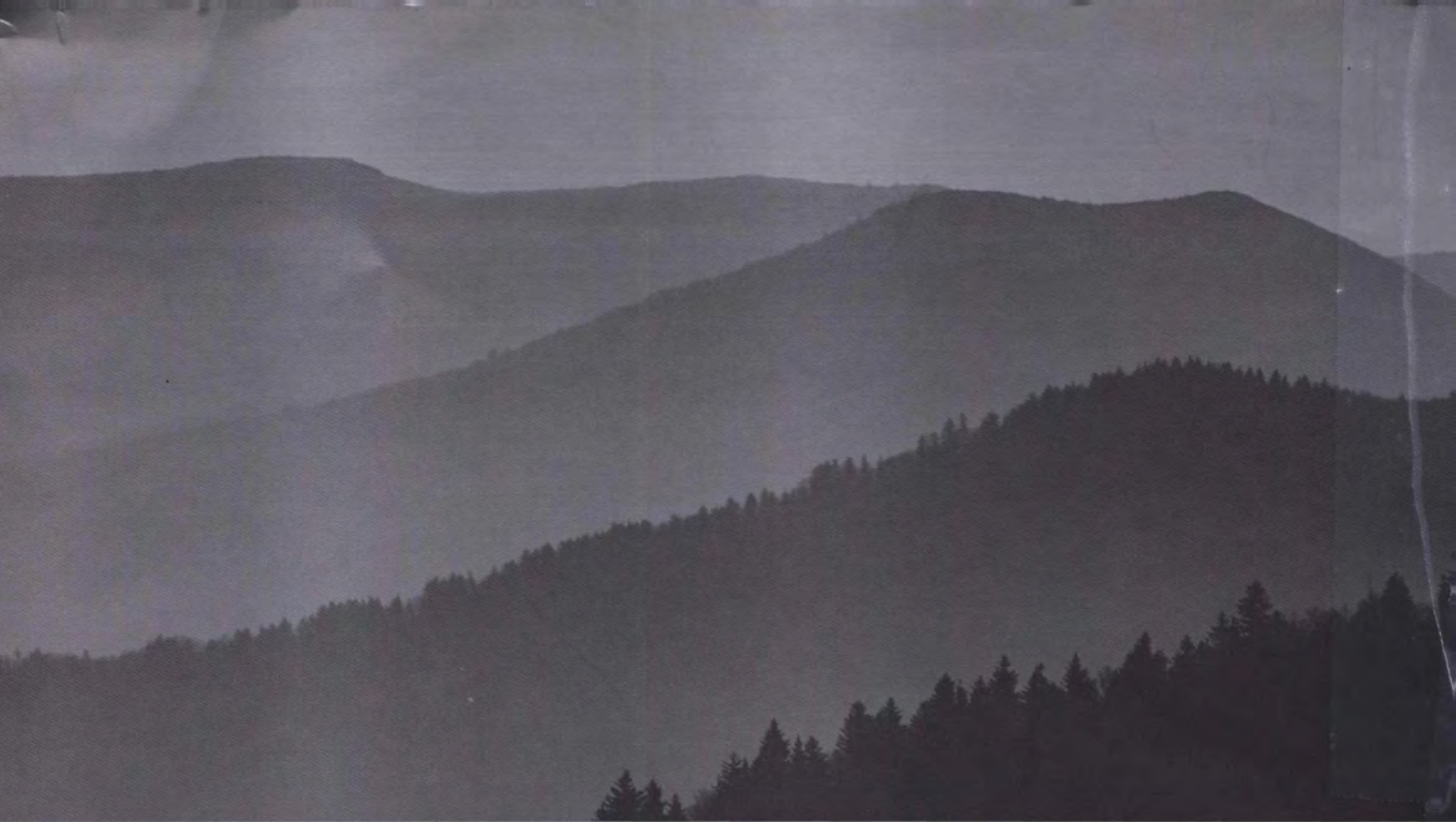


Annual Report 1995

AKZO NOBEL

PROFILE

Akzo Nobel, headquartered in Arnhem, the Netherlands, is a company with almost 70,000 employees and activities in more than 50 countries. Consolidated sales aggregated NLG 21.5 billion in 1995. A market-driven and technology-based company, it serves customers throughout the world with chemicals, coatings, healthcare products, and fibers.

Akzo Nobel's objective is to acquire new and defend existing leadership positions in its markets, while maintaining structural long-term profitability.

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

Akzo Nobel regards people as its most important resource. It fosters leadership, individual accountability, and teamwork.

The Company conducts a proactive environmental policy with respect to its products and processes.

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

CONTENTS

AGENDA

Agenda for the Annual Meeting of Stockholders of Akzo Nobel N.V. to be held in Musis Sacrum, Velperbuitensingel 25, Arnhem, the Netherlands, on Thursday, April 25, 1996, at 2:00 p.m.

1 Opening

2 Report of the Board of Management for the fiscal year 1995

3 Approval of the 1995 financial statements of Akzo Nobel N.V. and of the dividend

4 Determination of the number of members of the Supervisory Board; appointments to the Supervisory Board

5 Determination of the number of members of the Board of Management

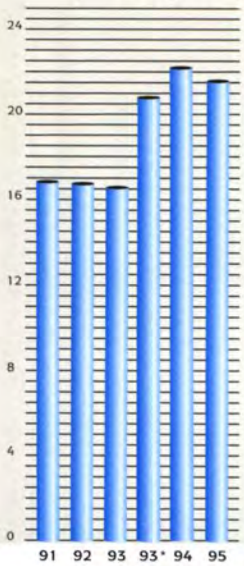
6 Proposal to authorize the Board of Management to issue shares and to restrict or disregard the preemptive rights of stockholders

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

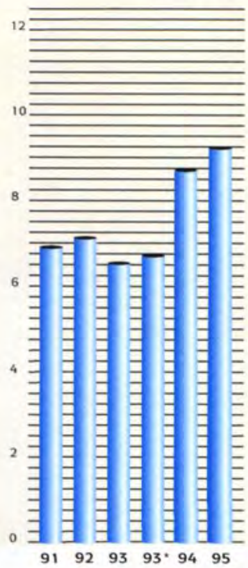
8 Any other business

FINANCIAL HIGHLIGHTS[1]

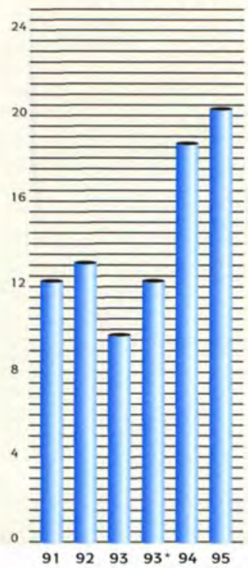
Net sales
(billions of guilders)



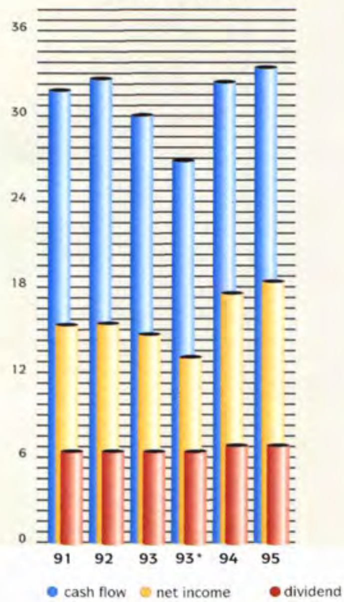
Operating income,
as percentage
of net sales



Net income
as percentage
of average
stockholders' equity



Cash flow, net income
before extraordinary
items, and
dividend per share
of NLG 20 *(in guilders)*



* Pro forma

Millions of Netherlands guilders (NLG)	**1995**	1994
Net sales	**21,488**	22,208
Operating income	**1,973**	1,932
Net income	**1,314**	1,178
Cash flow	**2,449**	2,364
Stockholders' equity	**6,605**	6,257
Property, plant and equipment		
– expenditures	**1,652**	1,633
– depreciation	**1,076**	1,137
Per share of NLG 20, in NLG		
Net income	**18.49**	16.58
Cash flow	**33.57**	32.46
Dividend	**7.00**	7.00
Stockholders' equity	**92.92**	88.04
Key ratios		
Operating income, as % of net sales	**9.2**	8.7
Operating income, as % of average invested capital	**16.0**	15.7
Net income, as % of average stockholders' equity	**20.4**	18.7
Interest coverage	**7.6**	6.8
Equity/net debt	**0.61**	0.60
Number of employees at year end	**69,800**	70,400

[1] *For definitions of certain financial ratios and concepts see back cover foldout.*

CHAIRMAN'S STATEMENT

1995 was a year of mixed blessings. Although our results were the best in the Company's history, they fell short of our targets. The slowdown in growth in Europe which occurred during the year and the strong appreciation of the Netherlands guilder and the Deutsche mark relative to other currencies were the main factors contributing to this development.

In Europe and the United States, our most important markets, the year started with encouraging economic growth. In Japan, however, the Kobe earthquake of January 1995 aggravated the already depressed state of the economy, which had plagued the country throughout the previous year. In contrast to Japan, most other Asian countries continued to do well, although their impressive growth rates were on the whole somewhat lower than in 1994. Latin America first had to absorb the Mexican shock before its economies gained strength again.

In this economic climate, volumes and prices for most bulk products in the European chemical industry continued their upward trend during the first two quarters of the year, in part driven by strong exports. As bulk products only represent a relatively small percentage of our chemicals business, we benefited insufficiently from this general trend to offset the margin squeezes in Coatings and Fibers, where higher prices for chemicals translate into higher raw material costs. Later in the year, the recovery in Europe seemed to run out of steam, and prices and volumes of chemicals stabilized or began to decline.

On top of the slowdown in growth in Europe, there were some important adjustments in exchange rates. Over sixty percent of our European production capacity is concentrated in the DEM-NLG zone. Since we are a net exporter to most other European currency areas, our competitive position was increasingly eroded as the appreciation of DEM and NLG mounted to approximately 10 percent relative to other European currencies. The appreciation was even higher with respect to the U.S. dollar and caused substantial translation losses. Altogether the negative impact on sales was of the order of NLG 1.1 billion, which translated into a reduction in operating income by almost NLG 150 million.

Although we indicated these growth and currency risks in our previous Annual Report and stated that they could affect our basically positive outlook, we had not foreseen—and were therefore surprised by—the magnitude of the actual developments. We do not refer to these outside factors by way of excuse; we realize that these are facts to which we must adjust. They require an even greater emphasis on using the total purchasing power of the Company, aggressive marketing to improve margins, and—last but not least—ongoing efforts to increase productivity. Given the firm resistance in the market to price increases and the strong currencies in our major production zones, Akzo Nobel must continue to reduce its cost levels. This will almost inevitably lead to a further reduction in the number of people we employ in Western Europe.

At the same time we feel that the public authorities in Europe should provide more stability on the currency front. The present political doubts concerning the EMU are creating a climate of uncertainty. Stability calls for clear progress in decision making on the common currency and its introduction among the so-called strong currency countries. However, it also requires that the parities of the countries which may join the EMU in a second phase be brought into line. If such currencies as sterling, peseta, and lira are allowed to continue to move in a wide band against the currencies of the countries that will adopt the common currency in the first phase, fair competition in Europe may be endangered, possibly causing a shift in investments away from the Euro-denominated area.

As Akzo Nobel entered the second year of its existence in 1995, the integration process moved center stage. We acquired the remaining 0.7 percent of Nobel's outstanding capital and thus became full owners. The integration activities proceeded according to plan. After some immediate benefits had been realized, the integration process entered a more detailed and sensitive phase, which also involved layoffs. Plants, warehouses, and offices were closed or downsized, particularly in the United Kingdom, Belgium, and Sweden. Related activities were brought together under one management; some less related activities were divested.

As in any integration process, we experienced some unrest in our organization and readjustments in our markets. But the process has been kept under control and has not caused any delay or major surprises. So far the expected advantages have only been realized partially because the process has not yet been completed. A major setback we experienced was the loss of margin in Coatings—in line with the rest of the industry—due to raw material price increases. We are convinced, however, that the expected benefits will materialize as a result of strict adherence to the integration plan.

The emphasis on Akzo Nobel's integration process did not divert our attention from restructuring and improving the composition of our portfolio. In Fibers we closed one plant and announced the closure of another, and divested two noncore businesses; at the same time we acquired a nonwovens operation in the United States. Smaller adjustments took place in our chemical and healthcare activities. Geographically, we strengthened our infrastructure in Asia, notably in the People's Republic of China and Indonesia. In addition, we acquired some companies, concluded joint venture agreements, and signed letters of intent in various Asian countries.

For healthcare activities, too, 1995 brought mixed blessings. A positive factor was very strong volume growth in all fields which easily offset the currency impact to which this part of our business is particularly vulnerable. On the negative side, a scientific debate erupted during the last quarter on the relative risk of venous thrombosis associated with the use of oral contraceptives. We regret the confusion among users by conflicting statements from public authorities. The excellent safety record of oral contraception remains undisputed. It is becoming increasingly clear from the latest research data that last year's debate has not originated from product differences, but from the differences that appear to exist between the user groups of older and newer oral contraceptives. We will provide the fullest assistance to health experts and authorities worldwide to help produce a complete and balanced view of all safety aspects of oral contraception.

MANAGEMENT AND SUPERVISION

Our expectations for 1996 are moderate. For the first six months, the underlying trend is weaker than in the same period of last year, but hopefully the economy will pick up in the second six months. If this happens, and if the debate over oral contraceptives can soon be resolved in a satisfactory manner, we should be able to produce sales and earnings of the same order of magnitude as in 1995.

In 1996 our performance will again depend decisively on our employees. They have demonstrated their ability to adapt the Company to changing and often adverse conditions beyond their control. We appreciate their dedication and are grateful for their efforts and the understanding they have shown for the continuing emphasis on productivity improvement and related restructuring programs. It is our collective duty toward them, the customers we serve, and the communities in which we operate not to be content with good financial results alone but to make constant improvements in our health, safety, and environmental performance.

Cees J.A. van Lede

Supervisory Board

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

[1] *Member of Remuneration Committee*
[2] *Member of Audit 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 Karnebeek (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 Executive Vice Presidents:

Peter J. Baart (1935), *Human Resources and Chairman of Akzo Nobel Nederland B.V.*
Syb Bergsma (1936), *Financial Affairs*
Jean den Hoed (1937), *Administration and Control*
Joop F. Sistermans (1942), *Strategy and Technology*

REPORT OF THE SUPERVISORY BOARD

Changes in the Supervisory Board

At the Annual Meeting of Stockholders of April 27, 1995, Mr. J.E. Kvarnström was appointed a member of the Supervisory Board to succeed Mr. B. Magnusson, who resigned from the Board effective the same date. The terms of office of Messrs. A.E. Cohen, H.A. van Stiphout, and L.C. van Wachem as members of the Supervisory Board expired at the end of the Annual Meeting of Stockholders. They were immediately reappointed. We are grateful for Mr. Magnusson's contribution in paving the way for a smooth transition of the Nobel companies to Akzo Nobel.

In conformity with the announcement made at the Annual Meeting of Stockholders of April 26, 1994, Mr. A.A. Loudon took over the chairmanship of the Supervisory Board from Mr. F.H. Fentener van Vlissingen after the Annual Meeting of Stockholders of April 27, 1995. Mr. Fentener van Vlissingen was appointed a Deputy Chairman.

In early September 1995, we received the sad news that Mr. van Stiphout had passed away. He had been a member of the Supervisory Board of Akzo Nobel N.V. and its predecessor since 1982. For many years, he had made a significant contribution to the development of Akzo Nobel N.V. as well as Akzo Nobel Nederland B.V., where he was also a member of the supervisory board. We will gratefully remember him for his great commitment and dedication to our Company.

At the Annual Meeting of Stockholders to be held on April 25, 1996, Mr. J.G.A. Gandois and Mr. D. Wendelstadt will resign from the Supervisory Board, as their terms of office are expiring. They will be recommended for reappointment. For the present it is not our intention to make a recommendation for filling the vacancy in connection with Mr. van Stiphout's death.

Changes in the Board of Management

Mr. A.G. Vermeeren will resign as Deputy Chairman of the Board of Management effective May 1, 1996, as he reached the mandatory retirement age in 1995. During his forty-year career with the Company, Mr. Vermeeren has held a large number of positions within Akzo Nobel N.V., its predecessor, and subsidiaries. He has been a member of the Board of Management since 1993. In 1994, he was appointed Deputy Chairman. From 1982 till 1993, Mr. Vermeeren had been President of Pharma and before that he had chaired the boards of N.V. Organon and Organon International B.V. We are greatly indebted to him for his outstanding contribution to the development of our Company and the Pharma business in particular. Mr. H.A. van Karnebeek will succeed him as Deputy Chairman. In the Board of Management, Mr. O. Mattsson will take responsibility for all Coatings activities.

At the Annual Meeting of Stockholders of April 25, 1996, it will be proposed that membership of the Board of Management be reduced to six.

Changes in the Management Council

On February 1, 1995, Mr. J.C.P. van Oosterom, Executive Vice President – Strategy and Planning, concluded a distinguished career of almost 35 years with Akzo Nobel. He made valuable contributions to the chemical activities, lastly as President of the former

Chemicals Division and played an important role in the merger of Akzo and Nobel. We are greatly indebted to Mr. van Oosterom for his significant services to the Company.

On June 1, 1995, Mr. F.L. Vekemans, Executive Vice President – Human Resources, resigned after a career of 36 years with the Company. We are very grateful to Mr. Vekemans for the manner in which he accomplished the tasks entrusted to him. Effective the same date, Mr. P.J. Baart was appointed Executive Vice President – Human Resources; he remains chairman of the board of Akzo Nobel Nederland B.V.

Supervision

During the year the Supervisory Board regularly received reports on the Company's business and consulted periodically with the Board of Management on such issues as strategy, 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 the Board of Management, the Executive Vice Presidents for Financial Affairs and Administration & Control, the internal auditor, and external auditor about the financial statements, the administrative organization, and internal control.

Financial statements and dividend proposal

We herewith submit for stockholders' approval at the Annual Meeting of April 25, 1996, the financial statements of Akzo Nobel N.V. for 1995 as prepared by the Board of Management. These financial statements have been audited by KPMG Accountants N.V. Their report appears on page 68. 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 9. We recommend that you adopt 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 23, 1996

The Supervisory Board

REPORT OF THE BOARD OF MANAGEMENT

Results of operations in 1995

Akzo Nobel's 1995 net income of NLG 1,314 million exceeded the previous year's figure by NLG 136 million. Although the results were the best in the Company's history, they fell short of our targets, principally due to the slowdown in growth in Europe during the year and the strong appreciation of the Netherlands guilder and the Deutsche mark relative to other currencies.

In Europe and the United States, Akzo Nobel's principal markets, the year started with encouraging economic growth. Volumes and prices for most bulk chemicals continued their upward trend during the first half year, but subsequently they began to decline and in some instances dropped dramatically. Initially, Akzo Nobel benefited from this general trend. The positive effects, however, were largely offset by margin squeezes in Coatings and Fibers, where higher prices for chemicals translate into higher raw material costs.

Sales decreased to NLG 21.5 billion mainly due to translation of sales of foreign subsidiaries into Netherlands guilders (NLG 1.1 billion) and divestments.

Operating income of NLG 1,973 million exceeded the 1994 figure by NLG 41 million, despite negative currency effects of some NLG 150 million (mainly due to translation).

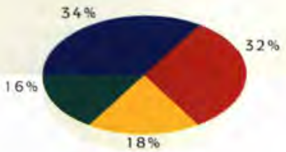
Sales of Chemicals totaled NLG 7,342 million, down 7 percent from 1994 sales of NLG 7,902 million. While Pulp and Paper Chemicals and Functional Chemicals posted gains in sales, Salt America, Catalysts, and Polymer Chemicals registered substantial decreases. At NLG 608 million, operating income remained 15 percent below the 1994 figure of NLG 712 million. This was largely attributable to the disappointing performance of Catalysts and depressed earnings of Salt America due to lower shipments and the effects of the closure of the Retsof mine.

At NLG 6,840 million, sales of Coatings were 1 percent below the 1994 amount of NLG 6,887 million. Due to the economic climate, major increases in raw material prices at the end of 1994 and during the first half of 1995 could not be passed on completely, resulting in a decrease of margins. Some compensation was provided by substantial cost savings principally attributable to the Akzo-Nobel merger. Furthermore, the results of operations were affected by weaker markets than in 1994, notably for Decorative Coatings in the United Kingdom and Spain, and for Car Refinishes in the United States. The net effect of these trends was a NLG 47 million decrease in operating income, from NLG 521 million in 1994 to NLG 474 million in 1995.

Pharma concluded another good year. Sales were up 3 percent from NLG 3,669 million in 1994 to NLG 3,774 million. Operating income advanced 15 percent from NLG 655 million in 1994 to NLG 750 million, while expenditures for research and development again rose substantially. Intervet, Diosynth, and the international operations of Organon

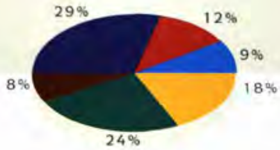
Breakdown by activity in 1995 net sales terms (as %)

- Chemicals
- Coatings
- Pharma
- Fibers



Breakdown by geographic area on the basis of invested capital at December 31, 1995 (in %)

- The Netherlands
- Germany
- Sweden
- Rest of Europe
- North America
- Other regions



were the principal contributors to the improvement in income.This gratifying trend of business was upset in the fourth quarter by negative publicity about low-dose, third generation contraceptive pills. In Europe, negative statements from some national health authorities contrasted sharply with the recommendation of the CPMP (the European Committee on Proprietary Medicinal Products). The adverse publicity on oral contraceptives had a limited negative effect on sales and income for the fourth quarter.

In the first half of 1995, Fibers showed volume gains for most products, reflecting slight growth in principal markets. After the summer, however, the business climate deteriorated at an increasingly rapid pace. Sales were down 1 percent from NLG 3,626 million in 1994 to NLG 3,584 million in 1995. Excluding divestments, sales increased 8 percent. Compared to the previous year, operating income almost doubled from NLG 80 million (2.2 percent of sales) in 1994 to NLG 158 million (4.4 percent of sales) in 1995. Textile Fibers, in particular, contributed to this improvement in earnings. Consistent streamlining of the product portfolio and cost containment were major contributing factors to higher operating income. Portfolio improvements were achieved by the divestment of a 51 percent interest in the polyester textile yarn company Kuagtextil GmbH at the end of 1994, the closedown of the polyester staple plant at Emmen, the Netherlands, during the year, and the sale of packaging resins to Wellman Inc. in the United States at December 31, 1995.

At the end of the year the plan to phase out the industrial rayon yarn plant in Arnhem was announced.

For a detailed report on 1995 operations see pages 22 through 47.

Dividend proposal

Based on the average number of outstanding shares in 1995, net income per share was NLG 18.49, against NLG 16.58 in 1994. Net income per share before extraordinary items was NLG 18.46, compared to NLG 17.64 in 1994.

We will propose at the Annual Meeting of Stockholders of April 25, 1996, that the 1995 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 1995. If the dividend proposal is adopted, NLG 498 million of net income will be allocated for dividend payment. The dividend payout will thus be 38 percent of net income before extraordinary items, versus 40 percent in 1994.

Notes to the financial statements

In order to enhance insight into our financial statements, the notes to the consolidated statements on pages 57 through 63 have been extended to include additional information on specific items. These additional disclosures are also in keeping with international accounting trends.

Sales, costs, and income

The decline of NLG 0.7 billion relative to the 1994 net sales figure of NLG 22.2 billion was the net result of substantial negative currency translation effects (5 percent), and of acquisitions and divestments (3 percent) on the one hand, and price increases (3 percent) and volume growth (2 percent) on the other.

Condensed statement of income

Millions of guilders	**1995**	1994
Net sales	**21,488**	22,208
Cost of sales	**(13,159)**	(13,623)
Gross margin	**8,329**	8,585
Selling, R&D, and G&A expenses	**(6,356)**	(6,653)
Operating income	**1,973**	1,932
Financing charges	**(260)**	(285)
	1,713	1,647
Taxes	**(495)**	(458)
Earnings of consolidated companies	**1,218**	1,189
Earnings from non-consolidated companies	**137**	102
	1,355	1,291
Minority interest	**(43)**	(38)
Net income before extraordinary items	**1,312**	1,253
Extraordinary items	**2**	(75)
Net income	**1,314**	1,178

As raw material price rises could not sufficiently be passed on in selling prices, raw material costs as a percentage of sales increased from 31.9 percent in 1994 to 33.3 percent in 1995. Compensation was provided by lower production costs due to efficiency measures. On balance, the gross margin rose slightly from 38.7 percent to 38.8 percent of sales. Selling, R&D, and G&A expenses were reduced from 30.0 percent to 29.6 percent of sales, so that operating income expressed as a percentage of sales was up from 8.7 percent in 1994 to 9.2 percent in 1995.

Operating income of NLG 1,973 million exceeded the 1994 figure (NLG 1,932 million) by 2 percent. Throughout the year Pharma and Fibers did better. The results of Chemicals and Coatings fell below the 1994 level as the year drew on.

Financing charges aggregated NLG 260 million, 9 percent lower than the 1994 amount of NLG 285 million. The decrease was principally caused by financial surpluses, which occurred during 1994 and in the beginning of 1995, and by generally lower interest rates than in the previous year.

Taxes expressed as a percentage of operating income less financing charges were 29 percent, versus 28 percent in 1994. The increased tax burden was mainly due to the reduced availability of tax loss carryforwards in various countries.

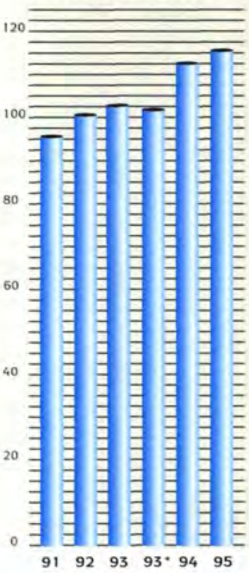
Akzo Nobel's earnings from nonconsolidated companies increased from NLG 102 million in 1994 to NLG 137 million in 1995. The increase in earnings was mainly due to the results of Flexsys, the rubber chemicals joint venture with U.S.-based Monsanto Company, which has contributed to earnings from nonconsolidated companies since January 1, 1995, and to the improved results of Fibras Químicas, the Fibers joint venture in Mexico. Methanor's contribution declined strongly. Overall results of the other nonconsolidated companies were on a level with the previous year.

Extraordinary items, on balance a positive amount of NLG 2 million after taxes, consist of extraordinary gains (NLG 173 million) relating to divestments, and of extraordinary losses (NLG 171 million) relating to restructuring measures and the divestment of our share in AMP/Akzo Company.

Net income was NLG 1,314 million, up 12 percent from 1994 net income of NLG 1,178 million. Net income expressed as a percentage of average stockholders' equity was 20.4 percent (1994: 18.7 percent).

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

Value added
per employee
(thousands of guilders)



* Pro forma

Value added, defined as the aggregate amount of labor costs, financing charges, income taxes, and income from normal operations, was NLG 8.1 billion (1994: NLG 8.2 billion). The share of labor costs in value added was 73 percent (1994: likewise 73 percent).

Capital investments, depreciation, and financial position

In 1995, expenditures for property, plant and equipment aggregated NLG 1,652 million (1994: NLG 1,633 million). Expenditures were higher for Pharma, Coatings, and Chemicals, and lower for Fibers. Project authorizations aggregated NLG 1.9 billion (1994: NLG 2.0 billion).

Depreciation was NLG 1,076 million, compared with NLG 1,137 million in 1994.

Due to the exercise of stock options, the number of shares of common stock outstanding increased by 9,632 from 71,070,110 at December 31, 1994, to 71,079,742 at year-end 1995.

Equity grew NLG 0.4 billion, despite negative currency translation effects and charged goodwill. The equity/net debt ratio increased from 0.60 at the end of 1994 to 0.61 at year-end 1995. Interest coverage improved from 6.8 in 1994 to 7.6 in 1995.

In October 1995, Akzo Nobel issued 7 percent bonds in the Dutch market in the amount of NLG 500 million due in 2005 and with effective interest costs of 6.9 percent. Given the long maturity of this loan, the overall maturity of long-term debt improved; more than 50 percent of long-term debt now has a maturity longer than 5 years.

While maintaining the total mix of fixed rate debt and floating rate debt, we concluded a 10-year swap agreement in the amount of NLG 320 million, under which we exchanged a fixed rate liability for a floating rate AIBOR-related liability. At the same time we exchanged a floating rate liability covering USD 200 million for a fixed rate liability (5.8 percent per annum).

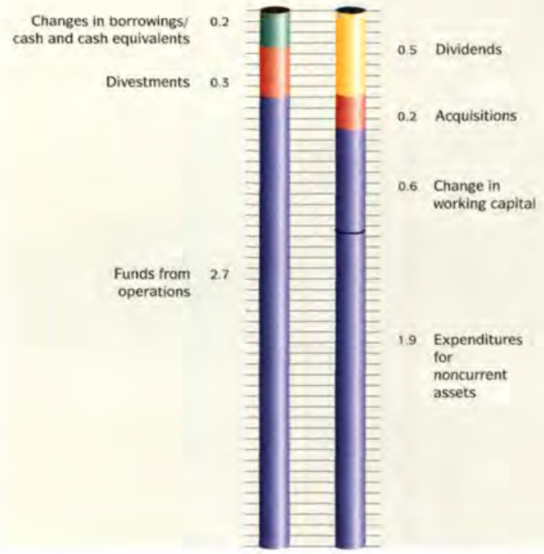
The Company has a standby multicurrency loan facility for an amount of USD 700 million and a remaining maturity of 6 years.

In 1995, Akzo Nobel generated cash of NLG 3.0 billion, with NLG 2.7 billion being provided by operations and NLG 0.3 billion by divestments. Expenditures for noncurrent assets aggregated NLG 1.9 billion; NLG 0.2 billion was spent on acquisitions. Working capital absorbed NLG 0.6 billion, mainly for inventories. The net effect was a cash outflow of NLG 3.2 billion (including NLG 0.5 billion for dividend payments), resulting in an increase of interest-bearing debt by NLG 0.2 billion, while cash and cash equivalents were maintained at about the same level.

Condensed statement of cash flows

Millions of guilders	**1995**	
Cash flow		**2,449**
Other items		**244**
Funds from operations		**2,693**
Divestments		**294**
Funds generated		**2,987**
Expenditures for noncurrent assets	**(1,878)**	
Acquisitions	**(202)**	
Change in working capital	**(567)**	
Dividend payments	**(512)**	
Funds used		**(3,159)**
Change in interest-bearing debt		**158**
Other items		**(15)**
Change in cash		**(29)**
Cash and cash equivalents at December 31, 1995		**699**
Cash and cash equivalents at December 31, 1994		728

Consolidated statement of cash flows
1995 (*billions of guilders*)



Outlook for 1996

Our expectations for 1996 are moderate. For the first six months, the underlying trend is weaker than in the same period of last year, but hopefully the economy will pick up in the second six months. If this happens, and if the debate over oral contraceptives can soon be resolved in a satisfactory manner, we should be able to produce sales and earnings of the same order of magnitude as in 1995.

Expenditures for property, plant and equipment will amount to approximately NLG 1.8 billion in 1996 (1995: NLG 1.7 billion).

In 1996, new funds will be attracted for the repayment of borrowings as far as ongoing operations are concerned.

The number of employees will be lower than in 1995, not counting acquisitions and divestments.

Health, Safety, and the Environment

Our second Corporate Environmental Report, consolidating the emission data for Akzo Nobel worldwide, was published in August 1995. Concurrently with its publication, the Board of Management set a number of environmental and safety targets to be met or surpassed by the year 2000.

Our policy emphasizes the vital importance of making both production processes and products more environmentally friendly in the interest of a sustainable business. Environmental issues are increasingly an important factor in the choice of raw materials, processes, and products. R&D projects will be led by these trends.

We will promote careful attention to the health, safety, and environmental aspects of our processes and products by bringing Akzo Nobel's Environmental Management System (EMS) into line with the ISO 14001 standard.

Human Resources

The integration process set in motion after the merger of Akzo and Nobel is nearing completion with the introduction and implementation of uniform personnel policies during 1995. Clear human resources management guidelines were formulated concerning the responsibilities at the business and service unit levels and those at the corporate level. Management development procedures and activities were adjusted accordingly.

In view of the adoption of a Master Program for management development originating from the former Nobel organization, the education and training schedule was restructured.

In order to assure an adequate inflow of university-trained executive potential, the recruitment program for university graduates was intensified and extended, particularly where Sweden and the United States are concerned.

Manpower planning focused on filling the need for experienced executives and specialists principally caused by business acquisitions and expansion in Asia.

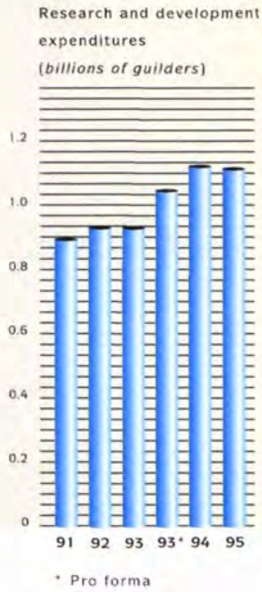
In the field of compensation and benefits, the ranking of all executive positions in the Company worldwide was completed. In Akzo Nobel's key countries a consistent remuneration system for executives is now in place, safeguarding internal and external equity.

The 1995 Education/Industry Partnership (EIP) Award was granted to a joint project of Coatings, Pharma and Chemicals, and the Thomas More Teachers Training College in Rotterdam. The EIP approach has won national and international recognition. From 1996 the Association of the Dutch Chemical Industry (VNCI) will coordinate and implement the EIP promotion activities in the Netherlands. CEFIC, the European Federation of Chemical Industries, will undertake similar activities at an international level.

In 1995, the Akzo Nobel Science Award (previously known as the Akzo Prize) was conferred upon professor C.J.M. Melief. Professor Melief, who works for the immunohematology department and blood bank of the University Hospital in Leiden, the Netherlands, has made a major, internationally recognized contribution to the development of immunological methods for cancer therapy.

Number of employees	**Dec. 31, 1995**	Dec. 31, 1994
Chemicals	**15,100**	15,800
Coatings	**21,400**	21,500
Pharma	**14,400**	14,200
Fibers	**15,100**	15,200
Other units	**3,800**	3,700
Total	**69,800**	70,400

The decrease by 600 was the net effect of restructuring measures (−1,100), acquisitions and divestments (+200), and an autonomous increase at Pharma (+300).



Research and Technology

At NLG 1,112 million, R&D expenditures were somewhat lower than in 1994 (NLG 1,124 million). An increase for Pharma was offset by slight declines for the other business groups. Research staff decreased from 6,600 to 6,500. As a percentage of sales, R&D expenditures rose from 5.1 percent in 1994 to 5.2 percent in 1995.

The management structure defined in 1994 for the steering of research programs was further developed and implemented in 1995. This resulted in transparently formulated research programs at the corporate level and for the specific business units.

Most of the research activities are undertaken by or on behalf of the business units.

The corporate research program mainly comprises exploratory research in fields that Akzo Nobel has designated as core competences, namely Catalysts, Polymers, Interface Chemistry, Process Technology, and Biotechnology. The principal objective of corporate research programs is the advancement of internal growth. The research work is therefore aimed at generating and developing new strategic potential.

In 1995, corporate research activities focused on:

- advanced polymerization catalysts
- catalytic processes in combination with recoverable raw materials
- specific polyunsaturated fatty acids
- high-value-in-use polymers
- modern separation technology

Other research focuses are macroporous products (MPP) and photonics.

Nationally and internationally, Akzo Nobel cooperates closely with universities in a variety of research projects.

To illustrate the development and application of new technologies by the business units, we are highlighting a few items as we did in previous years.

Polymer chemicals

Polymers have become an indispensable element in our lives. Polyethylene, polypropylene, polystyrene, and polyvinyl chloride have shown enormous growth since their invention more than 50 years ago. Today, the development of new polymers and modified polymers specially engineered to match new needs is still continuing at a high pace.

Akzo Nobel's business unit Polymer Chemicals serves the polymer producing industry with the polymerization initiators without which the polymers could not be manufactured economically. The most prominent initiators are the organic peroxides and the Ziegler-Natta catalyst systems. Both need to be handled with care. Organic peroxides are temperature sensitive: when a critical temperature is exceeded, they will decompose violently, causing an explosion or a fire. The metal alkyl co-catalysts as part of the Ziegler-Natta systems are pyrophoric—that is to say, they will ignite instantaneously when coming into contact with air or water.

Polymer Chemicals is a leader in the polymerization initiator business. It has made safety—in manufacturing, storage, transportation, and use by the customers—a top priority. The research efforts in this field have resulted in better controlled production processes and organic peroxides with superior safety profiles. Polymer Chemicals can thus provide customers with organic peroxide suspensions and emulsions combining high polymerization activity with high safety. The business unit was the first to ship organic peroxides in bulk, using special, refrigerated containers. This has proven a major benefit to customers, saving them a lot of handling and by the same token reducing risks. The knowledge and experience commanded by the Safety Laboratory in Deventer has won official recognition: many new international transportation and safety regulations are based on work performed there.

Polymerization technology is making rapid strides, with metallocene-based catalyst systems the latest product to emerge. This new generation of polymerization catalysts enable the polymer producer to exactly control the properties of the polymer. Polymer Chemicals is running an extensive development program on metallocene catalysts and co-catalysts. A special feature of the market for these catalysts is the intensive cooperation between producer and individual customers, resulting in the introduction of new, customer-specific, high value added products.

Membranes

Membranes are thin porous films which can be made in various shapes from an assortment of polymers. The distinguishing feature of membranes is their selective permeability. Thus, they are permeable to gases, (most) liquids, and dissolved substances and particles up to a certain molecule or particle size, while remaining impermeable to larger solutes and particles. Membranes are therefore similar to sieves or filters. In magnitude, the particles retained by membranes range from a few micrometers (the size range typical of yeast cells, bacteria, and red blood cells) down to the size of a single molecule of a sugar or salt. The membrane pore size determines which substances may pass through.

Membrana, the business unit engaged in the production and sale of membranes, serves two different fields: medical and industrial. Medical membranes help save lives. In hemodialysis, they take over the vital functions of the kidneys in patients suffering from kidney failure. The membrane brings the patient's blood into contact with a rinsing fluid in a medical device called dialyzer or artificial kidney. By this means, toxic substances and water that would otherwise accumulate in these patients in the absence of natural excretion, are extracted from the blood and removed.

In open heart surgery, an oxygenation membrane constitutes the heart of a device called oxygenator or artificial lung. As these names suggest, the device takes over the patient's lung function when the blood circulation is temporarily stopped during surgery. The membrane mediates the exchange of oxygen and other gases between the patient's blood flowing on one side of it, and a continuous oxygen stream on the other.

Every year, Membrana's products provide life support to more than 130,000 dialysis patients and more than 400,000 heart patients. The requirements for membranes in these applications are demanding. Apart from tight specifications concerning their physical performance, these membranes should only minimally interfere with the body's immune system: i.e., they should display good hemocompatibility.

Two new dialysis membranes—Bioflux and SPAN®—were introduced in 1993 and 1994, and two additional new types will be commercialized in the coming two years. These new types will enable Membrana to maintain its leading position in this field. Furthermore, completely new medical membrane applications are currently under investigation, which may help to treat diabetes or other diseases caused by a deficiency of certain substances normally produced by the body. Also showing potential for the future are hybrid devices, such as artificial livers, in which living cells combine with membranes.

Industrial membranes mostly serve in microfiltration, separating minute particles of contaminants from solutions. Such microporous membranes can be found in numerous production processes. The food and beverage industry uses Membrana products to sterilize or purify wine, fruit juice, and vinegar. Industrial dialysis can also be employed to make alcohol-free beer. The electronics industry uses membranes to clean cutting fluids in the production of silicon chips. In addition to these applications, new ones are continuously opening up in environmental hygiene: for example in waste water or flue gas treatment.

In 1993, Membrana introduced MicroPES, a family of flat sheet and capillary membranes made from polyether sulfone, which rounded out the business unit's range of products. With its addition, most of the highly diversified needs for which industry turns to industrial membranes can be met.

Macroporous polymer (MPP) systems

MPP systems serving to remove contaminants (such as hydrocarbons) from water and gases prior to their release were covered at some length in our 1994 annual report. The polymers in question serve as carrier for extraction liquids and as absorption/separation media. They were developed and patented in the early nineties by Akzo Nobel. In 1995, the first commercial MPP-based extraction units were sold in Europe and the United States. Elf Petroland, a gas and oil producer, uses the technology to clean the wastewater from its natural gas treatment station in Harlingen, the Netherlands. Swiss insurance company Zürich chose MPP over rival technologies for a groundwater remediation project in Mannheim, Germany. And in the United States, a remote controlled MPP extraction system was employed in the remediation of groundwater at an abandoned Akzo Nobel Coatings production site. An MPP extraction system is also successfully being used by Diosynth in Oss, the Netherlands.

BREAKDOWN BY ACTIVITY

Millions of guilders	Net sales		Operating income		Invested capital		Property, plant and equipment: Expenditures		Property, plant and equipment: Depreciation	
	1995	1994	**1995**	1994	**1995**	1994	**1995**	1994	**1995**	1994
Chemicals	**7,342**	7,902	**608**	712	**5,111**	5,180	**753**	733	**442**	497
Coatings	**6,840**	6,887	**474**	521	**2,972**	2,798	**254**	233	**201**	208
Pharma	**3,774**	3,669	**750**	655	**1,973**	1,803	**273**	238	**141**	135
Fibers	**3,584**	3,626	**158**	80	**2,554**	2,117	**309**	321	**223**	233
Other activities, intercompany deliveries, and nonallocated items	**(52)**	124	**(17)**	(36)	**56**	53	**63**	108	**69**	64
Total	**21,488**	22,208	**1,973**	1,932	**12,666**	11,951	**1,652**	1,633	**1,076**	1,137

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.

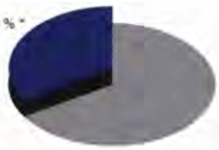
International intercompany deliveries are made in accordance with standard procedures that take due account of tax, currency, and pricing regulations in effect in the countries concerned.

Ratios	Operating income as % of net sales		Operating income as % of average invested capital		Net sales/ av. invested capital ratio		Capital expenditures/ depreciation ratio	
	1995	1994	**1995**	1994	**1995**	1994	**1995**	1994
Chemicals	**8.3**	9.0	**11.8**	13.7	**1.43**	1.52	**1.7**	1.5
Coatings	**6.9**	7.6	**16.4**	18.1	**2.37**	2.39	**1.3**	1.1
Pharma	**19.9**	17.9	**39.7**	36.6	**2.00**	2.05	**1.9**	1.8
Fibers	**4.4**	2.2	**6.8**	3.4	**1.53**	1.52	**1.4**	1.4
Overall ratio	**9.2**	8.7	**16.0**	15.7	**1.75**	1.80	**1.5**	1.4

BUSINESS UNITS AND PRODUCT GROUPS

Akzo Nobel has a two-layer organization, with the Board of Management as the highest executive authority. At the corporate level, key tasks are coordinated in the fields of communications, administration and control, safety and the environment, finance, human resources, strategy, and technology.

Operations are carried out in business units clustered in four groups on the basis of affinity.



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 and wet strength resins

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, notably aminocarboxylates (EDTA) and thiocyanates; organophosphorus-based derivatives, notably flame-retardants for plastics, and hydraulic fluids; carbon disulfide; sulfur chlorides; acid chlorides; lubricant additives

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

Surface Chemistry (General Manager Jan Svärd)
- Cationic, nonionic, and anionic surfactants for detergents, personal care, and industrial uses; fatty acids; cellulosic surfactants for paint and concrete; asphalt additives, viscose agents, feed additives

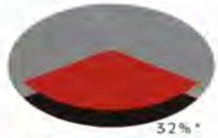
Polymer Chemicals (General Manager Arend-Jan Kortenhorst)
- Polymerization catalysts, such as organic peroxides, metal alkyls, and Ziegler-Natta catalysts; optical monomers

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

Salt Europe (General Manager Floris A. Bierman)
- Salt for chemical conversion (electrolysis), industrial applications, and consumer uses

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

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



COATINGS

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

Decorative Coatings
North (General Manager Jan Andersson)
- Decorative coatings for professional uses and the do-it-yourself sector

Industrial Coatings
Europe (General Manager Göran Jönsson)
- Metal, wood, plastic, and coil coatings

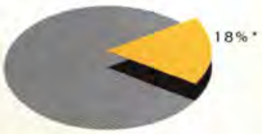
Industrial Coatings
North America (General Manager Robert J. Torba)
- Metal, wood, plastic, and coil coatings

Car Refinishes and Aerospace Finishes
(General Manager Cor J.L.M. de Grauw)
- Coatings for the automotive aftermarket
- Aircraft coatings Europe, Asia, Australia/Oceania

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

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



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

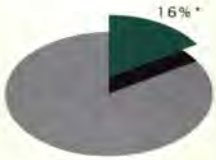
Organon Teknika (General Manager Bob Salsmans)
- Diagnostic systems for infectious diseases, hormones, coagulation, and blood culture; surgical muscle relaxants and products for bladder cancer treatment

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

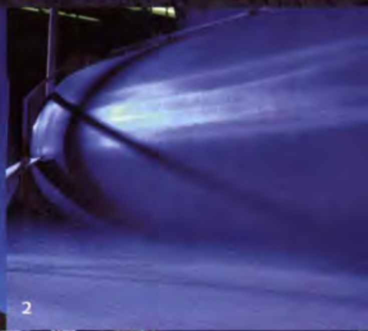
Nonwovens (General Manager Peter Wack)
- Nonwovens as carriers for flooring and roofing; geosynthetics

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

* *Share in net sales.*

From Sweden's forests to this annual report and possibly beyond it, to when it is recycled: step by step, Akzo Nobel is part of the process. The paper of this report was made from environmentally compatible fully bleached wood pulp (1). The bleaching process involved chlorine dioxide, hydrogen peroxide, sodium lye, and chelating agents. Akzo Nobel produces sodium chlorate, from which chlorine dioxide is formed, as well as the other chemicals. The transformation of pulp into paper (2, 3) also takes Akzo Nobel chemicals, such as retention agents to retain the fiber in the paper web, dry and wet strength agents, and sizing agents to smooth the paper surface.


1


2

Akzo Nobel's production unit for silica-based paper chemicals, Bohus, Sweden

Akzo Nobel's hydrogen peroxide plant, Bohus, Sweden

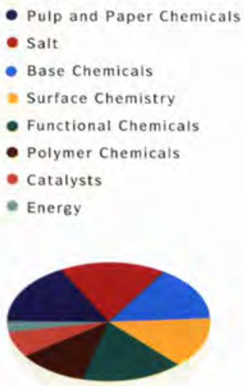
The inks (4) used to print this annual report (5) are made by Akzo Nobel in Trelleborg, Sweden and other places. When the paper is subsequently scrapped and recycled (6), the Company's surfactants serve to remove the ink, while our hydrogen peroxide is used to bleach the shredded paper mass.

And what about the forests? Annual forest growth in Sweden now is about thirty percent higher than the annual harvest of trees for timber and paper pulp. Moreover, the harvesting of trees increasingly takes account of the age structure of the stands, landscape values, and the variety in species.

Pulp chemicals customer Stora, Skutskär, Sweden, a producer of paper pulp

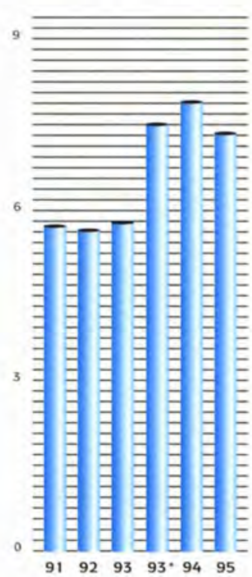
CHEMICALS

Breakdown of 1995 net sales by business unit



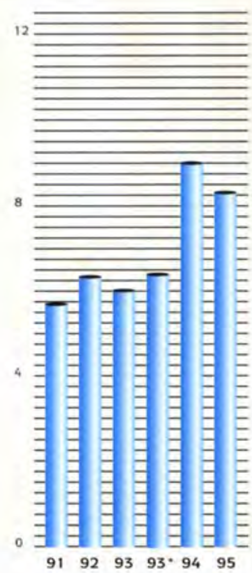
Breakdown of 1995 net sales by origin

Net sales (*billions of guilders*)



* Pro forma

Operating income, as percentage of net sales



Sales and earnings

Sales of Chemicals totaled NLG 7,342 million, down 7 percent from 1994 sales of NLG 7,902 million. Slightly lower volume (1 percent), negative effects of currency translations (5 percent), and divestments (4 percent) were major factors in the sales decline. Some compensation was provided by higher selling prices (3 percent).
While Pulp and Paper Chemicals and Functional Chemicals posted gains in sales, Salt America, Catalysts, and Polymer Chemicals registered substantial decreases.
At NLG 608 million, operating income remained 15 percent below the 1994 figure of NLG 712 million. This was largely attributable to the disappointing performance of Catalysts and depressed earnings of Salt America due to lower shipments and the effects of the closure of the Retsof (New York) mine.
Expressed as a percentage of sales, operating income fell from 9.0 percent in 1994 to 8.3 percent in 1995.

Pulp and Paper Chemicals

Pulp and Paper Chemicals posted appreciable earnings gains compared with 1994. The upturn in the performance of the worldwide pulp and paper industry continued during 1995 with strong growth, especially in the writing and printing paper sector. This wood free paper sector mainly requires highly bleached pulp, resulting in increasing demand for sodium chlorate and hydrogen peroxide bleaching chemicals. Sales of these bleaching chemicals continued to grow worldwide. The increased production of totally chlorine free pulp caused slightly lower sodium chlorate sales in Scandinavia, while Southern European sodium chlorate consumption continued to grow, benefiting operations in France. Demand for hydrogen peroxide showed considerable growth in Scandinavia, resulting in tight capacity. Projects to increase capacity at Bohus and Alby in Sweden are in progress.

North American sodium chlorate sales also showed major improvement over 1994 levels, with volume and price increases. The market for hydrogen peroxide is growing appreciably as well. A debottlenecking project is currently being carried out at the hydrogen peroxide plant in Columbus, Mississippi, which will result in a stronger presence in this important market. The next step in expansion of hydrogen peroxide capacity in North America will be the establishment of a new plant in Valleyfield, Quebec, to serve the important northeast Canadian market.

The business climate was also favorable for the paper chemicals business, as can be seen in improved market positions and geo mix. Pulp and Paper Chemicals aims to be a truly global player in this market segment, and the business unit therefore continues to increase its presence in all major markets with the introduction of new and improved systems for retention and sizing.

The industrial chemicals business, which includes high purity alkali hydroxides, continued to show good results.

The silicate assets transferred from Eka Nobel considerably enhanced Akzo-PQ Silica's presence in Scandinavia and increased its flexibility as a supplier of water glass throughout Europe. As a result, this 50 percent joint venture has achieved a leading position in this market. New product development is promising, and the focus for the future is on adding a number of specialties to the product range.

Functional Chemicals

Despite the occasionally steep increases in raw material prices, particularly in the first half of 1995, results of Functional Chemicals were satisfactory, although they varied from business segment to business segment.

The expansion of the organophosphorus chemicals plant in Bitterfeld, Germany, together with the site improvement program, is on track and is expected to be completed in early 1997. The extensive upgrading program for the production facilities in Gallipolis Ferry, West Virginia, is well under way.

Methyl amines performance improved in spite of the significant fluctuations in methanol prices. Work on capacity expansion and a new effluent treatment system for the methyl amines plant in Delfzijl, the Netherlands, was completed. In Marano, Italy, the plant for choline chloride (an animal feed additive) was expanded.

Higher raw material costs and the long dry summer in Europe (which reduced sales volumes to fungicides manufacturers), coupled with maintenance shutdowns and production problems, had an unfavorable effect on the overall performance of the ethylene amines business. Investment in a terminal for ammonia in Stenungsund, Sweden, was authorized.

A letter of intent was signed to create an ethanol amines and ethylene amines joint venture with Shanghai Petrochemical Company in the People's Republic of China. Currently in its preproject phase, the plant is intended to serve the rapidly growing Chinese market and should become operational in 1998.

Monochloroacetic acid (MCA) and derivatives showed lower results compared to 1994, especially in the second half. Integration of the MCA activities in the Netherlands and Sweden following the Akzo-Nobel merger was completed during 1995. Denak Co. Ltd., the 50 percent joint venture in Japan, recorded higher exports of MCA, but its earnings were somewhat lower due to the relatively high raw material prices in Japan.

Optimization of the carboxymethyl cellulose (CMC) product mix, with an emphasis on the purified grades, continued to improve earnings performance. The potential synergy with the cellulose derivatives business of Surface Chemistry created by the Akzo-Nobel merger has begun to take effect.

Sequestering agents (mainly EDTA) realized better results by focusing efforts on more attractive markets. Further strengthening our position in specialties, we acquired the chelates and micronutrient businesses of Aminkemi in Kvarntorp and Grace Rexolin in Helsingborg, both in Sweden. These acquisitions, aided by intensified cooperation with the Pulp and Paper Chemicals business unit, enable Functional Chemicals to maximize synergy and strengthen its position in the pulp bleaching market.

In line with Akzo Nobel's focus on core businesses, the 50 percent interest in Glucona v.o.f., Ter Apelkanaal, the Netherlands, and Glucona America, Janesville, Wisconsin, was transferred to partner Avebe at the end of the year.

Base Chemicals

During the first half of 1995, chlor-alkali production was at a very high level both in Europe and in the United States. In the second half, operating rates of the electrolysis plants decreased, primarily due to reduced chlorine demand from the vinyls sector, adversely affecting earnings of Base Chemicals, although the performance for ROVIN, the joint venture with Shell for vinyl chloride monomer (VCM) and polyvinyl chloride (PVC), was better.

Performance in the first half of the year reflected a strong Western European PVC market. However, from mid-1995, PVC imports into Western Europe increased due to lower demand in the United States and the sudden halt of imports into the People's Republic of China. At the same time, demand in Western Europe started to soften. The combination of higher imports and lower demand caused a considerable drop in European PVC prices from mid-1995 onwards. Despite these adverse market forces and the biennial maintenance shutdown in the Rotterdam facility, overall results for ROVIN were higher than in the previous year.

A major project for the delivery of chlorine and the reprocessing of hydrochloric acid for the VCM process was begun at Akzo Nobel's Rotterdam Botlek site, in line with ICI's decision to expand production of a key raw material for polyurethanes at their Rozenburg site. This project will be completed by mid-1997.

Demand for caustic liquor was strong during 1995, resulting in significantly higher selling prices than in 1994. Due to lower demand the caustic soda pearls manufacturing unit in Delfzijl was closed. However, Base Chemicals will continue to servé the market through sales of products made by third parties. Despite strong demand and the absence of imports from the United States, European soda ash prices deteriorated further in 1995, resulting in disappointing earnings from soda ash operations.

Base Chemicals' income from chloromethanes was higher than in the previous year, mainly due to higher selling prices after the closure of a competitor's methylene chloride plant in the United States.

Results for dimethyl ether aerosol propellant improved from the second quarter as a result of a significant decrease of methanol prices.

Earnings of Methanor v.o.f., Delfzijl, the Netherlands, a joint venture with DSM and Dyno Industrier AS, Norway, were significantly depressed after the steep methanol price rise that started in 1994 and the drastic decrease that began at the end of the first quarter of 1995. The price has meanwhile returned to a stable, low level.

Surface Chemistry

Sales and operating income of Surface Chemistry were virtually unchanged from the previous year. Following the Akzo-Nobel merger, this business unit has identified and seized new business opportunities for cationic and nonionic surfactants, cellulose-based rheology additives, and fatty acids. In order to reduce European overcapacity for fatty amines, Surface Chemistry significantly reduced the capacity of its Mons (Belgium) manufacturing facility. Nevertheless, results remained disappointing. In North America, however, the positive trend for fatty amine based surfactants continued, with healthy growth in most applications.

Demand for cellulose derivatives for paint and building applications is still high. The expansion of the plant in Örnsköldsvik, Sweden, to be completed in 1996, will result in increased production to meet rapidly growing global demand.

Expansion of ethylene oxide capacity in Stenungsund, Sweden, intended to meet increased demand for a number of downstream products, is in progress.

Niche businesses, including asphalt additives, viscose chemicals, feed additives, and products for personal care and detergents in Scandinavia, are doing well. In the feed additives segment, CRINA S.A., Gland, Switzerland, was acquired. This company specializes in the development and production of additives based on artificial essential oils. These products are of interest as alternatives to antibiotic-based growth promoters.

Earnings of the 50 percent joint ventures Lion Akzo Company Ltd, Tokyo (fatty amines), and Akzo Nobel Oleochemicals Sdn. Bhd., Malaysia (fatty acids), increased appreciably.

Polymer Chemicals

Overall results for Polymer Chemicals trailed the 1994 level.

The polymer producing industry, Polymer Chemicals' largest customer group, saw a very strong first half in Europe and the United States, with volumes and prices clearly above those in the corresponding period of 1994. The second half was characterized by a slowdown, in part due to the sudden halt of polymer imports into the People's Republic of China and customers using up their inventories. The business unit's performance mirrors this downturn.

For organic peroxides, the beginning of 1995 was marked by a seven-week strike at the Mons plant in Belgium. The strike occurred while demand was at its peak. The new multipurpose plant in Pasadena, Texas, which began operations early in 1995, made a clear contribution to earnings. The Russian marketing joint venture A.O. Ankorit (51 percent owned by Akzo Nobel) started in the first quarter of 1995. The Polymer Chemicals operation in Mexico coped creatively with turbulent economic conditions, posting sound earnings.

For metal alkyls, the most important event was the start of the construction of a plant at the Rotterdam Botlek site to serve customers in Europe. Progress is on schedule, with start-up anticipated in the fourth quarter of 1996. Results of this business were satisfactory and at a level comparable to 1994.

Polymerization catalyst activities reflected the dynamic and innovative character of this business. Many new development projects were undertaken in partnership with key customers. The existing business for both polypropylene and polyethylene catalysts developed satisfactorily.

In 1995, the business unit established an office in Singapore to better serve the rapidly expanding market in Asia/Pacific. In Japan, Akzo Nobel has operated two joint ventures for over 25 years: Tosoh Akzo Corporation, whose main products are metal alkyls and polymerization catalysts, and Kayaku Akzo Corporation, which produces and markets organic peroxides. Akzo Nobel holds a 50 percent share in each. Both ventures were confronted with a strong yen and a Japanese economy that has been having difficulty recovering from a severe recession. Results were, however, at the same level as in 1994. In India, organic peroxides production, started in 1993 by Centak Chemicals Ltd. (47 percent Akzo Nobel), has generated increasing earnings from the very beginning. The newest joint venture in Asia is Tianjin Akzo Nobel Peroxide in the People's Republic of China, in which Akzo Nobel has a 65 percent stake. This company was created in 1994 and is currently constructing a plant for organic peroxide production. Start-up is planned for early 1997, with the rapidly expanding Chinese domestic polymer production industry as the target market.

In line with the Company's strategy to focus on core businesses, the Epilink® epoxy hardeners business was sold during the year under review.

Salt America

Due in part to lower deicing salt shipments, earnings of Salt America were strongly reduced in the first three quarters of the year. Cost reduction programs and restructuring of the Industrial/Grocery unit mitigated this downturn. These moves, coupled with early indications of a "normal" winter, resulted in a steady acceleration in sales and income during the last quarter of 1995. An impressive 2.5 million ton stockpile of deicing salt was produced following the 1994 water intrusion at the Retsof mine, New York, and before the mine was forced to close in September 1995. Inventory of deicing products is in place to supply customers, while the feasibility of a new mine in New York State is being studied. The Industrial/Grocery unit closed a logistically disadvantaged facility in Manistee, Michigan, as part of its overall restructuring plan. Investments in other production facilities reflect the shift to high value added products. Salt America continues to upgrade production at its evaporated and solar salt plants to meet the growing need for water conditioning products. Water conditioning continues to increase in importance in the Midwest, and a packaging and distribution center is planned for this region.

Salt Europe

Despite general overcapacity, the business unit was able to consolidate its market share in most segments of the salt business and registered satisfactory earnings. Because of the undisputedly high quality of its evaporated salt, the business unit maintained its position as a leading supplier to the chlor-alkali industry, although rock salt producers managed to significantly improve the quality of their salt. The high production level of the European chlor-alkali industry during the first half of 1995 led to good capacity utilization for the salt plants in this period, but activity slowed down in the second half.

Past efforts to install state-of-the-art technology in all plants have paid off. No unexpected production stops were experienced, and all planned maintenance was carried out within the projected time and costs.

In the specialty salt markets, the business was confronted with vigorous competition due to stagnating growth and an increasing preference for rock and solar salt in the price sensitive segments.

Catalysts

Results of Catalysts were significantly lower than in 1994, particularly for fluid cracking catalysts (FCC). However, the hydroprocessing catalyst (HPC) business performed satisfactorily, although the results fell short of the record year 1994.

The abundant availability of light crudes in 1995 resulted in gasoline oversupply and low gasoline prices. This led to low refining margins, with refineries being more cost-conscious than ever. In addition, selling prices were depressed by fiercer competition. Consumption of FCCs, one of the biggest variable expense items of refineries, was particularly affected by this situation. Earnings from this product line were therefore disappointing.

Major capacity expansion projects are under way at FCC manufacturing sites in Amsterdam, Pasadena, Texas, and Los Angeles, California. These will improve the cost structure and will enable Catalysts to benefit from market growth, particularly in Asia/Pacific. During 1995, a new zeolite plant utilizing the latest technology was successfully brought on stream at the Pasadena site.

Work on a major capacity expansion for the HPC plant in Amsterdam, approved in 1994, is in progress and the additional capacity will come on stream in early 1996. It will further strengthen Catalysts' position as a leading global producer of HPCs.

The Brazilian joint venture FCC-Fábrica Carioca de Catalisadores S.A. performed below expectation, mainly due to a strike at Petrobras' refineries, which caused a substantial reduction in domestic FCC consumption.

In Japan, Nippon Ketjen Company Ltd. suffered from a strong yen and a stagnating economy. Earnings of this joint venture were appreciably lower than in 1994.

Eurecat S.A., France, active in the regeneration and presulfidation of HPCs in both Europe and North America, has strengthened its global position through the addition of operations in Saudi Arabia and Japan. Akzo Nobel's participation in Eurecat was raised to 50 percent in 1995.

Energy

In 1995, energy consumption was monitored at the nine largest Akzo Nobel production sites in the Netherlands in order to measure both energy efficiency and energy savings. Compared to 1989, Akzo Nobel improved energy efficiency at these sites by 15 percent in 1995.

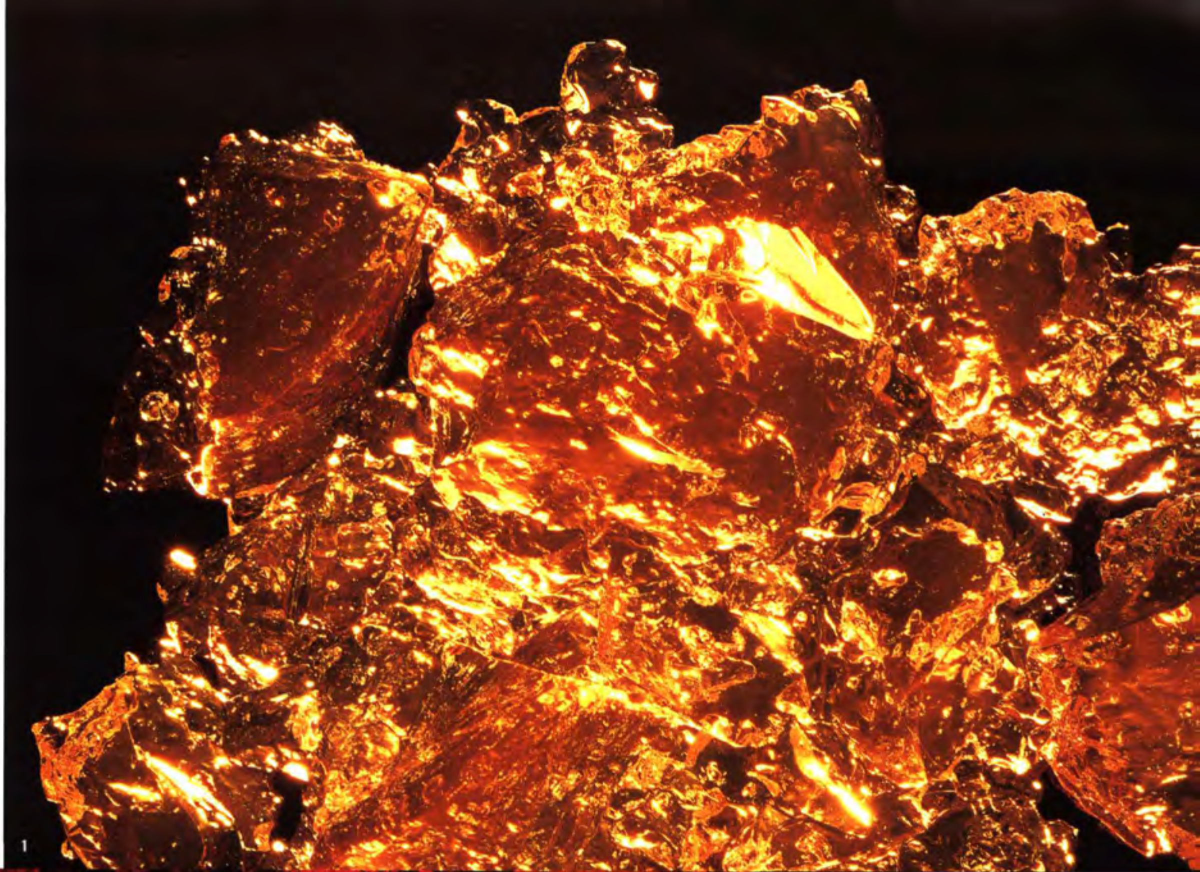
Two new energy facilities were brought on stream in 1995: Elsterberg in Germany (oil or gas fired) and Arnhem in the Netherlands (a cogeneration unit operated by a joint venture with utility company NUON). Good progress is being made on the construction of a 60-megawatt cogeneration plant in Obernburg, Germany.

Delesto B.V., the 50 percent joint venture with utility company EDON, has been granted permission for a major extension of the current cogeneration facilities in Delfzijl. Adding about 290 megawatts of capacity at an approximate cost of NLG 500 million, it is scheduled to start up in 1999.

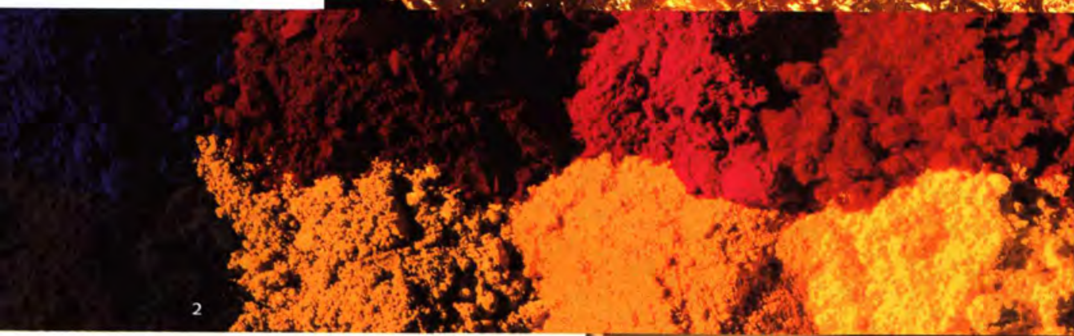
Other activities

Akcros Chemicals, the 50 percent PVC additives joint venture with Harrisons & Crosfield plc, United Kingdom, considerably improved its performance compared to 1994. This was accomplished despite raw material price increases exerting pressure on margins and overall volume remaining at the previous year's level in a weakening PVC market during 1995. The joint venture continued on a course of plant and product rationalizations to reduce cost and achieve efficiencies, while reorganizing into a business unit structure.

Flexsys, the 50 percent rubber chemicals joint venture with Monsanto Company, United States, has been operational since January 1, 1995. The joint venture, whose worldwide headquarters are located near Brussels, won acclaim as a major force in this market segment. Price levels in 1995 remained unsatisfactory; restructuring measures–including streamlining of the operations–are under way to raise the joint venture's profitability to an acceptable level.



1



2

3

In the decorative coatings markets application of high solids products is on the increase. Synthetic resins (1) and pigments (2) are the principal components of these products. Their much reduced solvent content means less pollution. The hiding power of high solids products is exceptionally good (3), as the woodwork in the front of *Trompenburg* (4, 5), a seventeenth century mansion in 's-Graveland, the Netherlands, demonstrates. *Trompenburg* owes its name to its first resident, Dutch Admiral Cornelis Tromp, who lived from 1629 to 1691.
The woodwork was painted with Sikkens Rubbol Optima® semi-gloss, resulting in a trim finish in the original colors. Finding the right match presented no difficulty, given the choice of 1,200 different shades and colors.

4

5

"Product 300" is a high solids industrial paint system. Pictures 6 and 7 show the finish on cabinet doors being dried and judged. These cabinets are part of the extensive line of furniture sold by Sweden's IKEA Group stores. The "Product 300" paint system has a low solvent content and does without styrene and isocyanate.

6

7

8

9

Impregnated paper (8) consists of a paper carrier and a top layer principally composed of melamine and phenolic resins. This finishing system is widely used to face composite panels, furniture items, floors (9), and formwork for concrete. It is environmentally friendly, practically maintenance free, and enduring.

COATINGS

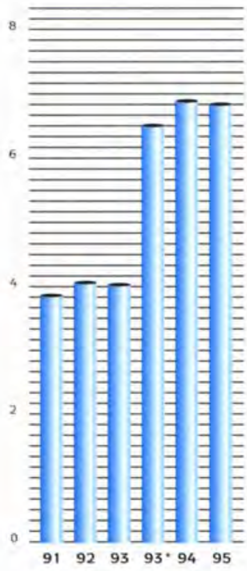
Breakdown of 1995
net sales
by business unit

- Decorative Coatings
- Industrial Coatings
- Car Refinishes
- Industrial Products
- Resins

Breakdown of 1995
net sales
by origin

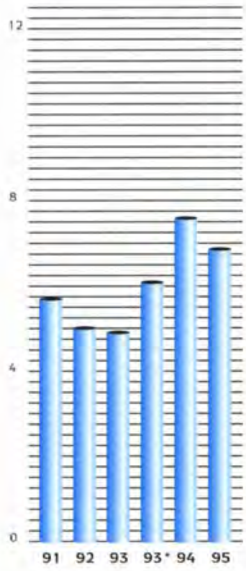
- Europe
- North America
- Other regions

Net sales
(*billions of guilders*)



* Pro forma

Operating income, as
percentage of net sales



Sales and earnings

At NLG 6,840 million, 1995 sales were 1 percent below the 1994 level (NLG 6,887 million). Currency translation differences (6 percent) were partially offset by price increases (5 percent), while volumes were at the 1994 level.

Due to the economic climate, major increases in raw material prices at the end of 1994 and during the first half of 1995 could not be passed on completely, resulting in a decrease of margins. Some compensation was provided by substantial cost savings principally attributable to the Akzo-Nobel merger. Furthermore, the results of operations were affected by weaker markets than in 1994, notably for Decorative Coatings in the United Kingdom and Spain, and for Car Refinishes in the United States.

The net effect of these trends was a 9 percent decline in operating income, from NLG 521 million in 1994 to NLG 474 million in 1995. Operating income as a percentage of net sales decreased from 7.6 percent in 1994 to 6.9 percent in 1995.

In the post-merger integration process, the first priority has been to keep customer orientation high. Additionally, every effort is being made to exploit potential synergies, particularly in R&D, purchasing, and production.

Effective October 1, 1995, all activities of the business unit International Business Development, which mainly involved the identification and development of opportunities in Eastern Europe and Asia/Pacific—notably by setting up joint ventures—were transferred to the other business units. The modified organization is expected to facilitate the transfer of know-how and management experience to joint ventures in these areas and to ensure full commitment of the business units.

Decorative Coatings

Decorative Coatings' activities are organized in two units with different geographical responsibilities. Decorative Coatings North is responsible for the United Kingdom, Ireland, the Nordic countries, Turkey, the German adhesives activities, and the Vivechrom joint venture in Greece. It has the additional task of promoting business expansion into Eastern Europe. Decorative Coatings South is responsible for the other Western European countries and the development of the decorative coatings activities in Asia/Pacific, including the People's Republic of China. The two units have merged their efforts in purchasing and brand policy, and in addition operate a substantial joint R&D program.

The European market today is largely saturated; basically, growth can only be achieved by capturing market share from the competition or by making acquisitions. This is different in the developing markets of Eastern Europe and Asia/Pacific, where good opportunities for sales growth exist.

In Europe and the United States, safety, health and environmental issues constitute the major driving force behind product development. The further development of the waterborne and high solids technologies is therefore being emphasized.

Decorative Coatings South

Volume and sales showed gains compared to the previous year. Operating income also improved, mainly due to restructuring and efficiency boosting measures. Volume increases were substantial in Germany and France, particularly for Sikkens brand products.

The newly introduced high solids systems met with broad acceptance and are already well established in the market. They include several opaque and translucent products with unique properties.

Merger-related integration of operations in Belgium and France continued, contributing to productivity improvement. In France, the position in commercial distribution was further strengthened by the acquisition of a number of wholesalers.

As part of the strategy to develop a significant position in Asia/Pacific, joint ventures were set up with the leading paint manufacturer Beijing Red Lion Coatings Corporation Ltd. in the People's Republic of China and with Sapina Denzo Saigon Company Ltd. in Vietnam.

Decorative Coatings North

Volume showed modest growth, but sales and operating income were down from 1994. The financial performance varied widely from one geographic market to the other. The Nordic markets performed well, and significant progress was made in efforts to expand business in Eastern Europe, particularly in the Baltic countries and Russia. The Hungarian operations posted higher earnings.

In the United Kingdom, major post-merger integration efforts led to substantial changes, producing significant savings. Nevertheless, earnings were negatively influenced by a generally depressed market and hefty raw material price increases.

The German adhesives activities showed substantial sales and earnings gains. Floor adhesives and powder products turned in particularly good performances. The first phase of a capital investment program to strengthen the German-based adhesives activities was completed.

Industrial Coatings

Industrial Coatings breaks down into Industrial Coatings Europe and Industrial Coatings North America, who cooperate closely in product development and the exploration of opportunities in key markets outside of Europe and North America such as Asia/Pacific.

The industrial coatings activities target a variety of customers who finish materials or products industrially. The principal products include wood, coil, and plastic coatings, and coatings (liquid or in powder form) for various metal surfaces. Emphasis is placed on systems which satisfy present and future health, safety, and environmental requirements. Their consumption is increasing at the expense of conventional solvent-based products.

Industrial Coatings Europe

After a good start in the beginning of the year, sales and earnings slowed down in the third and fourth quarters due to reduced industrial activity. Despite persistent pressure on margins throughout the year and the sales decline in the second half, earnings were higher than in 1994 as a result of successful cost reduction programs.

As a consequence of the merger, integration projects were implemented in Belgium, France, Italy, and Spain. In an effort to achieve specialization and rationalization, production was redistributed among various sites. Some production facilities were closed down.

In December 1995, the business unit established a joint venture with Hangzhou Paint Factory, Hangzhou, People's Republic of China. This joint venture, in which Akzo Nobel has a 60 percent interest, will engage in the production and marketing of powder coatings.

Industrial Coatings North America

In dollar terms, sales and operating income were about level with 1994, but in terms of guilders they were distinctly below the previous year. The pattern of business in North America was the same as in Europe, with a good start of the year and stagnation setting in later. Efforts to retain market share were successful, and Akzo Nobel's position as a major force in the North American coatings industry was held secure.

The overall market situation showed a varied picture: the commercial construction industry remained soft, the housing construction industry was inconsistent, and demand for durable goods failed to return to the level of 1994. While Coil Coatings and Wood Coatings performed unfavorably compared to 1994, the Specialty unit, which produces coatings for plastics and for post-painted metal products, performed well due to cost reduction programs and increased demand from the transportation industry and some other customer groups.

At the coil coatings site in Columbus, Ohio, a major reengineering project to enhance efficiency and quality was started, and the revamped plant will come on stream in 1996.

Car Refinishes and Aerospace Finishes

Car Refinishes

1995 was a year of mixed performance for Car Refinishes. The three geographic segments (Western Europe, North America, and the Rest of the World) each presented a different picture. Western Europe succeeded in repeating its 1994 performance, North America suffered a decline in operating income due to fierce competion, whereas the other countries were well ahead. In Eastern Europe as well as East and Southeast Asia performance was very positive.

Car Refinishes consistently pursues its twin track policy and markets both Autocoat LV® high solids systems and Autowave® waterborne products.

The Automatchic® colorimetric equipment for use by refinishers continued its successful market penetration.

New CRICs—Car Refinishes Instruction Centers—were opened in the Netherlands (Sassenheim), Greece, and Japan. The Sassenheim Center also runs training programs for the trucks and buses segment.

Former agents in Sweden, Ireland, and Canada were acquired in order to consolidate the position in these countries. The new joint venture with Comex in Mexico made a promising start.

The business unit's minority share in Danapaint Indonesia was converted into an 80 percent participation in a restructured unit, named P.T. Akzo Nobel Car Refinishes Indonesia, which produces and imports car refinishes for the domestic market.

Aerospace Finishes

Growth and results for the 60/40 joint venture Aerospace Finishes, covering the markets for aerospace coatings outside the Americas, were satisfactory.

Market conditions were mixed. Civil aircraft construction decreased as a result of lower order books, and the defense sector is still shrinking. The airline fleet maintenance business, however, grew at a remarkable rate, as airline profitability recovered and previously postponed maintenance work was resumed. Improved service levels and a unique product package brought an increase in market share.

Joint product development with U.S. joint venture partner Dexter Aerospace Materials led to the introduction of several new products, including a waterborne cabin interior coating and various high solids systems.

At the end of the year the AD Aerospace Finishes joint venture was administratively incorporated into the Car Refinishes business unit. Operationally, however, the two businesses will remain separate.

Industrial Products

Despite a weak market situation, volumes and sales in certain segments increased significantly. Higher raw material costs reduced margins and profits for most units. Industrial Adhesives and Resins was among the few segments to be ahead in income and sales, compared to 1994. Resin-impregnated paper is one of the most efficient and environmentally friendly products for the coating of wood panel surfaces. All the same, volume growth in 1995 was somewhat lower than expected.

The business globalization process continued during the year. With its impregnated paper and industrial adhesives the business unit managed to penetrate further into the Southeast Asian market. Expancel® microspheres found broader application, particularly in North America and Germany, its principal markets. In Spain, a new type of impregnated paper produced there and used for direct lamination on particle board production lines showed good growth. During the year, Laminados Iberia S.A. in Spain was acquired. The acquisition of this leading producer of edge bands—a complementary product to impregnated paper—helped to rationalize production and strengthen the market position.

Increased R&D activities resulted in several new products. UV curing flexo and screenprint inks were well received in the market. A new generation of melamine urea resins for the production of laminated beams was launched. In the Expancel® range, more effective microspheres were developed, which provide more volume per unit weight. Several new impregnated papers for the surfacing of wooden flooring materials were commercialized.

Investments during the year included a new plant for UV curing inks in Trelleborg, Sweden, and a new dewatering line for Expancel® microspheres production in Sundsvall, Sweden, which will boost output and efficiency. Capacity of the impregnated paper plant in Canada was expanded.

Printing Inks acquired Lindgens Druckfarben GmbH in Cologne, Germany, thereby simultaneously strengthening its manufacturing base in Europe and its position in metal decoration.

Resins

While sales were up, volume and operating income were lower than in the previous year. The impact of raw material price rises was particularly heavy for this business unit. In automotive OEM (Original Equipment Manufacturer) resins, the business unit improved its European position. In line with the global strategy these resins were also introduced outside Europe, and notably in the U.S. market, to a good response.

The research and development activities remained focused on resins for waterborne and high solids products, given the demand for coatings with a superior environmental profile. There is increasing demand for tailor-made products, some of which are developed in close cooperation with customers.

Both in Europe and in the United States, production plants were rationalized and modernized. New capacities for the production of resins for emulsions were installed in the United States.

In Indonesia, a joint venture was set up with P.T. Raung Nusa Chemicals in Surabaya. The joint venture, in which Akzo Nobel holds an 80 percent share, is named P.T. Akzo Nobel Raung Resins. Raung Nusa Chemicals had been an Akzo Nobel-licensed producer of resins since 1978. The joint venture will give Resins a leading position in the growing Indonesian and neighboring markets.

South America

Despite higher sales, earnings of the South American coatings operations were significantly lower than in 1994. This was largely attributable to excessive cost increases in Brazil and lower shipments in Argentina. The higher overall costs in Brazil reflected adverse exchange rate effects and mandatory pay increases. In the second quarter of 1995, a cost reduction program was started to soften the impact of these cost increases. In Argentina, sales volume was depressed by a general shortage of liquidities during the first half of the year. Business improved in the second half, approaching a normal demand level.

In the automotive finishes segment, market share and earnings both showed an upward trend, following the introduction of electrophoresis products.

During the year several reorganizations were implemented. Production in Argentina was relocated in its entirety to the Buenos Aires site, and the facility in São Luis was closed. In Brazil, the production of decorative coatings was concentrated in São Paulo, production of car refinishes was concentrated in São Bernardo do Campo, and the Rio de Janeiro operation was shut down.

The automotive finishes joint venture with PPG, Akzo Nobel PPG Autotintas S.A., São Paulo, started its operations on January 1, 1996. Akzo Nobel's shareholding in the new venture is 55 percent.

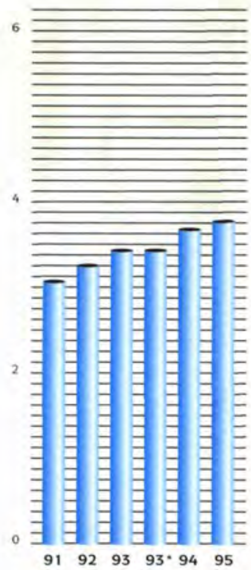
One of Intervet's many successful products is Mastijet Fort®, a veterinary medicine against mastitis.
The photos were made during a production check in line with "Good Manufacturing Practice" and during aseptic filling of injectors. The photo at far right shows how the product is administered.

PHARMA

Breakdown of 1995 net sales by business unit

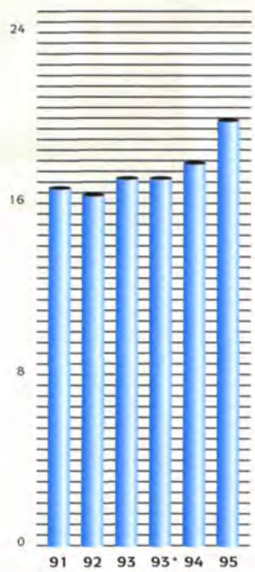
Breakdown of 1995 net sales by origin

Net sales
(*billions of guilders*)



* Pro forma

Operating income, as percentage of net sales



Sales and earnings

Pharma concluded another good year. Sales were up 3 percent from NLG 3,669 million in 1994 to NLG 3,774 million. Volume increased 9 percent, while the net effect of price changes and exchange rate fluctuations was 6 percent negative. Operating income advanced 15 percent from NLG 655 million in 1994 to NLG 750 million, while expenditures for research and development again rose substantially. Intervet, Diosynth, and the international operations of Organon were the principal contributors to the improvement in income. Operating income as a percentage of sales rose from 17.9 percent to 19.9 percent.

In the last quarter a scientific debate erupted on the relative risk of venous thrombosis associated with the use of oral contraceptives. As is generally known, oral contraceptives constitute one of Pharma's most important product lines, thus making a substantial contribution to the more than proportionate share of this group in Akzo Nobel's operating income.

Organon – Prescription drugs

Organon achieved significant advances in sales and income, despite substantial negative changes in exchange rates during the year. Worldwide, but especially in North and South America, sales of oral contraceptives (OCs) exhibited continued growth.

In late October, some national health agencies in Europe unexpectedly and contrary to the recommendation of the European health authorities —notably the Committee on Proprietary Medicinal Products (CPMP)—issued a recommendation urging restraint in prescribing third generation oral contraceptives. On the basis of the available scientific evidence, Organon firmly believes that OCs can be safely prescribed. The influence of the adverse publicity on 1995 sales and income was limited.

An important contribution to fertility product volume was provided by the launch of Humegon® in the United States, where Organon acquired a considerable share of the market. At the end of May 1995, Organon and Ares-Serono settled their patent conflicts in fertility research. In December 1995, Organon's recombinant FSH (follicle stimulating hormone) product Puregon® obtained a unanimous CPMP recommendation in a centralized European procedure for biotech products. Market introduction is expected in 1996.

Major volume growth was also achieved in the group of products, including Livial®, for the treatment of post-menopausal complaints.

In 1996, Organon will introduce the new antidepressant Remeron® in most European countries, following product approval in the last quarter of 1995 by the European authorities. This drug will be introduced in the United States soon after its final approval by the Food and Drug Administration (FDA); the FDA Advisory Committee has already given a positive opinion on Remeron®.

The great diversity in government regulation of the national pharmaceutical markets in Europe is running counter to the need for transparency and is frustrating proper market operation at the European level. Given our aim to cooperate with European and national authorities in allowing market forces to establish a more transparent playing field, the pricing law in the Netherlands and price controls adopted in other countries are considered to be counterproductive. We continue to seek constructive dialogue in Europe, in the hope of creating a climate of enterprise for the industry in which volumes and prices are governed by more healthy, competitive market forces.

Organon Teknika – Hospital supplies

In both Europe and the United States, market conditions failed to improve due to continued cost containment actions in the healthcare sector. The strong Netherlands guilder also depressed sales. In the United States, further concentration in the market gave rise to bigger and stronger buying groups in the managed care industry. Market volume declined in the wake of these changes, particularly for diagnostics, reflecting a drop in tests per patient sample and an unprecedentedly intense price competition. Sales in Latin America and Asia continued to develop satisfactorily despite negative currency exchange rate effects.

The pharmaceuticals business recorded strong growth, aided by further market penetration of the new surgical muscle relaxant Esmeron® (Zemuron® in the United States), now available in twelve countries. Regulatory approvals and market launches in several more countries are anticipated in 1996.

Several delays in the availability of Auraflex®, an automated random access immunoassay system for the clinical laboratory market, forced Organon Teknika to terminate this project and all related activities after careful consideration of the commercial potential in this highly competitive environment.

In October 1995, Organon Teknika acquired all NASBA® know-how and intellectual property rights from Cangene Corporation of Canada, thereby strengthening its overall technology position in the NASBA® field. The move bolsters Organon Teknika's strong position in the market for tests based on nucleic acid amplification technology. Good headway was made with the commercialization of the NASBA® HIV RNA assays, and quite recently a NASBA® Factor V assay was introduced in the clinical research market. The assay was developed to detect a gene mutation considered responsible for blood clotting abnormalities.

One of Organon Teknika's competitors instituted summary proceedings against the company, alleging infringement of its patent by Organon Teknika's NASBA® HIV RNA assays. In early December, the District Court of The Hague ruled in favor of Organon Teknika, which is confidently awaiting the outcome of the lawsuit in appeal.

An out-of-court settlement was reached with Chiron and Ortho Diagnostics in the patent dispute over hepatitis C blood screening tests. Modest volume growth was achieved in the market for screening tests for blood donations.

Double digit growth was achieved for sales of the BacT/Alert® automated blood culture systems. Sales of sensor bottles for the BacT/Alert® system were also gratifying. The range of blood testing systems was extended with the MB/BacT® unit for the screening of blood for Mycobacterium TB, the agent that causes tuberculosis.

Introduction of the automated MDA™-180 system for the coagulation laboratory market made good progress with a somewhat slower market penetration than was anticipated for 1995.

Intervet – Veterinary products

In spite of adverse rates of exchange, Intervet sales were considerably higher than in 1994 as a result of substantial volume growth. New product line additions, such as Norvax® IPN, contributed to the gains. Norvax® IPN was officially approved as the first recombinant DNA vaccine for fish. The business unit also obtained the first central registration of a veterinary product in Europe, the hog vaccine Nobi-Vac®Porcoli.

The year saw the creation of Intervet Brazil and Intervet Hungary. Commercial activities in the host countries should benefit. Intervet also established local commercial organizations in the Philippines and Thailand, in preparation for increased marketing efforts in the East and Southeast Asian regions. Intervet Mexico opened a new production laboratory and, at another site, commissioned facilities for the production of avian influenza vaccines. A new unit for the production of powders and tablets was started up in Ireland.

R&D operations were expanded with the opening of a new laboratory in Japan and additions to the facilities in the United States.

Diosynth – Raw materials for the pharmaceutical industry

Total Diosynth sales increased substantially as both chemical and biochemical product sales improved. Sales of heparin, insulin, progestogens, and gonadotrophins in particular were up. Operating income benefited as a result.

During the year, emphasis was placed on the effective integration of Diosynth's strategies on quality assurance, R&D, and production as essential in meeting customers' exacting standards for qualification as a first choice supplier. As a result, Diosynth significantly increased its competitive strength.

Substantial effort was put into the construction of the new chemical production facility near Oss, the Netherlands, and the associated validation and precommissioning activities. Work on organizational aspects, including the selection of additional key personnel, is on track. The new plant is scheduled to be completed in the spring of 1996.

Diosynth initiated a program for new product development in order to cover future growth potential in specific substances for other drug originators and in products for the generics market. Although the present product mix is already well balanced, such a program should broaden Diosynth's base.

Chefaro – Nonprescription products

Chefaro's earnings were appreciably lower than in 1994. In a very competitive European market for home pregnancy tests, Chefaro managed to maintain its prominent position. A patent dispute affecting Chefaro's access to innovation was settled. In Japan the Predictor® pregnancy test position was eroded by severe price pressure.

In the OTC pharmaceuticals range, Ibutop® topical analgesic increased its share in Germany and Belgium. In France, the position of plant-based products (particularly Jouvence®) improved considerably. These positive developments were largely negated by adverse exchange rates.

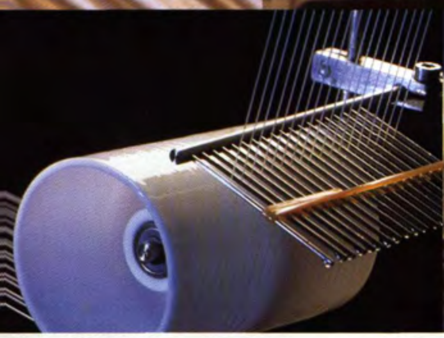
Rosemont – Generic drugs

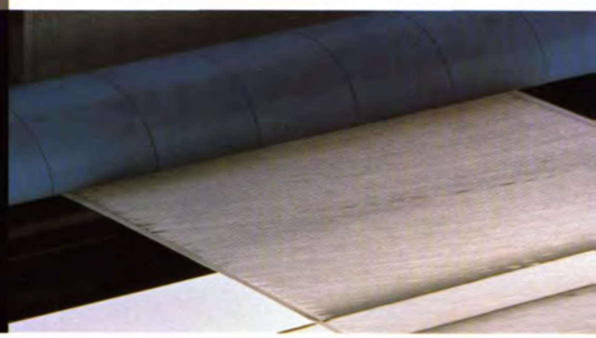
Much effort was put into bringing the solid dosage form facility in Denver, Colorado, again in compliance with the FDA requirements for c-GMP (current Good Manufacturing Practice). This has enabled Rosemont to start recovering its position by adding new products to its product line. The first ANDAs (Abbreviated New Drug Applications) were filed and are awaiting approval for market introduction in 1996. Rosemont's liquid drugs business, based in Leeds, United Kingdom, completed a relatively good year.

Akzo Nobel is one of the leading companies in membrane technology.

Membranes are semipermeable films: letting some materials pass, they stop others. Look at them as screens or filters. It's the pores in the membranes that deny or permit passage: a coarse mesh may let through particles the size of red blood cells, whose average diameter is a few micrometers, while a fine mesh may retain everything over the size of a sugar or salt molecule.

The medical world typically uses membranes in kidney dialysis and to oxygenate blood in open heart surgery.





Industry has a place for membranes in many production processes, such as microfiltration and sterilization of wine, fruit juice, and vinegar. Membranes also serve to clean cutting fluid used in making silicon chips, and to treat sewerage and flue gases.

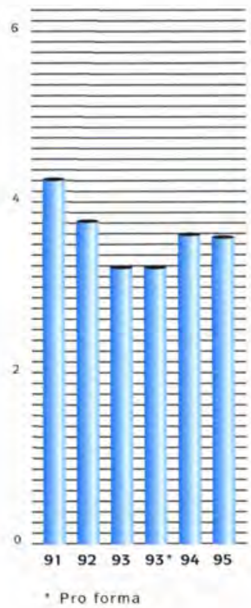
Apparel and footwear are perhaps a more unusual field. Here, membranes keep out wind and water, while leaving the items they line free to breathe.

FIBERS

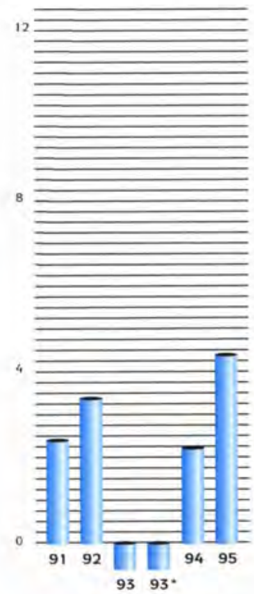
Breakdown of 1995
net sales
by business unit
- Industrial Fibers
- Textile Fibers
- Aramid Products, Nonwovens, Membrana

Breakdown of 1995
net sales
by origin
- Europe
- North America
- Other regions

Net sales
(*billions of guilders*)



Operating income, as
percentage of net sales



Sales and earnings

In the first half of 1995, Fibers showed volume gains for most products, reflecting slight growth in key markets. After the summer, however, the business climate deteriorated at an increasingly rapid pace. Shipments of the man-made fiber industry to the automotive market stagnated, demand for apparel and furnishing textiles declined substantially, and there was inventory building throughout the pipeline.
In view of vigorous competition and strained business conditions in several important market segments, selling prices could not be raised sufficiently to counterbalance dramatic price increases of raw materials. This resulted in heavy pressure on margins.
Sales were down 1 percent from NLG 3,626 million in 1994 to NLG 3,584 million in 1995. Excluding divestments, sales increased 8 percent. Volume gains accounted for half of this increase. Compared to the previous year, operating income almost doubled from NLG 80 million (2.2 percent of sales) in 1994 to NLG 158 million (4.4 percent of sales) in 1995. This improvement was attributable to higher volume, portfolio streamlining, and ongoing productivity improvements.

Industrial Fibers

Rising raw material costs and weakening demand in the second half of the year were the main factors affecting the business unit's performance. Early in the year, the pressure on margins was offset by increases in volume. But in the second half, stagnating demand in the European automotive industry and stockpiling throughout the pipeline had an adverse effect on shipments of industrial fibers. As sales and earnings in the first half of the year were better than in 1994, overall results exceeded the previous year's level.

Industrial polyester yarns faced difficult market conditions, particularly in the tire yarn sector. Higher raw material costs and continued pressure on prices adversely affected earnings, especially for the European activities. Brazilian subsidiary COBAFI at first showed a satisfactory performance, which was checked in the second half of the year by the decline in the general business climate in Brazil.

The tire yarn operation in Scottsboro, Alabama, enjoyed strong demand for its latest generation of high modulus tire yarns. Work to expand capacity is progressing well and should be completed in the first quarter of 1996.

The market position of the business unit's fine denier polyamide yarns for uncoated airbag fabrics remained strong. Nevertheless, growth in demand was less than anticipated, while guilder revenues from exports were lower due to the low rate of the U.S. dollar. In 1995, work commenced on the construction of additional production capacity in Scottsboro.

Industrial viscose yarns, which are mainly used as a reinforcing material for high performance tires, are increasingly being replaced with polyester yarns. This change is accelerated by price increases for high-grade cellulose, the primary raw material for rayon yarn. In December 1995, plans were announced to discontinue the production of industrial rayon yarn at the Arnhem Kleefse Waard site in 1996.

As in 1994, great emphasis was placed on improvement of productivity. During the year, the business unit also embarked upon a comprehensive reengineering program.

Textile Fibers

Despite adverse market conditions, the business unit achieved a turnaround and considerably improved its results. As consumer spending was weak, demand for textile end products in Western Europe was below the previous year's level. In addition, virtually the whole textile pipeline had filled up in the first half of the year. As a result of these conditions, demand for man-made textile fibers weakened progressively through the year, with varying effects on the business unit's products.

Production capacity for Enka® Viscose textile filament yarns was fully utilized due to brisk demand, particularly in the outerwear sector. Favorable volume growth, especially in the first half of the year, and an improved cost structure fully compensated for the negative effects of changes in exchange rates, increasing raw material costs, and pressure on selling prices. However, measures to improve productivity are called for.

In close cooperation with Courtaulds, United Kingdom, Textile Fibers is working on further development of lyocell filament yarn (solution-spun cellulose), which can be produced in an environmentally friendly way. In some market segments, acceptance of the yarns produced in the Obernburg (Germany) pilot plant is very promising.

Upon the conversion of the polyester staple fiber plant in Emmen, the Netherlands, into a chips manufacturing facility, the polyester staple fiber activities at this site were terminated according to plan.

Shipments of polyester packaging resins benefited from strong demand from the beverage industry. The packaging resins activities, which did not form part of Akzo Nobel's core business, were sold to Wellman Inc., Shrewsbury, New Jersey, at year-end 1995.

Sympatex® breathable membranes for wind- and waterproof garments and shoes maintained their strong position in Western Europe. Sales suffered from the depressed textile retail market. Intensified efforts to open up new sales areas and markets were successful.

Enka tecnica, a producer of spinnerets, precision engineered components, and test equipment for the man-made fiber and textile industries, registered a stable performance.

Textile Fibers increased its participation in the Brazilian company Polyenka S.A., São Paulo, from 51 percent to 75.5 percent, thus consolidating its position in this important market for polyester textile filament yarns. Polyenka's initially good performance leveled off during the year because of adverse business conditions in Brazil.

The results of the nonconsolidated companies were very diverse, but in the aggregate they clearly exceeded the 1994 figures. At Kuagtextil GmbH the modernization and restructuring programs initiated in conjunction with partner Textilwerke Deggendorf GmbH, Germany, are coming to fruition and losses were substantially reduced. Enka de Colombia S.A., Colombia, again turned in an excellent performance. The company will strengthen its market position by making further investments. After the devaluation of the peso, Fibras Quimicas S.A., Mexico, achieved gains in volume and sales, resulting in gratifying earnings. On a negative note, the overvaluation of the national currency in Ecuador eroded competitiveness of Enkador S.A.

In India, Century Enka Ltd. enjoyed a considerable recovery and will increase capacities through substantial investments. At Rajashree Polyfil Ltd., Fibers' other minority participation in India, a production facility for polyester filament yarns which uses state-of-the-art technology will be brought on stream in phases during 1996.

Aramid Products

The Twaron® capacity expansion in Emmen, the Netherlands, to 10,000 metric tons per annum, which was completed in 1995, will help Aramid Products meet increased worldwide demand for para-aramid. Compared to 1994, shipments of Twaron® products increased appreciably. Major applications for aramid fibers are brake linings, clutch facings, protective wear, antiballistic clothing and helmets, hoses, industrial composites, car and truck tires, conveyor belts, aircraft tires, and optical fiber cables. While higher growth was realized in Europe, Southeast Asia, the People's Republic of China, and Japan, exports to the United States were depressed due to the low dollar and the antidumping levy in the United States, where Aramid Products' appeal in the final instance was rejected. Earnings were depressed, which was mainly due to the start-up of the capacity expansion in Emmen, the Netherlands.

Fortafil Fibers—the carbon fiber activity in the United States—maintained its strong market position. The first phase of the 700 metric tons capacity expansion project was completed in early 1996.

Nonwovens

The performance of Nonwovens was also affected by rising raw material prices and the low rate of the U.S. dollar, but on the whole continued to improve.

The bicomponent nonwoven Colback® is the core product of this business unit. Worldwide competitive strength was improved by the acquisition of BASF's Colback® operation in Asheville, North Carolina, effective July 1, 1995. Production capacity there will be doubled.

Strong demand for Colback® in the carpet sector weakened during the year but remained at a satisfactory level. Colback® and Coltron® are also used as carrier materials for bituminous roofing membranes. Business in this market sector was adversely affected by fierce competition and a general decline in the building industry.

Production of Colbond® will be phased out in 1996.

With Enkamat® and Enkadrain®, Geosynthetics holds solid market positions in the erosion control and drainage sectors. In Obernburg, Germany, a new Enkamat® production facility went into operation.

Colmelt®, a new product developed by the business unit, holds out great promise for use in filtration.

Membrana

In a difficult business climate, Membrana stopped the downward trend in its results and achieved a turnaround. After several years of decline, shipments of traditional dialysis membranes were up slightly from the previous year. Due to persistent strong pressure on selling prices, revenues did not increase accordingly, although substantial cost reductions afforded some compensation.

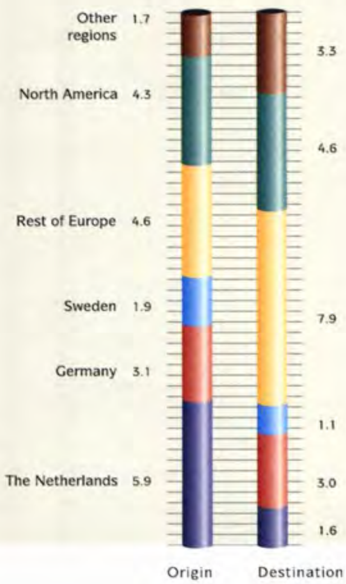
Market introduction of new medical membranes for high flux and high performance dialysis is making good progress, and major investments were shifted forward. Sales of Oxyphan® membranes for supplying oxygen to blood during open heart surgery continued to show growth. Membrana has built up solid market positions in this area, which continue to expand. Plasmapheresis membranes (for plasma therapy and plasma donation) also turned in a gratifying performance.

In the area of membranes for technical and industrial uses the newly developed Micro PES membrane range was successfully received in various markets. Accurel® Systems (microporous polymers) were stable.

The restructuring of the business unit—with an enhanced focus on profitability improvement and the exploration of new business areas—is proceeding according to plan.

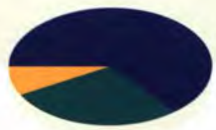
GEOGRAPHIC INFORMATION

1995 net sales of
consolidated companies,
by origin and
by destination
(billions of guilders)



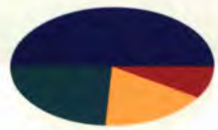
Breakdown
of 1995 net sales of
nonconsolidated companies
by activity

- Chemicals
- Fibers
- Other



Breakdown
of 1995 net sales of
nonconsolidated companies
by origin

- Europe
- North America
- Latin America
- Other regions



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

To complete the global overview, a breakdown by relevant geographic area of net sales, invested capital, and number of employees of the nonconsolidated companies has been added. These statistics are presented on a pro forma full-ownership basis in the table on page 49.

Consolidated companies

	Net sales, by destination		Net sales, by origin		Operating income		Invested capital		Expenditures for property, plant and equipment	
Millions of guilders	**1995**	1994	**1995**	1994	**1995**	1994	**1995**	1994	**1995**	1994
The Netherlands	**1,640**	1,526	**5,968**	5,734	**484**	434	**3,722**	3,420	**671**	632
Germany	**2,959**	2,937	**3,065**	3,292	**235**	159	**1,473**	1,191	**179**	196
Sweden	**1,056**	1,022	**1,863**	1,785	**261**	239	**1,110**	970	**159**	130
Rest of Europe	**7,882**	8,052	**4,602**	4,884	**498**	468	**2,253**	2,388	**153**	193
North America	**4,599**	5,238	**4,326**	4,834	**311**	435	**3,051**	3,021	**358**	393
Other regions	**3,352**	3,433	**1,664**	1,679	**184**	197	**1,057**	961	**132**	89
Total	**21,488**	22,208	**21,488**	22,208	**1,973**	1,932	**12,666**	11,951	**1,652**	1,633

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	
	1995	1994	**1995**	1994	**1995**	1994
The Netherlands	**18,400**	18,700	**8.1**	7.6	**13.6**	12.6
Germany	**11,700**	11,800	**7.7**	4.8	**17.6**	10.9
Sweden	**4,800**	4,600	**14.0**	13.4	**25.1**	22.5
Rest of Europe	**14,900**	15,400	**10.8**	9.6	**21.5**	19.3
North America	**11,400**	11,600	**7.2**	9.0	**10.2**	14.6
Other regions	**8,600**	8,300	**11.1**	11.7	**18.2**	20.2
Total	**69,800**	70,400	**9.2**	8.7	**16.0**	15.7

Net sales and operating income by geographic area were influenced by changes in exchange rates relative to the Netherlands guilder. Compared to 1994, the average U.S. dollar rate fell 12 percent.

Dollar sales of our operations in North America increased slightly. Operating income as a percentage of net sales decreased from 9.0 percent to 7.2 percent in 1995, mainly due to lower results of Chemicals.

Aggregate net sales of the consolidated companies in Europe stood at NLG 15.5 billion, up 3 percent from 1994 excluding a 4 percent decrease due to divestments. Operating income increased from 8.3 percent of net sales to 9.5 percent.

A substantial part of our consolidated activities in the other regions is centered in Brazil. In general, results of operations in that country were depressed by unfavorable economic conditions.

Nonconsolidated companies

	Net sales, by origin		Invested capital, December 31		Number of employees, December 31	
Millions of guilders	**1995**	1994	**1995**	1994	**1995**	1994
Europe	**2,630**	2,090	**1,620**	1,590	**3,800**	3,300
North America	**490**	310	**300**	160	**800**	1,500
Latin America	**890**	910	**840**	720	**4,600**	4,400
Other regions	**1,250**	1,150	**620**	600	**4,700**	4,600
Total	**5,260**	4,460	**3,380**	3,070	**13,900**	13,800

Net sales and invested capital were up substantially, while the number of employees showed only a slight rise. This is the effect of the inclusion in nonconsolidated companies of Kuagtextil GmbH as from December 31, 1994, and of Flexsys as from January 1, 1995, as well as the divestiture in 1995 of Njordkraft AB and AMP/Akzo Company.

Arnhem, February 23, 1996

The Board of Management

at December 31, 1995

- ● Chemicals
- ● Coatings
- ● Pharma
- ● Fibers
- ● Other (including R&D and country organizations)

Europe

	Chemicals	Coatings	Pharma	Fibers	Other
Netherlands	●	●	●	●	●
Sweden	●	●	●		●
Germany	●	●	●	●	●
Belgium	●	●	●		●
Cyprus		●	●		
Denmark	●	●	●		●
Estonia		●			
Finland	●	●	●		
France	●	●	●	●	●
Greece	●	●	●		
Hungary		●	●		●
Ireland		●	●		
Italy	●	●	●	●	●
Croatia			●		
Lithuania		●			
Luxembourg					●
Norway	●	●	●		
Ukraine			●		
Austria	●	●	●		
Poland			●		
Portugal	●		●	●	
Russia	●	●			●
Serbia			●		
Spain	●	●	●		
Turkey		●	●		
United Kingdom	●	●	●	●	●
Switzerland	●	●	●	●	●

North America

	Chemicals	Coatings	Pharma	Fibers	Other
Canada	●	●	●		●
United States	●	●	●	●	●

Latin America

	Chemicals	Coatings	Pharma	Fibers	Other
Argentina	●	●	●		●
Bermuda					●
Brazil	●	●	●	●	●
Chile	●		●		
Colombia	●		●	●	
Ecuador			●	●	
Mexico	●	●	●	●	
Netherlands Antilles	●				●
Venezuela	●		●		

Asia

	Chemicals	Coatings	Pharma	Fibers	Other
Bangladesh			●		
China	●	●	●		●
Philippines			●		
Hong Kong		●	●		●
India	●		●	●	
Indonesia	●	●	●		
Japan	●	●	●	●	
Lebanon			●		
Malaysia	●	●	●		
Pakistan			●		
Republic of Korea			●		●
Singapore	●	●	●		
Taiwan	●		●		
Thailand	●	●	●		
Vietnam		●	●		

Africa

	Chemicals	Coatings	Pharma
Algeria	●		●
Egypt			●
Ivory Coast		●	
Morocco		●	●
Nigeria			●
South Africa			●

Australia/Oceania

	Chemicals	Coatings	Pharma
Australia	●		●
New Zealand	●		

FINANCIAL STATEMENTS

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 exchange rates stated in these contracts.
Statements of income in foreign currencies are translated into Netherlands guilders at average exchange rates.
Foreign exchange differences are included in income, except for foreign exchange differences resulting from translation into guilders of intercompany loans and of stockholders' equities of affiliated companies outside the Netherlands; the latter differences are directly added to, or deducted from, equity.
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 Netherlands guilder (NLG) used in drawing up the balance sheet and the statement of income are:

	Balance sheet		Statement of income	
	1995	1994	**1995***	1994*
USD	**1.60**	1.74	**1.61**	1.82
DEM	**1.12**	1.12	**1.12**	1.12
SEK	**0.24**	0.23	**0.23**	0.24
GBP	**2.47**	2.71	**2.52**	2.78

* *Average rates.*

Principles of valuation of assets and liabilities

Intangible assets
Purchased goodwill is charged directly against equity. Other intangible assets—if acquired separately from third parties—are capitalized and amortized on a straight-line basis over their estimated useful lives.
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-downs 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.
Provisions for environmental cleanup costs are recorded when it is probable that a liability has been incurred, and the amount involved is reasonably estimable.

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	Note	1995		1994	
Net sales	1		21,488		22,208
Cost of sales			(13,159)		(13,623)
Gross margin			8,329		8,585
Selling expenses		(4,247)		(4,434)	
Research and development expenses		(1,112)		(1,124)	
General and administrative expenses		(1,086)		(1,158)	
Miscellaneous revenue from operations		89		63	
			(6,356)		(6,653)
Operating income			1,973		1,932
Financing charges	2		(260)		(285)
Operating income less financing charges			1,713		1,647
Taxes	3		(495)		(458)
Earnings of consolidated companies from normal operations, after taxes			1,218		1,189
Earnings from nonconsolidated companies	4		137		102
Earnings from normal operations, after taxes			1,355		1,291
Extraordinary items after taxes	5		2		(75)
Earnings before minority interest			1,357		1,216
Minority interest			(43)		(38)
Net income			1,314		1,178

See notes on pages 57 and 58.

Consolidated balance sheet

AFTER ALLOCATION OF PROFIT

Millions of guilders, December 31	NOTE	1995		1994	
Assets					
Noncurrent assets					
Intangible assets	7		**146**		67
Property, plant and equipment	8		**8,479**		8,391
Financial noncurrent assets:	9				
– nonconsolidated companies		**1,157**		1,093	
– other financial noncurrent assets		**268**		207	
			1,425		1,300
			10,050		9,758
Current assets					
Inventories	10	**3,632**		3,395	
Receivables	11	**4,202**		4,111	
Cash and cash equivalents	12	**699**		728	
			8,533		8,234
Total			**18,583**		17,992
Equity and liabilities					
Equity	13				
Akzo Nobel N.V. stockholders' equity		**6,605**		6,257	
Minority interest		**193**		184	
			6,798		6,441
Provisions	14		**3,387**		3,091
Long-term debt	15		**2,718**		3,139
Current liabilities					
Short-term borrowings	16	**1,619**		1,101	
Other current liabilities	17	**4,061**		4,220	
			5,680		5,321
Total			**18,583**		17,992

See notes on pages 58 through 63.

Consolidated statement of cash flows

Millions of guilders	**1995**		1994	
Earnings before minority interest	**1,357**		1,216	
Depreciation and amortization	**1,092**		1,148	
Cash flow		**2,449**		2,364
Other adjustments to reconcile earnings to cash provided by operations:				
– additional write-downs	**84**		173	
– result on sale of interests	**(146)**		(61)	
– equity in earnings of nonconsolidated companies	**(153)**		(115)	
– dividends from nonconsolidated companies	**113**		124	
– changes in provisions	**218**		119	
– other changes	**128**		7	
		244		247
Change in working capital*		**(567)**		107
Net cash provided by operations		**2,126**		2,718
Purchase of intangible assets	**(100)**		(79)	
Expenditures for property, plant and equipment	**(1,652)**		(1,633)	
Investments in nonconsolidated companies	**(58)**		(55)	
Acquisition of consolidated companies**	**(202)**		(398)	
Proceeds from sale of interests**	**294**		302	
Other changes	**(68)**			
Net cash used for investments		**(1,786)**		(1,863)
		340		855
Issuance of stock	**2**		10	
Cash received from Securum AB for Nobel businesses not acquired by Akzo Nobel			985	
New borrowings	**621**		113	
Repayment of long-term debt	**(1,051)**		(2,161)	
Changes in short-term borrowings	**588**		(514)	
Net cash provided by/(used for) financing activities		**160**		(1,567)
		500		(712)
Dividends paid		**(512)**		(391)
		(12)		(1,103)
Effect of exchange rate changes on cash and cash equivalents		**(17)**		(32)
Change in cash and cash equivalents		**(29)**		(1,135)
Cash and cash equivalents at beginning of year		**728**		1,863
Cash and cash equivalents at end of year		**699**		728

See note on page 63.

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

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

GENERAL

Affiliated companies

A list of affiliated companies and offices, drawn up in conformity with sections 379, 392, and 414 of Book 2 of the Netherlands Civil Code, has been filed with the Trade Registry of Arnhem.

Changes in consolidated interests

In consequence of the sale of 51% of Akzo Nobel's interest in Kuagtextil GmbH at year-end 1994, this company was deconsolidated at December 31, 1994. At January 1, 1995, most of the Rubber Chemicals activities were deconsolidated as they were merged with those of Monsanto Company, United States, to form the joint venture Flexsys.
There were no other changes of significance to the financial statements.

CONSOLIDATED STATEMENT OF INCOME

note [1]

Net sales

By activity

Millions of guilders	**1995**	1994
Chemicals	**7,342**	7,902
Coatings	**6,840**	6,887
Pharma	**3,774**	3,669
Fibers	**3,584**	3,626
Other activities and intercompany deliveries*	**(52)**	124
	21,488	22,208

* *Given the minor importance of other activities (1995 sales: NLG 122 million; 1994 sales: NLG 267 million), they have been combined with intercompany deliveries.*

By destination

Millions of guilders	**1995**	1994
The Netherlands	**1,640**	1,526
Germany	**2,959**	2,937
Sweden	**1,056**	1,022
Rest of Europe	**7,882**	8,052
North America	**4,599**	5,238
Other regions	**3,352**	3,433
	21,488	22,208

note [2]

Financing charges

Millions of guilders	**1995**	1994
Interest received and similar income	**76**	116
Interest paid and similar expenses	**(336)**	(401)
	(260)	(285)

Interest paid decreased by NLG 31 million (1994: NLG 36 million) due to the capitalization of financing expenses of capital investment projects under construction.

note [3]

Taxes on operating income less financing charges

Income taxes averaged 29% (1994: 28%).
Taxes were reduced by an amount of NLG 110 million (1994: NLG 85 million) due to the utilization of loss carryforwards from prior years.
Income taxes were further reduced by an amount of NLG 50 million (1994: NLG 75 million) due to tax exempt income elements. On the other hand, the effect of nondeductible expenses was an increase of the tax charge by NLG 40 million (1994: NLG 25 million).
At December 31, 1995, operating loss carryforwards for tax purposes amounted to NLG 1.5 billion, of which NLG 0.1 billion will expire within five years. For an amount of NLG 1.4 billion of losses there is no expiration date.

note [4]

Earnings from nonconsolidated companies

Earnings from nonconsolidated companies are net of a tax charge of NLG 18 million in 1995 and a tax charge of NLG 15 million in 1994.

note [5]

Extraordinary items after taxes

Millions of guilders	**1995**	1994
Extraordinary gains	**197**	105
Extraordinary losses	**(277)**	(283)
Extraordinary items	**(80)**	(178)
Taxes	**82**	103
	2	(75)

1995 extraordinary items *(in millions of guilders)* break down as follows:

Gains	Before taxes	After taxes
Sale of the 40% interest in Njordkraft AB	130	130
Sale of Epilink business	49	30
Other	18	13
	197	173
Losses		
Restructuring costs and asset write-downs at:		
– Chemicals	(76)	(46)
– Fibers	(110)	(70)
– other units	(40)	(24)
Divestiture of the 50% interest in AMP-Akzo Co.	(51)	(31)
	(277)	(171)

Taxes on extraordinary items were reduced by an amount of NLG 36 million (1994: NLG 7 million) due to the utilization of loss carryforwards from prior years and by an amount of NLG 2 million (1994: NLG 28 million) due to tax exempt income elements.

note [6]

Salaries, wages, and social charges

Millions of guilders	**1995**	1994
Salaries and wages	**4,732**	4,860
Pension costs	**376**	347
Other social charges	**810**	821
	5,918	6,028

Employees

Average number of employees	**1995**	1994
Chemicals	**15,300**	16,000
Coatings	**21,500**	21,900
Pharma	**14,300**	14,100
Fibers	**15,200**	16,700
Other units	**3,800**	4,100
	70,100	72,800
Number of employees at December 31	**69,800**	70,400

CONSOLIDATED BALANCE SHEET

note [7]

Intangible assets

Millions of guilders	Total	Intellectual property rights	Preparation and start-up expenses
Situation at December 31, 1994			
Cost of acquisition	78	72	6
Amortization	(11)	(10)	(1)
Book value	67	62	5
Changes in book value			
Investments	100	86	14
Amortization	(16)	(13)	(3)
Additional write-downs	(4)	(4)	
Changes in exchange rates	(1)	(1)	
Total changes	79	68	11
Situation at December 31, 1995			
Cost of acquisition	170	150	20
Amortization	(24)	(20)	(4)
Book value	**146**	**130**	**16**

note [8]

Property, plant and equipment

Millions of guilders	Total	Buildings and land	Plant equipment and machinery	Other equipment	Construction in progress and prepayments on projects	Assets not used in the production process
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
Changes in book value						
Acquisitions and disposal of interests	(71)	12	(76)	1	(7)	(1)
Capital expenditures	1,652	286	1,200	172	(9)	3
Depreciation	(1,076)	(169)	(749)	(152)		(6)
Additional write-downs	(80)	(30)	(41)	(1)		(8)
Disinvestments	(127)	(22)	(52)	(8)		(45)
Changes in exchange rates	(213)	(70)	(133)	(11)		1
Other changes	3	(5)	(10)	18		–
Total changes	88	2	139	19	(16)	(56)
Situation at December 31, 1995						
Cost of acquisition	18,624	4,455	11,014	1,725	1,043	387
Depreciation	(10,145)	(1,836)	(6,885)	(1,250)		(174)
Book value	**8,479**	**2,619**	**4,129**	**475**	**1,043**	**213**

The book value of property, plant and equipment financed by installment buying and leasing was NLG 49 million at December 31, 1995 (at December 31, 1994: NLG 13 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 land.

note [9]

Financial noncurrent assets

Millions of guilders	Total	Non-consolidated companies	Loans to non-consolidated companies	Other financial noncurrent assets
Situation at December 31, 1994	1,300	1,014	79	207
Deconsolidations/investments	402	227	44	131
Consolidations/divestitures	(230)	(122)	(45)	(63)
Equity in 1995 earnings	153	153		
Dividends received	(113)	(113)		
Changes in exchange rates	(87)	(78)	(2)	(7)
Situation at December 31, 1995	**1,425**	**1,081**	**76**	**268**

note [10]

Inventories

Millions of guilders	**1995**	1994
Raw materials and supplies	**1,096**	1,060
Work in process	**597**	602
Finished products and goods for resale	**1,930**	1,724
Inventory prepayments	**9**	9
	3,632	3,395

note [11]

Receivables

Millions of guilders	**1995**	1994
Trade receivables	**3,296**	3,329
Receivables from non-consolidated companies	**203**	163
Other receivables	**824**	755
	4,323	4,247
Discounted portion	**(121)**	(136)
	4,202	4,111

note [12]

Cash and cash equivalents

Millions of guilders	**1995**	1994
Short-term investments	**220**	291
Cash on hand and in banks	**479**	437
	699	728

Short-term investments almost entirely consist of cash loans, time deposits, marketable private borrowings, and debentures immediately convertible into cash.
At December 31, 1995, the total amount of cash and cash equivalents was freely available; at December 31, 1994, an amount of NLG 60 million was not freely available.

note [13]

Equity

Millions of guilders	Akzo Nobel N.V. stockholders' equity	Minority interest
Situation at December 31, 1994	6,257	184
Issuance of stock	2	
Retained earnings	816	27
Changes in minority interest in subsidiaries		(10)
Goodwill	(220)	
Changes in exchange rates	(250)	(8)
Situation at December 31, 1995	**6,605**	**193**

For details on the changes in Akzo Nobel N.V. stockholders' equity see the notes to the balance sheet of Akzo Nobel N.V. on page 66.

Goodwill charged to stockholders' equity of Akzo Nobel N.V. mainly relates to the acquisition of the remaining 0.7% of the Nobel shares and additional provisions for environmental costs concerning former Nobel companies.

note [14]

Provisions

Millions of guilders	**1995**	1994
Deferred taxes	**454**	408
Pension obligations	**1,549**	1,403
Restructuring of activities	**579**	584
Environmental costs	**453**	355
Other	**352**	341
	3,387	3,091

The current portion of provisions amounted to NLG 578 million (at December 31, 1994: NLG 547 million).

Provisions for pension obligations

Most subsidiaries have established pension plans for their employees in accordance with local legal requirements and customs.
At December 31, 1995, as at December 31, 1994, the accumulated pension benefits were, on balance, fully covered by independent pension funds, insurances, and provisions in respect of pension obligations.

Provisions for environmental costs

The increase from 1994 mainly relates to additional provisions for former Nobel Companies.
See also note 18.

Other provisions

Other provisions relate to a great variety of risks and commitments.

note [15]

Long-term debt

Millions of guilders	**1995**	1994
Debentures:		
– issued by Akzo Nobel N.V.	**1,439**	1,132
– issued by consolidated companies	**34**	365
Private borrowings	**278**	387
Debt to credit institutions	**601**	734
Other borrowings	**366**	521
	2,718	3,139

The total amount of long-term credit facilities (USD 700 million) arranged by Akzo Nobel but not utilized was NLG 1,120 million at December 31, 1995 (at December 31, 1994: NLG 1,218 million).

Aggregate maturities of long-term debt are as follows:

Millions of guilders	1996	1997/ 2000	after 2000
Debentures:			
– issued by Akzo Nobel N.V.	200	139	1,100
– issued by consolidated companies	2	7	25
Private borrowings	12	22	244
Debt to credit institutions	411	184	6
Other borrowings	55	173	138
	680	525	1,513

In 1995 the average interest rate was 6.7% (1994: 7.0%).
Private borrowings and debt to credit institutions have been secured to an aggregate amount of NLG 84 million (at December 31, 1994: NLG 122 million) by means of mortgages, etc.

Akzo Nobel has swap agreements related to a 9% pound sterling loan with an outstanding amount of NLG 215 million at December 31, 1995. Under the terms of these agreements Akzo Nobel will pay to financial institutions the Netherlands guilders equivalent of the original amount of the loan and interest on such amount at a fixed rate of 7.6% in exchange for its obligations under this loan agreement.

For details on debentures issued by Akzo Nobel N.V. see the notes to the Akzo Nobel N.V. balance sheet on page 67.

note [16]

Short-term borrowings

Millions of guilders	**1995**	1994
Commercial paper	**700**	583
Debt to credit institutions	**832**	518
Borrowings from nonconsolidated companies	**87**	
	1,619	1,101

Commercial paper relates to Akzo Nobel's commercial paper program in the United States, which has a maximum of USD 550 million (at December 31, 1995: NLG 880 million; at December 31, 1994: NLG 957 million).

note [17]

Other current liabilities

Millions of guilders	**1995**	1994
Prepayments by customers	**34**	20
Suppliers	**1,973**	2,029
Debt to non-consolidated companies	**80**	42
Taxes and social security contributions	**564**	674
Dividends	**396**	394
Pensions	**13**	29
Other liabilities	**1,001**	1,032
	4,061	4,220

note [18]

Commitments and contingent liabilities

The Company is confronted with substantial costs arising out of environmental laws and regulations which include obligations to eliminate or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites. Proceedings involving environmental matters, such as alleged discharge of chemicals or waste material into the air, water, or soil, are pending against the Company in various countries.

It is the Company's policy to accrue and charge against earnings environmental cleanup costs when it is probable that a liability has been incurred and an amount is reasonably estimable. These accruals are reviewed periodically and adjusted, if necessary, as assessments and cleanups proceed and additional information becomes available. Environmental liabilities can change substantially by the emergence of additional information on the nature or extent of contamination, the necessity of employing particular methods of remediation, actions by governmental agencies or private parties, or other factors of a similar nature. Cash expenditures often lag behind the period in which an accrual is recorded by a number of years.

As stated in note 14, the provisions for environmental costs accounted for in accordance with the aforesaid policies aggregated NLG 453 million at December 31, 1995 (at December 31, 1994: NLG 355 million).

While it is not feasible to predict the outcome of all pending environmental exposures, it is reasonably possible that there will be a need for future provisions for environmental costs which, in management's opinion based on information currently available, would not have a material effect on the Company's financial position but could be material to the Company's results of operations in any one accounting period.

There are pending against Akzo Nobel N.V. and its subsidiaries a number of other 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.

Purchase commitments for property, plant and equipment aggregated NLG 292 million at December 31, 1995. At December 31, 1994, these commitments totaled NLG 240 million. In addition, the Company has purchase commitments for raw materials and supplies incident to the ordinary conduct of business.

Long-term liabilities contracted in respect of leasehold, rental, operational leases, etc. aggregated NLG 878 million at December 31, 1995 (at December 31, 1994: NLG 759 million). Payments due within one year amount to NLG 232 million (1994: NLG 159 million); payments due after more than five years amount to NLG 245 million (1994: NLG 201 million).

Guarantees relating to nonconsolidated companies totaled NLG 67 million (at December 31, 1994: NLG 51 million).

As general partners in several partnerships, Akzo Nobel companies are liable for obligations incurred by these partnerships. At December 31, 1995, the risk ensuing from these liabilities was NLG 285 million (at December 31, 1994: NLG 216 million).

note [19]

Financial Instruments

Foreign exchange and interest risk management

The Company routinely enters into forward exchange contracts to hedge transaction exposures. These principally arise with respect to assets and liabilities related to sales and purchases. The purpose of Akzo Nobel's foreign currency hedging activities is to protect the Company from the risk that the eventual functional currency net cash flows resulting from trade transactions would be adversely affected by changes in exchange rates.

At December 31, 1995, outstanding contracts to buy currencies totaled NLG 0.9 billion (at December 31, 1994: NLG 0.5 billion), while contracts to sell currencies totaled NLG 2.2 billion (at December 31, 1994: NLG 1.7 billion). These contracts mainly relate to U.S. dollars, Deutsche marks, pounds sterling, Danish kroner, French francs, and Netherlands guilders.

The Company does not use financial instruments to hedge the translation risk related to equity and earnings of foreign subsidiaries and nonconsolidated companies.

In addition to the above amounts, the Company had at December 31, 1995, the following contracts originating from Nobel's financial hedging activities before the merger with Akzo: swap contracts in the amount of NLG 0.6 billion (at December 31, 1994: NLG 1.0 billion), forward exchange contracts to buy currencies in the amount of NLG 0.7 billion (at December 31, 1994: NLG 0.8 billion), and interest swap contracts covering NLG 0.1 billion (at December 31, 1994: NLG 0.5 billion), while no forward rate agreements were outstanding anymore (at December 31, 1994, such agreements covered an amount of NLG 0.1 billion). All these contracts will expire during 1996 and offset other positions in U.S. dollars at December 31, 1995 (at December 31, 1994: in U.S. dollars, Deutsche marks, and Belgian francs).

In principle, the Company manages interest risk by financing noncurrent assets and a certain portion of current assets with equity, provisions, and long-term debt with fixed interest rates. The remainder of current assets is financed with current liabilities, including floating rate short-term debt.
A major part of the funding in Netherlands guilders has been arranged on the basis of fixed rate interest.
To create a more balanced situation, the Company has swapped fixed rate liabilities with floating rate AIBOR-related liabilities for an amount of NLG 320 million and a maturity of 10 years.
The financing requirements in the United States are almost entirely covered by loans on a floating rate basis. Through interest rate swap contracts, Akzo Nobel has fixed the interest costs for a volume of USD 200 million at a level of 5.8% until the end of 2005.
Furthermore, the Company has concluded interest rate cap agreements with a cap rate of 8½ percent for a total amount of USD 400 million to protect itself against the risk of excessive increases in interest rates on short-term U.S. dollar borrowings. Contracts covering USD 200 million will expire in 1996. The contracts for the remaining USD 200 million will expire in 2005.

Credit risk

Under the agreements concluded for its financial instruments, the Company is exposed to credit loss in the event of nonperformance by the counterparty to any one of these agreements. In the event of a counterparty's default, the resulting exposure would equal the difference between (a) the prevailing market rate and exchange rates and (b) the agreed swap interest and exchange rates. The Company has no reason to expect nonperformance by the counterparties to these agreements, given their high credit ratings.

CONSOLIDATED STATEMENT OF CASH FLOWS

note [20]

The consolidated statement of cash flows 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 1995 balance sheet items	489	296	(421)	518
Eliminations:				
– changes in exchange rates	50	24	(9)	74
– changes in consolidation	28	(102)		(4)
Changes in 1995 financial position	567	218	(430)	588

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

Akzo Nobel N.V. statement of income

Millions of guilders	NOTE	1995		1994	
Net income from affiliated companies	a		1,321		1,183
Other net income			(7)		(5)
Net income			1,314		1,178

See notes on page 65.

Akzo Nobel N.V. balance sheet

AFTER ALLOCATION OF PROFIT

Millions of guilders, December 31		1995		1994	
Assets					
Noncurrent assets					
Financial noncurrent assets	c		11,535		10,153
Current assets					
Receivables	d	112		64	
Cash and cash equivalents	e	192		248	
			304		312
Total			11,839		10,465
Stockholders' equity and liabilities					
Stockholders' equity	f				
Subscribed stock		1,422		1,422	
Additional paid-in capital		5,699		5,697	
Statutory reserves		–		–	
Cumulative currency translation differences		(2,104)		(1,854)	
Other reserves		1,588		992	
			6,605		6,257
Long-term debt	g		4,324		3,553
Current liabilities	h		910		655
Total			11,839		10,465

See notes on pages 65 through 67.

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 52 and 53.
Thus stockholders' equity and net income are equal to stockholders' equity and net income as shown in the consolidated financial statements on pages 54 and 55.
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 Netherlands Civil Code, section 402.

STATEMENT OF INCOME

note [a]

Net income from affiliated companies

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

note [b]

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

In 1995, remuneration including pension expense amounting to NLG 11,812,000 (1994: NLG 9,890,000) for members and former members of the Board of Management, and to NLG 1,087,000 (1994: NLG 1,047,000) for members and former members of the Supervisory Board, was charged to Akzo Nobel N.V. and its subsidiaries.

BALANCE SHEET

note [c]

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, 1994	10,153	2,174	7,889	89	1
Investments/divestitures	5,234	5,234			
Equity in 1995 earnings	1,321	1,290		31	
Dividends received	(2,303)	(2,301)		(2)	
Loans granted	1,495		1,466		29
Repayment of loans	(3,895)		(3,895)		
Changes in exchange rates	(250)	(225)	(7)	(18)	
Goodwill	(220)	(220)			
Situation at December 31, 1995	**11,535**	**5,952**	**5,453**	**100**	**30**

note [d]

Receivables

Millions of guilders	1995	1994
Receivables from consolidated companies	**80**	18
Other receivables	**32**	46
	112	64

note [e]

Cash and cash equivalents

Millions of guilders	1995	1994
Short-term investments	**12**	223
Cash on hand and in banks	**180**	25
	192	248

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

note [f]

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, 1994	1,422	5,697	–	(1,854)	992	6,257
Issue of common stock	–	2				2
Retained earnings					816	816
Goodwill					(220)	(220)
Changes in exchange rates in respect of affiliated companies				(250)		(250)
Situation at December 31, 1995	**1,422**	**5,699**	–	**(2,104)**	**1,588**	**6,605**

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 71,079,742 shares of common stock.
In 1995, 9,632 shares of common stock were issued 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. In 1995, 231 options lapsed (1994: nil).

Additional paid-in capital

At least NLG 2,506 million of additional paid-in capital (at December 31, 1994: NLG 2,505 million) can be considered free from income tax within the meaning of the Netherlands 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, **1995**	Options outstanding at December 31, 1994	Exercise price in NLG
May 4, 1995	1990	80,543		3,916	120.40
April 29, 1996	1991	58,607	**1,887**	2,340	115.10
May 5, 1997	1992	46,897	**16,928**	16,928	164.50
May 6, 1998	1993	55,027	**20,019**	20,019	148.80
May 6, 1999	1994	48,314	**47,741**	47,972	223.50
May 10, 2000	1995	79,478	**73,762**		180.00
			160,337	91,175	

note [g]

Long-term debt

Millions of guilders	**1995**	1994
Debentures	**1,439**	1,132
Debt to consolidated companies	**2,873**	2,360
Other borrowings	**12**	61
	4,324	3,553

Debentures

Millions of guilders	**1995**	1994
6¼% 1988/95		200
4⅝% 1988/98 (CHF)	**139**	132
6% 1988/96	**200**	200
8% 1992/02	**300**	300
6⅜% 1993/03	**300**	300
7% 1995/05	**500**	
	1,439	1,132

Debt to consolidated companies

Borrowings from these companies have no fixed repayment schedule. Interest charged on these borrowings averaged 5.8% in 1995 (1994: 5.6%).

Other borrowings

The portion to be repaid in 1996 amounts to NLG 10 million. The portion due after 5 years relates to the remaining NLG 2 million.
The average rate of interest was 6.3% (1994: 7.0%).

note [h]

Current liabilities

Millions of guilders	**1995**	1994
Debt to credit institutions	**175**	69
Taxes and social security contributions	**152**	51
Debt to consolidated companies	**58**	40
Borrowings from nonconsolidated companies	**66**	
Dividend	**394**	392
Other liabilities	**65**	103
	910	655

note [i]

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, 1995, aggregating approximately NLG 2.2 billion (December 31, 1994: approximately NLG 2.1 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 (1994: NLG 1.4 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 67 million (1994: NLG 51 million).

Arnhem, February 23, 1996

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

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

OTHER INFORMATION

AUDITORS' REPORT

We have audited the 1995 financial statements of Akzo Nobel N.V., Arnhem, as included in this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1995, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Arnhem, February 23, 1996

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	1995	
Net income		1,314,000,000
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	497,558,194	
		497,561,074
To be carried to other reserves		816,438,926

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. 46 from May 13, 1996.

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.

* *Renamed Supervisory Board at January 27, 1995.*

TEN-YEAR FINANCIAL SUMMARY

For definitions of financial ratios and concepts (including 1993 pro forma consolidation) see back cover foldout.

Consolidated statement of income

Millions of guilders	**1995**	1994	*pro forma 1993*	1993	1992	1991	1990	1989	1988	1987	1986
Net sales	**21,488**	22,208	*20,874*	16,509	16,713	16,851	17,246	18,736	16,581	15,535	15,615
Operating income	**1,973**	1,932	*1,404*	1,071	1,189	1,156	1,261	1,713	1,424	1,181	1,465
Financing charges	**(260)**	(285)	*(276)*	(218)	(239)	(277)	(368)	(324)	(255)	(147)	(106)
Taxes on operating income less financing charges	**(495)**	(458)	*(269)*	(236)	(285)	(264)	(280)	(507)	(409)	(367)	(478)
Earnings from nonconsolidated companies	**137**	102	*84*	81	66	64	103	86	123	53	17
Earnings from normal operations, after taxes	**1,355**	1,291	*943*	698	731	679	716	968	883	720	898
Extraordinary items after taxes	**2**	(75)	*(144)*	(144)	(66)	(111)	(64)	12	(11)	273	23
Earnings before minority interest	**1,357**	1,216	*799*	554	665	568	652	980	872	993	921
Minority interest	**(43)**	(38)	*(9)*	(5)	(19)	12	11	(26)	(29)	(51)	(79)
Net income	**1,314**	1,178	*790*	549	646	580	663	954	843	942	842
Common stock, in thousands of shares of NLG 20 at December 31	**71,080**	71,070	*71,023*	53,968	45,996	45,961	44,421	43,324	40,241	40,208	40,138
Dividend	**498**	497		339	299	299	289	347 *	302 *	265	265
Per common share of NLG 20, in guilders											
Net income	**18.49**	16.58	*11.12*	11.67	14.06	12.89	15.06	23.05	20.96	23.46	21.06
Dividend	**7.00**	7.00	*6.50 *****	6.50 **	6.50	6.50	6.50	8.00	7.50	6.60	6.60
Stockholders' equity	**92.92**	88.04	*89.69*	113.99	110.40	103.62	104.50	103.84	106.61	94.80	107.40
Adjusted for common stock issues											
Net income	**18.49**	16.58	*11.12*	11.67	14.06	12.89	15.06	23.00	20.85	23.34	20.95
Dividend	**7.00**	7.00	*6.50 *****	6.50 **	6.50	6.50	6.50	7.98	7.46	6.57	6.57
Stockholders' equity	**92.92**	88.04	*89.69*	113.99	110.40	103.62	104.50	103.62	106.06	94.31	106.85
Number of employees at December 31	**69,800**	70,400	*73,400*	60,700	62,500	65,200	69,800	70,900	71,100	67,400	68,400
Salaries, wages, and social charges	**5,918**	6,028	*6,015*	5,082	5,079	5,092	5,068	5,308	4,889	4,627	4,439
Ditto, as % of net sales	**27.5**	27.1	*28.8*	30.8	30.4	30.2	29.4	28.3	29.5	29.8	28.4
Ratios											
Operating income, as percentage of net sales	**9.2**	8.7	*6.7*	6.5	7.1	6.9	7.3	9.1	8.6	7.6	9.4
Operating income, as percentage of invested capital	**16.0**	15.7	*11.5*	11.5	13.2	12.7	13.7	18.9	17.4	16.1	21.1
Net income, as percentage of stockholders' equity	**20.4**	18.7	*12.3*	9.8	13.1	12.3	14.5	21.7	20.8	23.2	19.9

* *Of which NLG 222 million in 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	**1995**	1994	*pro forma 1993*	1993	1992	1991	1990	1989	1988	1987	1986
Intangible assets	**146**	67	*1*	1							
Property, plant and equipment	**8,479**	8,391	*8,648*	6,359	5,853	5,864	5,884	5,911	5,558	4,795	4,330
Financial noncurrent assets	**1,425**	1,300	*1,210*	1,128	1,358	1,002	959	852	847	792	660
Noncurrent assets	**10,050**	9,758	*9,859*	7,488	7,211	6,866	6,843	6,763	6,405	5,587	4,990
Inventories	**3,632**	3,395	*3,553*	2,903	2,797	2,789	2,865	2,952	2,997	2,568	2,586
Receivables	**4,202**	4,111	*4,131*	3,148	2,956	3,117	3,157	3,684	3,125	2,733	2,768
Cash and cash equivalents	**699**	728	*1,591*	1,863	659	812	816	885	951	926	1,084
Current assets	**8,533**	8,234	*9,275*	7,914	6,412	6,718	6,838	7,521	7,073	6,227	6,438
Total assets	**18,583**	17,992	*19,134*	15,402	13,623	13,584	13,681	14,284	13,478	11,814	11,428
Stockholders' equity	**6,605**	6,257	*6,370*	6,152	5,078	4,762	4,642	4,499	4,290	3,812	4,311
Minority interest	**193**	184	*175*	154	141	142	192	232	235	217	354
Equity	**6,798**	6,441	*6,545*	6,306	5,219	4,904	4,834	4,731	4,525	4,029	4,665
Provisions	**3,387**	3,091	*2,875*	2,374	2,425	2,426	2,537	2,303	2,207	2,266	2,005
Long-term debt	**2,718**	3,139	*4,179*	2,339	1,800	1,818	2,083	2,425	2,229	1,339	1,605
Short-term borrowings	**1,619**	1,101	*1,714*	1,417	1,406	1,642	1,167	1,535	1,436	1,525	405
Other current liabilities	**4,061**	4,220	*3,821*	2,966	2,773	2,794	3,060	3,290	3,081	2,655	2,748
Current liabilities	**5,680**	5,321	*5,535*	4,383	4,179	4,436	4,227	4,825	4,517	4,180	3,153
Total equity and liabilities	**18,583**	17,992	*19,134*	15,402	13,623	13,584	13,681	14,284	13,478	11,814	11,428
Invested capital											
Of consolidated companies	**12,666**	11,951	*12,700*	9,609	8,952	9,116	9,026	9,410	8,743	7,603	7,061
In nonconsolidated companies	**1,157**	1,093	*1,022*	964	1,239	862	779	699	703	630	535
Total	**13,823**	13,044	*13,722*	10,573	10,191	9,978	9,805	10,109	9,446	8,233	7,596
Property, plant and equipment											
Capital expenditures	**1,652**	1,633	*1,410*	1,170	933	1,007	1,129	1,297	1,270	1,095	1,106
Depreciation	**1,076**	1,137	*1,141*	885	871	878	867	852	751	668	577
Ratios											
Net sales/invested capital	**1.75**	1.80	*1.71*	1.78	1.85	1.86	1.87	2.06	2.03	2.12	2.25
Equity/net debt	**0.61**	0.60	*0.60*	0.87	0.67	0.62	0.60	0.55	0.57	0.59	0.82
Equity/noncurrent assets	**0.68**	0.66	*0.66*	0.84	0.72	0.71	0.71	0.70	0.71	0.72	0.93
Inventories and receivables/ other current liabilities	**1.93**	1.78	*2.01*	2.04	2.07	2.11	1.97	2.02	1.99	2.00	1.95

Business segment statistics

Millions of guilders	1995	1994	*pro forma 1993*	1993	1992	1991	1990	1989	1988	1987	1986
Net sales											
Chemicals	**7,342**	7,902	*7,525*	5,816	5,671	5,737	5,760	6,420	6,020	4,651	4,332
Coatings	**6,840**	6,887	*6,503*	4,024	4,062	3,851	3,929	3,659	2,794	2,415	2,314
Pharma	**3,774**	3,669	*3,421*	3,421	3,246	3,064	2,775	2,647	2,412	2,218	2,239
Fibers	**3,584**	3,626	*3,239*	3,239	3,762	4,262	4,852	5,210	4,678	4,291	4,513
Other activities and intercompany deliveries	**(52)**	124	*186*	9	(28)	(63)	(70)	(137)	(107)	(136)	(103)
	21,488	22,208	*20,874*	16,509	16,713	16,851	17,246	17,799	15,797	13,439	13,295
Divested operations*								937	784	2,096	2,320
Net sales	**21,488**	22,208	*20,874*	16,509	16,713	16,851	17,246	18,736	16,581	15,535	15,615
Operating income											
Chemicals	**608**	712	*478*	351	359	328	379	703	700	470	421
Coatings	**474**	521	*398*	199	203	221	251	281	210	164	132
Pharma	**750**	655	*590*	590	532	514	429	383	335	330	350
Fibers	**158**	80	*(21)*	(21)	127	102	218	268	195	129	350
Other activities and nonallocated items	**(17)**	(36)	*(41)*	(48)	(32)	(9)	(16)	14	(56)	(57)	(8)
	1,973	1,932	*1,404*	1,071	1,189	1,156	1,261	1,649	1,384	1,036	1,245
Divested operations*								64	40	145	220
Operating income	**1,973**	1,932	*1,404*	1,071	1,189	1,156	1,261	1,713	1,424	1,181	1,465
Invested capital											
Chemicals	**5,111**	5,180	*5,220*	3,476	3,406	3,476	3,461	3,607	3,455	2,765	2,386
Coatings	**2,972**	2,798	*2,970*	1,873	1,903	1,879	1,683	1,708	1,291	1,089	1,070
Pharma	**1,973**	1,803	*1,780*	1,780	1,616	1,484	1,338	1,330	1,390	1,152	1,069
Fibers	**2,554**	2,117	*2,653*	2,653	2,193	2,372	2,735	2,750	2,464	2,329	2,149
Other activities and nonallocated items	**56**	53	*77*	(173)	(166)	(95)	(191)	(337)	(169)	3	(151)
	12,666	11,951	*12,700*	9,609	8,952	9,116	9,026	9,058	8,431	7,338	6,523
Divested operations*								352	312	265	538
Invested capital	**12,666**	11,951	*12,700*	9,609	8,952	9,116	9,026	9,410	8,743	7,603	7,061

* *Relates to Consumer Products Division and Barmag.*

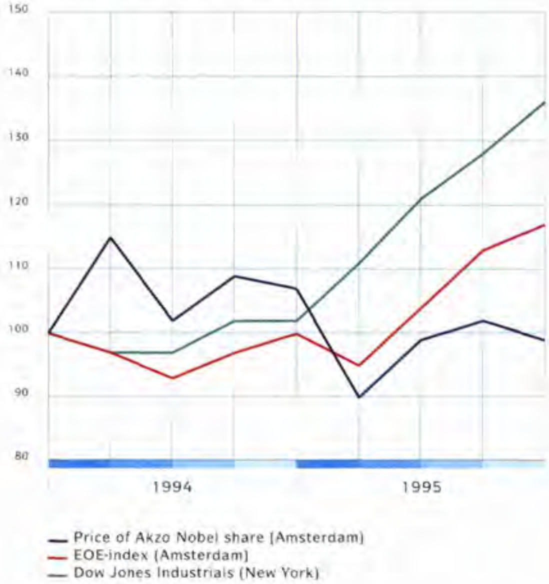
Regional statistics

Millions of guilders	**1995**	1994	*pro forma 1993*	1993	1992	1991	1990	1989	1988	1987	1986
The Netherlands											
Net sales by destination	**1,640**	1,526	*1,451*	1,366	1,467	1,517	1,532	1,612	1,706	1,948	1,902
Net sales by origin	**5,968**	5,734	*5,371*	5,252	5,446	5,720	5,809	6,156	6,022	5,763	5,721
Operating income	**484**	434	*289*	277	331	430	411	605	601	496	546
Expenditures for PP&E	**671**	632	*490*	485	392	499	524	493	465	451	442
Invested capital*	**3,722**	3,420	*3,460*	3,420	3,064	3,115	3,185	2,853	2,902	2,783	2,657
Number of employees*	**18,400**	18,700	*19,300*	19,100	19,900	20,500	22,100	22,300	22,700	22,500	23,900
Germany											
Net sales by destination	**2,959**	2,937	*2,858*	2,598	2,853	2,867	2,957	2,894	2,692	2,613	2,602
Net sales by origin	**3,065**	3,292	*3,255*	3,025	3,489	3,446	3,602	4,595	4,179	3,959	4,251
Operating income	**235**	159	*90*	78	231	169	209	341	261	240	433
Expenditures for PP&E	**179**	196	*170*	156	178	165	195	309	282	232	273
Invested capital*	**1,473**	1,191	*1,730*	1,655	1,681	1,726	1,651	2,022	1,785	1,714	1,651
Number of employees*	**11,700**	11,800	*13,700*	13,300	13,800	14,800	15,300	16,000	19,700	19,600	19,400
Sweden											
Net sales by destination	**1,056**	1,022	*907*	176	201	188	195	199	185	192	197
Net sales by origin	**1,863**	1,785	*1,317*	19	43	56	55	49	44	58	63
Operating income	**261**	239	*130*	1	3	3	–	2	3	–	–
Expenditures for PP&E	**159**	130	*75*	1	1	1	1	1	1	3	1
Invested capital*	**1,110**	970	*1,150*	8	8	14	13	17	16	12	13
Number of employees*	**4,800**	4,600	*4,700*	100	100	100	100	100	100	100	200
Rest of Europe											
Net sales by destination	**7,882**	8,052	*7,561*	5,288	5,808	5,947	6,180	6,632	5,940	6,212	6.420
Net sales by origin	**4,602**	4,884	*4,711*	2,738	2,828	2,798	3,040	2,959	2,522	3,036	2,993
Operating income	**498**	468	*370*	240	237	187	233	268	260	266	303
Expenditures for PP&E	**153**	193	*235*	146	115	145	171	173	208	160	156
Invested capital*	**2,253**	2,388	*2,450*	1,439	1,453	1,686	1,731	1,723	1,488	1,279	1,348
Number of employees*	**14,900**	15,400	*15,500*	9,300	9,700	10,600	12,400	12,600	11,600	11,500	13,000
North America											
Net sales by destination	**4,599**	5,238	*4,957*	4,401	3,865	3,783	3,700	4,016	3,128	2,333	2,224
Net sales by origin	**4,326**	4,834	*4,710*	4,169	3,732	3,577	3,446	3,487	2,664	2,014	1,918
Operating income	**311**	435	*390*	365	284	242	277	258	150	86	84
Expenditures for PP&E	**358**	393	*350*	321	203	142	160	197	251	209	207
Invested capital*	**3,051**	3,021	*2,930*	2,333	2,061	1,943	1,805	2,133	1,983	1,367	1,102
Number of employees*	**11,400**	11,600	*11,400*	10,700	10,700	10,600	10,500	10,500	8,900	7,500	6,200
Other regions											
Net sales by destination	**3,352**	3,433	*3,140*	2,680	2,519	2,549	2,682	3,383	2,930	2,237	2,270
Net sales by origin	**1,664**	1,679	*1,510*	1,306	1,175	1,254	1,294	1,490	1,150	705	669
Operating income	**184**	197	*135*	110	103	125	131	239	149	93	99
Expenditures for PP&E	**132**	89	*90*	61	44	55	78	124	63	40	27
Invested capital*	**1,057**	961	*980*	754	685	632	641	662	569	448	290
Number of employees*	**8,600**	8,300	*8,800*	8,200	8,300	8,600	9,400	9,400	8,100	6,200	5,700

* *At December 31.*

ADDITIONAL INFORMATION FOR STOCKHOLDERS

Price of Akzo Nobel share relative to Amsterdam/New York stock exchange indices (year-end 1993 = 100)



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

FINANCIAL CALENDAR 1996

- Annual Meeting of Stockholders
  April 25
- Report for the 1st quarter
  April 25
- Quotation ex 1995 final dividend
  April 26
- Payment of 1995 final dividend
  May 13
- Report for the 2nd quarter
  August 7
- Report for the 3rd quarter
  Announcement of 1996 interim dividend
  November 6
- Quotation ex interim dividend
  November 7
- Payment of interim dividend
  November 25

Akzo Nobel N.V.
Investor Relations Department
Telephone +31 26 366 4317
Fax +31 26 442 4909

	1995	1994	1993	1992	1991
Dividend, in % of net income	**38%**	42%	55% *	46%	52%
Dividend, in % of net income, before extraordinary items	**38%**	40%	43% *	42%	43%
Number of shares of common stock outstanding at year end (in thousands)	**71,080**	71,070	53,968	45,996	45,961
Akzo Nobel shares sold (in millions)					
Amsterdam	**43**	38	30	26	26
London	**15**	22	17	14	10
Nasdaq (U.S.A.)	**3**	4	6	6	5

Amounts in guilders	**1995**	1994	1993	1992	1991
Net income per share**	**18.49**	16.58	11.67	14.06	12.89
Dividend per share	**7.00**	7.00	6.50	6.50	6.50
Stockholders' equity per share	**92.92**	88.04	113.99	110.40	103.62
Highest share price	**209.70**	229.00	200.70	166.20	134.60
Lowest share price	**164.00**	187.60	134.50	123.70	70.90
Year-end price	**185.60**	200.40	188.00	140.10	133.40

Quarterly net income**

Amounts in guilders	**1995**	1994	1993	1992	1991
1st quarter	**5.70**	3.96	3.43	4.48	4.33
2nd quarter	**5.40**	4.05	3.30	4.75	4.29
3rd quarter	**4.56**	4.53	2.47	3.52	3.57
4th quarter	**2.83**	4.04	2.50	1.31	0.78

At November 30, 1995, about 10% of common stock was owned by private investors and about 90% by institutional investors.

* *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.*

Akzo Nobel N.V.
Velperweg 76
P.O. Box 9300
6800 SB Arnhem
The Netherlands
Telephone +31 26 366 4433
Fax +31 26 366 3250
Telex 45438

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.

Design & production
Dedato, Amsterdam
Printed by
Tesink bv, Zutphen, the Netherlands

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