead.

Efforts to improve efficiency and reduce costs included further restructuring of the resin-impregnated paper operation in Germany, introduction of a flatter organization, and outsourcing of maintenance in Spain.

Concentration of printing ink production in Sweden (offset inks) and Denmark (flexography inks) continued. One production unit in Denmark was closed down.
Major capacity expansion projects are in progress or were completed. They include expansion of Expancel® production, addition of a printing ink filling line in Sweden, and creation of capacity for a new type of paper foil in Spain. The decision was made to build a new production facility for resin-impregnated paper in the United States.

Operations in the Dynobel joint venture for particle-board resins in Sweden and Norway were discontinued.

Industrial Coatings North America

The former Industrial Coatings U.S.A. and Industrial Wood Coatings units were combined to form a new business unit, Industrial Coatings North America. This combination allows for the optimization of management, technical development, and production facilities.
The move also prompted the restructuring of the business unit to form three market-related business segments: Coil Coatings, Wood Coatings, and Specialty Coatings.

Coil Coatings maintained its leadership position in North America. Sales have averaged double-digit growth for eight consecutive years. In 1994, this segment expanded as it successfully accommodated the sales and production capacity associated with the 1993 Dexter coil coatings business acquisition. Akzo Nobel's position in the environmentally friendly coil coatings market is strong and has great growth potential.

Wood Coatings turned in its usual strong performance and maintained its market leadership position in North America. Its primary markets include household and office furniture, kitchen cabinets, and building products.

In North America, the manufacture of industrial wood coatings has during the past four years been subjected to very stringent government regulations on emissions.

The newly formed Specialty Coatings unit combines industrial metal coatings and plastic coatings—two previously unrelated classes of products—with a view to improving utilization of technical, sales, and production resources. It supplies coatings for transportation, food and beverage containers, and metal coatings for other OEM applications.

Resins

The recovery of the European economy was also reflected in this sector, and 1994 sales of the Resins unit were accordingly higher. Earnings also mirrored the favorable trend, although they came under pressure from increased raw material prices in the second half of the year.

The synergy in the unit's global organization was apparent in 1994. The introduction of worldwide strategies, including coordination of research programs, put the unit in a better position to meet the needs of customers operating on a world scale.

As a consequence of the merger of Akzo and Nobel, the Resinous Chemicals Ltd. (RCL) organization in Newcastle, United Kingdom, joined the Resins unit. This efficient organization acts as a catalyst in the process of rationalization of production capacity and cost reduction.

New waterborne and high-solids products for automotive OEM coatings were launched in 1994. The introduction of new offset ink resins was successful in both the United Kingdom and North America.

In Bergen op Zoom, the Netherlands, a start was made on the modernization of the production plant. Another important capital investment project concerned capacity expansion and efficiency improvements in Matteson, Illinois—the North American production site for printing ink varnishes.

Our joint venture Synthese Malaysia Sdn. Bhd. again posted satisfactory results, fully utilizing the capacity expansions completed in 1993.

South America

Brazilian earnings were satisfactory due to political and economic stability, a flourishing market, cost-containment measures, and increased market share.
Results in Argentina were disappointing.
A joint venture with U.S.-based PPG in the field of automotive finishes is under way.
This joint venture, which relates to the whole of the Mercosur area, will have a positive effect on earnings, also in Argentina. A new strategy is being formulated for the other activities.

International Business Development

It is the main mission of International Business Development (IBD) to develop coatings business positions in countries where no industry-specific business units are present. A further task is the management or supervision of business activities in countries where other business units cannot or should not assume that responsibility.

IBD was primarily active in Eastern Europe and Asia. A highlight was the acquisition of the remaining shares of Akzo Nobel TVK in Hungary. Sales and operating income of that company showed an improvement over 1993.
Despite the serious financial and economic crisis in Turkey in 1994, Akzo Nobel Kemipol improved its results for the year.
A marketing joint venture with the Workers' Victory Plant in Yaroslavl, Russia, was started up in 1994.

IBD is responsible for joint ventures in China, Indonesia, and Thailand. In line with Akzo Nobel's strategy calling for expansion in other key geographic markets, negotiations are in progress on several new joint ventures in the region.

Aerospace Finishes

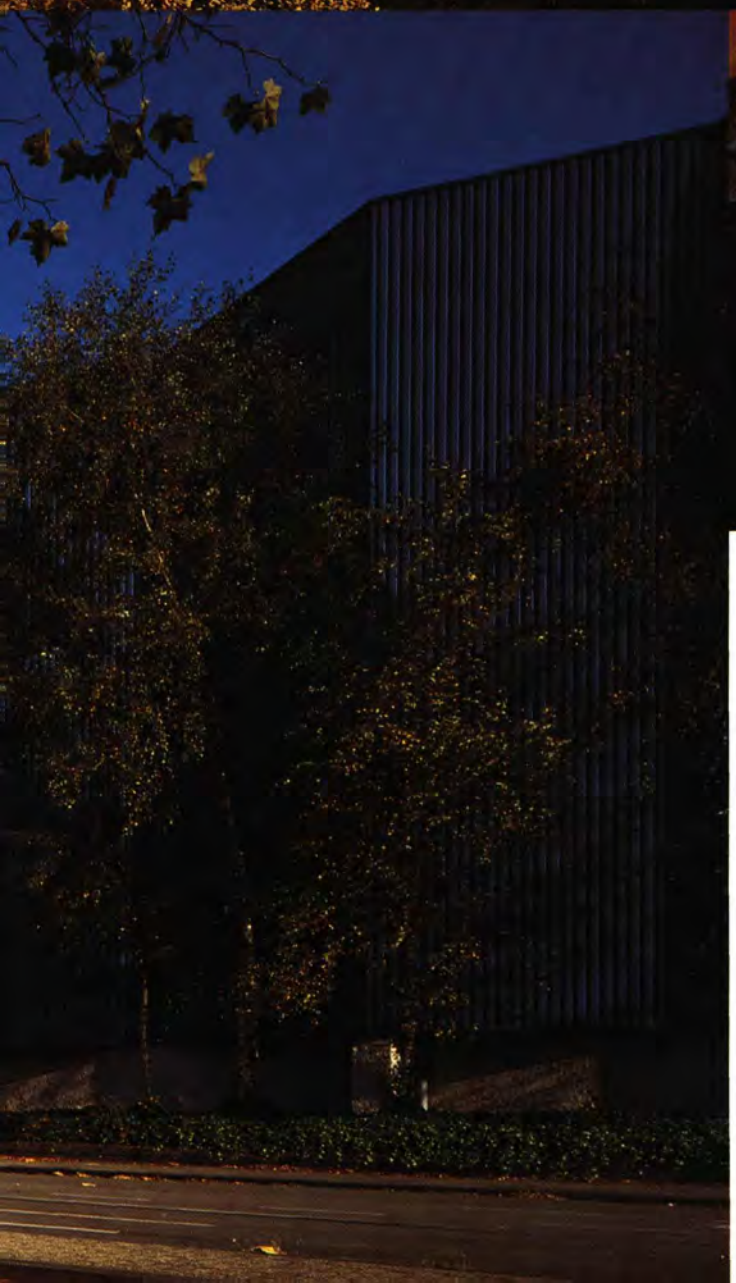
The market conditions for the Akzo/Dexter (AD) Aerospace joint venture were generally difficult, but with occasional opportunities. While the airline maintenance sector was depressed during the first half of the year, it improved during the last few months. The OEM sector (aircraft manufacturers) was confronted with stagnating demand, and the defense sector is still shrinking.

Despite these circumstances, AD Aerospace Finishes showed satisfactory earnings.
An office was set up in Kuala Lumpur, Malaysia, to better serve our customers in Southeast Asia and the Pacific Rim.
Several key qualifications were obtained from Aerospatiale, DASA, British Aerospace, and Oto Melara.

During the year, AD Aerospace Finishes upgraded its logistic system. Coordination with Dexter Aerospace Materials, a U.S.-based subsidiary of The Dexter Corporation, was intensified.

Stockholm (Nacka)
Base for Decorative Coatings Northern Europe an
Industrial Products. Research facilities and nationa
office Sweden

Process development of oral contraceptives at Organon's Technology Department in Oss, the Netherlands.



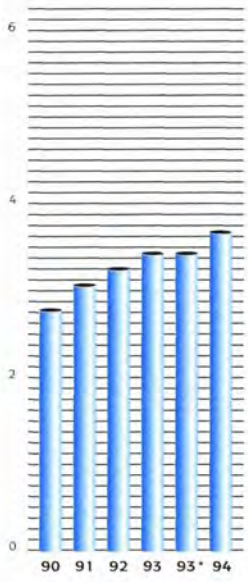
Instruction of apprentices at Obernburg plant in Germany.

Oss, the Netherlands.
Central warehouse of Organon.

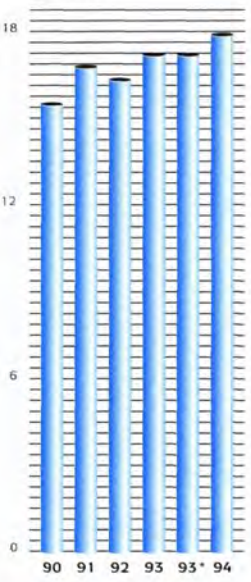
Sales and earnings

Pharma produced another healthy performance. Sales increased 7 percent to NLG 3,669 million from the 1993 figure of NLG 3,421 million. Volume increases accounted for 6 percent of the sales increase, and the net effect of price changes and exchange rate fluctuations for 1 percent.
Operating income was up from NLG 590 million in 1993 to NLG 655 million in 1994. Contributions to the earnings gain were made by Diosynth, Intervet, and particularly Organon's international activities.
Operating income as a percentage of sales went up from 17.2 percent in 1993 to 17.9 percent in 1994.

Net sales, in billions of guilders



Operating income, as percentage of net sales



* Pro forma

Organon — Prescription drugs

In 1994, Organon again recorded a significant increase in sales and operating income. The contraceptives range continued to show substantial growth, as did products for the treatment of menopausal disorders and profertility medicines.

During the year, Organon's strong market position in the field of contraception was demonstrated in a number of ways. The introduction in 1993 of Marvelon® in the United States by Organon (under the brand name Desogen®) and its co-marketeer Ortho (under the brand name Ortho Cept®) was one of the most successful launches ever of any oral contraceptive in that country. Furthermore, Marvelon® maintained its position as the world's most prescribed pill. Mercilon®, an ultra-low estrogen pill, is the fastest growing oral contraceptive worldwide. Gracial®, a combiphasic pill developed to suit the needs of a specific user segment, was introduced in the first country. Internationalization of this product is planned for 1995 and following years.
Unfortunately, plans to launch Marvelon® in Japan are still being stalled by that country's reluctance to approve oral contraceptive products.

Organon's products for the treatment of climacteric complaints are becoming available to women in a growing number of countries in Europe, Asia, and Latin America. The excellent properties of Livial® are underscored by a very good acceptance in its current markets.

Preparations for the treatment of infertility are another field in which Organon made progress: as witness the successful introduction of Humegon® (Organon's menopausal gonadotrophin extracted from urine) in Canada, its recent FDA approval for the United States, and the submission of the registration file for Puregon® (Organon's recombinant gonadotrophin FSH) in Europe. First registrations and introductions for the latter product are expected in 1995.

Risperdal®, the novel antipsychotic product introduced jointly with Janssen Pharmaceutica in several important European countries, as well as in South America, met with a very favorable market response. In the field of antidepressants, the first launch of Remeron®, a new chemical entity from Organon's R&D, took place near year's end.

Organon Teknika — Hospital supplies

Modest volume growth and similar price improvements, in part canceled out by adverse exchange rate changes, were the typical features of Organon Teknika's overall sales development in 1994.

In contrast to the strong sales performance in Latin America and East and Southeast Asia, sales growth in the United States was only moderate, reflecting uncertainties over the outcome of the health reform debate as well as fierce competition. Market conditions in most European countries were unfavorable due to governmental cost containment measures, which resulted in declining market volumes, primarily in the field of diagnostics.

In the year under review, Organon Teknika introduced its MDA® 180 integrated hemostasis testing system in the United States, Canada, the United Kingdom, and Japan to a receptive market. With the anticipated launch in 1995 of this advanced new system in France, Spain, Italy, Germany, the Benelux countries, and Australia, further sales growth is expected.
The highlights in the market development of pharmaceuticals were the continued growth of Norcuron® muscle relaxant and the favorable results of the launch of Esmeron®, a new muscle relaxant, in the United States (where it is tradenamed Zemuron®), the United Kingdom, and the Netherlands. The further launches projected for 1995 should enable Organon Teknika to maintain its worldwide leadership position in surgical muscle relaxants.

The successful market penetration of BacT/Alert®, our automated blood culture system, continued in 1994, aided by the introduction of a more compact version of the system.
Sales of sensor bottles for the BacT/Alert® systems developed satisfactorily in the face of fierce competition, especially in the United States.

Auraflex®, Organon Teknika's random access clinical analyzer for hormone tests and infectious disease assays, has advanced to the final stage of market evaluation at clinical sites and is expected to be ready for market introduction in early 1995.

In the field of NASBA® diagnostics, Organon Teknika launched its first qualitative and quantitative RNA-HIV-1 assays, accompanied by the NASBA®-QR detection system.
Using a technique known as nucleic acid sequence based amplification, they will allow early detection of HIV infections and clinical monitoring of patients undergoing therapy.
The NASBA® product range is to be extended, and further introduction in this emerging diagnostics market is projected for the years ahead, beginning in 1995.

Both in the blood screening and in the clinical laboratory markets the novel UniForm II presentation of AIDS and hepatitis assays met with a favorable response despite strong competitive pressure.

Intervet — Veterinary products

Intervet's business continued to develop favorably in 1994. Its position in the United States was strengthened by the acquisition of AmBio, a small-sized American company, which allowed us to expand our range of small animal vaccines.

Eastern European sales were well ahead.
In Japan, a new development lab was constructed, and our local presence in Southeast Asia was expanded by the establishment of Intervet Malaysia.

In 1994, several new products from Intervet's successful R&D were launched.

R&D expenditure is still growing, and we are confident that more new products and further growth will be generated.
Intervet obtained a license to sell and distribute Cardiovet®, a canine cardiovascular, in Europe. This product is unique in its class and is a useful addition to our product range for small animals.

Diosynth — Raw materials for the pharmaceutical industry

Diosynth completed another good year. Shipments to other Pharma business units were up considerably. Operating income also benefited from price and product mix improvements. Higher captive sales of chemical products amply compensated for a slight decline in noncaptive sales. Biochemical product sales were higher both to captive users and to third parties.

Substantial efforts were devoted to the c-GMP (Current Good Manufacturing Practice) and HSE (Health, Safety, and the Environment) improvement programs at the Oss production site. At the same time, the detailed engineering for the new chemical manufacturing facility near Oss was carried out, and construction work on this NLG 200 million project was started.
These activities underscore the fact that the current very tight requirements for norsteroid production are quite hard to meet.
However, Diosynth has gained the required expertise to continue meeting the standards, albeit at rising expense.

Using its skills in the production of complex molecules by means of state-of-the-art technologies, Diosynth will strengthen its position as a supplier of top-quality bulk pharmaceuticals to third parties as well.

Chefaro — Nonprescription products

The 1994 launch of an improved version of the Predictor® OTC pregnancy test reinforced our position in Europe despite strong competition.

However, sales gains for Chefaro were partly offset by the termination of the contract for exportation of OTC diagnostics to the United States, whereas in Japan heavy competitive price pressure eroded our position.

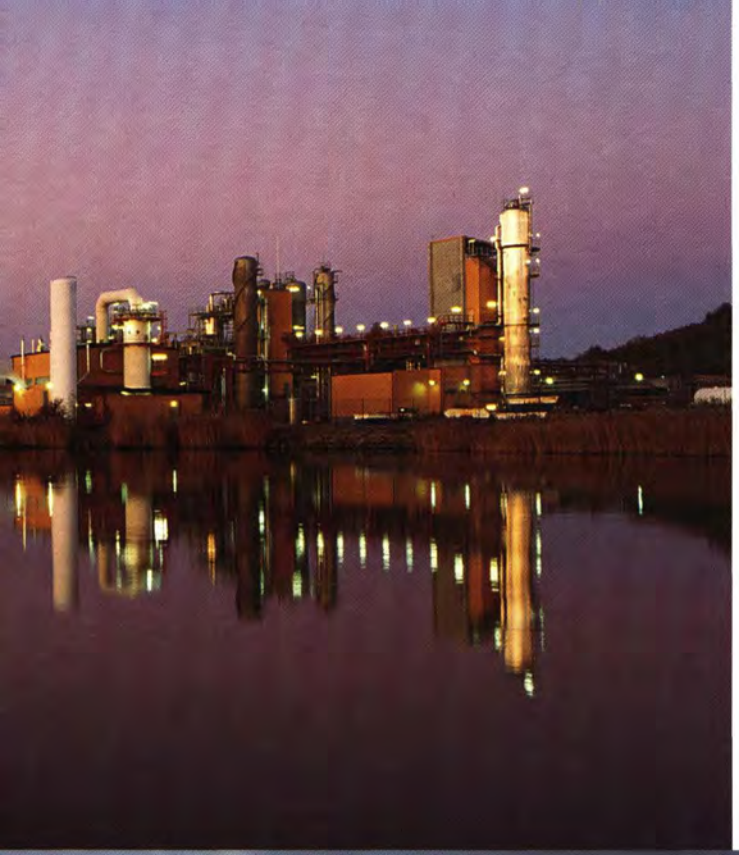
Davitamon® vitamins and minerals in the Netherlands showed further improvement.
Ibutop®, a topical analgesic, increased its market share in Germany and was successfully launched in Belgium.

For our operations in France, 1994 was a year of transition, following the acquisition of Laboratoire Ardeval S.A. in the fourth quarter of 1993.

Rosemont — Generic drugs

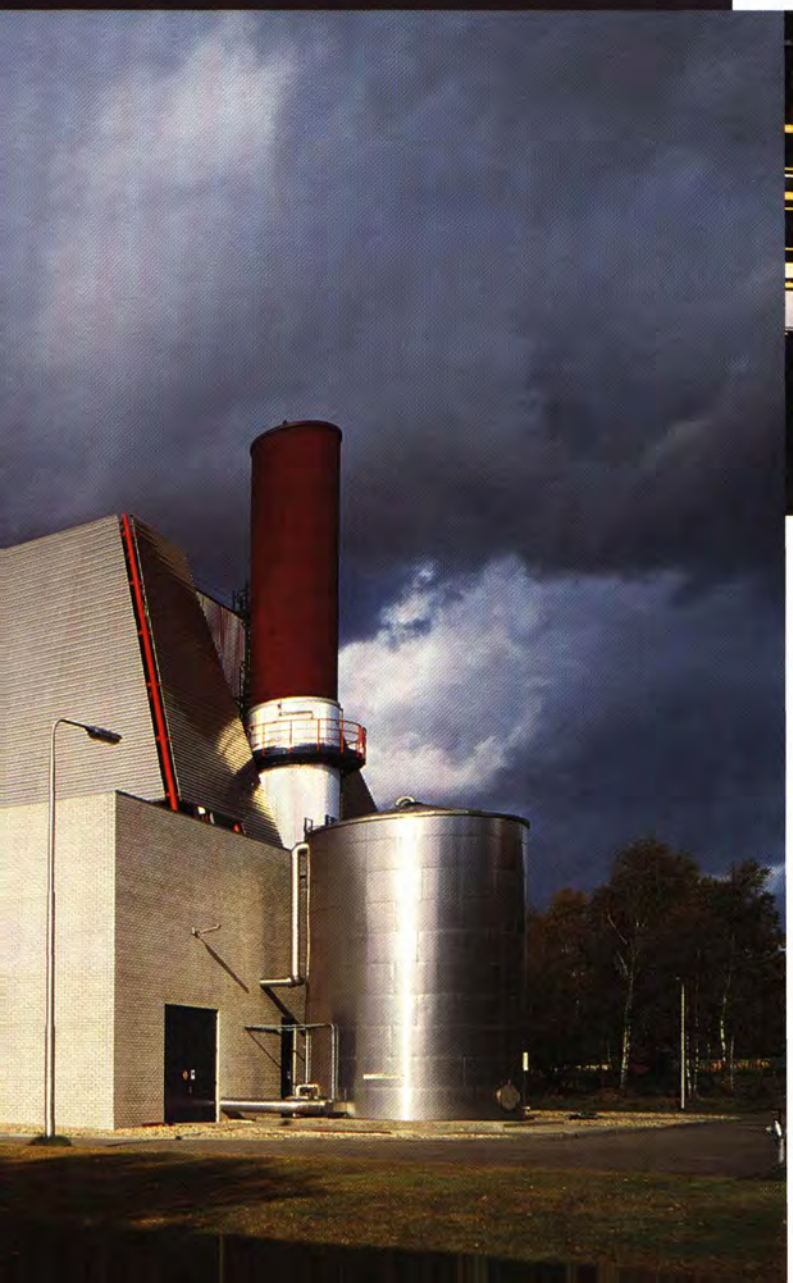
Our U.S. and U.K. generics operations in Denver (solid dosage forms) and Leeds (liquids), trading under the Rosemont label, provide a window on this growing market segment.
Several new product applications were filed with the FDA and are expected to be approved for market introduction in 1995.

Color mixing machine at Malmö laboratory.



Bohus, Sweden.
One of the Pulp and Paper Chemicals sites.

Warp beams for tire cord fabrics in Scottsboro, Alabama.

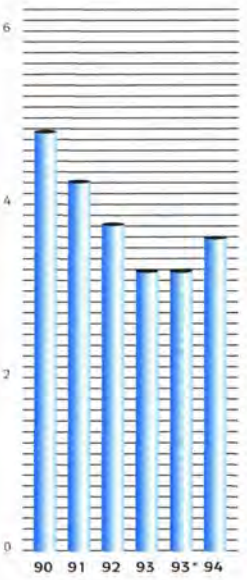


Ede, the Netherlands.
Cogeneration plant serving viscose textile manufacturing facilities.

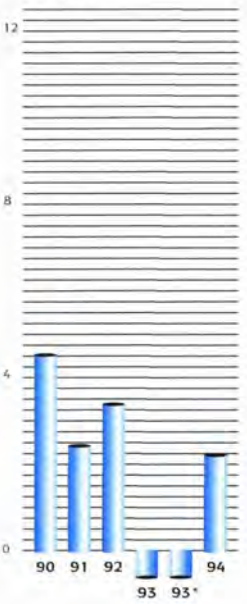
Sales and earnings

During the year the business climate for most fibers activities gradually improved.
Volume gains were achieved for most products and shipments were more than 10 percent higher. However, prices remained under pressure, especially during the first half of the year. There were some modest price increases, but these did not begin to contribute to income until the last quarter.
Sales increased 12 percent to NLG 3,626 million as a consequence of higher shipments (10 percent), price effects (−1 percent), and portfolio changes (+3 percent).
With an operating income of NLG 80 million, as against an operating loss of NLG 21 million in 1993, Fibers was back in the black.
In the second half of the year the prices of major feedstocks began to rise and really took off by the end of the year.
Cost-cutting and productivity-boosting programs as well as the deconsolidation of Kuagtextil GmbH resulted in a reduction of the number of employees to 15,200 (year-end 1993: 18,100).
In late 1994 we reached agreement with AlliedSignal, United States, on the transfer of our remaining stake in the carpet fibers business. This company will continue carpet fiber production in Emmen, the Netherlands, where it will implement a major investment program.

Net sales, in billions of guilders



Operating income, as percentage of net sales



* Pro forma

Industrial Fibers

After the strong decline in 1993, demand for industrial yarns in Western Europe strongly rallied in 1994. The market was able to benefit from the economic upswing. Increased production of automobiles had a positive effect on sales volumes of industrial yarn for tires, seat belts, and airbags. While car production in Western Europe was up more than 6 percent, it failed to reach the prerecession level.

Demand for rayon, which mainly finds application as a reinforcing material for high performance tires, remained at the low 1993 level.
Polyester, which is used for a wide range of products, recorded a substantial volume gain, reflecting a solid recovery of the markets for technical fabrics and tire-reinforcing material.

Polyamide showed strong volume growth buoyed by brisk demand for airbags, a major outlet for our fine-denier polyamide yarns. In this sector we have a leading position on the strength of our in-house developed and globally patented airbag concept.

In general, selling prices of polyester were depressed by the ongoing overcapacity situation in Europe, which was aggravated by newly created production capacities for polyester.
Income gains were therefore mainly achieved through further restructuring measures and enhanced efficiency.

The results of our operations in Scottsboro, Alabama, did not quite meet expectations due to declining shipments of conventional tire yarn.
On a more positive note, the launch of our new high modulus polyester tire yarn was successful. Investments to increase the production capacity of this type of yarn were authorized in 1994.
Sales of this product should have a favorable effect on income in the coming years.

The performance of our Brazilian subsidiary COBAFI matched expectations.
The Brazilian economy now seems fairly stable, and inflation is relatively low. Auto production rose for the third year in succession, as did tire production.

Our polyester packaging chips enjoyed substantial growth in 1994, but also in this sector prices remained depressed. A turnaround was discernible in the second half of the year.

Textile Fibers

After four years of decline, the output of the Western European textile industry increased 3 percent. However, there were considerable regional differences. While Italy and Spain posted volume gains, Germany showed a further decrease in production.

Our textile fibers were able to benefit from the gradual recovery of the textile industry and posted substantial volume gains compared to the previous year. This higher sales volume fully offset the steep decline in 1993 and resulted in improved capacity utilization. However, as selling prices could only be increased to a limited extent, and then with some delay, they remained at an insufficient level to cover the rise in raw material prices.

Polyester textile filament yarns, produced and marketed by Kuagtextil GmbH, showed a slight recovery in 1994, aided by distinctly improved demand from the automotive industry.
Home furnishing textiles continued to suffer from lower consumer spending in Germany.
Shipments of yarns for outerwear fabrics were slightly above the previous year's very low level. The results remained inadequate, however.

Demand for polyester staple fiber increased significantly, reflecting a temporary worldwide scarcity of cotton. While results improved, total operating income remained negative.

A major issue in the year under review was to find an appropriate destination for our polyester textile activities. In September a letter of intent was signed regarding divestment of 51 percent of Kuagtextil GmbH to Textilwerke Deggendorf GmbH effective January 1, 1995. This contract has now been completed. Kuagtextil will be given the opportunity to implement a major modernization and restructuring plan, which should bring a structural improvement in the position of polyester textile. It was also decided to phase out the polyester staple fiber activities at Emmen, the Netherlands, by the end of 1995.

Demand for viscose filament yarn was up again, both for lining fabrics and for outerwear.
Shipments of high-quality yarns increased.
The share of standard products decreased.
A decline was also noticeable for fabric imports, which had shown very strong growth in recent years. Demand for some Enka Viscose® yarns exceeded our production capability.
In some product areas selling prices remained under pressure but could be raised somewhat by the end of the year.

A major R&D focus is the new solution spinning process of cellulose. Various filament yarns were successfully spun in a pilot plant under environmentally compatible production conditions. These yarns will be used for further market exploration. Market acceptance will be assessed in close cooperation with customers and partners.
In the context of the existing collaboration with Courtaulds, agreement was reached on a feasibility study with the option of a future joint production facility for lyocell, the new solution-spun cellulosic fiber.

Our Sympatex® breathable membrane for wind- and waterproof garments and shoes turned in an excellent performance in 1994.
Worldwide, double-digit growth figures were achieved, while brand recognition and market share increased.

Polyenka S.A., Brazil, posted a gain in earnings, notably in the second half of the year.

The results of the joint ventures were highly diverse. Enka de Colombia S.A., which successfully completed integration of Polímeros Colombianos S.A. acquired in July 1994, turned in a very good performance. The competitive strength of Enkador S.A., Ecuador, was affected by the overvaluation of the local currency relative to the U.S. dollar. The results of Fibras Químicas, Mexico, were disappointing. Stagnating sales resulted in considerable losses.
Century Enka Ltd., India, suffered the longest strike in its history, resulting in a weak year for the company. At Rajashree Polyfil Ltd., our other Fibers minority participation in India, construction work was continued on a new production facility for polyester filament yarns based on modern technology. The new plant will be commissioned in phases, starting in the first quarter of 1996.

Enka tecnica, a producer of precision engineered products such as spinnerets, components, and test equipment for the man-made fiber and textile industries, was unable to match the previous year's sales level. Despite decreasing sales due to strong price competition and lower demand, especially in Southeast Asia, earnings remained at a gratifying level as a result of productivity and product mix improvements.
On January 1, 1995, Enka tecnica was integrated in the Textile Fibers business unit.

Aramid Products

The results of Aramid Products (formerly Aramide Maatschappij v.o.f.) developed favorably. This was based on significant volume growth, which however was restrained at the end of the year by the limited production capacity.
The expansion of Twaron® production capacity to approximately 10,000 metric tons per annum is proceeding according to plan. The extra capacity will be available from mid-1995 onward.

In June 1994, Aramid Products was ordered to pay a substantial antidumping margin on its exports to the United States with effect from December 1993. This levy is preliminary and may be revised in 1996 after the U.S. government has verified actual export prices during 1994 and 1995.
Aramid Products has appealed from the decision to the U.S. Court of International Trade in New York.

Fortafil Fibers—our carbon fiber activity in the United States—recorded a good performance. Market conditions developed well. It was decided to expand production capacity considerably. The additional capacity will come on stream in two steps in 1995 and 1996. Fortafil Fibers has been integrated into Aramid Products.

Nonwovens

Nonwovens performed well in 1994. This renamed business unit comprises the activities of the former Industrial Nonwovens and Industrial Systems businesses, both of which improved their performance.

The bicomponent nonwoven Colback®, the core product of this business unit, continued its successful performance as a primary backing for tufted carpets and as a carrier for bituminous roofing membranes.

In line with the recovery of the Western European automotive industry, shipments of our newly developed high elongation primary backing for car carpets increased significantly.
Demand for high stability products for carpet tiles and high quality wall-to-wall carpeting also increased, notably in the case of our finer filament product types.
In the roofing sector, demand exceeded our production capacity in the second half of the year, signaling an early recovery of demand in various European countries.

In view of the increasing feedstock prices, selling prices were raised for the first time since 1991 after several years of continuous price erosion.

Consistent cost reductions and quality improvements strengthened the performance of our Coltron® nonwoven.

For our former Industrial Systems business unit, 1994 was a year of change.
Upon integration into the Nonwovens business unit its name was changed to Geosynthetics, which better reflects its field of activity.
Geosynthetics has changed its strategy.
The process of change should ultimately lead to a sharper and more competitive business approach, with the focus on a lean and strategically cohesive product mix.

Late in 1994 we reached an agreement in principle to acquire the Colback® business of BASF in the United States (the production of this nonwoven was licensed out by Akzo Nobel to BASF).
This acquisition will enable us to fully participate in market growth in the United States and to strengthen our business worldwide.

Membrana

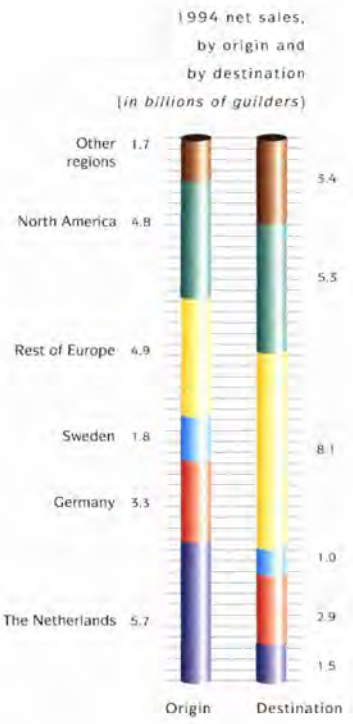
Membrana—our business unit active in membranes—turned in a satisfactory performance in 1994, in the face of difficult market conditions. Shipments of hemodialysis membranes (for use in artificial kidneys) were slightly below the previous year's level. Due to continuing price pressure, sales failed to reach the 1993 level. Cost-reduction and efficiency measures helped to keep the decline in earnings at a modest level. Akzo Nobel maintained its position as the leading producer for this market segment.
In line with expectations, the market for high-flux and high performance membranes continued to grow in 1994. We stepped up our research efforts aimed at the development of new membranes for this sector and continued the market development of our SPAN® and Bioflux® membranes.
Through a comprehensive investment program the bottlenecks for these products will be eliminated soon. The first clinical trials with a new highly biocompatible flat membrane and a new low-flux capillary membrane were successful. Production and sales will start in 1995.

Shipments of membranes for oxygenators continued their gratifying growth.
Our Oxyphan® high performance membrane that supplies oxygen to blood during open heart surgery is increasingly finding application in this market segment. Business for plasmapheresis membranes (plasma therapy and plasma donation) was at the 1993 level. Entirely new membrane types for oxygenation and plasma separation were successfully tested by customers.

Our business in membranes for technical and industrial uses including Accurel® Systems—our microporous polymers—developed satisfactorily. Market acceptance of new products in these sectors is good.

In the first quarter of 1995 we were awarded the ISO 9001 certificate.

BREAKDOWN BY GEOGRAPHIC AREA



The statistics presented below, covering net sales, operating income, invested capital, expenditures for property, plant and equipment, number of employees, and certain significant ratios of the consolidated companies, illustrate the geographic distribution of the Company's operations.

Consolidated companies

	Net sales, by destination		Net sales, by origin		Operating income		Invested capital		Expenditures for property, plant and equipment	
Millions of guilders	**1994**	1993	**1994**	1993	**1994**	1993	**1994**	1993	**1994**	1993
The Netherlands	**1,526**	1,451	**5,734**	5,371	**434**	289	**3,420**	3,460	**632**	490
Germany	**2,937**	2,858	**3,292**	3,255	**159**	90	**1,191**	1,730	**196**	170
Sweden	**1,022**	907	**1,785**	1,317	**239**	130	**970**	1,150	**130**	75
Rest of Europe	**8,052**	7,561	**4,884**	4,711	**468**	370	**2,388**	2,450	**193**	235
North America	**5,238**	4,957	**4,834**	4,710	**435**	390	**3,021**	2,930	**393**	350
Other regions	**3,433**	3,140	**1,679**	1,510	**197**	135	**961**	980	**89**	90
Total	**22,208**	20,874	**22,208**	20,874	**1,932**	1,404	**11,951**	12,700	**1,633**	1,410

Number of employees and ratios of consolidated companies

	Number of employees, December 31		Operating income, as % of net sales		Operating income as % of average invested capital	
	1994	1993	**1994**	1993	**1994**	1993
The Netherlands	**18,700**	19,300	**7.6**	5.4	**12.6**	8.8
Germany	**11,800**	13,700	**4.8**	2.8	**10.9**	5.2
Sweden	**4,600**	4,700	**13.4**	9.9	**22.5**	11.3
Rest of Europe	**15,400**	15,500	**9.6**	7.9	**19.3**	15.1
North America	**11,600**	11,400	**9.0**	8.3	**14.6**	14.2
Other regions	**8,300**	8,800	**11.7**	8.9	**20.2**	14.4
Total	**70,400**	73,400	**8.7**	6.7	**15.7**	11.5

Aggregate net sales of the consolidated companies in Europe stood at NLG 15.7 billion, 7 percent up from 1993 (NLG 14.7 billion). Operating income increased from 6.0 percent of aggregate net sales to 8.3 percent in 1994.

Dollar sales of our operations in North America increased by about 5 percent. Operating income as a percentage of net sales went up from 8.3 percent to 9.0 percent.

Arnhem, February 24, 1995

The Board of Management

Summary of significant accounting policies

Consolidation

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

Valuation

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

Translation of foreign currencies

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

Exchange rates of key currencies

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

		Balance sheet		Statement of income	
	Unit	**1994**	1993	**1994***	1993*
USD	1	**1.74**	1.94	**1.82**	1.86
DEM	1	**1.12**	1.12	**1.12**	1.12
SEK	1	**0.23**	0.23	**0.24**	0.24
GBP	1	**2.71**	2.87	**2.78**	2.79

** Average rates.*

Principles of valuation of assets and liabilities

Intangible assets
Purchased goodwill is charged directly against equity.
Starting in 1994, other intangible assets—if acquired separately from third parties—are capitalized and amortized on a straight-line basis over their estimated useful lives. Given their slight magnitude, these assets were in previous years charged directly against operating income.
Preparation and start-up expenses of large investment projects are capitalized and charged against operating income in not more than five equal annual installments after the facilities concerned have been put into service.

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

Financial noncurrent assets
Investments in nonconsolidated companies are stated at the amount of Akzo Nobel's share in stockholders' equity. The calculation of stockholders' equity is based as much as possible on the Akzo Nobel principles of valuation.
Loans to nonconsolidated companies are carried at face value less such provisions as are considered necessary.
Other financial noncurrent assets are stated at face value, at cost, or at lower market value.

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

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

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

Provisions
Provisions are stated at face value, except for provisions in respect of pension obligations and other such obligations, which are generally computed on an actuarial basis.
Provisions for deferred taxes are based on timing differences between the valuation of assets and liabilities for accounting purposes and the valuation for tax purposes, at current rates.
Nonrefundable dividend taxes are taken into account in the determination of provisions for deferred taxes to the extent of earnings expected to be distributed by affiliated companies.

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

Principles of determination of income

The determination of income is closely associated with the valuation of assets and liabilities.
In addition, the following principles are observed in the preparation of the statement of income:

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

Consolidated statement of income

Millions of guilders	**1994**	*pro forma 1993*	1993
Net sales	**22,208**	*20,874*	16,509
Cost of sales	**(13,623)**	*(13,110)*	(10,343)
Gross margin	**8,585**	*7,764*	6,166
Selling expenses	**(4,434)**	*(4,239)*	(3,340)
Research and development expenses	**(1,124)**	*(1,043)*	(929)
General and administrative expenses	**(1,158)**	*(1,132)*	(878)
Miscellaneous revenue from operations	**63**	*54*	52
	(6,653)	*(6,360)*	(5,095)
Operating income	**1,932**	*1,404*	1,071
Financing charges	**(285)**	*(276)*	(218)
Operating income less financing charges	**1,647**	*1,128*	853
Taxes	**(458)**	*(269)*	(236)
Earnings of consolidated companies from normal operations, after taxes	**1,189**	*859*	617
Earnings from nonconsolidated companies	**102**	*84*	81
Earnings from normal operations, after taxes	**1,291**	*943*	698
Extraordinary items after taxes	**(75)**	*(144)*	(144)
Earnings before minority interest	**1,216**	*799*	554
Minority interest	**(38)**	*(9)*	(5)
Net income	**1,178**	*790*	549

See notes on pages 65 and 66.

Consolidated balance sheet

AFTER ALLOCATION OF PROFIT

Millions of guilders, December 31	**1994**		*pro forma 1993*		1993	
Assets						
Noncurrent assets						
Intangible assets		**67**		*1*		1
Property, plant and equipment		**8,391**		*8,648*		6,359
Financial noncurrent assets:						
– nonconsolidated companies	**1,093**		*1,022*		964	
– other financial noncurrent assets	**207**		*188*		164	
		1,300		*1,210*		1,128
		9,758		*9,859*		7,488
Current assets						
Inventories	**3,395**		*3,553*		2,903	
Receivables	**4,111**		*4,131*		3,148	
Cash and cash equivalents	**728**		*1,591*		1,863	
		8,234		*9,275*		7,914
Total		**17,992**		*19,134*		15,402
Equity and liabilities						
Equity						
Akzo Nobel N.V. stockholders' equity	**6,257**		*6,370*		6,152	
Minority interest	**184**		*175*		154	
		6,441		*6,545*		6,306
Provisions		**3,091**		*2,875*		2,374
Long-term debt		**3,139**		*4,179*		2,339
Current liabilities						
Short-term borrowings	**1,101**		*1,714*		1,417	
Other current liabilities	**4,220**		*3,821*		2,966	
		5,321		*5,535*		4,383
Total		**17,992**		*19,134*		15,402

See notes on pages 67 through 71.

Consolidated statement of cash flows

Millions of guilders	**1994**		1993	
Earnings before minority interest	**1,216**		554	
Depreciation	**1,148**		885	
Cash flow		**2,364**		1,439
Other adjustments to reconcile earnings to cash provided by operations:				
– additional write-offs	**173**		25	
– result on sale of interests	**(61)**		16	
– equity in earnings of nonconsolidated companies	**(115)**		(83)	
– dividends from nonconsolidated companies	**124**		62	
– changes in provisions	**119**		15	
– other changes	**7**		53	
		247		88
Change in working capital*		**107**		(13)
Net cash provided by operations		**2,718**		1,514
Purchase of intangible assets	**(79)**			
Expenditures for property, plant and equipment	**(1,633)**		(1,170)	
Investments in nonconsolidated companies	**(55)**		(291)	
Acquisition of consolidated companies**	**(398)**		(115)	
Proceeds from sale of interests**	**302**		32	
Other changes			(2)	
Net cash used for investments		**(1,863)**		(1,546)
		855		(32)
Issuance of stock	**10**		1,338	
Cash received from Securum AB for Nobel businesses not acquired by Akzo Nobel	**985**			
New borrowings	**113**		666	
Repayment of long-term debt	**(2,161)**		(430)	
Changes in short-term borrowings	**(514)**		(46)	
Net cash provided by financing activities		**(1,567)**		1,528
		(712)		1,496
Dividends paid		**(391)**		(311)
		(1,103)		1,185
Effect of exchange rate changes on cash and cash equivalents		**(32)**		19
Change in cash and cash equivalents		**(1,135)**		1,204
Cash and cash equivalents at beginning of year		**1,863**		659
Cash and cash equivalents at end of year		**728**		1,863

See notes on page 72.

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

** *Net of cash of the acquired or divested interests.*

GENERAL

Affiliated companies

The principal affiliated companies at December 31, 1994, are listed on pages 84 and 85. A list of affiliated companies and offices, drawn up in conformity with sections 379, 392, and 414 of Book 2 of the Dutch Civil Code, has been filed with the Trade Registry of Arnhem.

Changes in consolidated interests

Early in 1994, 99.3% of the shares of Nobel Industries AB were acquired for 17.1 million shares of Akzo N.V. common stock and NLG 0.7 billion in cash. In October 1994 the Nobel Pharma Chemistry business was sold to Cambrex Corporation. At year-end 1994, 51% of Akzo Nobel's interest in Kuagtextil GmbH was sold to Textilwerke Deggendorf GmbH.
There were no other changes of significance to the financial statements.

1993 pro forma financial information

For a better insight also 1993 pro forma figures are included in the consolidated statement of income, the consolidated balance sheet, and a number of specifications in the notes to the consolidated financial statements. The pro forma figures are based on a pro forma consolidation of the figures of Akzo N.V. and Nobel Industries AB, which have been derived from the respective 1993 financial statements, and on the following assumptions:

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

CONSOLIDATED STATEMENT OF INCOME

Net sales

By activity

Millions of guilders	**1994**	*pro forma 1993*	1993
Chemicals	**7,902**	*7,525*	5,816
Coatings	**6,887**	*6,503*	4,024
Pharma	**3,669**	*3,421*	3,421
Fibers	**3,626**	*3,239*	3,239
Other activities and intercompany deliveries*	**124**	*186*	9
	22,208	*20,874*	16,509

* *Given the minor importance of other activities (1994 sales: NLG 267 million; pro forma 1993: NLG 315 million; 1993 sales: NLG 131 million), they have been combined with intercompany deliveries.*

By destination

Millions of guilders	**1994**	*pro forma 1993*	1993
The Netherlands	**1,526**	*1,451*	1,366
Germany	**2,937**	*2,858*	2,598
Sweden	**1,022**	*907*	176
Rest of Europe	**8,052**	*7,561*	5,288
North America	**5,238**	*4,957*	4,401
Other regions	**3,433**	*3,140*	2,680
	22,208	*20,874*	16,509

Financing charges

Millions of guilders	**1994**	1993
Interest received and similar income	**116**	77
Interest paid and similar expenses	**(401)**	(295)
	(285)	(218)
Pro forma		*(276)*

Interest paid decreased by NLG 36 million (1993: NLG 28 million) due to the capitalization of financing expenses of capital investment projects under construction.

Taxes on operating income less financing charges

Taxes averaged 28%, up 4% from the 1993 pro forma figure of 24% (1993: 28%). Most of the increase was due to the fact that tax loss carryforwards of some fiscal units were exhausted early in the year. However, the tax burden remains relatively low due to the use of tax loss carryforwards, particularly in Sweden. Accumulated losses for which no tax benefit was recorded at year-end 1994 aggregated approximately NLG 1.6 billion.

Earnings from nonconsolidated companies

Earnings from nonconsolidated companies are net of a tax charge of NLG 15 million in 1994 and a tax charge of NLG 1 million in 1993.

Extraordinary items after taxes

Millions of guilders	**1994**	1993
Extraordinary gains	**105**	31
Extraordinary losses	**(283)**	(257)
Extraordinary items	**(178)**	(226)
Taxes	**103**	82
	(75)	(144)
Pro forma		*(144)*

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

Salaries, wages, and social charges

Millions of guilders	**1994**	*pro forma 1993*	1993
Salaries and wages	**4,860**	*4,840*	4,119
Pension costs	**347**	*377*	307
Other social charges	**821**	*798*	656
	6,028	*6,015*	5,082

Employees

Average number of employees	**1994**	*pro forma 1993*	1993
Chemicals	**16,000**	*16,900*	12,900
Coatings	**21,900**	*22,600*	14,200
Pharma	**14,100**	*14,000*	14,000
Fibers	**16,700**	*18,500*	18,500
Other units	**4,100**	*2,600*	2,000
	72,800	*74,600*	61,600
Number of employees at December 31	**70,400**	*73,400*	60,700

Intangible assets

Millions of guilders	Total	Intellectual property rights	Preparation and start-up expenses
Situation at December 31, 1993	1		1
Capital expenditures	79	73	6
Depreciation	(11)	(10)	(1)
Changes in exchange rates	(2)	(1)	(1)
Situation at December 31, 1994	**67**	**62**	**5**

Property, plant and equipment

Millions of guilders	Total	Buildings and land	Plant equipment and machinery	Other equipment	Construction in progress and prepaid projects	Assets not used in the production process
Situation at December 31, 1993						
Cost of acquisition	16,270	3,654	9,937	1,536	905	238
Depreciation	(9,911)	(1,666)	(6,999)	(1,097)		(149)
Book value	6,359	1,988	2,938	439	905	89
Changes in book value						
Acquisitions and disposal of interests	2,121	613	1,219	59	22	208
Capital expenditures	1,633	309	1,024	160	132	8
Depreciation	(1,137)	(167)	(794)	(166)		(10)
Additional write-offs	(173)	(7)	(162)	(4)		
Disinvestments	(112)	(14)	(75)	(11)		(12)
Changes in exchange rates	(294)	(100)	(177)	(13)		(4)
Other changes	(6)	(5)	17	(8)		(10)
Total changes in 1994	2,032	629	1,052	17	154	180
Situation at December 31, 1994						
Cost of acquisition	18,440	4,341	11,011	1,656	1,059	373
Depreciation	(10,049)	(1,724)	(7,021)	(1,200)		(104)
Book value	**8,391**	**2,617**	**3,990**	**456**	**1,059**	**269**

The book value of property, plant and equipment financed by installment buying and leasing was NLG 13 million at December 31, 1994 (at December 31, 1993: NLG 18 million).

The book value of property, plant and equipment on the basis of current value is NLG 0.9 billion higher. This difference principally relates to buildings and land.

Financial noncurrent assets

Millions of guilders	Total	Non-consolidated companies	Loans to non-consolidated companies	Other financial noncurrent assets
Situation at December 31, 1993	1,128	915	49	164
Acquisitions	158	98	6	54
Deconsolidations/investments	163	91	28	44
Consolidations/divestments	(71)	(17)	(2)	(52)
Equity in 1994 earnings	115	115		
Dividends received	(124)	(124)		
Changes in exchange rates	(69)	(64)	(2)	(3)
Situation at December 31, 1994	**1,300**	**1,014**	**79**	**207**

Inventories

Millions of guilders	**1994**	*pro forma 1993*	1993
Raw materials and supplies	**1,060**	*991*	745
Work in process	**602**	*651*	599
Finished products and goods for resale	**1,724**	*1,905*	1,555
Inventory prepayments	**9**	*6*	4
	3,395	*3,553*	2,903

Receivables

Millions of guilders	**1994**	*pro forma 1993*	1993
Trade receivables	**3,329**	*3,183*	2,487
Receivables from non-consolidated companies	**163**	*86*	83
Other receivables	**755**	*947*	663
	4,247	*4,216*	3,233
Discounted portion	**(136)**	*(85)*	(85)
	4,111	*4,131*	3,148

Cash and cash equivalents

Millions of guilders	**1994**	1993
Short-term investments	**291**	1,627
Cash on hand and in banks	**437**	236
	728	1,863
Pro forma		*1,591*

Short-term investments almost entirely consist of cash loans, time deposits, marketable private borrowings, and debentures immediately convertible into cash. An amount of NLG 60 million of cash and cash equivalents was not freely available (December 31, 1993: nil).

Equity

Millions of guilders	Akzo Nobel N.V. stockholders' equity	Minority interest
Situation at December 31, 1993	6,152	154
Issuance of stock	3,288	
Retained earnings	681	22
Changes in minority interest in subsidiaries		23
Goodwill	(3,480)	
Changes in exchange rates	(384)	(15)
Situation at December 31, 1994	**6,257**	**184**

For details on the changes in Akzo Nobel N.V. stockholders' equity see the notes to the Akzo Nobel N.V. balance sheet on page 75.

Provisions

		pro forma	
Millions of guilders	**1994**	*1993*	1993
Deferred taxes	**408**	*463*	302
Pension rights	**1,403**	*1,337*	1,125
Other provisions	**1,280**	*1,075*	947
	3,091	*2,875*	2,374

The current portion of provisions amounted to NLG 547 million (at December 31, 1993: NLG 361 million).

Provisions in respect of pension obligations

Most subsidiaries have established pension plans for their employees in accordance with local legal requirements and customs.
At December 31, 1994, as at December 31, 1993, the accumulated pension benefits were, on balance, fully covered by independent pension funds, insurances, and provisions in respect of pension obligations.

Other provisions

Other provisions primarily relate to the restructuring of activities, environmental costs, and guarantees.

Long-term debt

Millions of guilders	**1994**	1993
Debentures:		
– issued by		
Akzo Nobel N.V.	**1,132**	1,132
– issued by		
consolidated companies	**365**	44
Private borrowings	**387**	359
Debt to credit institutions	**734**	381
Other borrowings	**521**	423
	3,139	2,339
Pro forma		*4,179*

The total amount of long-term credit facilities arranged by Akzo Nobel but not utilized was NLG 1,218 million at December 31, 1994 (at December 31, 1993: NLG 1,067 million).

Aggregate maturities of long-term debt are as follows:

Millions of guilders	1995	1996/ 1999	after 1999
Debentures:			
– issued by			
Akzo Nobel N.V.	200	332	600
– issued by			
consolidated companies	331	7	27
Private borrowings	15	23	349
Debt to credit institutions	293	425	16
Other borrowings	156	193	172
	995	980	1,164

In 1994 the average interest rate was 7.0% (1993: 6.9%).
Private borrowings and debt to credit institutions have been secured to an aggregate amount of NLG 122 million (at December 31, 1993: NLG 48 million) by means of mortgages, etc.

For details on debentures issued by Akzo Nobel N.V. see the notes to the Akzo Nobel N.V. balance sheet on page 76.

Short-term borrowings

Millions of guilders	**1994**	1993
Commercial paper	**583**	970
Debt to credit institutions	**518**	447
	1,101	1,417
Pro forma		*1,714*

Other current liabilities

		pro forma	
Millions of guilders	**1994**	*1993*	1993
Prepayments by customers	**20**	*20*	3
Debt to suppliers	**2,029**	*1,821*	1,405
Debt to non-consolidated companies	**42**	*42*	37
Taxes and social security contributions	**674**	*580*	440
Dividends	**394**	*356*	271
Pensions	**29**	*30*	23
Other liabilities	**1,032**	*972*	787
	4,220	*3,821*	2,966

Commitments and contingent liabilities

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

In order to obtain the remaining 0.7% of the Nobel shares a buyout procedure was started in the beginning of 1994 to acquire these shares against payment in cash. The amount involved is estimated at NLG 60 million. The settlement of this procedure was not taken into account in the preparation of the balance sheet at December 31, 1994.

Purchase commitments for property, plant and equipment aggregated NLG 240 million at December 31, 1994. At December 31, 1993, these commitments totaled NLG 162 million. In addition, the Company has purchase commitments for raw materials and supplies incident to the ordinary conduct of business. Long-term liabilities were contracted in respect of leasehold, rental, operational leases, etc. At December 31, 1994, these liabilities aggregated NLG 759 million (December 31, 1993: NLG 629 million). Payments due in 1995 amount to NLG 159 million (1993: NLG 105 million); payments due after five years amount to NLG 201 million (1993: NLG 226 million).

Guarantees relating to nonconsolidated companies totaled NLG 51 million (at December 31, 1993: NLG 115 million).

As general partners in several partnerships, Akzo Nobel companies are liable for obligations incurred by these partnerships. At December 31, 1994, the risk ensuing from these liabilities was NLG 216 million (at December 31, 1993: NLG 162 million).

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

Millions of guilders	Working capital*	Provisions	Long-term borrowings	Short-term borrowings
Changes in 1994 balance sheet items	(324)	717	800	(316)
Eliminations:				
– changes in exchange rates	(172)	41	14	137
– changes in consolidation	603	(639)	(2,862)**	(335)
Changes in 1994 financial position	107	119	(2,048)***	(514)

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

** *Including loans in the amount of NLG 985 million which were redeemed in 1994 via the payment from Securum AB for the Nobel businesses Biotechnology and Spectra-Physics AB, and the interest in Celsius Industrier AB not acquired by Akzo Nobel. (These redemptions were already included in the pro forma balance sheet at December 31, 1993).*

*** *Balance of new borrowings (NLG 113 million) and repayments (NLG 2,161 million).*

Akzo Nobel N.V. statement of income

Millions of guilders	**1994**	1993
Net income from affiliated companies	**1,183**	533
Other net income	**(5)**	16
Net income	**1,178**	549

See notes on page 74.

Akzo Nobel N.V. balance sheet

AFTER ALLOCATION OF PROFIT

Millions of guilders, December 31	**1994**		1993	
Assets				
Noncurrent assets				
Financial noncurrent assets		**10,153**		7,752
Current assets				
Receivables	**64**		110	
Cash and cash equivalents	**248**		1,382	
		312		1,492
Total		**10,465**		9,244
Stockholders' equity and liabilities				
Stockholders' equity				
Subscribed stock	**1,422**		1,079	
Additional paid-in capital	**5,697**		2,752	
Statutory reserves	**–**		–	
Cumulative translation differences	**(1,854)**		(1,470)	
Other reserves	**992**		3,791	
		6,257		6,152
Long-term debt		**3,553**		2,671
Current liabilities		**655**		421
Total		**10,465**		9,244

See notes on pages 74 through 76.

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

GENERAL

Foreign currency has been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income given on pages 60 and 61.
Thus stockholders' equity and net income are equal to stockholders' equity and net income as shown in the consolidated financial statements on pages 62 and 63. As the financial data of Akzo Nobel N.V. are included in the consolidated financial statements, the statement of income of Akzo Nobel N.V. is condensed in conformity with Book 2 of the Dutch Civil Code, section 402.

STATEMENT OF INCOME

Net income from affiliated companies

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

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

In 1994, remuneration including pension expense amounting to NLG 9,890,000 (1993: NLG 6,424,000) for members and former members of the Board of Management, and to NLG 1,047,000 (1993: NLG 624,000) for members and former members of the Supervisory Board, was charged to Akzo Nobel N.V. and its subsidiaries.

BALANCE SHEET

Financial noncurrent assets

Millions of guilders	Total	Consolidated companies: Share in capital	Consolidated companies: Loans*	Share in capital of nonconsolidated companies	Other financial noncurrent assets
Situation at December 31, 1993	7,752	4,285	3,338	128	1
Investments/disinvestments	1,060	1,060			
Equity in 1994 earnings	1,183	1,192		(9)	
Dividends received	(555)	(554)		(1)	
Loans granted	4,812		4,812		
Repayment of loans	(235)		(235)		
Changes in exchange rates	(384)	(329)	(26)	(29)	
Goodwill	(3,480)	(3,480)			
Situation at December 31, 1994	**10,153**	**2,174**	**7,889**	**89**	**1**

Receivables

Millions of guilders	**1994**	1993
Receivables from consolidated companies	**18**	13
Other receivables	**46**	97
	64	110

Cash and cash equivalents

Millions of guilders	**1994**	1993
Short-term investments	**223**	1,358
Cash on hand and in banks	**25**	24
	248	1,382

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

Stockholders' equity

Millions of guilders	Subscribed stock	Additional paid-in capital	Statutory reserves	Cumulative translation differences	Other reserves	Stock-holders' equity
Situation at December 31, 1993	1,079	2,752	–	(1,470)	3,791	6,152
Issue of common stock	343	2,945				3,288
Retained earnings					681	681
Goodwill					(3,480)	(3,480)
Changes in exchange rates in respect of affiliated companies				(384)		(384)
Situation at December 31, 1994	**1,422**	**5,697**	–	**(1,854)**	**992**	**6,257**

Subscribed stock

Authorized capital stock of Akzo Nobel N.V. is NLG 2,000,048,000 and consists of 48 shares of priority stock of NLG 1,000 and 100 million shares of common stock of NLG 20.
Subscribed stock consists of 48 shares of priority stock and 71,070,110 shares of common stock.
In 1994, 17,101,656 shares of common stock were issued, of which 17,054,789 for the acquisition of the Nobel Industries AB shares, and the remainder in connection with the exercise of options.

Stock options

Options to purchase shares of Akzo Nobel N.V. common stock have been granted to key employees under a stock option plan introduced in 1990. One option entitles its holder to acquire one share of common stock of NLG 20.

Additional paid-in capital

At least NLG 2,505 million of additional paid-in capital (at December 31, 1993: NLG 2,112 million) can be considered free from income tax within the meaning of the Dutch 1964 Income Tax Law.

Statutory reserves

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

Stock options

Expiry date	Year of issue	Number of options granted	Options outstanding at December 31, **1994**	Options outstanding at December 31, 1993	Exercise price in NLG
May 4, 1995	1990	80,543	**3,916**	9,284	120.40
April 29, 1996	1991	58,607	**2,340**	8,963	115.10
May 5, 1997	1992	46,897	**16,928**	34,779	164.50
May 6, 1998	1993	55,027	**20,019**	37,044	148.80
May 6, 1999	1994	48,314	**47,972**		223.50
		289,388	**91,175**	90,070	

Long-term debt

Millions of guilders	**1994**	1993
Debentures	**1,132**	1,132
Debt to consolidated companies	**2,360**	1,473
Other borrowings	**61**	66
	3,553	2,671

Debentures

Millions of guilders	**1994**	1993
6⅜% 1993/03	**300**	300
6¼% 1988/95	**200**	200
4⅝% 1988/98 (CHF)	**132**	131
6% 1988/96	**200**	200
8% 1992/02	**300**	300
Employee debentures	**–**	1
	1,132	1,132

Debt to consolidated companies

Borrowings from these companies have no fixed repayment schedule. Part of these borrowings do not bear interest. To the extent that interest is charged, it averaged 5.6% in 1994 (1993: 6.3%).

Other borrowings

The portion to be repaid in 1995 amounts to NLG 59 million. The portion due after 5 years relates to the remaining NLG 2 million.
The average rate of interest was 7.0% (1993: 6.3%).

Current liabilities

Millions of guilders	**1994**	1993
Debt to credit institutions	**69**	41
Taxes	**51**	
Debt to consolidated companies	**40**	34
Dividend	**392**	271
Other liabilities	**103**	75
	655	421

Liabilities not shown in the balance sheet

Joint and several liability; guarantees

Akzo Nobel N.V. has declared in writing that it accepts joint and several liability for contractual debts of Dutch consolidated companies.
These debts, at December 31, 1994 aggregating approximately NLG 2.1 billion (at December 31, 1993: approximately NLG 1.9 billion), are included in the consolidated balance sheet.
Additionally, guarantees were issued in behalf of consolidated companies in the amount of NLG 1.4 billion (1993: NLG 1.9 billion), including guarantees issued by Akzo Nobel N.V. in relation to the exemption of Organon Teknika Limited, Organon Ireland Limited, Nourypharma Ireland Limited, Intervet Ireland Limited, and Mycofarm Ireland Limited under section 17 of the Companies (Amendment) Act 1986 Ireland. Guarantees relating to nonconsolidated companies amounted to NLG 51 million (1993: NLG 115 million).

Arnhem, February 24, 1995

The Board of Management

C.J.A. van Lede
A.G. Vermeeren
P.K. Brons
F.W. Fröhlich
H.A. van Karnebeek
O. Mattsson
R.M.J. van der Meer

The Supervisory Board

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

OTHER INFORMATION

AUDITORS' REPORT

We have audited the foregoing financial statements of Akzo Nobel N.V. for the year 1994. We conducted our audit in accordance with auditing standards generally accepted in the Netherlands.

In our opinion, these financial statements give a true and fair view of the financial position of the Company at December 31, 1994, and of the results for the year then ended, and are also otherwise in compliance with Dutch legal requirements for financial statements.

The unaudited pro forma information for 1993 included in the financial statements concerns a pro forma consolidation of the figures of Akzo N.V. and Nobel Industries AB, which have been derived from the respective 1993 financial statements of both companies.

In our opinion, the pro forma information for 1993 has been prepared in an acceptable manner in conformity with the assumptions on page 65.

Arnhem, February 24, 1995

KPMG Accountants N.V.

PROVISIONS OF THE ARTICLES OF ASSOCIATION WITH REGARD TO PROFIT ALLOCATION

Article 37

1
The Board of Management shall be authorized to determine, with the approval of the Supervisory Council*, how great a share of profit as shown by the approved statement of income shall be carried to reserves; the general meeting of stockholders may utilize such reserves only on the proposal of the Board of Management approved by the Supervisory Council. The remaining profit shall be placed at the disposal of the general meeting of stockholders, with due observance of the provisions of paragraph 2.

2
The remaining profit shall, to the extent possible, be allocated as follows:
a
to the holders of priority stock:
six percent per share or the statutory interest referred to in article 8, paragraph 1, whichever is lower, plus any accrued and unpaid dividends;
b
to the holders of common stock:
a dividend of such an amount per share as the remaining profit, less the aforesaid payment and less such amounts as the general meeting of stockholders may decide to carry to reserves, shall permit.

3
The holders of common stock are, to the exclusion of everyone else, entitled to allocations made from reserves accrued by virtue of the provision of paragraph 2b.

4
The right to receive dividends and interim dividends shall lapse six years after such dividends and interim dividends have been made payable.

PROPOSAL FOR PROFIT ALLOCATION

Amounts in guilders	**1994**	
Net income		1,178,000,000
With due observance of article 37, paragraph 2, of the articles of association, it is proposed that this amount be allocated as follows:		
To be distributed:		
dividend on priority stock	2,880	
dividend on common stock	497,487,589	
		497,490,469
To be carried to other reserves		680,509,531

Following the acceptance of this proposal, the holders of common stock will receive a dividend of NLG 7.00 per share of NLG 20, of which NLG 1.50 was paid earlier as an interim dividend.
The final dividend of NLG 5.50 will be made available on dividend coupon No. 44 from May 15, 1995.

* *Renamed Supervisory Board as from January 27, 1995.*

SPECIAL RIGHTS TO HOLDERS OF PRIORITY STOCK

The priority stock is held by "AKZO NOBEL STICHTING" (Akzo Nobel Foundation) whose board is composed of the members of the Supervisory Board and the Board of Management.
The meeting of holders of priority stock has the right to draw up binding lists of nominees for appointment to the Supervisory Board and the Board of Management. Amendments of the Articles of Association are subject to the approval of this meeting.

TEN-YEAR FINANCIAL SUMMARY

For definitions of financial ratios and concepts see back cover foldout.

Consolidated statement of income

Millions of guilders	**1994**	*pro forma 1993*	1993	1992	1991	1990	1989	1988	1987	1986	1985
Net sales	**22,208**	*20,874*	16,509	16,713	16,851	17,246	18,736	16,581	15,535	15,615	18,010
Operating income	**1,932**	*1,404*	1,071	1,189	1,156	1,261	1,713	1,424	1,181	1,465	1,465
Financing charges	**(285)**	*(276)*	(218)	(239)	(277)	(368)	(324)	(255)	(147)	(106)	(185)
Taxes on operating income less financing charges	**(458)**	*(269)*	(236)	(285)	(264)	(280)	(507)	(409)	(367)	(478)	(465)
Earnings from nonconsolidated companies	**102**	*84*	81	66	64	103	86	123	53	17	98
Earnings from normal operations, after taxes	**1,291**	*943*	698	731	679	716	968	883	720	898	913
Extraordinary items after taxes	**(75)**	*(144)*	(144)	(66)	(111)	(64)	12	(11)	273	23	3
Earnings before minority interest	**1,216**	*799*	554	665	568	652	980	872	993	921	916
Minority interest	**(38)**	*(9)*	(5)	(19)	12	11	(26)	(29)	(51)	(79)	(73)
Net income	**1,178**	*790*	549	646	580	663	954	843	942	842	843
Common stock, in thousands of shares of NLG 20 at December 31	**71,070**	*71,023*	53,968	45,996	45,961	44,421	43,324	40,241	40,208	40,138	39,755
Dividend	**497**		339	299	299	289	347 *	302 *	265	265	262
Per common share of NLG 20, in guilders											
Net income	**16.58**	*11.12*	11.67	14.06	12.89	15.06	23.05	20.96	23.46	21.06	21.36
Dividend	**7.00**	*6.50* **	6.50 **	6.50	6.50	6.50	8.00	7.50	6.60	6.60	6.60
Stockholders' equity	**88.04**	*89.69*	113.99	110.40	103.62	104.50	103.84	106.61	94.80	107.40	104.16
Adjusted for common stock issues											
Net income	**16.58**	*11.12*	11.67	14.06	12.89	15.06	23.00	20.85	23.34	20.95	21.25
Dividend	**7.00**	*6.50* **	6.50 **	6.50	6.50	6.50	7.98	7.46	6.57	6.57	6.57
Stockholders' equity	**88.04**	*89.69*	113.99	110.40	103.62	104.50	103.62	106.06	94.31	106.85	103.62
Number of employees at December 31	**70,400**	*73,400*	60,700	62,500	65,200	69,800	70,900	71,100	67,400	68,400	65,000
Salaries, wages, and social charges	**6,028**	*6,015*	5,082	5,079	5,092	5,068	5,308	4,889	4,627	4,439	4,641
Ditto, as % of net sales	**27.1**	*28.8*	30.8	30.4	30.2	29.4	28.3	29.5	29.8	28.4	25.8
Ratios											
Operating income, as percentage of net sales	**8.7**	*6.7*	6.5	7.1	6.9	7.3	9.1	8.6	7.6	9.4	8.1
Operating income, as percentage of invested capital	**15.7**	*11.5*	11.5	13.2	12.7	13.7	18.9	17.4	16.1	21.1	20.9
Net income, as percentage of stockholders' equity	**18.7**	*12.3*	9.8	13.1	12.3	14.5	21.7	20.8	23.2	19.9	20.7

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

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

Consolidated balance sheet

Millions of guilders	**1994**	*pro forma 1993*	1993	1992	1991	1990	1989	1988	1987	1986	1985
Intangible assets	**67**	*1*	1								
Property, plant and equipment	**8,391**	*8,648*	6,359	5,853	5,864	5,884	5,911	5,558	4,795	4,330	3,843
Financial noncurrent assets	**1,300**	*1,210*	1,128	1,358	1,002	959	852	847	792	660	622
Noncurrent assets	**9,758**	*9,859*	7,488	7,211	6,866	6,843	6,763	6,405	5,587	4,990	4,465
Inventories	**3,395**	*3,553*	2,903	2,797	2,789	2,865	2,952	2,997	2,568	2,586	2,691
Receivables	**4,111**	*4,131*	3,148	2,956	3,117	3,157	3,684	3,125	2,733	2,768	3,114
Cash and cash equivalents	**728**	*1,591*	1,863	659	812	816	885	951	926	1,084	1,485
Current assets	**8,234**	*9,275*	7,914	6,412	6,718	6,838	7,521	7,073	6,227	6,438	7,290
Total assets	**17,992**	*19,134*	15,402	13,623	13,584	13,681	14,284	13,478	11,814	11,428	11,755
Stockholders' equity	**6,257**	*6,370*	6,152	5,078	4,762	4,642	4,499	4,290	3,812	4,311	4,142
Minority interest	**184**	*175*	154	141	142	192	232	235	217	354	353
Equity	**6,441**	*6,545*	6,306	5,219	4,904	4,834	4,731	4,525	4,029	4,665	4,495
Provisions	**3,091**	*2,875*	2,374	2,425	2,426	2,537	2,303	2,207	2,266	2,005	2,003
Long-term debt	**3,139**	*4,179*	2,339	1,800	1,818	2,083	2,425	2,229	1,339	1,605	1,862
Short-term borrowings	**1,101**	*1,714*	1,417	1,406	1,642	1,167	1,535	1,436	1,525	405	439
Other current liabilities	**4,220**	*3,821*	2,966	2,773	2,794	3,060	3,290	3,081	2,655	2,748	2,956
Current liabilities	**5,321**	*5,535*	4,383	4,179	4,436	4,227	4,825	4,517	4,180	3,153	3,395
Total equity and liabilities	**17,992**	*19,134*	15,402	13,623	13,584	13,681	14,284	13,478	11,814	11,428	11,755
Invested capital											
Of consolidated companies	**11,951**	*12,700*	9,609	8,952	9,116	9,026	9,410	8,743	7,603	7,061	6,832
In nonconsolidated companies	**1,093**	*1,022*	964	1,239	862	779	699	703	630	535	482
Total	**13,044**	*13,722*	10,573	10,191	9,978	9,805	10,109	9,446	8,233	7,596	7,314
Property, plant and equipment											
Capital expenditures	**1,633**	*1,410*	1,170	933	1,007	1,129	1,297	1,270	1,095	1,106	1,008
Depreciation	**1,137**	*1,141*	885	871	878	867	852	751	668	577	608
Ratios											
Net sales/invested capital	**1.80**	*1.71*	1.78	1.85	1.86	1.87	2.06	2.03	2.12	2.25	2.57
Equity/net debt	**0.60**	*0.60*	0.87	0.67	0.62	0.60	0.55	0.57	0.59	0.82	0.78
Equity/noncurrent assets	**0.66**	*0.66*	0.84	0.72	0.71	0.71	0.70	0.71	0.72	0.93	1.01
Inventories and receivables/ other current liabilities	**1.78**	*2.01*	2.04	2.07	2.11	1.97	2.02	1.99	2.00	1.95	1.96

Business segment statistics*

Millions of guilders	**1994**	*pro forma 1993*	1993	1992	1991	1990	1989	1988	1987	1986	1985
Net sales											
Chemicals	**7,902**	*7,525*	5,816	5,671	5,737	5,760	6,420	6,020	4,651	4,332	5,155
Coatings	**6,887**	*6,503*	4,024	4,062	3,851	3,929	3,659	2,794	2,415	2,314	2,171
Pharma	**3,669**	*3,421*	3,421	3,246	3,064	2,775	2,647	2,412	2,218	2,239	2,138
Fibers	**3,626**	*3,239*	3,239	3,762	4,262	4,852	5,210	4,678	4,291	4,513	4,835
Other activities and intercompany deliveries	**124**	*186*	9	(28)	(63)	(70)	(137)	(107)	(136)	(103)	(66)
	22,208	*20,874*	16,509	16,713	16,851	17,246	17,799	15,797	13,439	13,295	14,233
Divested operations**							937	784	2,096	2,320	3,777
Net sales	**22,208**	*20,874*	16,509	16,713	16,851	17,246	18,736	16,581	15,535	15,615	18,010
Operating income											
Chemicals	**712**	*478*	351	359	328	379	703	700	470	421	474
Coatings	**521**	*398*	199	203	221	251	281	210	164	132	130
Pharma	**655**	*590*	590	532	514	429	383	335	330	350	355
Fibers	**80**	*(21)*	(21)	127	102	218	268	195	129	350	404
Other activities and nonallocated items	**(36)**	*(41)*	(48)	(32)	(9)	(16)	14	(56)	(57)	(8)	(60)
	1,932	*1,404*	1,071	1,189	1,156	1,261	1,649	1,384	1,036	1,245	1,303
Divested operations**							64	40	145	220	162
Operating income	**1,932**	*1,404*	1,071	1,189	1,156	1,261	1,713	1,424	1,181	1,465	1,465
Invested capital											
Chemicals	**5,180**	*5,220*	3,476	3,406	3,476	3,461	3,607	3,455	2,765	2,386	2,393
Coatings	**2,798**	*2,970*	1,873	1,903	1,879	1,683	1,708	1,291	1,089	1,070	894
Pharma	**1,803**	*1,780*	1,780	1,616	1,484	1,338	1,330	1,390	1,152	1,069	987
Fibers	**2,117**	*2,653*	2,653	2,193	2,372	2,735	2,750	2,464	2,329	2,149	2,082
Other activities and nonallocated items	**53**	*77*	(173)	(166)	(95)	(191)	(337)	(169)	3	(151)	(86)
	11,951	*12,700*	9,609	8,952	9,116	9,026	9,058	8,431	7,338	6,523	6,270
Divested operations**							352	312	265	538	562
Invested capital	**11,951**	*12,700*	9,609	8,952	9,116	9,026	9,410	8,743	7,603	7,061	6,832

* *Figures for 1985 through 1988 restated for comparison.*

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

Regional statistics

Millions of guilders	**1994**	*pro forma 1993*	1993	1992	1991	1990	1989	1988	1987	1986	1985
The Netherlands											
Net sales by:											
– destination	**1,526**	*1,451*	1,366	1,467	1,517	1,532	1,612	1,706	1,948	1,902	1,988
– origin	**5,734**	*5,371*	5,252	5,446	5,720	5,809	6,156	6,022	5,763	5,721	6,234
Operating income	**434**	*289*	277	331	430	411	605	601	496	546	568
Expenditures for property, plant and equipment	**632**	*490*	485	392	499	524	493	465	451	442	424
Invested capital*	**3,420**	*3,460*	3,420	3,064	3,115	3,185	2,853	2,902	2,783	2,657	2,560
Number of employees*	**18,700**	*19,300*	19,100	19,900	20,500	22,100	22,300	22,700	22,500	23,900	23,100
Germany											
Net sales by:											
– destination	**2,937**	*2,858*	2,598	2,853	2,867	2,957	2,894	2,692	2,613	2,602	2,605
– origin	**3,292**	*3,255*	3,025	3,489	3,446	3,602	4,595	4,179	3,959	4,251	4,419
Operating income	**159**	*90*	78	231	169	209	341	261	240	433	384
Expenditures for property, plant and equipment	**196**	*170*	156	178	165	195	309	282	232	273	191
Invested capital*	**1,191**	*1,730*	1,655	1,681	1,726	1,651	2,022	1,785	1,714	1,651	1,679
Number of employees*	**11,800**	*13,700*	13,300	13,800	14,800	15,300	16,000	19,700	19,600	19,400	19,000
Rest of Europe											
Net sales by:											
– destination	**9,074**	*8,468*	5,464	6,009	6,135	6,375	6,831	6,125	6,404	6,617	6,739
– origin	**6,669**	*6,028*	2,757	2,871	2,854	3,095	3,008	2,566	3,094	3,056	3,063
Operating income	**707**	*500*	241	240	190	233	270	263	266	303	299
Expenditures for property, plant and equipment	**323**	*310*	147	116	146	172	174	209	163	157	124
Invested capital*	**3,358**	*3,600*	1,447	1,461	1,700	1,744	1,740	1,504	1,291	1,361	1,246
Number of employees*	**20,000**	*20,200*	9,400	9,800	10,700	12,500	12,700	11,700	11,600	13,200	12,500
North America											
Net sales by:											
– destination	**5,238**	*4,957*	4,401	3,865	3,783	3,700	4,016	3,128	2,333	2,224	3,923
– origin	**4,834**	*4,710*	4,169	3,732	3,577	3,446	3,487	2,664	2,014	1,918	3,510
Operating income	**435**	*390*	365	284	242	277	258	150	86	84	95
Expenditures for property, plant and equipment	**393**	*350*	321	203	142	160	197	251	209	207	231
Invested capital*	**3,021**	*2,930*	2,333	2,061	1,943	1,805	2,133	1,983	1,367	1,102	1,047
Number of employees*	**11,600**	*11,400*	10,700	10,700	10,600	10,500	10,500	8,900	7,500	6,200	5,400
Other regions											
Net sales by:											
– destination	**3,433**	*3,140*	2,680	2,519	2,549	2,682	3,383	2,930	2,237	2,270	2,755
– origin	**1,679**	*1,510*	1,306	1,175	1,254	1,294	1,490	1,150	705	669	784
Operating income	**197**	*135*	110	103	125	131	239	149	93	99	119
Expenditures for property, plant and equipment	**89**	*90*	61	44	55	78	124	63	40	27	38
Invested capital*	**961**	*980*	754	685	632	641	662	569	448	290	300
Number of employees*	**8,300**	*8,800*	8,200	8,300	8,600	9,400	9,400	8,100	6,200	5,700	5,000

* *At December 31.*

PRINCIPAL SUBSIDIARIES AND NONCONSOLIDATED COMPANIES

(other than holding companies and national organizations)

December 31, 1994

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

Chemicals

Netherlands **Akzo Nobel Chemicals International B.V.** and **Akzo Nobel Chemicals B.V.**, Amersfoort, with establishments in:
- the Netherlands*, Belgium*, Denmark*, Finland, France*, Germany, Italy*, Norway*, Portugal*, Russia*, Spain*, Sweden*, United Kingdom
- United States*, Canada
- Brazil*, Argentina, Chile*, Mexico, Netherlands Antilles, Venezuela
- Japan*, China*, Singapore*
- Australia*, New Zealand*

Netherlands (50) **Delamine B.V.**, Delfzijl
Germany (67) **Carbosulf Chemische Werke GmbH**, Cologne
Germany (67) **Rhodanid Chemie GmbH**, Cologne
Sweden (99) **EKA Nobel AB**, Bohus
Sweden (99) **Akzo Nobel Surface Chemistry AB**, Stenungsund
United States (99) **EKA Nobel Inc.**, Marietta, Georgia
United States **Filtrol Corporation**, Vernon, California
Japan (70) **Akzo Kashima Ltd**, Tokyo

Nonconsolidated companies:

Netherlands (50) **Akzo-PQ Silica v.o.f.**, Amersfoort
Netherlands (50) **Delesto B.V.**, Delfzijl
Netherlands (50) **Glucona v.o.f.**, Ter Apelkanaal
Netherlands (30) **Methanor v.o.f.**, Delfzijl
Netherlands (50) **ROVIN Rotterdamse Vinylunie v.o.f.**, Amsterdam
Germany (50) **Elektro-Chemie Ibbenbüren GmbH**, Ibbenbüren
Germany (50) **Kali-Chemie Akzo GmbH**, Hanover
France (50) **Eurecat S.A.**, La Voulte-sur-Rhône
U.K. (50) **Akcros Chemicals Ltd**, Eccles
Sweden (50) **Svensk Etanolkemi AB**, Örnsköldsvik
Brazil (40) **FCC-Fábrica Carioca de Catalisadores S.A.**, Rio de Janeiro
Japan (50) **Denak Co. Ltd**, Tokyo
Japan (50) **Kayaku Akzo Corporation**, Tokyo
Japan (50) **Lion Akzo Company Ltd**, Tokyo
Japan (50) **Nippon Ketjen Company Ltd**, Tokyo
Japan (50) **Tosoh Akzo Corporation**, Tokyo
India (47) **Centak Chemicals Ltd**, Calcutta
Malaysia (50) **Akzo Nobel Oleochemicals Sdn. Bhd.**, Selangor
Australia (50) **Pacific Chemical Industries Pty Ltd**, Camellia

Coatings

Netherlands **Akzo Nobel Coatings International B.V.**, Arnhem, and **Akzo Nobel Coatings B.V.**, Sassenheim, with establishments in:
- the Netherlands*, Austria, Belgium*, Denmark*, Estonia*, France*, Finland*, Germany*, Greece*, Hungary, Republic of Ireland*, Italy*, Luxembourg*, Norway*, Russia*, Spain*, Sweden*, Switzerland, Turkey*, United Kingdom*
- United States*, Canada*
- Brazil, Argentina, Mexico
- Japan, China*, Singapore*, Thailand*
- Morocco*

Netherlands (60) **Akzo Dexter Aerospace Finishes v.o.f.**, Sassenheim
Netherlands **Akzo Nobel Resins B.V.**, Bergen op Zoom
Sweden (99) **Casco Nobel AB**, Nacka
Turkey (51) **Akzo Kemipol A.S.**, Izmir
U.K. **Crown Berger Ltd**, Darwen

Nonconsolidated companies:

Turkey (43) **Dyo ve Sadolin A.S.**, Izmir
China (50) **Akzo Nobel Red Lion Powder Coatings Ltd**, Beijing
Malaysia (31) **Synthese (Malaysia) Sdn. Bhd.**, Kuala Lumpur

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

Pharma

Netherlands **N.V. Organon,** Oss
Netherlands **Chefaro International B.V.,** Rotterdam
Netherlands **Diosynth B.V.,** Oss
Netherlands **Intervet International B.V.,** Boxmeer
Netherlands **Rosemont B.V.,** Oss
Belgium **Organon Teknika N.V.,** Turnhout

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

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

Fibers

Netherlands **Akzo Nobel Fibers B.V.,** Arnhem
Netherlands **Akzo Nobel Geosynthetics B.V.,** Arnhem, with establishments in:
- the Netherlands, Germany, France

Netherlands (95) **Aramid Products v.o.f.,** Emmen
Germany (97) **Akzo Nobel Faser AG,** Wuppertal
Germany (97) **Akzo Nobel Faser Elsterberg GmbH,** Elsterberg
United States **Akzo Nobel Industrial Fibers Inc.,** Scottsboro, Alabama
United States **Fortafil Fibers Inc.,** Rockwood, Tennessee
Brazil (82) **COBAFI Companhia Bahiana de Fibras S.A.,** Salvador, Bahia
Brazil (51) **Polyenka S.A.,** São Paulo

Nonconsolidated companies:

Germany (48) **Kuagtextil GmbH,** Konz
Colombia (49) **Enka de Colombia S.A.,** Medellín
Ecuador (49) **Enkador S.A.,** Quito
Mexico (40) **Fibras Químicas S.A.,** Monterrey
India (39) **Century Enka Ltd,** Bombay

Other companies

Netherlands **Akzo Nobel Central Research B.V.,** Arnhem
Netherlands **Akzo Nobel Electronic Products B.V.,** Arnhem
Netherlands **Akzo Nobel Engineering B.V.,** Arnhem
Netherlands **Akzo Nobel Information Services B.V.,** Arnhem

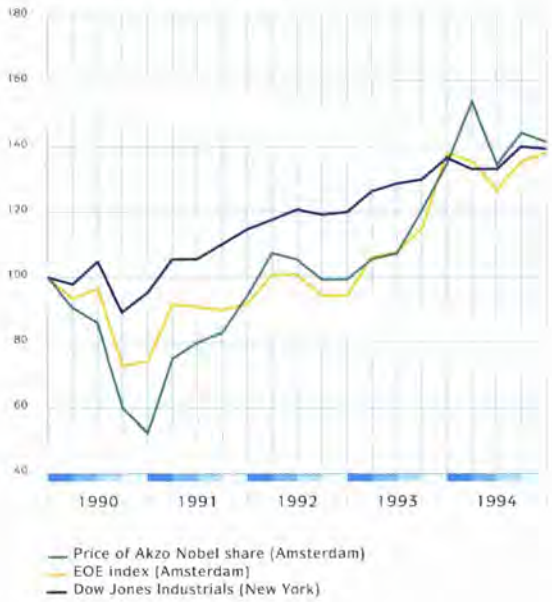
Nonconsolidated companies:

Sweden (40) **Njordkraft AB,** Nacka
United States (50) **AMP-Akzo Company,** Greenville, South Carolina

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

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

Price of Akzo Nobel share relative to Amsterdam/New York stock exchange indices (year-end 1989 = 100)



Dividends are paid through the following banks:

The Netherlands

ABN AMRO Bank, Amsterdam
Internationale Nederlanden Bank, Amsterdam
MeesPierson, Amsterdam
F. van Lanschot Bankiers, 's-Hertogenbosch
Rabobank Nederland, Utrecht

Germany

Deutsche Bank, Frankfurt/Main
Berliner Handels- und Frankfurter Bank, Berlin
Dresdner Bank, Frankfurt/Main
Sal. Oppenheim jr. & Cie., Cologne

Belgium

Generale Bank, Brussels
Paribas Bank België, Brussels
Kredietbank, Brussels

France

Lazard Frères & Cie, Paris
Banque Nationale de Paris, Paris

Luxembourg

Banque Générale du Luxembourg, Luxembourg

Austria

Creditanstalt-Bankverein, Vienna

United Kingdom

Barclays Bank, London
Midland Bank, London

Sweden

Skandinaviska Enskilda Banken, Stockholm

Switzerland

Schweizerische Kreditanstalt, Zurich
Schweizerische Bankgesellschaft, Zurich
Schweizerischer Bankverein, Basel
Pictet & Cie, Geneva

United States

Morgan Guaranty Trust Company, New York

	Dividend, in % of net income	Dividend, in % of net income, before extraordinary items	Number of shares of common stock outstanding at year end (in thousands)	Akzo Nobel shares sold (in millions) Amsterdam	London	Nasdaq (U.S.A.)
1994	42%	40%	71,070	38	22	4
1993	55% *	43% *	53,968	30	17	6
1992	46%	42%	45,996	26	14	6
1991	52%	43%	45,961	26	10	5
1990	44%	40%	44,421	21	7	4

Amounts in guilders	Net income per share**	Dividend per share	Stockholders' equity per share	Highest share price	Lowest share price	Year-end price
1994	16.58	7.00	88.04	229.00	187.60	200.40
1993	11.67	6.50	113.99	200.70	134.50	188.00
1992	14.06	6.50	110.40	166.20	123.70	140.10
1991	12.89	6.50	103.62	134.60	70.90	133.40
1990	15.06	6.50	104.50	141.90	63.20	74.70

At November 30, 1994, about 8% of common stock was owned by private investors and about 92% by institutional investors.

Quarterly net income per share**

Amounts in guilders	I	II	III	IV
1994	3.96	4.05	4.53	4.04
1993	3.43	3.30	2.47	2.50
1992	4.48	4.75	3.52	1.31
1991	4.33	4.29	3.57	0.78
1990	4.66	4.69	3.73	2.02

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

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

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

The symbol ® indicates trademarks registered in one or more countries.

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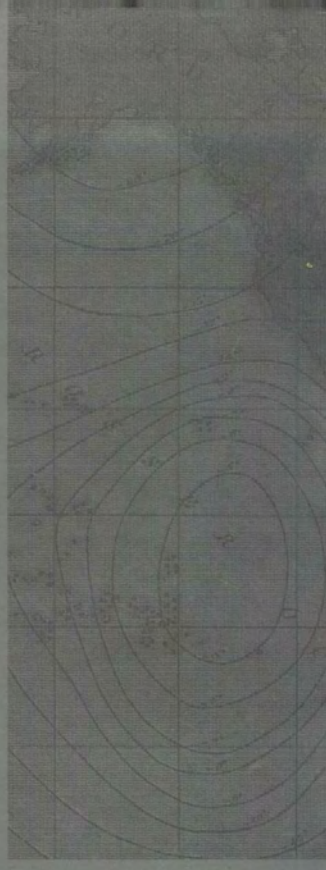
Definitions of certain financial ratios and concepts used in this Annual Report (pto)