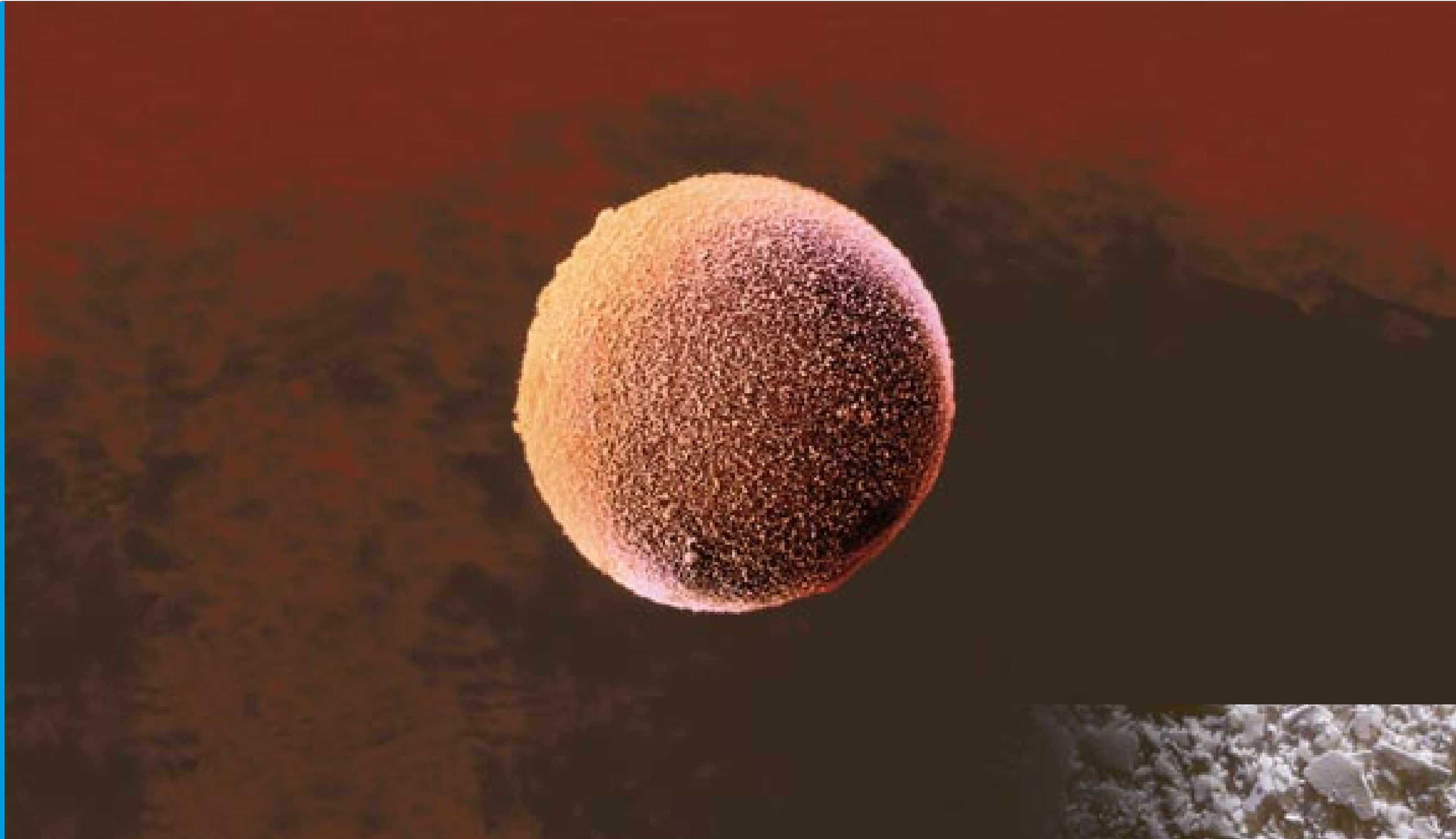
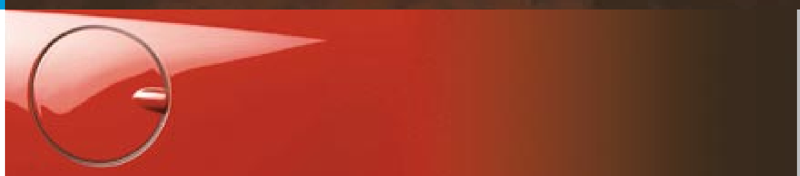




Annual Report 1999

PROFILE

Akzo Nobel is an international company that serves customers around the world with healthcare products, coatings, and chemicals. The fibers business, which operated as a stand-alone company under the name Acordis, was divested at year-end 1999.

Akzo Nobel has a two-layer top structure: business units in Pharma, Coatings, and Chemicals, and a corporate center.

Headquartered in the Netherlands, Akzo Nobel has activities in 75 countries and employed 85,000 people during 1999. Sales in 1999 were EUR 14.4 billion, with Pharma, Coatings, and Chemicals accounting for EUR 2.9 billion, EUR 5.5 billion, and EUR 3.8 billion. With 17,000 employees, Acordis contributed EUR 2.2 billion.

The corporate center coordinates key tasks in such areas as strategy; finance and control; human resources; technology; legal affairs and intellectual property; communications; health, safety, and environment; information management; and risk and insurance management.

AKZO NOBEL

COMPANY STATEMENT

(please turn over)

Gross cash flow
Operating income before nonrecurring items plus depreciation of property, plant and equipment, and amortization of intangible assets

Cash flow per share
Net income excluding extraordinary and nonrecurring items plus depreciation of property, plant and equipment, and amortization of intangible assets, divided by the weighted average number of common shares outstanding

Net income (excluding extraordinary and nonrecurring items) per share
Net income (excluding extraordinary and nonrecurring items) divided by the weighted average number of common shares outstanding

Shareholders' equity per share
Akzo Nobel N.V. shareholders' equity divided by the number of common shares outstanding at December 31

Working capital
Inventories and receivables less current liabilities, exclusive of dividends

Invested capital
Total assets less cash and cash equivalents and less current liabilities

Equity
Akzo Nobel N.V. shareholders' equity plus minority interest

Net interest-bearing debt
Long-term debt plus short-term borrowings less cash and cash equivalents

Gearing
Net interest-bearing debt divided by equity

Interest coverage
Operating income before nonrecurring items divided by financing charges

In the computation of ratios, the amounts used for invested capital and shareholders' equity represent averages for the year.

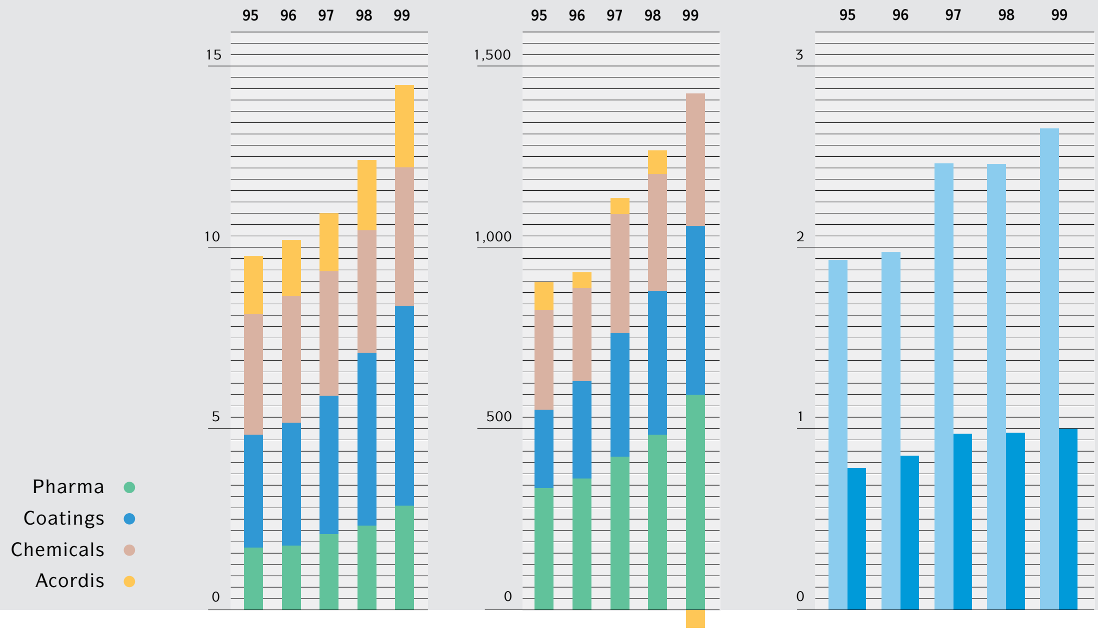
CONTENTS

FINANCIAL HIGHLIGHTS

Net sales
(billions of euros)

Operating income before
nonrecurring items
(millions of euros)

Net income,
excluding extraordinary
and nonrecurring items,
and dividend per common share
(in euros)



Millions of euros (EUR)	**1999**	1998*	*Excluding Acordis* **1999**	1998
Net sales	**14,432**	12,482	**12,190**	10,535
Operating income				
– before nonrecurring items	**1,364**	1,242	**1,426**	1,178
– after nonrecurring items	**1,323**	1,077	**1,385**	1,033
Net income excluding extraordinary				
and nonrecurring items	**759**	703		
Net income	**204**	574		
Cash flow	**1,005**	1,273		
Shareholders' equity	**1,861**	1,899		
Property, plant and equipment				
– expenditures	**797**	819	**690**	684
– depreciation	**740**	661	**582**	530
Per common share, in EUR				
Net income excluding extraordinary				
and nonrecurring items	**2.66**	2.46		
Net income	**0.71**	2.01		
Cash flow	**5.33**	4.82		
Dividend	**1.00**	0.98		
Shareholders' equity	**6.51**	6.66		
Key ratios				
Operating income before nonrecurring items				
– as percent of net sales (ROS)	**9.5**	10.0	**11.7**	11.2
– as percent of invested capital (ROI)	**15.5**	16.2	**20.0**	18.9
Interest coverage	**5.0**	6.0		
Gearing	**2.26**	2.30		
Number of employees at year end	**68,000**	85,900	**68,000**	67,600

* *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Announced as a year of consolidation, 1999 proved to be one of the busiest years in our recent history. Almost 30 years to the day after the creation in 1969 of Akzo, with fibers company AKU as one of the founding fathers, we took the historic decision to separate from Fibers. At the same time, the acquisition of Hoechst Roussel Vet (HR Vet—our third largest acquisition ever—catapulted us into the top league in the world animal health market and thus further strengthened our position in pharmaceuticals. But, as planned, the general emphasis was on consolidation and allocation of special management time to the integration of the companies acquired in 1998, and on the restructuring of our Corporate head office. We also brought investment levels close to depreciation. All these moves strongly affected our financial statements, which are therefore difficult to compare to previous years.

Strong performance of continuing operations

Our sales, net of acquisitions and divestments, grew 5 percent. Pharma achieved double-digit sales growth for the third year in succession, while Chemicals and Coatings resumed real growth, with sales volumes up 5 percent in the second half of 1999. These sound rates helped offset the really dramatic downturn in trading conditions for our Fibers operations: volumes in some textile segments dropped 40 percent in 1999, a decline unparalleled since the crisis in the seventies.

In view of the great uncertainties in the world economy at the end of 1998, we had refrained from giving an income forecast for 1999. As the year progressed, we indicated that a net income of the same order of magnitude as in 1998 would be achievable. We are happy to report that this target has been surpassed with a net income of EUR 759 million, excluding nonrecurring and extraordinary items. As a result, a per share dividend of EUR 1.00 will be proposed to the General Meeting of Shareholders.

The economic environment in which these results were achieved, can be characterized by a weak start but a strong finish. In the first two months, all economic indicators were still down, but March surprised us with its unexpected strength. The U.S. economy continued its strong performance, and the smaller countries in Europe, including Scandinavia, Ireland, the Benelux, and Spain, followed in its wake. The major economies of Germany, France, Britain, and Italy were initially lagging behind, but as the year advanced they began to gain momentum as well. Asia showed a remarkably quick recovery, with some countries achieving growth rates of over 5 percent by the middle of the year. The strong dollar underpinned this process of recovery.

Against this general backdrop, our Pharma operations broke all previous records. Organon's U.S. subsidiary was the star performer, increasing its sales by more than 50 percent for the third consecutive year. Employing 500 salesmen in 1996, it entered the new millennium with 1,250 reps. Organon also structurally strengthened its position in Japan by acquiring the pharmaceutical business of Kanebo. By the end of the year we acquired HR Vet, a long coveted partner for Intervet. We now have a full product range—pharmaceuticals and vaccines—with virtually worldwide coverage in the animal health market. Diosynth and Organon Teknika also put in strong performances.

The many acquisitions in coatings made in 1998, but particularly that of Courtaulds, called for sustained integration and consolidation efforts in 1999. Even so, Coatings managed to produce healthy growth figures. Industrial sales were higher and, helped by a much better summer, Decorative Coatings' sales in Europe clearly exceeded previous years. Unfortunately, we had to divest the aerospace business of the former Courtaulds, following a decision by the European antitrust authorities. The average operating margin improved, reflecting strict cost control.

An unexpected recovery in the world chemicals market led to a strong sales and income performance for Chemicals, particularly in the second half of the year. Most satisfying, however, is the fact that we clearly see the results of the heavy investment and profit improvement programs embarked upon in recent years. Most business units did better than in 1998. Just before the end of the year, we sold our 50-percent stake in PVC joint venture ROVIN.

Fibers separated

The dramatic downturn in the textile fiber markets was singularly unsupportive in the integration of the former Courtaulds and Akzo Nobel fibers activities into the new Acordis. But our determined efforts to execute our plans in spite of these serious adverse conditions paid off. We regret that Fibers' last year in Akzo Nobel ended with an operating loss of EUR 62 million. However, the timing for the launch of Acordis as an independent company was exactly right as the bottom of the trough now seems to have been reached. After so many years, a separation of this magnitude is a complex and traumatic affair. However, the unequivocal support of the decision by Acordis' management and employees has strengthened our conviction that it was the right thing to do.

Fibers' exit has fundamentally changed the composition and face of Akzo Nobel. Whereas in 1969 we were largely a Fibers company, today we are much more balanced. We are growing fast in pharmaceuticals, where we hold a leading position in, among others, female healthcare and have become a world player in animal healthcare. We are the world's leading coatings company with a broad platform for further growth and hold leading positions in important markets for specialty chemicals. Each of these three basic activities contributes substantially to operating income: Pharma by 40 percent, and Coatings and Chemicals in the order of 35 and 25 percent. Given these three activities, the market sees us as well focused.

Positive outlook

A better balanced company should also have higher ambitions. We will focus strongly on value creation and reinforcement of internal coherence with strong emphasis on optimal exploitation of the synergy potential between our businesses.

The macroeconomic outlook for Europe is positive for the year ahead, and no fundamental weakening of the U.S. economy is foreseen. Asia and Latin America continue to show a recovery to growth rates typical of emerging markets. In light of this scenario and assuming that no major currency disturbances occur, we should be able to achieve a double-digit growth rate for our net income excluding extraordinary and nonrecurring items.

Our balance sheet reflects the consequences of this turbulent year: the acquisitions, particularly of HR Vet, and the divestment of Fibers, which took place in 1999. The proceeds from the sale of Acordis reflect the market value of the business but led to a book loss.

All in all, these two transactions boiled down to a massive investment shift from fibers to healthcare, which strengthened our asset base in line with our priorities. Simultaneously, we were able to reduce our interest-bearing debt.

A memorable year for our employees

For our employees 1999 has also been a memorable year. A sustained effort was made throughout the company to prepare for the millennium and as a result we can look back with satisfaction on a smooth transition to 2000.

Unfortunately, our company was not exempt from human tragedy. Earthquakes occurred in a number of countries where we are active, the one in Turkey being particularly devastating. We mourn the death of two of our Turkish colleagues but were impressed by the prompt action taken by our local company and its management to organize immediate relief for our employees.

We continue to strive for a zero accident rate, because “no one comes to work to get hurt!” More emphasis has been given to the preventive side of health and safety this year. Nevertheless, we have to report that a serious accident in our Chemicals plant in Deer Park, Texas, severely injured two persons.

We will remember 1999 as a historic year: the year in which we separated from Fibers; the year in which we became a world player in animal healthcare; the year in which we consolidated many activities; and the year in which we had to respond to human tragedy.

It is with pride and personal satisfaction that we thank our employees for their efforts in serving the best interests of the Company over the past year. Under often difficult circumstances, the combined contributions of all employees made it possible to attain the goals we set.

Cees J.A. van Lede
Chairman of the Board of Management

Board of Management

	Has served in this or similar capacity since:
Cees J.A. van Lede (1942, Dutch), *Chairman*	1991
Fritz W. Fröhlich (1942, German), *Deputy Chairman*	1993
Paul K. Brons (1941, Dutch), *Pharma*	1994
Ove H. Mattsson (1940, Swedish), *Coatings*	1994
Rudy M.J. van der Meer (1945, Dutch), *Chemicals*	1993

Secretary

Bart C.M.I. Beusmans (1940, Dutch)	1996

Senior Vice Presidents

Frits H. Hensel (1943, Dutch), *Finance*	1997
Olle Werner (1944, Swedish), *Human Resources*	1997

CORPORATE GOVERNANCE

General
Akzo Nobel N.V. is a public limited liability company (Naamloze Vennootschap) under Netherlands law, registered in Arnhem. The responsibility for the conduct of Akzo Nobel's business is entrusted to the Board of Management under the supervision of the Supervisory Board.

Shareholders
Akzo Nobel has three classes of shares: common shares, cumulative preferred shares, and priority shares. At December 31, 1999, only common shares and priority shares had been issued.

General Meetings of Shareholders (General Meeting) are held at least once a year. All resolutions are made on the basis of the "one share one vote" principle. The Annual General Meeting reviews the Annual Report and decides on adoption of the financial statements and the dividend proposal, as well as on the discharge of the Members of the Board of Management of their responsibility for the conduct of the business, and the members of the Supervisory Board for their supervision. With the exception of a number of special items, such as amendments of the Articles of Association, all resolutions require an absolute majority. The General Meeting approves nominations to the Supervisory Board and the Board of Management and decides on the issue of new shares and the restriction or exclusion of preemptive rights of existing shareholders. The meeting may empower the Board of Management to issue new shares up to 10 percent of the issued and outstanding number of common shares and to restrict or exclude the preemptive rights of the existing shareholders in respect of such new issues. Currently, such power has been granted for a period of eighteen months effective from the General Meeting held on April 22, 1999.

Any holder or holders of common shares, representing at least 1 percent of issued common shares, may submit proposals in writing for the agenda of a General Meeting at the Company's office at least six weeks in advance of that meeting. The Board of Management may decide not to accept such proposals on the grounds that they are evidently not in the Company's interests.

Proxy voting
With effect from 2000 Akzo Nobel shareholders will be offered the possibility to participate in a three-year pilot project for a proxy voting system developed by the Shareholder Communication Foundation, the Amsterdam Exchanges, and the major Dutch banks. Akzo Nobel is one of the founding companies of the Foundation.

The priority shares are held by the Akzo Nobel Foundation, established at Curaçao, Netherlands Antilles. The Foundation's board consists of the members of the Supervisory Board and of the Board of Management of Akzo Nobel.

With respect to any appointments or reappointments of members of the Supervisory Board and the Board of Management by the General Meeting, the Meeting of Holders of Priority Shares has the right to submit a binding nomination of at least two persons for each vacancy. The latter meeting also approves proposals for amendments of the Articles of Association.

No preference shares have been issued to date. Such shares may be issued for funding purposes and are not subject to restrictions on transfer rights or to limitations on numbers held by any person. Any issue of such shares by the Company will be at or near the prevailing market price for common shares.

Supervisory Board

The Supervisory Board, which solely consists of nonexecutive members, exercises supervision over the Board of Management's policies and business conduct and provides advice. In the performance of their duties the members of the Supervisory Board act in the Company's best interests.

The number of members of the Supervisory Board is fixed by the General Meeting on the proposal of the Meeting of Holders of Priority Shares. At each Annual General Meeting one fourth of the members of the Supervisory Board shall step down, including any member who has reached the age of 70 since the previous Annual General Meeting was held.

The Supervisory Board may unanimously decide to delegate certain tasks to one or more of its members. In this context, the Supervisory Board has established a *Nomination and Remuneration Committee* to prepare proposals for nominations and remuneration and an *Audit Committee* to review the Company's financial affairs.

Profile of the Supervisory Board

The composition of the Supervisory Board should be such that the members can fulfill their tasks independently of one another and of the Board of Management. Membership of the Supervisory Board should reflect both the variety of the Company's businesses and its international character and provide expertise in such areas as finance and societal relations. To ensure continuity, the Supervisory Board should include one or, in special circumstances, two former members of the Board of Management.

Board of Management

The Board of Management is responsible for the management of Akzo Nobel and its businesses. The number of the members of the Board of Management is fixed by the General Meeting on the proposal of the Meeting of Holders of Priority Shares. Members of the Board of Management may be removed from office by the General Meeting on the proposal of the Supervisory Board. A resolution to remove a member of the Board of Management other than on the proposal of the Supervisory Board requires a majority of at least two-thirds of the votes cast at the General Meeting. As a rule, the members of the Board of Management step down at the Annual General Meeting of the year in which they reach the age of 62.

Akzo Nobel fosters continuous awareness of Corporate Governance throughout the organization. The Company's coherent internal structure of management and control is not limited to financial control but also relates to such issues as integrity, compliance with internal and external rules and regulations, human resources, and health, safety and environment management, as well as the assessment of financial, technological, social, and political risks. Every year operational and service unit managers are required to state how they have fulfilled their responsibilities in a Letter of Representation.

Changes in the Supervisory Board
At the General Meeting of Shareholders of April 22, 1999, membership of the Supervisory Board was increased by one and fixed at ten. Lars H. Thunell was appointed to the Supervisory Board effective May 1, 1999. Mr. Thunell has extensive experience in the financial world and has held a number of top financial management positions in the United States, Switzerland, and Sweden. At the same meeting L. Paul Bremer III, Jean G.A. Gandois, and Maarten C. van Veen, who resigned from the Supervisory Board as their terms of office were expiring, were reappointed.

At the General Meeting of April 26, 2000, it will be proposed that Virginia Bottomley be appointed to the Supervisory Board, effective May 1, 2000. The Rt. Hon. Virginia Bottomley JP MP, former Secretary of State for Health and Member of the British Cabinet, is currently Vice Chairman of the British Council and a Governor of the London School of Economics.

Aarnout A. Loudon and Hilmar Kopper, who will step down at the same meeting as their terms of office are expiring, are recommended for reappointment.

Dieter Wendelstadt, who has served on the Supervisory Board for seven years, will step down, having reached the retirement age. In addition to serving on the *Nomination and Remuneration Committee*, he has rendered invaluable advice during a period spanning the merger with Nobel Industries, the acquisition of Courtaulds, and more recently the divestment of Acordis. We are grateful to Mr. Wendelstadt for his wise counsel and significant contributions.

Changes in the Board of Management
At the General Meeting of Shareholders of April 22, 1999, membership of the Board of Management was reduced by one and fixed at five, after Folkert B. Blaisse had resigned at December 31, 1998, to become Acordis' Chief Executive Officer.

With effect from July 1, 2000, Ove H. Mattsson, member of the Board of Management responsible for Coatings, will retire. Mr. Mattsson, who was President and CEO of Nobel Industrier AB, joined the Board in 1994, following the merger of Akzo and Nobel, in which he played a major role. Since then, Akzo Nobel's Coatings operations have continuously grown from a significant market position in the European region to global leadership, following the acquisition of Courtaulds in 1998. We are greatly indebted to Mr. Mattsson for his many outstanding services to the Company.

With effect from the same date, Rudy M.J. van der Meer, currently member of the Board of Management responsible for Chemicals, will take over Mr. Mattsson's responsibility for Coatings.

At the General Meeting of April 26, 2000, it will be proposed that Dag Strömqvist, currently general manager of the Pulp & Paper Chemicals business unit, be appointed to the Board of Management to succeed Mr. van der Meer as board member responsible for Chemicals.

Supervision
During the year the Supervisory Board was regularly informed through business reports, rolling forecasts, strategic and operational plans, and presentations by the Board of Management. The Supervisory Board periodically consulted with the Board of Management on strategy, financial planning, human resources, acquisitions and divestments, and major investment projects. The Supervisory Board also met without the Board of Management being present to discuss issues including the functioning and composition of the Supervisory Board and of the Board of Management.

In 1999 the Supervisory Board engaged in in-depth discussions on such issues as:

- the Company's overall strategy, economic and market developments, and potential risks;
- major initiatives in the context of the overall strategy, particularly the divestment of Acordis and its financial consequences, and the acquisition of HR Vet;
- improvement of the Company's financial structure through cash flow from normal operations, internal measures, and divestments;
- Corporate Governance.

Furthermore, the Supervisory Board discussed and authorized several other acquisitions, as well as a number of major investment projects.

The *Nomination and Remuneration Committee* prepared the proposals for the nomination of Mrs. Bottomley to the Supervisory Board and for reappointment of Mr. Loudon and Mr. Kopper.
The Committee had consultations with the Board of Management on the latter's proposal to nominate Mr. Strömqvist for appointment to the Board of Management and advised the Supervisory Board to approve this nomination. Furthermore, the Committee reviewed the total remuneration, including the granting of options and other benefits, of the members of the Board of Management.

The *Audit Committee* held consultations with the Chairman of the Board of Management, the Chief Financial Officer, and the external and internal auditors on such issues as accounting principles, internal control, administrative organization, the millennium issue, and the effects of the introduction of the euro.
In January 2000, preparations for the 1999 financial statements were extensively discussed with the Board of Management, the external auditors, and the internal auditors. Minutes of the *Audit Committee* meetings are discussed by the full Board.

Financial Statements and Dividend Proposal
We herewith submit for shareholders' approval at the General Meeting of April 26, 2000, the financial statements of Akzo Nobel N.V. for 1999 as prepared by the Board of Management. These financial statements have been audited by KPMG Accountants N.V. Their report can be found on page 84.

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 on page 17. We recommend that shareholders adopt the financial statements and discharge the members of the Board of Management of their responsibility for the conduct of the business, and the members of the Supervisory Board for their supervision.

Arnhem, February 24, 2000

The Supervisory Board

Supervisory Board

	Has served in this or similar capacity since:	
Aarnout A. Loudon (1936, Dutch), *Chairman* [1]	1994	*Former Chairman of the Board of Management of Akzo Nobel* *Chairman of the Supervisory Board of ABN AMRO and Hollandsche Beton Groep, the Netherlands* *Member of the Supervisory Board of Royal Dutch Petroleum Company* *Nonexecutive Director of Corus Group*
Frits H. Fentener van Vlissingen (1933, Dutch), *Deputy Chairman* [1] [2]	1984	*Managing Director of Flint Holding, the Netherlands* *Advisory Director of Unilever* *Deputy Chairman of the Supervisory Boards of ABN AMRO and SHV Holdings, the Netherlands* *Chairman of the Supervisory Boards of CSM and Draka, the Netherlands* *Member of the Supervisory Board of Diamond Tool Group, the Netherlands*
L. Paul Bremer, III (1941, American)	1997	*Former U.S. Ambassador to the Netherlands* *Managing Director of Kissinger Associates* *Nonexecutive Director of Air Products & Chemicals, Pennsylvania, and Vivid Technologies, Massachusetts* *Chairman of the U.S. National Commission on Terrorism*
Abraham E. Cohen (1936, American) [2]	1992	*Former Senior Vice President of Merck & Co and President of Merck International, New Jersey* *Chairman of Vascomedical, New York, and Neurobiological Technologies, California* *Nonexecutive Director of Smith Barney (Mutual Funds), New York, Teva Pharmaceutical Ind., Israel, and Pharmaceutical Product Development, North Carolina* *Trustee of the Population Council, New York*
Jean G.A. Gandois (1930, French)	1989	*Former President of the Conseil National du Patronat Français* *Former CEO of Rhône-Poulenc and Pechiney* *Former Chairman of Cockerill Sambre, Belgium* *Member of the Supervisory Boards of Siemens and Peugeot* *Member of the Supervisory Board of Suez Lyonnaise des Eaux, France*

	Has served in this or similar capacity since:	
Hilmar Kopper (1935, German) [2]	1990	*Chairman of the Supervisory Boards of Deutsche Bank and DaimlerChrysler* *Member of the Supervisory Boards of Bayer and Solvay* *Advisory Director of Unilever* *Nonexecutive Director of XEROX*
Lars H. Thunell (1948, Swedish) [2]	1999	*President and CEO of S E B Skandinaviska Enskilda Banken* *Chairman of the Swedish Bankers Association*
Maarten C. van Veen (1935, Dutch)	1997	*Former CEO of Koninklijke Hoogovens, the Netherlands* *Chairman of the Supervisory Board of Koninklijke Volker Wessels Stevin, the Netherlands* *Member of the Supervisory Board of ABN AMRO* *Member of the Supervisory Boards of Internatio-Müller and Van Doorne's Transmissie, the Netherlands* *Nonexecutive Director of Corus Group*
Lo C. van Wachem (1931, Dutch) [1]	1992	*Former President, now Chairman of the Supervisory Board of Royal Dutch /Shell* *Chairman of the Supervisory Board of Royal Philips Electronics* *Member of the Supervisory Board of BMW and Bayer* *Nonexecutive Director of IBM* *Nonexecutive Director of Atco, Canada, and Zurich Financial Services, Switzerland/UK*
Dieter Wendelstadt (1929, German) [1]	1993	*Former Chairman of the Supervisory Board of AXA Colonia Konzern* *Member of the Supervisory Boards of Ford Germany, Morgan Stanley Germany, and Kölnische Rückversicherung, Germany* *Chairman of the Supervisory Board of DSL-Bank, Germany*

[1] *Member of the Nomination and Remuneration Committee.*
[2] *Member of the Audit Committee.*

A farewell to Acordis.
Cees van Lede and Folkert Blaisse shake hands in front of the "Cocoon," which from 1928 to 1989 adorned the entrance tower of the rayon (artificial silk) plant in Arnhem. Presented to Acordis on this occasion, it will be moved to their site in the course of 2000.

MILESTONES IN 1999

January	Launch of Acordis as a stand-alone company Acquisition of Dexter's 40 percent participation in Akzo Dexter (AD) Aerospace Finishes; now wholly owned Marketing approval in Germany for Organon's Livial®, the first tissue-specific treatment for menopausal symptoms Polymer Chemicals becoming worldwide distributor of the specialty additive products CIRS SpA Divestment of the former Courtaulds European plastic tubes business
February	Acquisition by Organon of the ethical pharmaceutical business of Japan-based Kanebo
March	Establishment of joint venture between Akzo Nobel and Nippon Paint Company, creating European market leader in coil coatings
April	Divestment of former Courtaulds performance film business Acquisition by Intervet of majority shareholdings in Farmaceutici Gellini and Nuova ICC
May	License agreement with Roche Diagnostics under Organon Teknika's nucleic acid extraction technology
June	Inauguration of the Delesto joint venture's 360 MW cogeneration plant in Delfzijl, the Netherlands Divestment of Polymer Chemicals' Dianol business
July	Establishment of joint venture between Polymer Chemicals and Taiwan-based Coin for their dicumyl peroxides (DCP) and cumene hydroperoxides (CHP) businesses Acquisition of Korean paper chemicals business by Pulp & Paper Chemicals Divestment of Akzo Nobel Information Services Offer for Acordis from CVC Capital Partners Divestment of former Courtaulds Aerospace Coatings and Sealants business
August	Major earthquake in Turkey; two fatalities among employees
October	Organon Inc. launches new muscle relaxant Raplon® in the United States
November	Acquisition of Hoechst Roussel Vet
December	Decision to build a 25,000 tons-per-annum monochloroacetic acid (MCA) plant in China Sale of Akzo Nobel's stake in ROVIN Divestment of Acordis completed

GENERAL

STRATEGY

In 1999 we continued to pursue our strategy to defend or conquer leadership positions with structural profitability in selective world markets in the areas of healthcare, coatings, and chemicals. Our activities should have the critical mass needed to play an active role in the industries in which we operate. We give priority to growth of our Pharma and Coatings operations and strive to improve Chemicals' returns and portfolio composition. In line with our strategy Acordis was divested, and several corporate services were outsourced.

We aim to reinforce our internal coherence by optimally exploiting the synergy among our businesses and by committing to a more stable and higher growth profile. In this context we will also align the interests of our employees even more strongly with those of our shareholders.

Specific strategy issues and financial targets are discussed in the Business Reviews of Pharma, Coatings, and Chemicals.

Akzo Nobel's key products, competitive positions, as well as Pharma's products in the pipeline are stated on pages 24 and 25.

Principal strategic transactions: Acordis divested, Intervet in top league

In November 1999, Akzo Nobel signed a contract to sell its Acordis fibers business to a consortium led by CVC Capital Partners. CVC now holds 64 percent in the new company's equity, Acordis' management 15 percent, and Akzo Nobel 21 percent.

Also in November, we bought HR Vet, the veterinary business of Hoechst AG. This transaction moved Intervet into the top league, with combined sales of both operations totaling approximately EUR 0.8 billion.

FINANCIAL PERFORMANCE

Highlights 1999

- Slow start in first quarter, healthy increase in net income* in fourth quarter
- Sales up 16 percent: 4 percent higher volumes; 11 percent acquisitions / divestments
- Pharma key growth driver: sales up 23 percent, 13 percent volume growth
- Average selling prices slightly lower
- Operating income before nonrecurring items 10 percent higher; excluding Acordis up 21 percent
- Return on sales 9.5 percent against 10.0 percent in 1998; excluding Acordis 11.7 percent against 11.2 percent

Fritz W. Fröhlich, Deputy Chairman and CFO, updates the media at a press conference.

- Higher financing charges due to financing of acquisitions, mainly Courtaulds by mid-1998; gradual reduction in second half of 1999, reflecting strong cash flow and divestment program
- Interest coverage 5.0
- Net income* up 8 percent from EUR 703 million to EUR 759 million, despite negative Acordis results
- Bottom-line net income EUR 204 million due to extraordinary and nonrecurring charges of EUR 555 million, primarily related to the Acordis divestment
- Expenditures for PP&E EUR 797 million, close to depreciation of EUR 740 million; for Pharma more than 60 percent over depreciation
- Financial surplus EUR 608 million; EUR 294 million from normal operations after dividend and EUR 314 million net cash effect of divestments and acquisitions
- R&D expenditures EUR 726 million; Pharma EUR 400 million, up 19 percent

* *Excluding extraordinary and nonrecurring items.*

Pharma – earnings up 24 percent

Pharma had a very good year with significant volume growth across the board. Operating income before nonrecurring items surged 24 percent to EUR 595 million, despite continued heavy spending in marketing and R&D to maintain growth momentum. In human healthcare, Organon and Organon Teknika turned in an excellent performance, with all key products contributing to substantial sales and earnings gains. In animal healthcare, Intervet sustained its high profitability level with continued growth in sales and income. Hoechst Roussel Vet contributed to the results from November. Diosynth's earnings remained strong and exceeded the previous year's level.

Coatings – earnings up 16 percent

Coatings' 1999 operating income before nonrecurring items amounting to EUR 466 million was 16 percent higher than in 1998. Benefits from the acquisitions made in 1998 are becoming increasingly manifest. Decorative Coatings registered income gains in most Western European countries and Turkey, bolstered by higher volumes and cost control. Car Refinishes turned in a record performance, particularly in Europe and the United States. During the first months of the year, the industrial activities as well as Marine & Protective Coatings were hampered by soft market conditions. Gradually business picked up again, aided by the strong North American economy and an improving business climate in Europe and Asia.

Chemicals – earnings up 15 percent

Chemicals turned in a distinctly improved performance. Operating income before nonrecurring items of EUR 367 million exceeded the 1998 figure by 15 percent, reflecting higher demand and cost reductions.
Polymer Chemicals continued its solid performance. Catalysts' results were significantly up from the disappointing 1998 level, aided by market improvement and cost-saving measures.
At Surface Chemistry earnings improved significantly, benefiting from recent restructurings. Pulp & Paper Chemicals suffered from the depressed North American market for bleaching chemicals, while Functional Chemicals was not able to sustain the upward trend of recent years.

These developments are reflected in the ROS percentages (before nonrecurring items):

	1999	1998
Pharma	**20.8**	20.7
Coatings	**8.5**	8.4
Chemicals	**9.6**	9.4
Total of continuing operations	**11.7**	11.2

Acordis cyclically impacted

Operating income before nonrecurring items fell from EUR 64 million in 1998 to a loss of EUR 62 million in 1999, due to the severe cyclical downturn for textile fibers. This particularly goes for Enka® viscose filament and standard clothing applications. Tencel® achieved strong earnings growth. The industrial fibers activities held up better.

Net income up 8 percent

Net income excluding extraordinary and nonrecurring items increased 8 percent, in spite of the significant negative impact of textile fibers. Pharma, Coatings, and Chemicals achieved major growth in earnings.

Sales of continuing operations were EUR 12.2 billion, up 16 percent from the previous year. Higher volumes, notably at Pharma but also at Coatings and Chemicals, accounted for a 5 percent rise in sales, while average selling prices were 1 percent lower. The net contribution of acquisitions and divestments was 10 percent, with Courtaulds included in the annual figures for the full year and in 1998 only for the second half of the year. Currency translations had a 2 percent positive effect, predominantly related to the U.S. dollar, the pound sterling, and the Swedish krona.

Operating income of continuing operations, before nonrecurring items, demonstrated a healthy 21 percent growth to EUR 1,426 million, with a major contribution being made by Pharma. Coatings, partly due to acquisitions, and Chemicals also made substantial contributions.

The increase in *financing charges* from EUR 207 million in 1998 to EUR 275 million in 1999 is primarily due to interest on debt assumed in the context of acquisitions, notably Courtaulds in mid-1998. Interest coverage was 5.0.

Income taxes decreased from 35 percent in 1998* to 33 percent in 1999 due to changes in the geographic mix of earnings.

Earnings from nonconsolidated companies (before nonrecurring charges) totaled EUR 52 million, compared with EUR 45 million in 1998. This increase is largely attributable to better results of the Acordis nonconsolidated companies. Flexsys continued to make a satisfactory contribution.

Restructuring for the future

In 1999 the Company recognized extraordinary losses for a total after-tax amount of EUR 515 million, relating to Acordis, and nonrecurring losses of EUR 40 million after taxes, relating to other activities, reducing bottom-line net income to EUR 204 million.

The launch of Acordis as stand-alone company required various separation and restructuring measures. The dramatic downturn of the textile fiber cycle during 1999 necessitated additional restructuring measures, especially at Enka® viscose filament. The total effect of these separation and restructuring measures was an extraordinary loss of EUR 275 million before taxes.
At the end of December 1999, Acordis was divested to a newly established Dutch holding company.
CVC Capital Partners holds a 64-percent stake in the equity of this company, while Acordis management holds 15 percent, and Akzo Nobel the remaining 21 percent, valued at EUR 49 million. Akzo Nobel furthermore extended a subordinated loan to Acordis of EUR 138 million. The transaction value of the divestment was determined at EUR 825 million based on the debt-free December 31, 1998 balance sheet and an assumed capital expenditure level for 1999.
The substantial reduction of working capital and capital expenditures during 1999 resulted in a value of approximately EUR 640 million. The net asset value of Acordis at December 31, 1999, after an additional fair value adjustment, was EUR 1,105 million. As a consequence, the divestment resulted in a pretax book loss of EUR 465 million. The extraordinary pretax losses on the separation and restructuring of EUR 275 million and on the divestment of EUR 465 million aggregated EUR 740 million. Taking into account tax credits of EUR 225 million, the after-tax loss amounted to EUR 515 million.

The after-tax nonrecurring losses of EUR 40 million mainly relate to restructurings of Pharma's Diagnostics activities and the divestment of our participation in ROVIN to Shin-Etsu at the end of December 1999.

Condensed statement of income

Millions of euros	**1999**	1998*
Net sales:		
Continuing operations	**12,190**	10,535
Acordis	**2,242**	1,947
	14,432	12,482
Operating income before nonrecurring items:		
Pharma	**595**	480
Coatings	**466**	401
Chemicals	**367**	320
Other	**(2)**	(23)
Continuing operations	**1,426**	1,178
Acordis	**(62)**	64
	1,364	1,242
Financing charges	**(275)**	(207)
Operating income before nonrecurring items, less financing charges	**1,089**	1,035
Taxes	**(357)**	(361)
Earnings of consolidated companies after taxes	**732**	674
Earnings from nonconsolidated companies	**52**	45
Earnings before minority interest	**784**	719
Minority interest	**(25)**	(16)
Net income excluding extraordinary and nonrecurring items	**759**	703
Extraordinary and nonrecurring items, after taxes	**(555)**	(129)
Net income	**204**	574
Net income per share, excluding extraordinary and nonrecurring items (*in EUR*)	**2.66**	2.46

* *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*

Strong operational cash flow – funds balance of EUR 608 million

Millions of euros	**1999**		1998*	
Earnings before minority interest	**229**		590	
Depreciation and amortization	**776**		683	
Cash flow	**1,005**		1,273	
Book loss on divestments, writedowns, and changes in provisions	**286**		193	
Changes in working capital	**140**		(249)	
Other items	**4**		71	
Net cash provided by operations		**1,435**		1,288
Expenditures for:				
– property, plant and equipment	**(797)**		(819)	
– acquisitions	**(725)**		(2,975)	
– other noncurrent assets	**(40)**		(35)	
Proceeds from sale of interests	**1,039**		287	
Net cash used for investing activities		**(523)**		(3,542)
		912		(2,254)
Dividend payment		**(304)**		(296)
Funds balance		**608**		(2,550)

The cash flow from operations increased from EUR 1,288 million in 1998 to EUR 1,435 million in 1999. Working capital was reduced by EUR 140 million (1998: increase of EUR 249 million).

Expenditures for property, plant and equipment were EUR 797 million in 1999 against EUR 819 million in the previous year. Expenditures at Acordis and Coatings were lower, partly offset by increases for Pharma and Chemicals. Depreciation amounted to EUR 740 million, compared with EUR 661 million in 1998.

Authorizations for new projects were lower for all Groups, totaling EUR 630 million, against EUR 860 million in 1998.

Acquisition expenditures of EUR 725 million mainly concerned HR Vet and the pharmaceutical business of Kanebo.

Proceeds from sale of interests predominantly relate to the divestments of PRC-DeSoto, Acordis, Performance Films, and ROVIN.

In 1999, as in the previous year, normal operations were financed without additional capital market transactions. We continued to use the money market, including the U.S. commercial paper market, to bridge peak financing requirements for working capital.

Improved portfolio – lower debt

Invested capital of EUR 7.8 billion at year-end 1999 compares with EUR 8.5 billion at the end of 1998. Divestments caused a EUR 1.7 billion decrease, while acquisitions added EUR 0.5 billion. Higher exchange rates led to an increase of EUR 0.7 billion. Expenditures for property, plant and equipment were close to depreciation, while lower working capital accounted for a decrease of EUR 0.2 billion.

The *invested capital turnover ratio* of continuing operations in 1999 was 1.71, against 1.69 in the previous year.

Equity decreased by EUR 0.1 billion, while net interest-bearing debt was EUR 0.3 billion lower. As a consequence, gearing slightly improved to 2.26 (1998: 2.30).

* *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*

Condensed balance sheet

Millions of euros, December 31	**1999**	1998*
Noncurrent assets	**5,377**	5,924
Working capital	**2,378**	2,600
Invested capital of consolidated companies	**7,755**	8,524
Nonconsolidated companies	**644**	466
Cash and cash equivalents	**932**	536
	9,331	9,526
Equity	**2,015**	2,089
Provisions	**1,835**	2,102
Interest-bearing debt	**5,481**	5,335
	9,331	9,526

The decrease in equity reflects the balance of additions through net income (EUR 0.2 billion) and positive currency translation effects (EUR 0.2 billion) on the one hand, and reductions due to dividends (EUR 0.3 billion) and goodwill (EUR 0.2 billion) on the other.
The goodwill charge predominantly concerned goodwill on the acquisition of HR Vet and the pharmaceutical business of Kanebo, partially offset by an, on balance, positive purchase accounting adjustment for Courtaulds. The latter included the gains on the divestment of PRC-DeSoto and Performance Films, partially offset by the writedown of certain Acordis activities of EUR 300 million and additional restructuring provisions in the context of integration at Coatings.

Headcount down 17,900 to 68,000

Restructurings at and the divestment of Acordis caused a decrease of 18,700. Other divestments led to a workforce reduction of 3,000. Acquisitions, mainly HR Vet, resulted in an increase of 3,600. Because of organic growth at Pharma, notably in Sales, Marketing and R&D, the number of employees rose 1,400, while decreases were registered for Coatings, Chemicals, and Central Units.

* *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*

DIVIDEND PROPOSAL

At the General Meeting of Shareholders of April 26, 2000, we will propose a 1999 dividend of EUR 1.00 per common share (1998: EUR 0.98). In November 1999 we declared and paid an interim dividend of EUR 0.30. Our proposal would result in a dividend payment of EUR 286 million, a payout ratio of 38 percent relative to net income excluding extraordinary and nonrecurring items.

Pages 18 through 62 form an integral part of the Report of the Board of Management.

OUTLOOK FOR 2000

The macroeconomic outlook for Europe is positive for the year ahead, and no fundamental weakening of the U.S. economy is foreseen. Asia and Latin America continue to show a recovery to growth rates typical of emerging markets. In light of this scenario and assuming that no major currency disturbances occur, we should be able to achieve a double-digit growth for our net income excluding extraordinary and nonrecurring items.

Expenditures for property, plant and equipment are planned at approximately EUR 750 million. Our strong cash flow should enable us to reduce the present gearing.

Excluding acquisitions and divestments, we do not foresee any material changes in the number of employees in 2000.

Arnhem, February 24, 2000

The Board of Management

PEOPLE AT AKZO NOBEL

Our most important resource

Our Company Statement emphasizes that people are our most important resource. Though some may regard this as just another cliché, few would deny that we are living in a fast-changing world where money, information, resources, and ideas can be moved around the globe at the touch of a button, where competition is increasing at a greater pace than market potential, and where events are unfolding at an ever increasing rate and are becoming far more difficult to predict. In such a world, it is the competence, loyalty, cultural diversity, and enthusiasm of our employees that will ensure our long-term competitive edge. To address this challenge we must be prepared to question adopted truths of human resource management.

Open to feedback

People feel most at home in an organization in which they can make themselves heard. A fine example of our efforts to create such an organization is the employee survey conducted by the Chemicals business units to gauge employee satisfaction and obtain honest feedback on such issues as management, supervision, and safety. The results are being analyzed at our locations and will form the basis of local improvement programs.

To assess our attractiveness as an employer, a survey was conducted among a group of recent graduates. The results revealed weaknesses in our handling of career guidance and other management development issues. These signals were taken to heart and resulted in a number of improvements, such as a stronger focus on individual career guidance, annual appraisals, and improved education and training support, which will be implemented in early 2000.

Education and training

This year Corporate Education & Training offered middle and higher management 12 tailor-made programs, varying from three days to three weeks. Quality is ensured through our educational partnerships with a select group of distinguished business education institutes.

During the year, 600 managers from 20 countries participated in a total of 30 international educational programs. Functional and cultural diversity are key words for these programs, so we would like to improve the cultural spread of the participants to reflect the geographic spread of our management and operations.

Great diversity

Akzo Nobel is a company employing at year-end 1999 68,000 people all over the world; 64 percent in Europe (19 percent in the Netherlands), 15 percent in North America, 7 percent in Latin America, 11 percent in Asia Pacific, and 3 percent in other regions. A similar analysis of our higher management levels shows that the great majority of these positions are manned by Europeans, which underlines the need to further improve the international diversity of our management. The more successful we are in harnessing the creative skills of our employees in this multicultural environment, the more we improve our long-term competitiveness.

RESEARCH AND DEVELOPMENT

In 1999, R&D expenditures amounted to EUR 726 million, up 12 percent from 1998. The main driver continued to be Pharma, which now accounts for 55 percent of Akzo Nobel's total R&D expenditures. For Pharma as a whole, R&D expenses as a percentage of sales were maintained at a level of 14 percent. For Coatings and Chemicals this ratio remained approximately 3 percent.

Total R&D staff was 6,800 at year-end 1999, against 7,500 at the end of 1998. The decrease mainly relates to the divestment of Acordis.

ENGINEERING

Toward the end of 1999 the Board of Management decided to refocus and revitalize Akzo Nobel Engineering (AE). In order to ensure its long-term competitiveness and expertise critical mass, AE needs to generate over time at least 30 percent of its sales from external customers. The choice to operate as a commercial unit in the marketplace calls for a substantial adjustment of the cost structure and operational flexibility as well as a major capacity reduction. The necessary actions have been defined and will for a significant part be executed in 2000.

HEALTH, SAFETY, AND ENVIRONMENT (HSE)

Concern for health, safety, and environment is an integral part of our business policy. Akzo Nobel actively supports the guiding principles of the Business Charter for Sustainable Development of the International Chamber of Commerce, the Responsible Care® program of the chemical industry, and the Coatings Care® program of the paint and printing ink industry.

"What gets measured gets done"

We have found this statement to be true for all aspects of our business, and the area of health, safety, and environment is no exception.

Targets for the year 2000 (baseline = 1994)
(excluding Courtaulds)

Year	1994	1998	Target
Safety (F.R.) *	1.55	0.80	< 1
Heavy metals to water (tons)	66	32	60
Organic compounds to air (tons)	22,448	18,638	19,000
Total waste (tons)	300,548	244,679	255,000

Six years ago, we set ourselves Company-wide targets to be achieved by the year 2000. In 1998, for the first time, all of these targets were met. Nevertheless, we do not see this as a reason to rest on our laurels; on the contrary, in our view the Company's performance is still not good enough. In line with Akzo Nobel's HSE policy statement, we must continuously improve and we will continue to make progress toward our vision of no accidents, injuries, or harm to the environment.

Based on a strong emphasis on Product Stewardship, we will design or modify our products to minimize their environmental, health and safety impact over the complete life cycle, from the choice of raw materials, through manufacturing, distribution, use and disposal, in close cooperation with distributors, customers, and suppliers.

This year, we will be setting new targets, to be achieved by the year 2005, based on the changed composition of the Company.

* *F.R. (frequency rate) = number of Lost Time Injuries per 100 employees per year.*

Safety Record 1999

F.R. *	**1999**	1998
Pharma	**0.65**	0.78
Coatings	**0.86**	1.23
Chemicals	**0.58**	0.48
Akzo Nobel, excluding Acordis	**0.73**	0.87

Our overall safety performance improved 15 percent compared to 1998, with the major contribution coming from Coatings. Fortunately, in 1999 no fatalities occurred.

AKZO NOBEL IN SOCIETY

In August a devastating earthquake hit Turkey. One of the towns worst hit was Gebze, situated some 20 kilometers from the epicenter and home to our coatings factory Marshall Boya. Two of our employees lost their lives and many lost their homes and possessions. Akzo Nobel and employees made funds available for immediate relief and the construction of new homes.

Akzo Nobel regards the support of select activities in such fields as education, sports, arts, culture, and science as a cornerstone of its role as a good corporate citizen. Our community relations program outlines the criteria for sponsoring and donations, aimed at stimulating young talent. The corporate projects we are involved in are mainly international in character, while local units have adopted projects that are close to the people. We prefer a proactive approach, developing projects in cooperation with a partner.

The Education Fund (a cooperation with Plan International) financed a number of educational projects in developing countries. In Vietnam, in the province of Bac Giang, class rooms were constructed and school equipment was provided for elementary schools. In Kupang, Indonesia, the Education Fund contributed to improving access to schools by renovating and repairing schools and building study centers. In Pu Cheng County, China, 52 elementary schools received school equipment and in Chun Hua County school equipment was provided, while old desks and benches were repaired and sent to other schools. Altogether some 7,000 elementary school children benefited from these projects. Education Fund projects are financed with donations coming from Akzo Nobel employees and the Company.

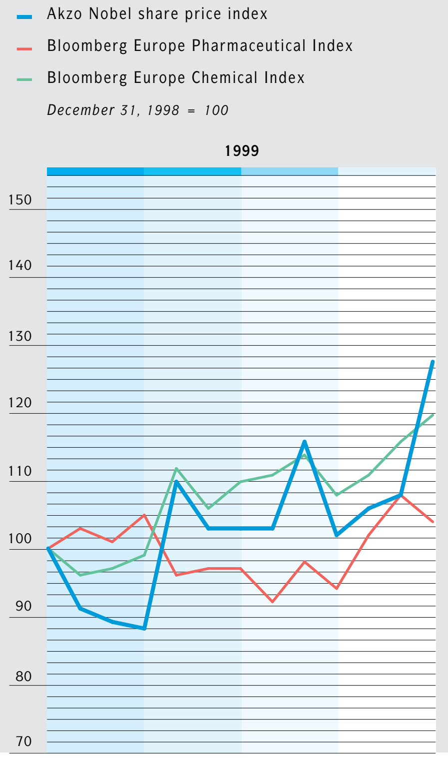
Cees van Lede visits Turkey to meet victims of the earthquake and their families.

The Education-Industry Partnership program to encourage young children to show a greater interest in science and technology was extended to the Courtauld Institute of Art in London, which focuses on programs for schools to promote the use of graphics and colors. Practical workshops for secondary schools were set up in the Courtauld Gallery Education Programme with Akzo Nobel's support.

Marcus Aldén and Sune Svanberg, professors at the Lund Institute of Technology, who worked in an interdisciplinary project on the uses of laser light, have been awarded the Akzo Nobel Science Award Sweden. They cooperated with chemists, environmental scientists, oncologists, and pathologists to improve laser spectroscopy and find new technical and medical applications. The Swedish award was presented for the first time; from now on the Award will be given alternately in the Netherlands (in 2000 for the 30th time) and Sweden.

Since the set-up of the Akzo Nobel for Young Talent program in 1994, 17 concerts have been supported throughout the world. In 1999, four young soloists performed with renowned orchestras and conductors in Birmingham, Chicago, and Amsterdam.

This past year, the Akzo Nobel Art Foundation bought some hundred new creations of international contemporary artists for the Akzo Nobel Collection. Part of the collection can be viewed on the Internet. Akzo Nobel has loaned some of its best works to various museums, including London's Tate Gallery and the Centre Pompidou in Paris. The Foundation also assists the business units in selecting art and artists and, in consultation with the City of Arnhem, formulated the commission for a sculpture in commemoration of the Sonsbeek Park centennial. Akzo Nobel presented the resulting work of art by Hans Hovy, entitled "Celestial Gift," to the City of Arnhem. The sculpture, pictured on page 28, now stands in Sonsbeek's Steep Garden.



AKZO NOBEL SHAREHOLDERS

Value-driven management

In 1999 we again made significant progress in the pursuit of our strategic objective to move away from cyclical, low-yield, low-growth operations to value-creating, high-growth businesses. The successful integration of the former Courtaulds activities made Akzo Nobel the true world leader in coatings. In 1999 we completed the divestment of Acordis, doubled the animal health business with the acquisition of HR Vet, and gained a stronger foothold for our prescription drugs in Japan with the acquisition of the pharmaceutical activities of Kanebo.

Our ambition in the year 2000 is to make a further shift to value creation as the driving force for our businesses. Our operational and strategic decisions, including acquisitions and divestments, will be governed by the value generated by the operations in excess of the average cost of capital, which is at present approximately 9 percent (after taxes). Performance measurement using the EVA (Economic Value Added) tool, which will be embedded in the bonus system, will enhance value-based control. An EVA pilot is currently being implemented in three business units and at the corporate level; a complete rollout is planned.

Pro-active investor relations approach

Akzo Nobel presented its operations to the financial world at a number of conferences and roadshows in major financial centers in the United States and Europe. Members of the Board of Management and business unit managers gave presentations to the financial world on developments in their businesses, and positive feedback was received in analysts meetings. We also held press conferences and conference calls with the investor community in the context of the publication of our quarterly results.

The Internet is rapidly developing into a key investor relations communications tool. Akzo Nobel's website includes data such as quarterly results, conference calls, and information given in presentations.

Broadened stock option plan

To further align the interests of management and shareholders, the number of executives participating in Akzo Nobel's stock option plan was increased from 100 to 800. Stock option rights are valid for five years. Starting from January 1999, rights can only be exercised after a three-year period.

Share price outperforming index

In 1999, Akzo Nobel's share price rose by 28 percent and was generally in line with the Bloomberg Europe Chemical and Europe Pharmaceutical Indexes, with a positive deviation by the end of the year. Over the last three years our share price has shown an average annual growth of 23 percent.

The 1999 dividend of EUR 286 million represents 38 percent of net income excluding extraordinary and nonrecurring items, which is in line with our policy to maintain a payout ratio between 35 and 40 percent.

During the year many detailed research reports were published on our Company. The recommendations were almost evenly divided between "buy" and "hold," with a clear shift to "buy" toward the end of the year.

Shareholdings

At year-end 1999 approximately 29 percent of Akzo Nobel's shares was held in the Netherlands, 26 percent in the United States, 22 percent in the United Kingdom, and 23 percent in other countries. About 14 percent of the total number of shares was owned by private investors and 86 percent by institutional investors.

Akzo Nobel's common shares are listed at the following stock exchanges: Amsterdam, London, NASDAQ (as American Depositary Receipts), Vienna, Brussels, Paris, Frankfurt am Main, Stockholm (as Swedish Depositary Receipts), and the SWISS EXCHANGE.

In order to comply with the regulations of the U.S. Securities and Exchange Commission, the Company files an Annual Report on Form 20-F, which after filing will be available at the Company's office and on the Internet.

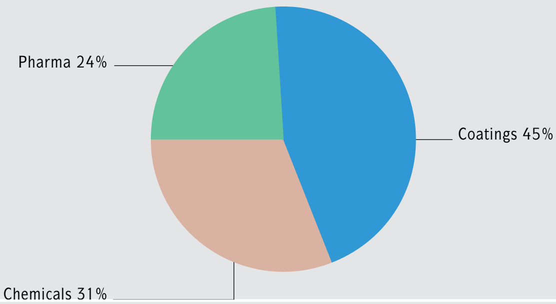
For the financial calendar and contacts with Investor Relations, reference is made to page 91.

Five-year summary

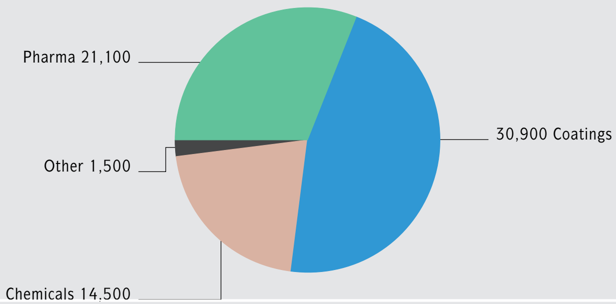
*Amounts in euros per share**	**1999**	1998	1997	1996	1995
Net income	**0.71**	2.01	2.46	1.97	1.87
Net income excluding extraordinary and nonrecurring items	**2.66**	2.46	2.46	1.97	1.93
Dividend	**1.00**	0.98	0.97	0.85	0.79
Shareholders' equity	**6.51**	6.66	14.63	12.49	10.73
Share price					
Highest	**52.40**	58.86	42.84	26.99	23.79
Lowest	**30.00**	25.87	26.29	19.97	18.60
Year-end	**49.80**	38.80	39.66	26.77	21.06
Dividend in % of net income excluding extraordinary and nonrecurring items	**38**	40	39	43	41
Number of common shares outstanding at year-end (in millions)*	**285.9**	285.3	285.2	284.7	284.3

* *All (per) share data have been adjusted to reflect the four-for-one stock split on July 1, 1998, and the change in accounting principles for deferred taxes; see page 64.*

Net sales
of continuing operations
[EUR 12.2 billion]



Number of employees
at December 31, 1999 [68,000]



BUSINESS ACTIVITIES

AKZO NOBEL'S PRODUCTS AND MARKETS

KEY FIGURES AND RATIOS

PHARMA

COATINGS

CHEMICALS

ACORDIS

AKZO NOBEL'S PRODUCTS AND MARKETS

(All stated competitive positions are based on management estimates.)

MAJOR PRODUCT LINES	KEY PRODUCTS/APPLICATIONS	COMPETITIVE POSITION

PHARMA

Prescription drugs, hospital supplies, veterinary products, raw materials for the pharmaceutical industry, OTC products *1999 sales EUR 2.9 billion*	• Contraceptives, infertility treatment, hormone replacement therapy, and CNS products (antidepressants, antipsychotics)	• Among top four suppliers of oral contraceptives, second largest in infertility products; building up positions in CNS products
	• Muscle relaxants and diagnostics	• World leader in muscle relaxants, strong in bacteriology
	• Veterinary vaccines and pharmaceuticals	• One of the four major suppliers of veterinary products
	• Pharmaceutical raw materials	• Strong in heparins and a world leading supplier of steroids and industrial peptides
	• Nonprescription drugs	• Strong local positions in Europe

Products in the pipeline	***Indication***	***(Expected) first launch***				
		1999	*2000*	*2001*	*2002*	*> 2002*
Ethicals						
Cerazette®	contraception	→				
Implanon®	contraception	→				
Nuvaring®	contraception			→		
New oral contraceptive	contraception					→
Orgalutran® (Antagon™ in U.S.)	infertility		→			
Xyvion™	osteoporosis		U.S. →			
Org 5222	psychosis					→
Gepirone	depression				U.S. →	
Org 12962	depression					→
Org 31540	atherothrombosis			→		
Raplon®	muscle relaxant	→				
Veterinary products	several new products	in various stages				
Diagnostics	several new products	in various stages				

COATINGS

The world's leading coatings producer

Coatings and related products, adhesives, printing inks, and resins *1999 sales EUR 5.5 billion*	• Coatings for decoration and protection of architectural structures	• Market leader in Europe
	• Car refinishes, finishes for commercial vehicles	• Among top four global suppliers
	• Coatings for protection and decoration of hulls, interiors, and superstructures for ships and yachts	• World leader

MAJOR PRODUCT LINES	KEY PRODUCTS/APPLICATIONS	COMPETITIVE POSITION
	• Industrial coatings such as powder, coatings, coatings for wood, metal, coil, and plastics, e.g. for construction and building products, automotive, aircraft, appliances, and furniture	• World leader in selected markets
	• Resins for coatings and printing inks	• Leading in selected market niches
	• Resin impregnated paper for surfacing of wood panels	• World leader in the noncaptive market
	• Adhesives and resins for wood products such as wood panels, furniture, floors, doors, etc	• Leader in selected market niches
	• Printing inks for the graphic and packaging industries	• Global leader in narrow web inks; market leader in the Nordic countries and Turkey
CHEMICALS		
Specification, functional, and specialty chemicals *1999 sales EUR 3.8 billion*	• Pulp bleaching, manufacture of paper and board	• World leader in pulp bleaching chemicals and strong worldwide position in paper chemicals
	• Functional chemicals such as chelates, flame retardants, CMC, animal feed additives, and intermediates such as carbon disulfide, monochloroacetic acid, ethyleneamines and methylamines	• Leading and strong worldwide positions
	• Surfactants and fatty acids used in detergents, cleaning, personal care, and for numerous industrial uses such as asphalt, oil, agro, mining, and textile. Thickeners, additives for paints and building materials	• Leading and strong worldwide positions
	• Polymer producing industry	• Leading worldwide positions in polymerization catalysts such as organic peroxides, metal alkyls, custom-manufactured Ziegler-Natta systems, and metallocenes
	• Chlorine, caustic soda for industrial applications	• Leading positions in Northwest Europe
	• Salt for electrolysis, other industries, and consumer use	• Leading position in Northwest Europe
	• Catalysts for the oil refining and chemical industries	• The world's second largest supplier of refinery catalysts
	• Plastic additives such as stabilizers and radiation curing agents	• Leading supplier in Europe

Akzo Nobel also conducts chemical activities through joint ventures. In 1999, sales of these nonconsolidated companies aggregated EUR 1.7 billion on a 100-percent basis.

BUSINESS SEGMENTATION

Millions of euros	Net sales 1999	Net sales 1998	Operating income** 1999	Operating income** 1998	Invested capital at year end 1999	Invested capital at year end 1998*	Number of employees at year end 1999	Number of employees at year end 1998
Pharma	**2,865**	2,323	**595**	480	**2,086**	1,406	**21,100**	16,600
Coatings	**5,504**	4,765	**466**	401	**2,308**	2,264	**30,900**	32,100
Chemicals	**3,835**	3,394	**367**	320	**2,704**	2,583	**14,500**	14,100
Other***	**(14)**	53	**(2)**	(23)	**657**	598	**1,500**	4,800
Continuing operations	**12,190**	10,535	**1,426**	1,178	**7,755**	6,851	**68,000**	67,600
Acordis	**2,242**	1,947	**(62)**	64		1,673		18,300
Akzo Nobel	**14,432**	12,482	**1,364**	1,242	**7,755**	8,524	**68,000**	85,900

Ratios	Operating income** as % of net sales 1999	Operating income** as % of net sales 1998	Operating income** as % of invested capital 1999	Operating income** as % of invested capital 1998*	Net sales/ invested capital 1999	Net sales/ invested capital 1998*
Pharma	**20.8**	20.7	**36.4**	36.1	**1.75**	1.75
Coatings	**8.5**	8.4	**20.4**	21.1	**2.41**	2.51
Chemicals	**9.6**	9.4	**13.9**	12.2	**1.45**	1.30
Continuing operations	**11.7**	11.2	**20.0**	18.9	**1.71**	1.69
Acordis	**(2.8)**	3.3	**(3.7)**	4.5	**1.34**	1.38
Akzo Nobel	**9.5**	10.0	**15.5**	16.2	**1.64**	1.63

Millions of euros/ratio	Property, plant and equipment Expenditures 1999	Expenditures 1998	Depreciation 1999	Depreciation 1998	Expenditures/ depreciation 1999	Expenditures/ depreciation 1998
Pharma	**199**	173	**121**	95	**1.6**	1.8
Coatings	**162**	194	**158**	133	**1.0**	1.5
Chemicals	**304**	278	**277**	256	**1.1**	1.1
Other***	**25**	39	**26**	45		
Continuing operations	**690**	684	**582**	529	**1.2**	1.3
Acordis	**107**	135	**158**	132	**0.7**	1.0
Akzo Nobel	**797**	819	**740**	661	**1.1**	1.2

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.

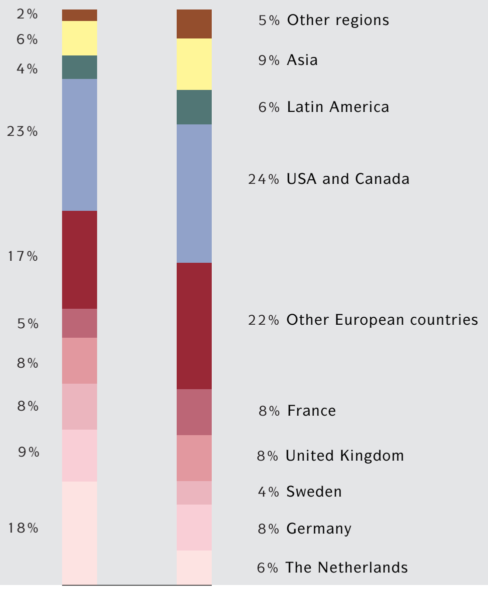
International intercompany deliveries are made in accordance with standard procedures that take due account of tax, currency, and pricing regulations in effect in the countries concerned.

* *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*
** *Before nonrecurring items.*
*** *Other activities, intercompany deliveries, and nonallocated items.*

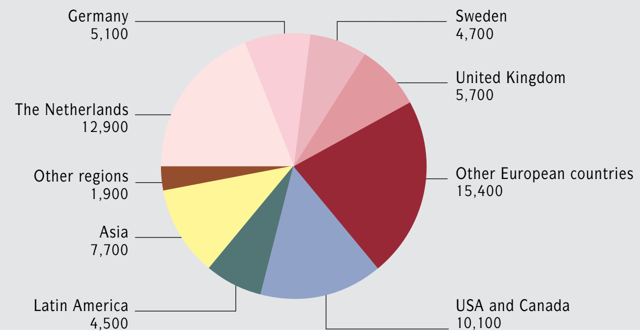
GEOGRAPHIC BREAKDOWN

Net sales of continuing operations

(EUR 12.2 billion)



Number of employees at December 31, 1999 (68,000)



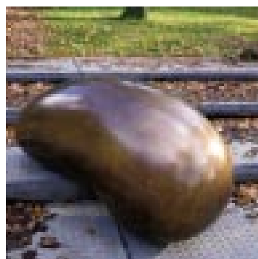
Millions of euros	Net sales, by destination 1999	1998	Net sales, by origin 1999	1998	Operating income before non-recurring items 1999	1998	Invested capital, December 31 1999	1998*	Expenditures for property, plant and equipment 1999	1998
The Netherlands	**862**	797	**2,583**	2,556	**316**	273	**1,840**	1,929	**214**	196
Germany	**1,436**	1,339	**1,944**	1,627	**58**	109	**101**	848	**68**	74
Sweden	**524**	518	**1,003**	984	**68**	99	**865**	785	**70**	80
United Kingdom	**1,164**	1,000	**1,406**	955	**30**	56	**820**	1,184	**69**	89
Other European countries	**4,327**	3,915	**2,814**	2,607	**498**	405	**1,649**	1,273	**121**	147
Europe	**8,313**	7,569	**9,750**	8,729	**970**	942	**5,275**	6,019	**542**	586
USA and Canada	**3,382**	2,850	**3,162**	2,620	**253**	216	**1,439**	1,638	**144**	149
Latin America	**841**	790	**566**	565	**53**	43	**415**	451	**36**	31
Asia	**1,223**	756	**687**	398	**55**	20	**449**	296	**35**	38
Other regions	**673**	517	**267**	170	**33**	21	**177**	120	**40**	15
Total	**14,432**	12,482	**14,432**	12,482	**1,364**	1,242	**7,755**	8,524	**797**	819

Wider geographic spread

The acquisition of Courtaulds by mid-1998 enlarged our bases, especially in the United Kingdom, the United States, and Germany. It also added to our presence in Asia, in particular for Coatings. The severe downturn of the textile cycle had a strong negative effect on Acordis' results in the Netherlands, Germany, and the United Kingdom. Furthermore, earnings for Chemicals and Coatings were up in the Netherlands, while the restructuring of corporate R&D also had a positive impact. In Germany, Chemicals and Pharma achieved higher earnings, the latter also through the acquisition of HR Vet. The Coatings activities in the United Kingdom could not duplicate the previous year's earnings. The lower Swedish results were due to Chemicals. The improvement in the other European countries mainly stemmed from Pharma. In the United States, earnings of Coatings and Pharma were higher. The Coatings activities in Latin America achieved a significant improvement in earnings. The Asian activities benefited from the recovery of various economies. The acquisition of the pharmaceutical activities of Kanebo also enlarged our Asian presence.

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

"Celestial Gift" by Hans Hovy
in Sonsbeek's Steep Garden,
presented by Akzo Nobel to
the City of Arnhem in
commemoration of the
Sonsbeek Park centennial.





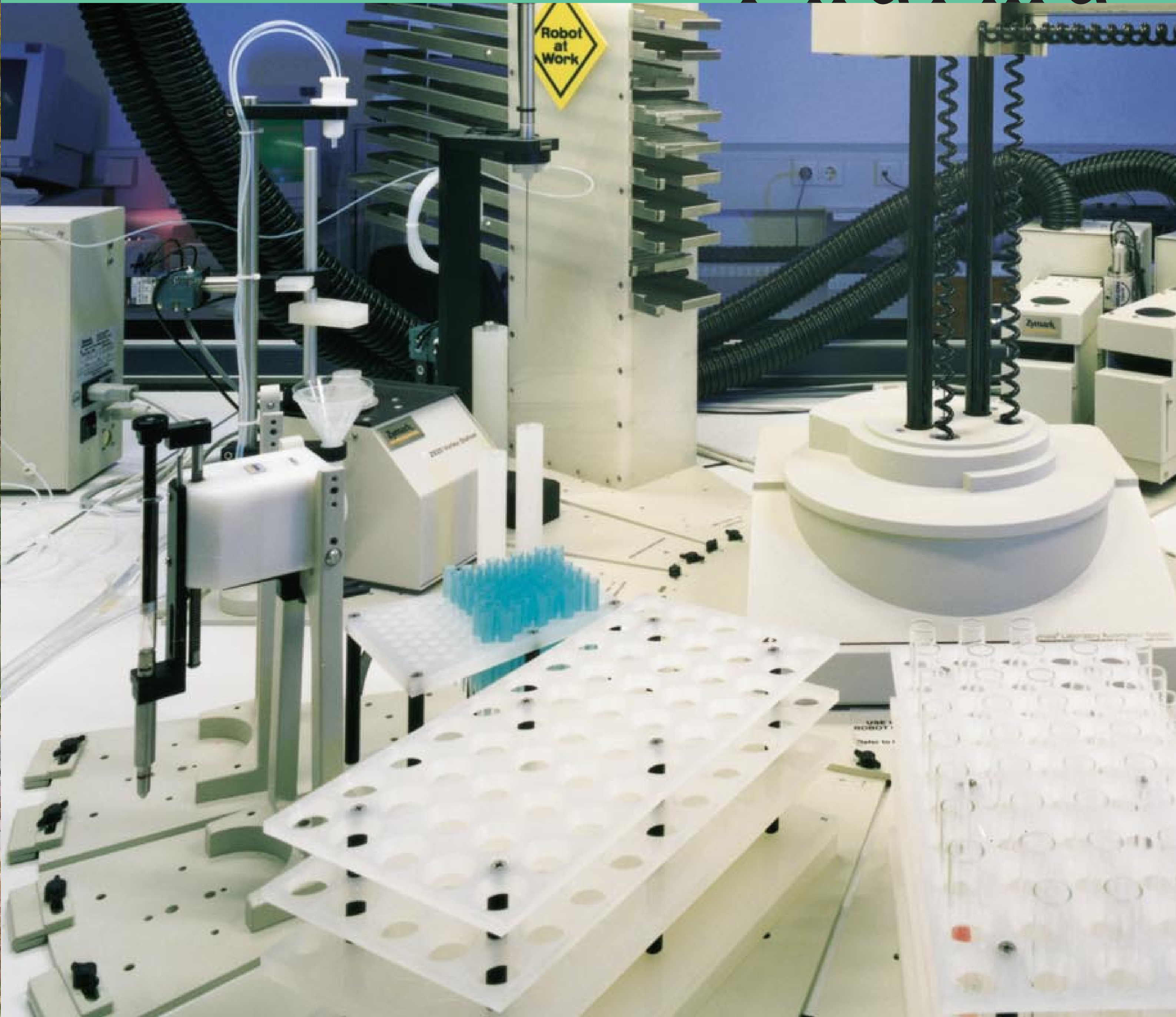
Responsible in
Board of Management:
Paul K. Brons
Fritz W. Fröhlich (alternate)

Group Director Technology:
Koen Wiedhaup
(from February 1, 2000, Jan H. Dopper)

Business Units:
Organon
Intervet
Organon Teknika
Diosynth
Chefaro

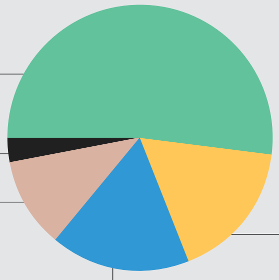
General Managers:
Tjeerd Kalff
A.T.M. (Toon) Wilderbeek
R.R.M. (Bob) Salsmans
Johan C.C.B. Evers
A.H.J.M. (Ton) Scheepens

Pharma

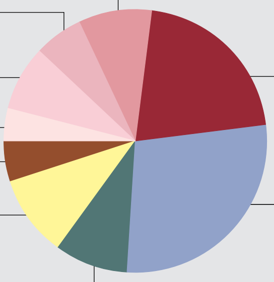


PHARMA

1999 business unit sales
[EUR 3.1 billion]



1999 net sales
by destination



Millions of euros	1999	1998
Net sales	**2,865**	2,323
Operating income before non-recurring items	**595**	480
Depreciation and amortization	**141**	106
Gross cash flow	**736**	586
Expenditures for PP&E	**199**	173
R&D expenditures	**400**	337
Invested capital at year end	**2,086**	1,406
Key ratios		
Operating income as percentage of:		
– net sales	**20.8**	20.7
– invested capital	**36.4**	36.1
Net sales/ invested capital	**1.75**	1.75
Expenditures for PP&E/depreciation	**1.6**	1.8
Number of employees at year end	**21,100**	16,600

SALES AND INCOME

Pharma had a good year with significant sales volume growth across the board. Sales were EUR 2.9 billion, up 23 percent compared to the 11 percent increase registered in 1998. Volume gains accounted for 13 percent, while average selling prices remained unchanged; acquisitions added 8 percent. Operating income before nonrecurring items surged 24 percent to EUR 595 million, despite continued heavy spending in marketing and R&D to maintain growth momentum.

Organon turned in an excellent performance, with all key products contributing to substantial sales and earnings gains. Organon Teknika also achieved considerably higher results, favored by volume growth mainly in Pharmaceuticals but also in Diagnostics. Intervet sustained its high profitability level with continued growth in sales and income. HR Vet, the veterinary company acquired from Hoechst, contributed to the results from November 1. Diosynth's earnings remained strong and exceeded the previous year's level. Chefaro performed better than in 1998, which was principally attributable to cost reduction programs.

Return on sales was 20.8 percent, virtually on a level with the 1998 figure. Return on investment was 36.4 percent, compared with a long-term target of 40 percent.

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

BUSINESS REVIEW

Growing Pharma: 23 percent in 1999

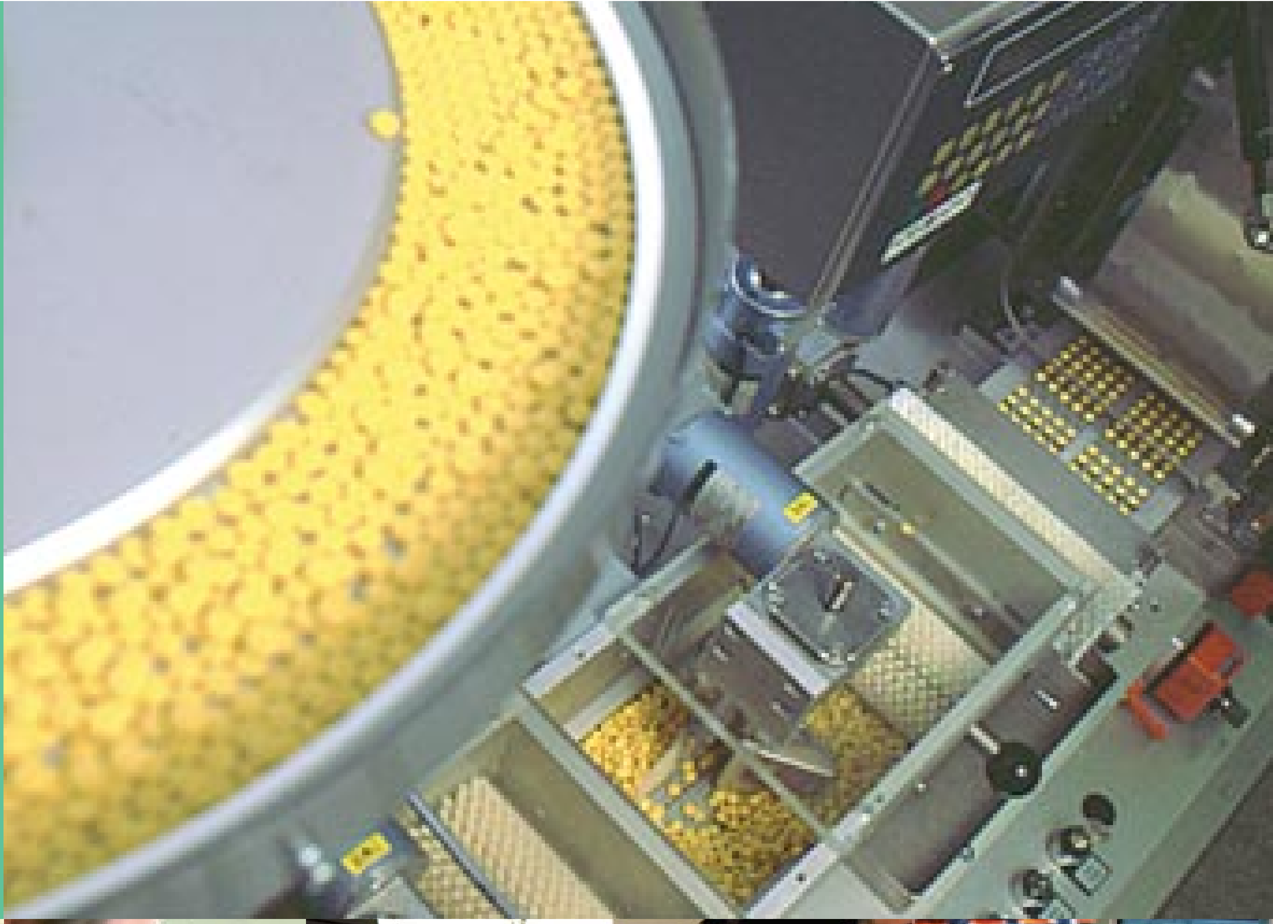
As has so often been the case in the past few decades, the healthcare industry underwent considerable restructuring in 1999. Eye-catching mergers led to increases in scale but also to consolidation and capacity reductions in production and research. Again, some well-known names of leading companies disappeared into new combinations, while lesser known up-and-coming companies gained prominence. This continuous process of change reflects the dynamism of the healthcare market where a broad variety of pharmaceutical companies, large and small, compete with changing chances of success in highly competitive, diversified, and innovating market segments. Of course, size is important in that it provides critical mass for R&D, global marketing and spreading risks, but in no way does size alone guarantee continuity. As in other high-tech industries, it is the capacity to innovate and quickly develop products that increasingly determines the success and longevity of individual pharmaceutical companies.

While the costs of pharmaceutical R&D continue to increase, the time available to recuperate those costs continues to fall. Unlike for many other product categories, market exclusivity for newly developed pharmaceuticals as provided by patents etc. is—after the long development track—relatively short. Product introduction is further delayed by other hurdles in marketing or price approvals, particularly by national authorities in Europe. Moreover, the pace at which the global competition works and innovates is so fast that it is often difficult to enjoy to the full the short remaining exclusivity period.

Paul K. Brons, pictured at Diosynth's high-tech purification section of the new downstream processing facility in Oss, the Netherlands: "The Group again outperformed market growth of the pharmaceutical industry."

It is particularly pleasing that in this highly challenging and competitive environment, our Pharma group—a medium-sized player in the healthcare market—in 1999 again far outperformed market growth of the industry by a sales increase of 23 percent. Most business units made significant contributions to this sales growth.

The acquisition of Hoechst Roussel Vet made Intervet one of the global leaders in the animal health market, with a comprehensive product range of pharmaceuticals and vaccines.



Organon, which is traditionally strong in Europe, was able to strengthen its position in the United States as it continued to roll out its new product pipeline. The result was a 50-percent sales increase in that market, which also reflects the efforts of a rapidly growing and successful field force team of 1,250 at year-end. Organon's European and, in particular, its Asian business showed considerable growth.
It significantly enhanced its strategic position in Japan with the acquisition of the western medicines division of Kanebo, a group with which we have had a promising development collaboration for several years.

While geographic development is a key issue, Organon's top priority remains further development of its R&D portfolio and the scientific quality and development expertise on which it is based. Increasing margins resulting from rapidly growing sales were used to a considerable extent to strengthen the critical mass of Organon's international R&D and marketing organizations in the increasingly competitive pharmaceutical marketplace.

Intervet—our animal healthcare business unit—had quite a successful track record based on high autonomous growth through product innovation and geographic development. Yet, its total market potential still had not been fully exploited as its key field of expertise—biological medicines—represented an attractive but only limited part of the total veterinary market. The acquisition of HR Vet has radically changed that position and has created a new Intervet that as one of the leading global players is now able to offer, service and further develop a broad range of excellent veterinary products. Full integration of the two operations—which have been considered ideal merger partners all along—started immediately in November 1999, and all key integration issues were decided upon before year end. Of course, more time will be needed to realize the full effect of the expected synergies.

For *Organon Teknika*, too, product innovation was the key success factor. The exclusivity period in the U.S. market of Organon Teknika's pharmaceutical product Norcuron® came to an end, and the business unit is now being faced with generic (copy) products there. Nevertheless, the successful development and introduction of innovative successor products—Esmeron® (Zemuron® in some countries) and Raplon®—has helped Organon Teknika to maintain and strengthen its leading position and prospects in the hospital market for muscle relaxants.

In 1999, Organon Teknika was again able to successfully increase its sales and installed instrument base in diagnostics, allowing it to further improve its, as yet modest, profitability in this very competitive market. As critical mass is of key importance for marketing impact and adequate coverage of R&D and service costs, considerable efforts, including a restructuring plan for several international sites, are being made to further improve Organon Teknika's diagnostic position and earnings.

Diosynth provides a strategically important technological and know-how basis for many of our Pharma group's key products and projects. Despite having to provide unusual logistical flexibility to its internal and external clients, Diosynth achieved significantly increased sales and solid financial results.

Chefaro, our smallest Pharma business unit, focused successfully on improving the market position in its key business areas—home pregnancy tests and vitamins—while enhancing overall profitability.

Organon Inc. drives the strong growth of our presence in the U.S. female healthcare, antidepressants, and muscle relaxants markets from its headquarters in West Orange, New Jersey.

Developments in the Business Units

ORGANON – PRESCRIPTION DRUGS

Sales EUR 1,620 million (1998: EUR 1,305 million)

Accelerated growth

Organon has an international reputation based on quality products and innovative R&D. It is among the few companies conducting research into contraception. The business unit also produces fertility products and medicines for the treatment of menopausal complaints. As an innovator in the field of psychiatric drugs, it markets a sophisticated antidepressant.

Sales rose 24 percent compared with 13 percent in 1998, a rate of growth far above the industry average for the pharmaceuticals sector worldwide. Income was substantially up from 1998, despite 20 percent higher R&D expenditures and a 29 percent increase in selling and distribution costs. The headcount grew from 9,300 to 11,200 at year-end 1999, with Marketing/Sales and R&D accounting for the biggest increases. The sales and marketing force in the United States increased from 500 in 1996 to 1,250 in the year under review. All in all, this reflects strong development across the board.

Growth rates of more than 25 percent were achieved in such countries as Germany, Italy, Spain, Mexico, the United States, Canada, and Japan. Together, these countries account for more than 60 percent of the world market in pharmaceuticals. In the United States (some 40 percent of the global healthcare market) sales gained 50 percent. In 1999, 23 percent of Organon's total sales were in the United States, against a mere 10 percent three years ago. The South American market was particularly affected by the devaluation of the Brazilian real. Aggregate sales in the European Union, Eastern Europe, and Turkey rose 15 percent. Asia saw growth surge 64 percent. The acquisition of the western medicines division of Kanebo strengthened Organon's R&D, Production, and Marketing/Sales position in Japan, the second largest pharmaceuticals market in the world. Sankyo's 40 percent stake in the Nippon Organon joint venture was bought back. Organon's business in Japan (based in Osaka) is now a wholly owned subsidiary employing 900 people. In January 1999 Organon received marketing approval for Livial® in Germany, followed by a successful introduction.

The new chemistry facility for Organon's Central Nervous System (CNS) research was opened in Newhouse, Scotland, and construction has started on a pharmacological laboratory. In Oss, the Netherlands, a new quality control laboratory was commissioned. The construction of a pilot project unit at this site and the expansion of the chemical labs are on schedule and will be ready in the course of 2000.

Partnerships with third parties in Research and in Development were further strengthened. In Production our cost efficiency drive and concentration of activities at key locations around the world continue as scheduled. In Marketing and Sales, the Time-to-Market project was started. Following the completion of similar efficiency programs at Production, Logistics, and R&D, this project should allow us to introduce new products faster and more effectively.

Organon's strategy for the further development of a smoothly communicating, flexible organization that pilots new products through the R&D phase rapidly, manufactures them effectively and reliably, and launches them worldwide, aided by a creative and dedicated team of expert marketeers, has full and unwavering backing throughout the organization.

The success of this approach is reflected in a number of promising developments for the years ahead. Organon's pipeline (see survey on page 24) includes six new products in reproductive medicine, three in CNS, and one in the field of atherothrombosis.

INTERVET – VETERINARY PRODUCTS

Sales EUR 515 million (1998: EUR 355 million)

1999, an exciting year

Intervet focuses on the veterinary medicine market with vaccines and specialty products for both livestock and pets.

In August, Intervet announced its intention to acquire HR Vet in a move to place the company into the top ranks of the global animal healthcare market. Concluded in November, the transaction—by far the largest in Intervet's history and approved by the EU and U.S. antitrust authorities—marks the emergence of Intervet as the fourth largest player in the market.

HR Vet's string of successful pharmaceuticals perfectly complements Intervet's biologicals-led product portfolio, significantly expands its geographic distribution, and creates a powerful platform for innovative research and further expansion.

In April, a majority shareholding was acquired in the Italian veterinary companies Farmaceutici Gellini and Nuova ICC. Together with Intervet's local organization, the combined operation now ranks number two in the Italian veterinary market.

Intervet's strong organic growth in 1999 was again well above industry average, both in terms of sales and income. The European market remained rather flat, but this was more than compensated by good performance in the Americas and a gradually recovering Asia Pacific.

Local companies were established in Taiwan, Morocco, the Russian Federation, and Romania, reflecting Intervet's determination to foster a strong market presence, particularly in Central and Eastern Europe.

Two new anti-inflammatory products for dogs and horses, Quadrisol® 5 and Quadrisol® IV 50, obtained Central EU registration, and the EU's Mutual Recognition Procedure (MRP) was completed for Bovilis® BVD, a bovine viral diarrhea vaccine.

The European Committee for Veterinary Medicinal Products (CVMP) approved Porcilis® Pesti®, Intervet's marker vaccine against classical swine fever, a condition that still threatens the European swine population.

Registrations for a number of poultry vaccines were obtained in the United States and Japan; in the latter country Intervet's product range was significantly bolstered.

In Singapore, construction started on a new aquaculture R&D unit, earmarked to become the center of excellence for Intervet's aquaculture activities in Asia.

The new Pharmaceuticals R&D center in Angers, France, was inaugurated in August. Both R&D and commercial operations are now located at the same site.

2000 will be a challenging year, with a strong focus on integration and streamlining. Special teams have been set up to coordinate and accelerate the integration of HR Vet's and Gellini/Nuova's considerable assets.

ORGANON TEKNIKA – HOSPITAL SUPPLIES

Sales EUR 530 million (1998: EUR 460 million)

Double-digit growth

Organon Teknika specializes in advanced systems and products for hospitals, laboratories, and blood banks. It has a leading position in surgical muscle relaxants and monitoring equipment.

Organon Teknika's operating income, before nonrecurring charges from restructurings in Diagnostics, substantially improved both in absolute terms and as a percentage of sales. The Pharmaceuticals product line recorded unprecedented volume growth, particularly in the United States as a result of an FDA-imposed withdrawal of a competitor product in late 1998. Market penetration of Esmeron® muscle relaxant (Zemuron® in the United States, Canada, and Argentina) improved substantially. Esmeron® is now available worldwide, except for Japan where the product is in final development. Recently, the FDA approved Raplon®, a new fast onset, short duration surgical muscle relaxant. Raplon® was launched in October and initial feedback from the market indicates high customer acceptance.

In Diagnostics, Microbiology and Nucleic Acid Diagnostics performed strongly, aided by a new generation of the automated blood culture and mycobacterium testing system BacT/Alert® 3D and further growth of the NucliSens® range, including the automated extractor system. Satisfactory results were achieved in Immunodiagnostics, with growth being resumed in Southeast Asia after the economic downturn in 1998. In Hemostasis, the geographic mix further improved. With the launch of our waveform analysis technology, a powerful tool was introduced to the laboratory market. Growth of the installed base of diagnostic systems will bolster the diagnostics business.

DIOSYNTH – ACTIVE INGREDIENTS FOR THE PHARMACEUTICAL INDUSTRY

Sales EUR 335 million (1998: EUR 300 million)

A challenging year completed successfully

Diosynth is a leading manufacturer of intermediate and active pharmaceutical ingredients, with production facilities in several countries. Diosynth's main products are heparin, insulin, gonadotropic hormones, steroids, synthetic peptides, carbohydrates, and opiate analogs.

Sales increased considerably in 1999, which was only partly the result of the incorporation of the former Courtaulds Fine Chemicals business in the United Kingdom. Operational results also showed further improvement.

In the biotechnology area, Diosynth has a strong position with biochemical extraction products and biopharmaceuticals. Sales of extraction products, especially heparin, developed in line with expectations, whereas in biopharmaceuticals there was considerable volume growth caused by recFSH (Puregon®).

In general, there is strong demand for biopharmaceuticals, as the innovative pharmaceutical industry is heavily investing in the development of new products by using genetically modified microorganisms and cells. Diosynth wants to become a key player in this field. During the year strong progress was made in improving its position: a large downstream processing facility will come on stream in 2000, and a project for considerable expansion of its upstream capacity is under consideration.

Sales of organic chemical products grew strongly, due to an increase in captive demand for strategically important active ingredients for Remeron®, Livial® and muscle relaxants. This situation again challenged Diosynth to further optimize the utilization of its production capacity. To that end, Diosynth reallocated several production steps including the transfer of processes to the new De Geer site in Oss, the Netherlands. Aided by its in-house expertise and skills, Diosynth was able during this reallocation to strike a proper balance between flexibility and quality management in a multipurpose production environment.

As it is clear that demand for Diosynth's chemical products will continue to increase, preparatory actions to expand the production capacity were started.

R&D's strategic objective is to develop sophisticated technologies and support their use for production purposes. These efforts have resulted in the successful realization of several production projects, while others are in an advanced stage of development.

CHEFARO – NONPRESCRIPTION PRODUCTS

Sales EUR 90 million (1998: EUR 90 million)

Results continue to improve

Chefaro manufactures a range of nonprescription medicines and diagnostic tests for home use.

Portfolio adjustments combined with healthy growth in Chefaro's main product categories contributed to further earnings gains. In a difficult European OTC market, Chefaro continued to consolidate its position by intensifying support to its leading brands.

Particularly gratifying were the results achieved by Chefaro's home pregnancy tests and vitamin categories. Product innovation and strong brand support resulted in a further strengthening of the European market leader position for Predictor® and Femtest® and in continued double-digit growth for the Davitamon® range in the Netherlands.

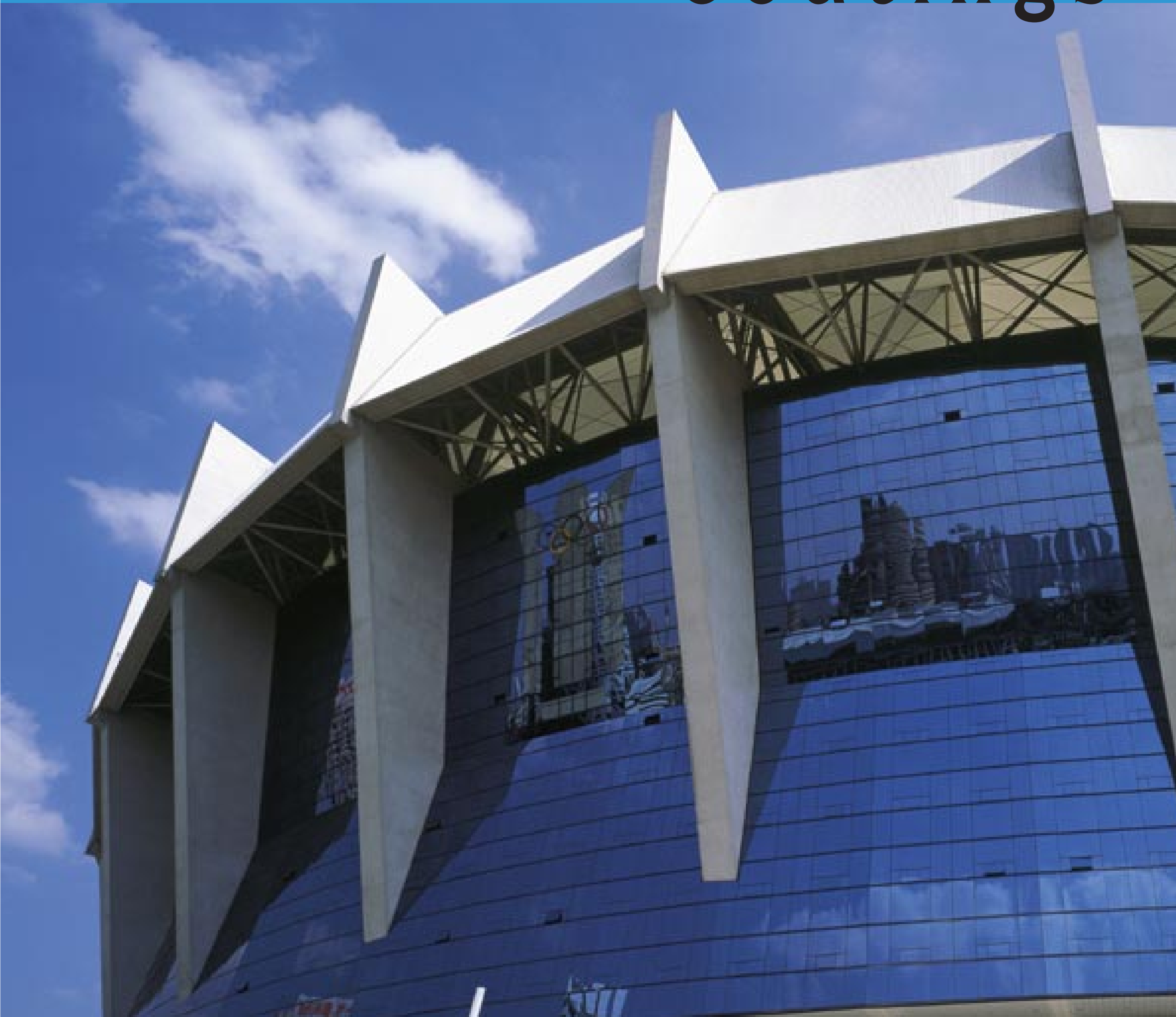
Coatings

Responsible in Board of Management:
Ove H. Mattsson
Rudy M.J. van der Meer (alternate)

Senior Group Director:
Neville D. Petersen

Group Director Technology:
J. (Hans) D. Remijnse

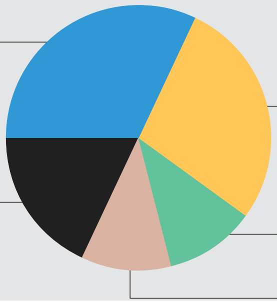
Business Units:	**General Managers:**
Decorative Coatings:	
– South	*Rinus Rooseboom*
– North	*Jan Andersson*
Industrial Coatings	*Göran Jönsson*
Industrial Finishes	*Robert J. Torba*
Marine & Protective Coatings	*Leif Darner*
Car Refinishes	*Cor J.L.M. de Grauw*
Industrial Products	*Lars-Erik Thomsgård*
Resins	*Klaas Hielkema*
Printing Inks	*Bengt Knutsson*



COATINGS

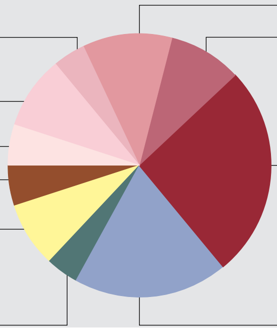
1999 business unit sales

[EUR 5.5 billion]



1999 net sales

by destination



Millions of euros	**1999**	1998
Net sales	**5,504**	4,765
Operating income before non-recurring items	**466**	401
Depreciation and amortization	**157**	133
Gross cash flow	**623**	534
Expenditures for PP&E	**162**	194
R&D expenditures	**146**	125
Invested capital at year end	**2,308**	2,264
Key ratios		
Operating income as percentage of:		
– net sales	**8.5**	8.4
– invested capital	**20.4**	21.1
Net sales/invested capital	**2.41**	2.51
Expenditures for PP&E/depreciation	**1.0**	1.5
Number of employees at year end	**30,900**	32,100

SALES AND INCOME

Coatings' sales of EUR 5.5 billion were 16 percent higher than in 1998. The former Courtaulds businesses, now included for the full year, accounted for 13 percent of this increase, while the net effect of other acquisitions and divestments was virtually nil. Volumes gained 2 percent, while average selling prices were slightly lower. Operating income before nonrecurring items rose from EUR 401 million to EUR 466 million, an increase of 16 percent. Efficiency improvements led to slightly higher margins, partly offset by increased operating costs. The beneficial effects of the previous year's acquisitions are increasingly becoming apparent.

Decorative Coatings registered income gains in most Western European countries and Turkey, bolstered by higher volumes and cost control. Car Refinishes registered good results, particularly in Europe and the United States. Earnings of Industrial Coatings suffered from the crisis in Russia, while income of Industrial Finishes was slightly ahead of the 1998 figure. Industrial Products earnings were distinctly higher, notably in Asia and the United States. Marine & Protective Coatings was hampered by soft market conditions and came close to the previous year's income figure. Results of Resins improved, while Printing Inks was in line with 1998.

Return on sales rose from 8.4 percent in 1998 to 8.5 percent in 1999. Our long-term target is 10 percent. Return on invested capital was 20.4 percent, compared to a target of 25 percent.

BUSINESS REVIEW

The strategic way forward – integration, focus, and globalization

Ove H. Mattsson: "We help to make the world more colorful."

1999 was another good year for Coatings. As a result of a decision by the European Commission, the highly profitable former Courtaulds Aerospace and Sealants business had to be divested.
The divestment had a significant negative impact on the development of operating income during the second half of the year.

Industrial activities in general were sluggish at the beginning of the year but picked up steadily to relatively high levels over the last four months. Results in Europe continued to grow, and the United States remained at a high level throughout the year. South America and many countries in Eastern Europe showed less progress, and major restructuring programs were implemented in these regions. Costs and investments were tightly controlled. Decorative Coatings, which had a weak season in 1998 due to bad weather conditions, showed substantial improvements in most markets.

The restructuring of the worldwide coatings industry continued its momentum, with further acquisitions and mergers, especially in the field of industrial coatings. In 1999, Akzo Nobel was less active in this process, concentrating on the integration of its 1998 acquisitions, notably the former Courtaulds businesses. Thus, 1999 has been a year of consolidation.

The new Marine & Protective Coatings business unit created in 1998 became fully operational. Major realignments were effected in the coil and, particularly, in the powder coatings areas.
We successfully established ourselves as global market leaders in these two segments. In Decorative Coatings, the European operations of BASF Deco and of Marshall Boya in Turkey, acquired in 1998, were integrated into our existing businesses.

Over the years Akzo Nobel has been very active in the process of the international restructuring of the coatings industry. The present portfolio includes activities where we have already achieved true global leadership positions or where we should be able to do so in the years ahead. In some areas, such as decorative coatings, Akzo Nobel has focused on Europe.

In 1999, Decorative Coatings, with its renowned Sikkens® brand, played a key role in the renovation of La Scala. A team of 20 people worked eight months to restore the beauty and splendor of the 2,500 square meters façade of the world famous opera house in Milan.

The acquisitions made in the last few years have helped Akzo Nobel to further enhance its leadership positions in a number of clearly defined market segments:

- **In Decorative Coatings a broad European base has been created, with leading positions in Eastern and Western Europe as well as in adjacent areas, such as Turkey and North Africa. In the medium term the prospects in Eastern Europe are good. Western European markets are mature, and new marketing concepts have been implemented to further strengthen our position. Our Turkish operation performed well.**

- **The Industrial Coatings and Finishes business units have achieved global leadership in several market segments and are now focusing on improvement of their positions. Key account management has become one of the major issues in the industrial coatings area. Exploiting our worldwide scope, we further enhanced our customer services. To this end, a new sub-business unit has been established to serve customers in the global transportation industry, such as manufacturers of commercial vehicles and subcontractors to the automotive OEM manufacturers. The Marine & Protective Coatings business unit strengthened its world leading position, acquiring the Chartek® hydrocarbon fire-protection coatings business from Textron, Inc. This addition to our extensive range of high performance protective coatings differentiates Akzo Nobel from key competitors in the global oil and gas markets and will enable us to offer customers a worldwide single source for coatings for both new construction and maintenance contracts.**

- **In 1999, we benefited from our newly acquired strong position in Eastern Asia as business recovered fast from the major crisis. The outlook in this area is highly promising, and the strong network Akzo Nobel has in place will help all of our coatings businesses expand in these markets.**

R&D focused on strengthening our proprietary coatings technology base to meet market demands for environmentally adapted, technologically advanced, and economically attractive coatings concepts. The driving force behind our R&D efforts is customer orientation. These efforts are complemented with advanced marketing concepts. All Coatings business units are currently implementing long-term technology plans, including innovative programs in such areas as high-solids coatings, waterborne coatings, new coatings chemistry, colorimetry, powder and powder related coatings, pigment dispersions, and protective coatings concepts. Our ultimate goal is to serve our customers with efficient, state-of-the-art products in the years to come.

Developments in the Business Units

DECORATIVE COATINGS

Sales EUR 1,780 million (1998: EUR 1,695 million)

Working closely together, Decorative Coatings South and North serve the professional and do-it-yourself markets. Major brands include Sikkens®, Levis®, Astral®, Flexa®, Herbol®, Procolor®, Sadolin®, Trimetal®, Pinotex®, Crown®, Nordsjö®, and Marshall®. Leading adhesive brands are Schönox®, Cégécol®, and Casco®.

In 2000, the European activities of the Decorative Coatings South and North business units will be combined. For the geographic areas not covered by this new business unit, a separate business unit will be formed.

DECORATIVE COATINGS SOUTH

Substantial improvement

Decorative Coatings South is responsible for operations in the Netherlands, Germany, France, Belgium, Italy, Spain, Switzerland, Austria, Morocco, Tunisia, North and South America as well as for business development in East Asia.

1999 was a good year for the business unit with improved performance in almost all geographic areas. Business was already strong early in the year and gained momentum over the next quarters, spurred by the results of the restructuring programs implemented in recent years. In Germany production will be concentrated at the Cologne site.

In France, market share, profitability, and sales continued to develop favorably, which underscores our policy of strengthening commercial distribution. In Spain, gradual but steady progress is being made.

For the second year in succession, the German market was flat. The integration of the former BASF decorative coatings operations made substantial progress, and benefits from the synergies are now becoming manifest. Our organization in Germany introduced new marketing concepts for independent distributors and the do-it-yourself segment.

Our Asian business suffered from stagnant economies. Investments in this region focused on enhancing the image and the awareness of the Levis® brand. As part of our effort to boost organic growth, a new distribution outlet was opened in Shanghai.

The reorganization in South America is now beginning to pay off. Despite the Brazilian currency crisis, earnings have been improving constantly and considerably throughout the year.

Astral, the newly acquired company in Tunisia, performed well.

The business unit introduced a range of solvent-free lacquers for indoor use, which met with an excellent market response.

DECORATIVE COATINGS NORTH

Continued strong progress

Decorative Coatings North is responsible for operations in the United Kingdom, Ireland, the Nordic countries, the Baltic states, Ukraine, Russia, Hungary, Poland, Romania, Turkey, and Greece as well as the entire adhesive business.

Overall, sales volumes in 1999 were slightly up from the previous year, while profit levels rose substantially. Strong positive developments were in particular shown by the paint activities in Denmark, Greece, and Turkey and the adhesive business in Germany and France.

The effect of the earthquake in Turkey in August on business was temporary, and by September operations were back to normal. In human terms, however, it was a tragedy for our employees. Two lost their lives and many were left homeless. Akzo Nobel and employees made funds available for immediate relief and the construction of new homes.

The financial crisis in Russia had a negative impact on our results in Russia, the Baltic States, and Ukraine. Performance in Poland was also weak. Construction of a new paint factory for our Russian joint venture, Akzo Nobel Dekor ZAO, near Moscow is running slightly behind schedule. For the time being, our growing customer base is being supplied with imported products.

Performance in the United Kingdom and Ireland was roughly on a par with 1998; measures to enhance efficiency and reduce costs have been introduced.

Sales of the new “Decorative Effects” product line were highly encouraging in the markets where it was introduced. The launch of Parkett Elastic™, a parquet adhesive that combines excellent environmental and technical properties, also proved to be a commercial success.

The business unit has adopted the use of E-business to enhance performance. This involves the adaptation of internal processes and close cooperation with our business partners. In addition, brand presence on the Internet has been extended and improved.

INDUSTRIAL COATINGS AND INDUSTRIAL FINISHES

Sales EUR 1,510 million (1998: EUR 1,475 million on a full-year basis)

Akzo Nobel’s industrial coatings activities are organized in two global business units: Industrial Coatings and Industrial Finishes.

INDUSTRIAL COATINGS

Strong product portfolio with leading market positions

Industrial Coatings was regrouped in 1999 to meet the changing requirements of a rapidly globalizing marketplace. The business unit now includes Powder Coatings, Specialty Coatings, Aerospace Coatings, and all coatings for the Transportation sector (OEM for commercial vehicles and components and their subcontractors as well as for passenger car subcontractors). A comprehensive product and service portfolio is provided to end-users in the global transportation market, irrespective of the coatings technology or the substrate involved, making optimal use of the available expertise and geographic spread of the activities.

Overall, Industrial Coatings' results lagged behind the 1998 level. The business unit had a weak start and suffered in particular from substantially lower sales in the Russian market. Fortunately, not all businesses were affected in the same way.

Powder Coatings did well in 1999 and registered gains in income and sales, aided by the successful integration of former Courtaulds businesses and a propitious market development in Asia Pacific.

Sales of General Industrial Coatings were lower than anticipated due to weak market conditions in Europe.

After a tentative beginning, the reorganization of nonstick coatings on a global basis proved to be successful. These coatings are produced in the United States, Italy, and India.

Plastics Coatings, now integrated into the Transportation unit, were influenced by adverse conditions in Germany. Sales of Specialty Coatings in North America continued to rise. Sales gains were also achieved in South America.

In January 1999, Akzo Nobel assumed full ownership of the aerospace coatings joint venture with The Dexter Corporation. This operation, renamed Akzo Nobel Aerospace Coatings, has become part of Industrial Coatings. Sales development has been positive, despite problems encountered in separating the operations.

R&D efforts were focused on improving the eco-efficiency of products and on supporting customers by developing productivity-boosting systems.

INDUSTRIAL FINISHES

Global market positioning

Industrial Finishes is responsible for Akzo Nobel's Coil and Wood Coatings activities.

After a slow start of 1999 due to soft industrial market conditions in Europe, earnings improved substantially in the course of the year. Major factors in improvement were a consistently strong performance in North America and a recovery of the markets in Europe, Asia, and South America.

Wood Coatings in North America surpassed its previous year's record earnings and registered double-digit growth in the frontier markets in Asia and South America.

The former Courtaulds coil coatings business was successfully integrated; some restructuring was required, particularly in Europe. In July 1999, the former Courtaulds European joint venture with Nippon Paint became part of Akzo Nobel's operations, with Akzo Nobel increasing its participation to 75 percent. This business is now a European market leader with plants in Sweden, the United Kingdom, and Italy.

Oxylin in Brazil, acquired in 1998, is the platform for growth in the region. At the beginning of the year, this company was adversely affected by the currency crisis in Brazil. However, since mid-1999 our operations in South America have recovered, with Oxylin as the main driver.

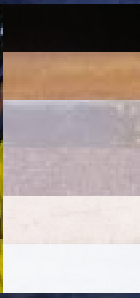
MARINE & PROTECTIVE COATINGS

Sales EUR 610 million (1998: EUR 610 million on a full-year basis)

First steps forward in depressed markets

Marine & Protective Coatings, with its International® brand name, combines the worldwide Marine, Protective, and Yacht Coatings operations and is the global market leader in all three areas. In March, Intersleek®, a revolutionary biocide-free antifouling, which works on a nonstick principle, was launched. The acquisition of the Chartek® hydrocarbon fire-protection coatings business from U.S.-based Textron Inc., complements our extensive range of specialized protective coatings.

Marine & Protective Coatings' Interpon® products were applied for high-quality long-term protection of many construction parts of the new 5-mile long Öresund bridge connecting Sweden and Denmark, to be opened in mid-2000. More than 500,000 liters of paint were used.



Marine Coatings successfully generated business in the new construction sector. This partly offset the downturn in maintenance and repair, where results were adversely affected by excess capacity in world shipping markets, which continued to depress freight rates and squeezed operators' margins.

Protective Coatings sales fell worldwide, primarily due to poor oil prices at the beginning of the year and weak market conditions in Europe and Asia Pacific. In North America good progress was made and earnings were up from the previous year. In Latin America poor economic conditions initially hampered progress, but earnings gradually improved during the year.

Yacht Coatings sales were higher than in 1998, principally as a result of strong growth in the United States and Asia Pacific, in particular Australasia, and the integration of Akzo Nobel's Sikkens® range of yacht products, which were transferred to the business unit from Decorative Coatings South. Compared to 1998, substantial income gains were achieved, primarily reflecting strong sales in the United States.

CAR REFINISHES

Sales EUR 600 million (1998: EUR 555 million)

Very successful year

Car Refinishes supplies paints and services to professional repairers of cars and commercial vehicles. The main product lines include Sikkens® as the international high segment brand, together with a range of regional brands in the middle segment of the market.

The business unit had a very successful year with sales and operating income substantially up from the 1998 level.

Europe and North America in particular performed very well. Earnings increased strongly due to strengthening margins.

In Asia Pacific there were clear signs of recovery as the year progressed, with growing volumes and improving earnings performance. In July a new operation was started in Australia, a significant market in the region. Operating costs for the region as a whole remained stable, even after absorbing the costs of the Australian startup.

The economic crises in Eastern Europe also had a negative impact on the Car Refinishes business, although the first signs of recovery were visible toward the end of the year. Overall results in the region were down slightly from 1998, but still showed attractive structural profitability.

In South America the business unit suffered from the severe economic crisis afflicting the entire region. Nevertheless, performance significantly improved as substantial reductions in operating costs were achieved.

Export business to the rest of the world had another good year with growth in volume and sales, and with a further strengthening of operating income.

INDUSTRIAL PRODUCTS

Sales EUR 465 million (1998: EUR 430 million)

Strong recovery after slow start

Industrial Products, trading under the name of Casco Products, supplies impregnated papers, adhesives, and thermoplastic microspheres (Expancel®) to industrial customers.

Operating income developed in line with rising sales. In the second half of 1999, the Asian and Central European markets started to improve. Performance in North America remained strong throughout the year.

For Impregnated Paper the year started slowly, with low demand especially in Europe, resulting in overcapacity and price pressure. Due to the economic situation in Brazil, most exports to South America were lost. The Malaysia-based Asian operation, however, performed very well with strong sales in China. As a result of the improved business climate in Europe, combined with cost cutting measures, performance and margins improved in the second half of 1999.

Adhesives performed clearly better than in the previous year. In the second half of 1999 in particular, the Asian operations showed good sales and operating income. Interquím in Colombia, which was acquired in

1998, made a major contribution to performance, in spite of the adverse economic climate in South America.

Sales of Expancel® expandable microspheres continued to grow with a number of new applications.

RESINS

Sales EUR 320 million (1998: EUR 275 million)

Steady progress

Resins produces a range of specialized products for surface coatings, automotive coatings, and printing inks. The business unit will be transferred to the Chemicals Group by July 1, 2000.

In 1999, the business unit again registered strong gains in sales and operating income in all three business segments.

Most geographic areas did well. East Asia picked up faster than expected, but in South America the recession was reflected in low volumes.

The strategic alliance with the Argentine-based Ascona group in printing ink resins was fully exploited in 1999, and synergy effects are already discernible.

The share of new products has further increased, which is an important indicator for the business unit's capacity to innovate. A strong focus is being placed on new rheology control agents. Promising new products have been identified and introduced.

PRINTING INKS

Sales EUR 210 million (1998: EUR 185 million)

Improving performance

The business unit produces printing inks for the graphics and packaging industries. In the Narrow Web segment it is the global market leader, with water-based and UV-curing inks for the tag and label market.

Operating income was in line with the previous year. Exports to Russia and other Eastern European countries recovered in the second half of 1999, with good margins and a positive influence on results. Sales in the United States also rose, reflecting the effect of the integration of Werneke Inks acquired in 1998.

Responsible in Board of Management:
Rudy M.J. van der Meer
Ove H. Mattsson (alternate)

Senior Group Director:
Conrad S. Kent

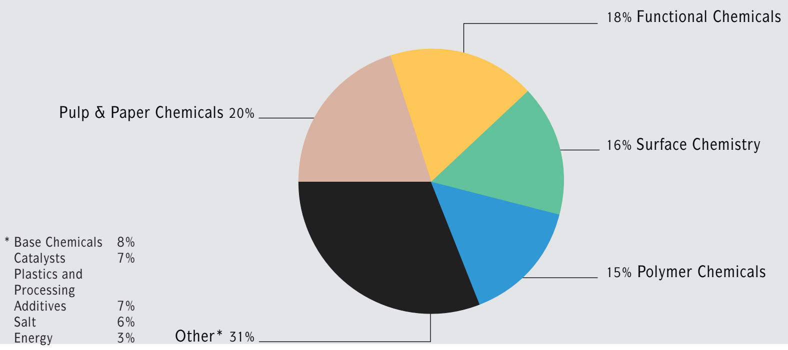
Business Units:	**General Managers:**
Pulp & Paper Chemicals	*Dag Strömqvist*
Functional Chemicals	*Simon J. Vogelaar* *
Surface Chemistry	*Jan Svärd*
Polymer Chemicals	*Arend-Jan Kortenhorst*
Base Chemicals	*H.C.J. (René) Scheffers*
Catalysts	*W.W. (Jon) Meijnen*
Plastics and Processing	
Additives	*Kees van Nierop*
Salt	*Floris A. Bierman*
Energy	*Gert N. van Ingen*

* *from January 1, 2000: Peggy Viehweger*

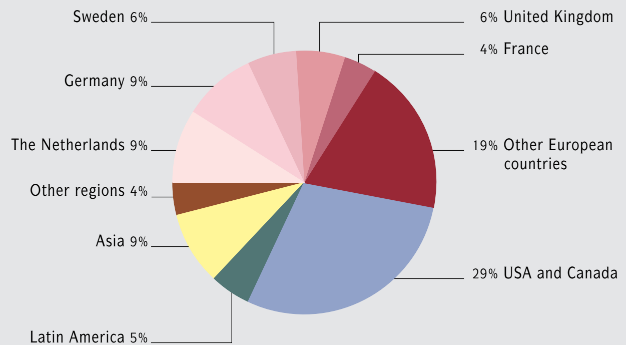
Chemicals

CHEMICALS

1999 business unit sales
[EUR 4.0 billion]



1999 net sales
by destination



Millions of euros	**1999**	1998
Net sales	**3,835**	3,394
Operating income before non-recurring items	**367**	320
Depreciation and amortization	**289**	264
Gross cash flow	**656**	584
Expenditures for PP&E	**304**	278
R&D expenditures	**116**	104
Invested capital at year end	**2,704**	2,583
Key ratios		
Operating income as percentage of:		
– net sales	**9.6**	9.4
– invested capital	**13.9**	12.2
Net sales/ invested capital	**1.45**	1.30
Expenditures for PP&E/depreciation	**1.1**	1.1
Number of employees at year end	**14,500**	14,100

SALES AND INCOME

Sales of EUR 3.8 billion were up 13 percent from the previous year's figure, with 8 percent due to acquisitions, mainly the remaining 50 percent of the former Akcros joint venture, which has been consolidated from October 1998. Chemicals registered a 4 percent volume gain, while average selling prices were 1 percent below the 1998 level. Operating income before nonrecurring items rose 15 percent to EUR 367 million.

Polymer Chemicals, Surface Chemistry, and Energy clearly surpassed their previous year's high earnings levels. Catalysts' results were significantly up from the disappointing 1998 level, aided by market improvement and cost saving measures. Plastics and Processing Additives also registered higher earnings. Pulp & Paper Chemicals suffered from the depressed North American market for Bleaching Chemicals, while Functional Chemicals was not able to sustain the upward trend of recent years. Results of Base Chemicals and Salt were flat.

ROS and ROI were 9.6 percent and 13.9 percent, compared with targets of 10 percent and 15 percent over the business cycle.

Sales of nonconsolidated companies, on a 100-percent basis, totaled EUR 1.7 billion, against EUR 2.0 billion in 1998. Chemicals' share in earnings of nonconsolidated companies remained approximately at the same level (EUR 42 million against EUR 44 million in 1998), despite lower results of ROVIN and the consolidation of Akcros from October 1998. Flexsys continued its satisfactory performance.

BUSINESS REVIEW

Strong performance

The transformation of the worldwide chemical industry leading toward more specialization, with fewer players per segment, continued in 1999 at an accelerated pace. Drivers for this trend are globalization and market power as well as economy of scale in R&D, sales, and manufacturing.

Chemicals' strategy basically remains unchanged. Besides pruning the portfolio and increasing productivity in a continuous process, we continued to place a major emphasis on further enhancement of our leading positions in selected segments of the chemical industry. These segments include a range of specification, functional, and specialty chemicals. Efforts are concentrated on growing a stronger presence in North America and Asia.

The most important events in line with this strategy were the divestment of Base Chemicals' 50-percent share in the PVC joint venture ROVIN, the decision to consolidate the fluid cracking catalysts (FCC) production in Pasadena, Texas, and the decision to invest in a grassroots monochloroacetic acid (MCA) plant in Taixing, China, by Functional Chemicals.

Rudy M.J. van der Meer: "Continuously improving Chemicals."

Pulp & Paper Chemicals and Polymer Chemicals continued to strengthen their positions in Asia. Pulp & Paper Chemicals acquired the Dongsung paper chemicals business with plants in Korea and China; Polymer Chemicals formed a majority-owned worldwide joint venture Coin Akzo Nobel Peroxides with plants in Taiwan, China, and Belgium. Furthermore, Polymer Chemicals became the worldwide distributor for CIRS of antifouling and suspending agents, strengthening its position as main supplier to the PVC industry, and divested its bis-phenol A (Dianol®) derivatives business.

Functional Chemicals' leading edge carbon disulfide production facility in Cikampek, Indonesia, combines the best of two worlds: advanced technology and environmental protection.

Decisions were made to upgrade Polymer Chemicals' U.S. infrastructure, including a solvent recovery unit for both the Metal Alkyls facilities in Deer Park, Texas, and the Polymerization Catalysts facilities in Edison, New Jersey.

Functional Chemicals closed down its piperazine salt plant in Sweden and the former Courtaulds phosphorus-based flame-retardants operations in the United Kingdom.

Plastics and Processing Additives (Akcros Chemicals) continued to restructure its European operations by closing down the Burnley, U.K. site, and announced to discontinue operations in Roermond-West, the Netherlands, and divest its Venlo, the Netherlands based stearates operations.

Surface Chemistry acquired Petrofina's fatty amines and derivatives business. A next round of major rationalization and efficiency measures affected its European surfactant operations in Stenungsund and Stockvick, Sweden, and in Amersfoort, the Netherlands, and included the closure of its Eccles, U.K.-based surfactants plant and its Mölndal, Sweden nonylphenol operations.

Base Chemicals decided to divest its Amsterdam based sulfuric acid products business and continued its efficiency drive in Delfzijl, the Netherlands.

Also in 1999 it has been decided to divest our stake in the Oriental Silica Ltd. joint venture in Thailand.

Our solar salt facility in Onslow, Western Australia was hit by cyclone Vance, and in consequence startup is delayed until 2001.

Major startups in 1999 included a 360 MW cogeneration unit in Delfzijl, the Netherlands, and a 25 MW cogeneration unit in Mariager, Denmark, both operated through joint ventures. Our chlorine expansion in Rotterdam, the Netherlands, the upgraded chlorine facility in Skoghall, Sweden, the micronutrients plant in Sweden, and extensions of SB-latex coatings production in Finland and AKD-wax production in Sweden all came on stream.
In addition, our brand new facilities for CS_2 in Indonesia and paper chemicals in China successfully started their operations during the year.

In general, business improved in 1999 quarter by quarter, driven by the healthy economic circumstances in the United States, an improvement in the economic climate in Europe, notably in Germany, and continued improved conditions in Asia, except for Japan. All in all, this resulted in a strong Chemicals performance close to our targets.

Developments in the Business Units

PULP & PAPER CHEMICALS

Sales EUR 805 million (1998: EUR 770 million)

Global presence in paper chemicals strengthened

Pulp & Paper Chemicals, known in the market as Eka Chemicals, produces environmentally compatible pulp bleaching chemicals and chemicals for the manufacture of paper and board.

Earnings were down from 1998. This was mainly due to a depressed pulp market in North America in the first six months of the year, leading to temporary overcapacity and price erosion for sodium chlorate, a chemical for pulp bleaching.

The pulp market in Europe improved during the year. Inventories in the Nordic countries fell, which had a positive impact on pulp production levels and the market for bleaching chemicals.

In the second half of 1999, the North American market began to pick up. Higher pulp production and increased demand for sodium chlorate from pulp mills converting to Elementary Chlorine Free (ECF) production following the implementation of the EPA ruling should improve the supply/demand ratio in 2000.

The modernization of Surface Chemistry's McCook, Illinois, specialty surfactants location has delivered a state-of-the-art production facility at world class standards.

Our leadership in the global sodium chlorate market remains undisputed. The hydrogen peroxide market in Europe was relatively stable during 1999, while the North American market improved somewhat.

Our paper chemicals business had another good year and turned in a better performance than in 1998. We strengthened our position in Asia with the acquisition of Dongsung's paper chemicals business in Korea and a strategic investment in a paper chemicals plant in Suzhou, China. Operations in Asia, particularly in Thailand and Indonesia, continued their favorable development. The paper chemicals business in North America also performed well. Our global position in silica sol improved further after the completion of a capacity expansion in North America. The styrene-butadiene (SB) latex business, a 50/50 joint venture between Eka Chemicals and Polymer Latex GmbH, reported satisfactory results, although raw material prices were up by the end of the year.

Akzo-PQ Silica, our 50-percent joint venture with PQ Corporation, strengthened its position as European market leader in sodium silicates, posting higher results than in 1998.

FUNCTIONAL CHEMICALS

Sales EUR 715 million (1998: EUR 710 million on a full-year basis)

Upward trend interrupted

Functional Chemicals' principal products are chelates, flame retardants, carboxymethylcellulose (CMC), animal feed additives and intermediates such as carbon disulfide, monochloroacetic acid (MCA), ethyleneamines and methylamines.

The business unit was not able to sustain the upward trend of recent years due to weak performance in some market segments, notably oil drilling, viscose, and pulp and paper. As a consequence, the business unit registered lower results for CMC and MCA, carbon disulfide, and chelates.

Earnings from methylamines came slightly under pressure with lower selling prices partly offset by reduced raw material costs. Greater competition and ongoing turmoil in the European feed industry caused lower results for choline chloride, a feed additive derived from trimethylamine.

The construction of a new chelates plant in Lima, Ohio, is in full swing and will come on stream by mid-2000. Results for chelates in the United States were disappointing, which was partly due to increased competition and a slowdown in the U.S. pulp industry.

The new Cikampek carbon disulfide plant in Indonesia got off to a bright start this year to serve the Asian rayon industry. In the United States, earnings from carbon disulfide decreased, reflecting lower demand from the rayon and agrochemical industry.

Phosphorus chemicals performed above expectations. The former Courtaulds flame retardants plant in Spondon, United Kingdom, was closed. The flame retardants business has been integrated smoothly.

Results for ethyleneamines were lower than in 1998 due to price hikes for raw materials in the last quarter.

SURFACE CHEMISTRY

Sales EUR 640 million (1998: EUR 555 million)

From restructuring to growth

Surface Chemistry produces surfactants and fatty acids used in detergents, cleaning, personal care, and for numerous industrial uses, as well as thickeners and additives for paints and building materials.

The restructuring of recent years, primarily in our European surfactants business, has contributed strongly to Surface Chemistry's improved profitability. We successfully completed the modernization of our specialty ethoxylates plant in Stenungsund and integrated Akcros Chemicals' surfactants business as well as the fatty amine surfactants business recently acquired from FINA.

The American surfactants operations continued to perform favorably. With the modernization of our North American plants nearing completion, the stage is set for further growth of this business.

Paint & Building Additives registered performance gains as growth in the Asian market improved to precrisis levels. Oleochemicals had a good year with expanded capacity in Pasir Gudang, Malaysia, coming fully on stream.

POLYMER CHEMICALS

Sales EUR 590 million (1998: EUR 525 million)

Solid growth

Polymer Chemicals produces polymerization catalysts such as organic peroxides, metal alkyls, custom-manufactured Ziegler-Natta systems, and metallocenes.

Bolstered by a strong global economy and the strength of the U.S. dollar against European currencies, Polymer Chemicals' sales set new records for the third consecutive year. Healthy growth was recorded in Europe, where we extended the capacity of our polymerization catalysts plant in Seneffe, Belgium, and our formulations unit in Deventer, the Netherlands. The Americas grew with the strong polymer market in North America, and we maintained our leading market positions. South American results endured the devaluation of the Brazilian real in the first quarter.

The Asia Pacific region, except for Japan, experienced market demand recovery and we continue to strengthen our position there. The newly acquired Korean amides business, Akzo Nobel Amides, contributed positively to our results in its first year of operation, as did our Chinese organic peroxides business, Tianjin Akzo Nobel Peroxides, in its second year. Toward the end of 1999 we started up a majority-owned dicumyl peroxide joint venture, Coin Akzo Nobel Peroxides. This new company is the world market leader in this segment of the organic peroxides business with plants in Taiwan, China, and Belgium.

The CIRS antifouling and suspending agent product lines added to our portfolio were well received by our polyvinyl chloride customers around the world. In the course of the year our Dianol® nonoptical monomers business was divested.

BASE CHEMICALS

Sales EUR 325 million (1998: EUR 330 million)

Position improved

The business unit produces chlorine and caustic soda for industrial applications.

Despite a depressed PVC and caustic market, Base Chemicals managed to almost duplicate the previous year's earnings, helped by increased volumes and lower costs.

During the year the expanded capacity at the membrane electrolysis plant in Rotterdam and the upgraded chlor-alkali plant in Skoghall, Sweden, came on stream.

A Letter of Intent has been signed with PVS Chemicals Inc. to take over our European sulfuric acid products business in Amsterdam.

The results of Netherlands-based 50-percent VCM/PVC joint venture ROVIN were still positive, despite the depressed PVC market. The sale of ROVIN to Shin-Etsu, will further strengthen our chlor-alkali activities in Rotterdam.

The results of the 50-percent joint venture ECI Elektro-Chemie Ibbenbüren, Germany, were negatively influenced by low caustic prices.

Despite lower prices, the results of the 30-percent joint venture Methanor, the Netherlands, slightly improved, reflecting higher volumes and lower costs.

CATALYSTS

Sales EUR 295 million (1998: EUR 250 million)

Gains in high added value markets and lower costs improved results

Catalysts, which produces catalysts for the oil refining and chemical industries, showed significant improvements in all product lines. Sales growth for the business sectors, the implementation of R&D projects which strengthened technological leadership, and substantial cost reductions led to a record income gain. Our unique position as a complete refinery catalyst supplier was improved by the introduction of additives and services.

Lower costs and higher market share in the Americas and Asia drove FCC improvement. We began the implementation of several FCC technologies, leading to better products and lower production costs. Leadership in resid FCC, the highest added value segment, was strengthened.

New HPC (STARS) technologies help refiners meet the most stringent fuel specifications at low costs. Efforts are under way to ensure structural long-term profitability. The HPC market is hardly expected to grow, despite stricter fuel specifications, as new, more effective catalyst technologies, in which we play a leading role, will come to the marketplace.

FCC-S.A., the Brazilian joint venture, achieved reasonable results, in the face of currency fluctuations. Nippon Ketjen Company, the Japanese joint venture, posted good financial and technological results. Eurecat results are stable relative to the previous year, despite disappointing market growth.

PLASTICS AND PROCESSING ADDITIVES

Sales EUR 260 million (1998: EUR 240 million on a full-year basis)

Improved profitability

The business unit produces plastic additives, such as stabilizers, and radiation curing agents.

Both sectors of Plastics and Processing Additives (Akcros Chemicals) improved profitability in 1999.
In Plastics Additives pressure on margins continued in various fields, especially for rigid PVC and polyolefin end-uses. Manufacturing restructuring, including the closure of the facilities at Burnley, United Kingdom, and Roermond-West, the Netherlands, is under way.
The recent introduction of a new company-wide supply chain system will reduce production costs and improve logistics and customer service. A new generation of “green” stabilizers to replace lead and cadmium in several end-uses is in an advanced state of development. Additives for flexible PVC end-uses showed improvements for tin stabilizers and biocides, which were offset by a fall in epoxy prices.

In Processing Chemicals sealants and stearates performed well, although the high pound sterling had an adverse effect on margins for UV curing chemicals.
In the United States earnings were up across the board. Volume of UV curing chemicals increased, notably in monomers.

SALT

Sales EUR 235 million (1998: EUR 230 million)

Consistent good performance

The business unit produces salt for electrolysis, other industries, and consumer use.

Earnings for Salt were sustained at the same level as in the previous year. Despite continuously increasing competitive pressure and overcapacity in the market, we maintained our historically strong positions.

Sales of electrolysis salt to the chemical market were lower due to a decrease in European chlorine production. Specialty salt sales volume increased, reflecting high product quality, high customer service levels, and the strong reliability of our supply centers.

The successful startup of the cogeneration plant—operated through a joint venture—in Mariager, Denmark, considerably reduced the variable production cost at this location.

Our solar salt facility in Onslow, West Australia, was hit by the cyclone Vance, the strongest yet in Australia's recorded history. The resulting delay of the startup permitted an overall improvement of the facility to meet the latest standards. We will start shipping product into the Asia Pacific market in 2001.

ENERGY

Sales EUR 125 million (1998: EUR 125 million)

Powering the future

In 1999 the new state-of-the-art cogeneration unit of the Delesto joint venture in Delfzijl, the Netherlands, was successfully brought into operation, contributing to record earnings.

Further energy savings at various Dutch Akzo Nobel sites, amounting to 2 percent of the Company's consumption in the Netherlands, were reported via the Energy Efficiency Program.

OTHER ACTIVITIES

Flexsys

The 50-percent rubber chemicals joint venture maintained its global market share across the board. Improved volumes in Asia Pacific were offset by declining prices worldwide, resulting in earnings that were virtually unchanged from the 1998 level.

The new rubber chemicals plant in Antwerp, Belgium, has achieved its design capacity. The plant uses a revolutionary process for the production of a key intermediate for antidegradants based on patented, environmentally friendly technology.

Progress was made on the new Malaysia investment for a world-scale Crystex® insoluble sulfur facility to serve the growing market in Asia Pacific.

Delamine

The 50-percent joint venture Delamine was not able to pass on steep increases in raw material prices, resulting in lower earnings than in 1998.

Board of Management

Folkert B. Blaisse	Chief Executive Officer
Peter L. Rogers	Deputy Chief Executive Officer
Patrick Shanley	Chief Financial Officer
Peter Wack	Executive Director

ACORDIS

Millions of euros	1999	1998
Net sales	**2,242**	1,947
Operating income before non-recurring items	**(62)**	64
Depreciation and amortization	**160**	134
Gross cash flow	**98**	198
Expenditures for PP&E	**107**	135
R&D expenditures	**49**	53
Invested capital at year end	*	1,673
Key ratios		
Operating income as percentage of:		
– net sales	**(2.8)**	3.3
– invested capital	**(3.7)**	4.5
Net sales/ invested capital	**1.34**	1.38
Expenditures for PP&E/depreciation	**0.7**	1.0
Number of employees at year end	*	18,300

* *Acordis was deconsolidated at December 31, 1999.*

ACORDIS – ON ITS OWN NOW

Since January 1, 1999, Acordis has operated as a stand-alone company with its own Board of Management. During the year the integration of the Akzo Nobel and former Courtaulds businesses was successfully completed. Simultaneously, Acordis was prepared for divestment.

Acordis' strategy

With the aim of developing a growing and soundly profitable business, Acordis has adopted the following strategy:

- **build on worldwide leading positions in industrial, medical, and specialty fibers and related materials**
- **enter into strategic alliances in those businesses where partnerships will strengthen long-term profitability**
- **divest noncore activities**
- **act to reduce structural overcapacity**
- **grow through product, process and business innovation**

A great deal of progress has already been made in achieving these strategic goals.

SALES AND INCOME

Acordis' sales totaled EUR 2.2 billion, up 15 percent from the previous year. Of this increase, 22 percent is due to the fact that in 1999 sales of the former Courtaulds activities were included for the full year and in 1998 only for the second half. When this effect is excluded, sales were 7 percent lower, largely due to a 7 percent decline in volume reflecting lower demand for fibers for textile applications, while average selling prices were slightly below the 1998 level.

Operating income before nonrecurring items fell from EUR 64 million in 1998 to a loss of EUR 62 million in 1999. The operating loss of the textile businesses was not fully offset by operating income of the industrial businesses.

BUSINESS REVIEW

Cyclical downturn

During the first quarter it became apparent that the downturn which began in the second half of 1998 had become particularly severe. For textile applications this was aggravated by:

- continuing weakness of the retail trade in major European countries;
- the crisis in Asia which, combined with the existing overcapacity in that region and Chinese import restrictions, led to higher exports by Asian textile and clothing producers to European and North American markets;
- a substantial increase in low-priced fiber imports.

The European producers of man-made textile fibers faced dramatic declines in sales and, as a leading producer, Acordis felt the full impact of these developments.

Satisfactory performance of industrial businesses; sharp decline in demand for textile cellulosic filament

The industrial business as a whole performed satisfactorily. Colbond® nonwovens and Airbag Yarns achieved strong growth in sales and income.

With the exception of Speciality Fibres (products for medical and superabsorbent markets), the Textile Group suffered from the cyclical downturn due to a dramatic reduction in demand—particularly in ladies outerwear in Western Europe—for textile cellulosic filament yarns. Enka® textile viscose filament and Novaceta (the joint venture with Snia Fibre, producing acetate filament yarns) faced substantial underutilization of capacity. In addition, acrylic fibers were plagued by adverse trading conditions, mainly due to escalating increases in raw material prices after a sharp reduction.

Measures being implemented

A number of cost efficiencies had already been initiated during 1998, resulting in a personnel reduction of 850. The measures taken included efficiency programs at Membrana, Acetate Chemicals, and Enka. As the severity of the downturn became clear, Acordis announced additional measures in April 1999, including a reduction of production capacity for Viscose filament and a shutdown of the Acrylic dry spinning plant at Kelheim in Germany. These measures involved 1,200 extra job losses, about 7 percent of the workforce.

Acordis looking with confidence to new future

After a period of uncertainty during the spin-off process, Acordis is now well-positioned to face the challenges of the new millennium, with CVC Capital Partners (64 percent), Akzo Nobel (21 percent), and Acordis Management (15 percent) as its shareholders. Acordis is looking to the future with confidence based on its leading market positions, good products, and experienced employees.

FINANCIAL STATEMENTS

Change in Accounting Principles
In line with recently issued directives of the Netherlands Accounting Standards Board, the Company changed its accounting for deferred tax assets. Deferred taxes are now capitalized if their realization is more likely than not.
The Company used to deduct taxes from losses and tax credits to the extent that they could be offset against taxes charged to income in previous years.

The comparative figures for 1998 have been adjusted accordingly. The impact on the 1998 tax charge was an increase by EUR 35 million, while Akzo Nobel N.V. shareholders' equity at December 31, 1998, was EUR 79 million higher. Under the former accounting principles 1999 taxes on operating income less financing charges would have been EUR 19 million lower.
The aforementioned deferred tax assets have been included in financial noncurrent assets in the balance sheet.

Introduction of the Euro (EUR)
All amounts in these financial statements are in euros, which currency was introduced on January 1, 1999.
All prior-year figures have been restated in euros, using the fixed conversion rate of EUR 1.00 = NLG 2.20371 applicable since January 1, 1999.

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. Results 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 euros at year-end exchange rates. Where currency hedging contracts have been entered into, translation is based on the exchange rates stated in these contracts. Exchange differences on anticipatory hedges of firm commitments regarding sales and purchases are deferred on the balance sheet until the hedged transactions have been reflected in the accounts.

Statements of income in foreign currencies are translated into euros at average exchange rates.

Foreign exchange differences are included in income, except for foreign exchange differences resulting from translation into euros of intercompany loans and of shareholders' 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 euro used in drawing up the balance sheet and the statement of income are:

	Balance sheet		Statement of income	
	1999	1998	**1999***	1998*
USD	**1.003**	1.166	**1.067**	1.107
SEK	**8.560**	9.458	**8.781**	8.815
GBP	**0.621**	0.704	**0.655**	0.670

* *Average rates.*

Principles of Valuation of Assets and Liabilities

Intangible Assets
Purchased goodwill is charged directly against equity.
Other intangible assets are capitalized and amortized on a straight-line basis over their estimated useful life, which in the majority of cases is 10 to 15 years. Preparation and start-up expenses of large investment projects are capitalized and, after the facilities concerned have been put into service, are amortized on a straight-line basis over the estimated useful lives of such facilities.

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 permanently 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 shareholders' equity. The calculation of shareholders' 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 environmental cleanup costs are recorded when it is probable that a liability has been incurred, and the amount involved is reasonably estimable.

Deferred taxes
Deferred tax assets and liabilities are based on timing differences between the valuation of assets and liabilities for accounting purposes and the valuation for tax purposes, at current rates. Deferred tax assets, including assets arising from losses carried forward, are recognized if it is more likely than not that the asset will be realized. Nonrefundable dividend taxes are taken into account in the determination of provisions for deferred taxes to the extent of earnings expected to be distributed by affiliated companies.

Long-Term and Short-Term Debt
Long-term and short-term debt 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.

- Interest on interest swaps is included in the statement of income under financing charges.

- Taxes on income comprise both current and deferred taxes.

- 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.

Earnings per Share
Earnings per common share are calculated by dividing net income by the weighted average number of common shares outstanding during the year. The weighted average number of common shares outstanding was 285,441,344 for 1999 and 285,296,603 for 1998.

Consolidated Statement of Income

Millions of euros	NOTE	1999		1998*	
Net sales	1		**14,432**		12,482
Cost of sales			**(8,514)**		(7,318)
Gross margin			**5,918**		5,164
Selling expenses		**(3,136)**		(2,667)	
Research and development expenses		**(726)**		(650)	
General and administrative expenses		**(740)**		(653)	
Other results	2	**48**		48	
			(4,554)		(3,922)
Operating income before nonrecurring items			**1,364**		1,242
Nonrecurring items	3		**(41)**		(165)
Operating income, after nonrecurring items			**1,323**		1,077
Financing charges	4		**(275)**		(207)
Operating income less financing charges			**1,048**		870
Taxes	5		**(344)**		(303)
Earnings of consolidated companies after taxes			**704**		567
Earnings from nonconsolidated companies		**52**		45	
Nonrecurring loss nonconsolidated company		**(12)**		(22)	
	6		**40**		23
Earnings before minority interest			**744**		590
Minority interest			**(25)**		(16)
Net income before extraordinary items			**719**		574
Extraordinary items after taxes	7		**(515)**		
Net income			**204**		574
Net income excluding extraordinary and nonrecurring items			**759**		703
Per share, in EUR:					
Net income			**0.71**		2.01
Net income excluding extraordinary and nonrecurring items			**2.66**		2.46

See notes on pages 70 and 71.

* *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*

Consolidated Balance Sheet

AFTER ALLOCATION OF PROFIT

Millions of euros, December 31	NOTE	1999		1998*	
Assets					
Noncurrent assets					
Intangible assets	9		**304**		132
Property, plant and equipment	10		**4,435**		5,311
Financial noncurrent assets:	11				
– nonconsolidated companies		**644**		466	
– deferred tax assets		**244**		79	
– other financial noncurrent assets		**394**		402	
			1,282		947
			6,021		6,390
Current assets					
Inventories	12	**2,091**		2,291	
Receivables	13	**2,981**		2,823	
Cash and cash equivalents	14	**932**		536	
			6,004		5,650
Total			**12,025**		12,040
Equity and liabilities					
Equity	15				
Akzo Nobel N.V. shareholders' equity		**1,861**		1,899	
Minority interest		**154**		190	
			2,015		2,089
Provisions	16		**1,835**		2,102
Long-term debt	17		**2,678**		2,672
Short-term debt					
Short-term borrowings	18	**2,803**		2,663	
Current liabilities	19	**2,694**		2,514	
			5,497		5,177
Total			**12,025**		12,040

See notes on pages 71 through 76.

* *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*

Consolidated Statement of Cash Flows

Millions of euros	1999		1998[1]	
Earnings before minority interest	**229**		590	
Depreciation and amortization	**776**		683	
Cash flow		**1,005**		1,273
Other adjustments to reconcile earnings to cash provided by operations:				
–book loss on Acordis and ROVIN divestment	**483**			
– write-downs	**13**		94	
– equity in earnings of nonconsolidated companies	**(57)**		(53)	
– dividends from nonconsolidated companies	**46**		87	
– changes in provisions	**(217)**		99	
– other changes	**22**		37	
		290		264
Change in working capital[2]		**140**		(249)
Net cash provided by operations		**1,435**		1,288
Purchase of intangible assets	**(24)**		(47)	
Expenditures for property, plant and equipment	**(797)**		(819)	
Investments in nonconsolidated companies	**(35)**		(10)	
Acquisition of consolidated companies[3]	**(725)**		(2,975)	
Proceeds from sale of interests[3]	**1,039**		287	
Other changes in financial noncurrent assets[4]	**19**		22	
Net cash used for investments		**(523)**		(3,542)
		912		(2,254)
Issuance of shares	**2**		3	
New long-term debt	**230**		1,143	
Repayment of long-term debt	**(479)**		(162)	
Changes in short-term borrowings	**(8)**		1,816	
Net cash (used for)/provided by financing activities		**(255)**		2,800
		657		546
Dividends paid		**(304)**		(296)
		353		250
Effect of exchange rate changes on cash and cash equivalents		**43**		(31)
Change in cash and cash equivalents		**396**		219
Cash and cash equivalents at beginning of year		**536**		317
Cash and cash equivalents at end of year		**932**		536

See note on page 76.

[1] *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*
[2] *Inventories and receivables less current liabilities, exclusive of dividends.*
[3] *Net of cash of acquired or divested interests.*
[4] *Excluding deferred tax assets.*

GENERAL

Unless stated otherwise, all amounts are in millions of euros.

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

Changes in Consolidated Interests

Courtaulds Acquisition
Early in July 1998, the Company acquired all ordinary shares of Courtaulds plc (Courtaulds) through a public offer. The Courtaulds accounts have been consolidated in Akzo Nobel's financial reporting since the beginning of July 1998.

In April 1999, CPFilms Inc.–the former Courtaulds performance films business–was sold for an amount of EUR 192 million. At the end of July 1999, PRC-DeSoto International, Inc.–the former Courtaulds Aerospace Coatings and Sealants business–was divested for a consideration of EUR 500 million. The total gain of EUR 520 million on these divestments was recognized in shareholders' equity as a reduction of the goodwill on the Courtaulds acquisition.

During 1999, additional purchase accounting adjustments were made for an amount of EUR 338 million, mainly related to an impairment writedown of EUR 300 million for certain former Courtaulds fibers activities.

Acordis Divestment
After the Courtaulds acquisition, the fibers operations of Akzo Nobel and Courtaulds were combined into a separate organization, named Acordis. The launch of Acordis as a stand-alone company required various separation and restructuring measures, which resulted in an extraordinary loss of EUR 275 million before taxes.

At December 31, 1999, Acordis was sold to a newly established company. CVC Capital Partners holds a 64-percent stake in equity of this company, while Acordis management holds 15 percent. Akzo Nobel acquired the remaining 21 percent, which is valued at EUR 49 million. Akzo Nobel also extended a subordinated loan to Acordis of EUR 138 million. The 21 percent stake in equity and the loan are included in the balance sheet under nonconsolidated companies.

The transaction value of the divestment was determined at EUR 825 million based on the debt-free December 31, 1998 balance sheet and an assumed capital expenditure level for 1999. The substantial reduction of working capital and capital expenditures during 1999 resulted in a value of approximately EUR 640 million. Further adjustments could be possible, however, they are not likely to have a significant effect on the financial statements.

The closing balance sheet of Acordis at the time of divestment is stated below. The impairment writedown of EUR 300 million mentioned before is recognized herein.

Property, plant and equipment	938
Financial noncurrent assets	89
Inventories	411
Receivables	365
Cash and cash equivalents	21
Total assets	1,824
Minority interest	29
Provisions	241
Long-term debt	7
Short-term borrowings	13
Current liabilities	429
Total liabilities	719
Net book value	1,105

The resulting pretax extraordinary book loss on the Acordis divestment was EUR 465 million.

Other Changes in Consolidated Interests
In April 1999, the Company acquired the pharmaceutical business of Kanebo Ltd., Japan, for EUR 97 million.
The goodwill on this acquisition amounted to EUR 28 million.

Early in November 1999, the Company acquired Hoechst Roussel Vet, the veterinary business of Hoechst AG. The total consideration was EUR 546 million, leading to a goodwill of EUR 300 million.

In December 1999, Akzo Nobel sold its 50-percent share in the PVC joint venture ROVIN v.o.f. for a consideration of EUR 56 million, leading to a pretax book loss of EUR 18 million.

During 1998 and 1999, Akzo Nobel acquired and deconsolidated various other businesses, none of which were significant to the consolidated financial statements.

Note [1]

Net Sales

By activity	1999	1998
Pharma	**2,865**	2,323
Coatings	**5,504**	4,765
Chemicals	**3,835**	3,394
Acordis	**2,242**	1,947
Other activities and intercompany deliveries	**(14)**	53
	14,432	12,482

Given the minor importance of other activities (1999 sales: EUR 74 million; 1998 sales: EUR 137 million), they have been combined with intercompany deliveries.

By destination	1999	1998
The Netherlands	**862**	797
Germany	**1,436**	1,339
Sweden	**524**	518
United Kingdom	**1,164**	1,000
Other European countries	**4,327**	3,915
USA and Canada	**3,382**	2,850
Latin America	**841**	790
Asia	**1,223**	756
Other regions	**673**	517
	14,432	12,482

Note [2]

Other Results

	1999	1998
Royalties	**39**	22
Results on sale of redundant assets	**(1)**	7
Currency exchange differences	**(2)**	1
Other items	**12**	18
	48	48

Note [3]

Nonrecurring Items

In 1999, the following nonrecurring charges for restructurings were recognized:

Pharma	(23)
Central units	(11)
Chemicals	(7)
	(41)

In 1998, nonrecurring charges for restructurings and writedowns were as follows:

Corporate R&D	(74)
Chemicals	(64)
Acordis	(20)
Coatings	(7)
	(165)

Note [4]

Financing Charges

	1999	1998
Interest received and similar income	**25**	43
Interest paid and similar expenses	**(300)**	(250)
	(275)	(207)

Interest paid was reduced by EUR 9 million (1998: EUR 12 million) due to the capitalization of financing expenses of capital investment projects under construction.

Note [5]

Taxes on Operating Income less Financing Charges

The reconciliation of the corporation tax rate in the Netherlands to the effective consolidated tax rate is as follows:

Percentage	1999	1998
Corporate tax rate in the Netherlands	**35**	35
Effect of lower tax rates in specific countries	**(4)**	(2)
Tax exempt income	**–**	(1)
Losses of the year, not recognized as deferred tax asset	**2**	3
	33	35

At December 31, 1999, losses carried forward for which no deferred tax assets had been recognized, amounted to EUR 220 million, of which EUR 40 million will expire within five years. For an amount of EUR 70 million of losses there is no expiration date.

Note [6]

Earnings from Nonconsolidated Companies

Earnings from nonconsolidated companies were net of a tax charge of EUR 8 million (1998: EUR 10 million).
The nonrecurring after-tax loss in 1999 relates to the divestment of the Company's participation in ROVIN. The 1998 nonrecurring loss is due to the write-down of Akzo Nobel's share in Enka de Colombia.

Note [7]

Extraordinary Items

In 1999 the following extraordinary charges were incurred in respect of Acordis:

Separation and restructuring	(275)
Loss on divestment	(465)
Extraordinary items	(740)
Taxes	225
	(515)

For details on the extraordinary items reference is made to Changes in Consolidated Interests on page 69.

Note [8]

Salaries, Wages, and Social Charges

	1999	1998
Salaries and wages	**2,935**	2,617
Pension costs	**179**	171
Other social charges	**541**	484
	3,655	3,272

Employees

Average number of employees	1999	1998
Pharma	**18,300**	16,200
Coatings	**31,400**	28,500
Chemicals	**14,000**	13,400
Acordis	**17,400**	16,100
Other units	**3,500**	4,900
	84,600	79,100
Number of employees at December 31	**68,000**	85,900

CONSOLIDATED BALANCE SHEET

Note [9]

Intangible Assets

	Total	Licences and intellectual property rights	Preparation and start-up expenses
Situation at December 31, 1998			
Cost of acquisition	189	155	34
Amortization	(57)	(43)	(14)
Book value	132	112	20
Changes in book value			
Acquisitions	175	175	
Investments	49	41	8
Divestments	(25)	(24)	(1)
Amortization	(36)	(32)	(4)
Changes in exchange rates	9	7	2
Total changes	172	167	5
Situation at December 31, 1999			
Cost of acquisition	363	326	37
Amortization	(59)	(47)	(12)
Book value	**304**	**279**	**25**

Note [10]

Property, Plant and Equipment

	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, 1998						
Cost of acquisition	10,996	2,564	6,616	977	696	143
Depreciation	(5,685)	(936)	(4,002)	(681)		(66)
Book value	5,311	1,628	2,614	296	696	77
Changes in book value						
Acquisitions	125	19	104	2		
Acordis deconsolidation	(1,238)	(237)	(869)	(53)	(74)	(5)
Divestitures	(102)	(27)	(57)	(7)	(11)	
Capital expenditures	797	205	608	100	(134)	18
Depreciation	(740)	(106)	(514)	(98)		(22)
Write-downs	(13)	(8)	(4)	(1)		
Disinvestments	(50)	(9)	(18)	(19)		(4)
Changes in exchange rates	345	102	191	44		8
Total changes	(876)	(61)	(559)	(32)	(219)	(5)
Situation at December 31, 1999						
Cost of acquisition	9,270	2,387	5,454	810	477	142
Depreciation	(4,835)	(820)	(3,399)	(546)		(70)
Book value	**4,435**	**1,567**	**2,055**	**264**	**477**	**72**

The book value of property, plant and equipment financed by installment buying and leasing was EUR 18 million at December 31, 1999 (at December 31, 1998: EUR 142 million).

Note [11]

Financial Noncurrent Assets

	Total	Nonconsolidated companies		Deferred tax assets	Other
		Share in capital	Loans		
Situation at December 31, 1998	947	439	27	79	402
Acquisitions/deconsolidations/investments	263	32	159	60	12
Divestitures/repayments	(121)	(60)	(11)		(50)
Equity in earnings	57	57			
Dividends received	(46)	(46)			
Taxes on income	105			105	
Changes in exchange rates	77	43	4		30
Situation at December 31, 1999	**1,282**	**465**	**179**	**244**	**394**

Some Akzo Nobel companies are general partners in a number of partnerships that are included in the balance sheet under nonconsolidated companies. Akzo Nobel's equity in the capital of these partnerships was EUR 124 million at year-end 1999 (at December 31, 1998: EUR 172 million). Equity in 1999 earnings was EUR 22 million, against EUR 22 million in 1998. At year-end 1999, these partnerships accounted for EUR 38 million of short-term receivables from nonconsolidated companies (at December 31, 1998: EUR 20 million).

Note [12]

Inventories

	1999	1998
Raw materials and supplies	**614**	676
Work in process	**372**	388
Finished products and goods for resale	**1,093**	1,222
Inventory prepayments	**12**	5
	2,091	2,291

Note [13]

Receivables

	1999	1998
Trade receivables	**2,231**	2,156
Taxes	**98**	164
Receivables from non-consolidated companies	**203**	94
Prepaid expenses	**166**	129
Other receivables	**305**	325
	3,003	2,868
Discounted portion	**(22)**	(45)
	2.981	2,823

For details on receivables from nonconsolidated companies reference is made to note 11.

Note [14]

Cash and Cash Equivalents

	1999	1998
Short-term investments	**255**	276
Cash on hand and in banks	**677**	260
	932	536

Short-term investments almost entirely consist of cash loans, time deposits, marketable private borrowings, and debentures immediately convertible into cash.
At December 31, 1999, an amount of EUR 236 million was not freely available until January 10, 2000, in connection with the legal finalization of the Acordis divestment. At December 31, 1998, the amount of cash and cash equivalents was freely available.

Note [15]

Equity

	Akzo Nobel N.V. shareholders' equity	Minority interest
Situation at December 31, 1998	1,899	190
Issuance of shares	22	
Income for the year	204	25
Dividend	(286)	(23)
Changes in minority interest in subsidiaries		(58)
Goodwill	(215)	(1)
Changes in exchange rates	237	21
Situation at December 31, 1999	**1,861**	**154**

For details on the changes in Akzo Nobel N.V. shareholders' equity see note f to the balance sheet of Akzo Nobel N.V.

Note [16]

Provisions

	1999	1998
Deferred taxes	**197**	388
Pension obligations	**854**	939
Restructuring of activities	**345**	363
Environmental costs	**235**	224
Other	**204**	188
	1,835	2,102

The current portion of provisions amounted to EUR 358 million (at December 31, 1998: EUR 371 million).

Provisions for Pension Obligations

Most Akzo Nobel companies have established pension plans for their employees in accordance with local legal requirements and customs. At December 31, 1999, as at December 31, 1998, 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

For details on environmental exposures reference is made to note 20.

Other Provisions

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

Note [17]

Long-Term Debt

	1999	1998
Debentures:		
– issued by Akzo Nobel N.V.	**1,147**	1,147
– issued by consolidated companies	**966**	856
Private borrowings	**41**	53
Debt to credit institutions	**391**	314
Other borrowings	**133**	302
	2,678	2,672

The total amount of long-term credit facilities arranged by Akzo Nobel was USD 1.0 billion (at December 31, 1999: EUR 1.0 billion; at December 31, 1998: EUR 0.9 billion). At the end of 1999 USD 451 million (EUR 450 million) was utilized, whereas these facilities were not used in 1998. Furthermore, the Company has a EUR 1.0 billion short-term back-up facility.

Aggregate maturities of long-term debt are as follows:

	2000	2001/ 2004	after 2004
Debentures:			
– issued by Akzo Nobel N.V.		408	739
– issued by consolidated companies		691	275
Private borrowings	10	13	18
Debt to credit institutions	167	114	110
Other borrowings	42	51	40
	219	1,277	1,182

In 1999 the average interest rate was 6.0% (1998: 6.3%).

For details on debentures issued by Akzo Nobel N.V. reference is made to note g to the balance sheet of Akzo Nobel N.V.

Debentures issued by consolidated companies include the 6% 98/03 USD 500 million bonds (at December 31, 1999: EUR 499 million; at December 31, 1998: EUR 429 million).

Private borrowings and debt to credit institutions were secured to an aggregate amount of EUR 6 million (at December 31, 1998: EUR 18 million) by means of mortgages, etc.

For details on financial instruments reference is made to note 21.

Note [18]

Short-Term Borrowings

	1999	1998
Commercial paper	**1,888**	1,685
Debt to credit institutions	**908**	964
Borrowings from nonconsolidated companies	**7**	14
	2,803	2,663

Commercial paper relates to Akzo Nobel's commercial paper program in the United States, which at December 31, 1999, as at December 31, 1998, had a maximum of USD 1.0 billion (year-end 1999: EUR 1.0 billion; year-end 1998: EUR 0.9 billion), and to Akzo Nobel's Euro commercial paper program, which at December 31, 1999, as at December 31, 1998, had a maximum of EUR 1.0 billion.

For details on financial instruments reference is made to note 21.

Note [19]

Current Liabilities

	1999	1998
Prepayments by customers	**19**	18
Suppliers	**1,482**	1,382
Debt to non-consolidated companies	**40**	16
Taxes and social security contributions	**247**	264
Amounts payable to employees	**253**	267
Dividends	**201**	196
Pensions	**17**	8
Other liabilities	**435**	363
	2,694	2,514

Note [20]

Commitments and Contingent Liabilities

Environmental Matters

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 materials 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 16, the provisions for environmental costs accounted for in accordance with the aforesaid policies aggregated EUR 235 million at December 31, 1999 (at December 31, 1998: EUR 224 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.

Other Litigation

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.

Commitments

Purchase commitments for property, plant and equipment aggregated EUR 49 million at December 31, 1999. At December 31, 1998, these commitments totaled EUR 111 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, research, etc., aggregated EUR 634 million at December 31, 1999 (at December 31, 1998: EUR 467 million). Payments due within one year amount to EUR 168 million (1998: EUR 127 million); payments due after more than five years amount to EUR 228 million (1998: EUR 131 million).

Guarantees relating to nonconsolidated companies totaled EUR 65 million (at December 31, 1998: EUR 36 million). As general partners in several partnerships, Akzo Nobel companies are liable for obligations incurred by these partnerships. At December 31, 1999, the risk ensuing from these liabilities was EUR 83 million (at December 31, 1998: EUR 86 million).

Note [21]

Financial Instruments

Foreign Exchange Risk Management

The Company routinely enters into forward exchange contracts to hedge transaction exposures. These principally arise with respect to assets and liabilities or firm commitments 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 are adversely affected by changes in exchange rates.

At December 31, 1999, outstanding contracts to buy currencies totaled EUR 2.2 billion (at December 31, 1998: EUR 1.1 billion), while contracts to sell currencies totaled EUR 1.4 billion (at December 31, 1998: EUR 1.0 billion). These contracts mainly relate to U.S. dollars, pounds sterling, Swedish kronor, Danish kroner, and Swiss francs.

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

Interest Risk Management

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 short-term debt, including floating rate short-term borrowings. In line with this policy, a number of swap contracts have been entered into.

Fixed rate liabilities with an interest rate of 6.3% were swapped with floating rate EURIBOR-related liabilities for an amount of EUR 145 million and a remaining maturity of 6 years. Floating rate EURIBOR-related liabilities were swapped with fixed rate liabilities with an interest rate of 5.3% for an amount of EUR 145 million and a remaining maturity of 6 years.

Through interest rate swap contracts, Akzo Nobel has fixed the interest costs for an amount of USD 200 million (year-end 1999: EUR 199 million; year-end 1998: EUR 172 million) at a level of 5.8% until the end of 2005.

Furthermore, the Company has entered into interest rate cap agreements with a cap rate of 8½% for an amount of USD 200 million (year-end 1999: EUR 199 million; year-end 1998: EUR 172 million) to protect itself against the risk of excessive increases in interest rates on short-term U.S. dollar borrowings. These contracts will expire in 2003.

Akzo Nobel has swap agreements related to a 9% pound sterling loan with an outstanding amount of EUR 51million at December 31, 1999. Under the terms of these agreements Akzo Nobel will pay to financial institutions the euro 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.

Finally, the Company has a cross currency swap, expiring in 2007, which converts USD 100 million 7.29% notes into GBP 63 million (EUR 89 million) liabilities with a fixed interest rate of 8%.

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 interest rate and exchange rate and (b) the agreed swap interest and exchange rate.
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 [22]

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.

	Working capital[1]	Provisions	Long-term debt	Short-term borrowings
Changes in 1999 balance sheet items	(217)	(267)	6	140
Eliminations:				
– changes in exchange rates	(202)	(93)	(153)	(163)
– changes in consolidation	146	157	(102)	15
Other changes[2]	133	(14)		
Changes in 1999 financial position	(140)	(217)	(249)	(8)

1) *Inventories and receivables less current liabilities, exclusive of dividends.*
2) *"Other changes" concern movements between balance sheet line items.*

Akzo Nobel N.V. Statement of Income

Millions of euros	Note	1999	1998*
Net income from affiliated companies	a	**241**	608
Other net income		**(37)**	(34)
Net income		**204**	574

See notes on page 78.

Akzo Nobel N.V. Balance Sheet

AFTER ALLOCATION OF PROFIT

Millions of euros, December 31	Note	1999	1999	1998*	1998*
Assets					
Noncurrent assets					
Financial noncurrent assets	c		**7,263**		6,962
Current assets					
Receivables	d	**161**		183	
Cash and cash equivalents	e	**338**		107	
			499		290
Total			**7,762**		7,252
Shareholders' Equity and Liabilities					
Shareholders' equity	f				
Subscribed share capital		**649**		648	
Additional paid-in capital		**1,784**		2,060	
Statutory reserves		**–**		–	
Cumulative currency translation differences		**(572)**		(809)	
Other reserves		**–**		–	
			1,861		1,899
Long-term debt	g		**4,026**		3,637
Short-term debt	h		**1,875**		1,716
Total			**7,762**		7,252

See notes on pages 80 through 83.

* *Restated for change in accounting principles. Reference is made to Change in Accounting Principles on page 64.*

GENERAL

Unless stated otherwise, all amounts are in millions of euros.

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 64 and 65. Thus net income and shareholders' equity are equal to net income and shareholders' equity as shown in the consolidated financial statements on pages 66 and 67. 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 section 402 of Book 2 of the Netherlands Civil Code.

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. For further details reference is made to note c.

Note [b]

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

Total Remuneration

In 1999, the remuneration for members of the Supervisory Board was EUR 435,000 (1998: EUR 596,000). Former members of the Supervisory Board did not receive any remuneration in 1999, as in 1998.

In 1999, remuneration for members of the Board of Management, including expenses for pensions and other such obligations, amounting to EUR 5,084,000 (1998: EUR 5,536,000) was charged to Akzo Nobel N.V. and its subsidiaries. The charges for former members of the Board of Management amounted to EUR 118,000 (1998: EUR 34,000).

Supervisory Board

In respect of their functions the members of the Supervisory Board received in 1999 the following remuneration (in EUR):

Aarnout A. Loudon, Chairman [1]	54,400
Frits H. Fentener van Vlissingen, Deputy Chairman [1] [2]	45,400
L. Paul Bremer, III	40,800
Abraham E. Cohen [2]	45,400
Jean G.A. Gandois	40,800
Hilmar Kopper [2]	45,400
Lars H. Thunell, from May 1, 1999 [2]	30,300
Maarten C. van Veen	41,700
Lo C. van Wachem [1]	45,400
Dieter Wendelstadt [1]	45,400

1) *Member of the Nomination and Remuneration Committee.*

2) *Member of the Audit Committee.*

Board of Management

The service contracts of the members of the Board of Management are determined by the Supervisory Board, which has delegated this task to the *Nomination and Remuneration Committee*. The objective of the Company's remuneration policy is to provide remuneration in a form that will motivate and retain the members of the Board of Management as top executives of a major international company. In the determination and differentiation of the remuneration level of the Chairman, the Deputy Chairman, and the other members due allowance is made for the individual's specific responsibilities. Remuneration is differentiated on a basis comparable to that in other large international companies. To ensure that remuneration is linked to performance, members of the Board of Management are granted a variable remuneration component related to both Company and individual targets.

Effective May 1, 1999, the fixed salary component was determined at EUR 490,000 for the Chairman, EUR 438,000 for the Deputy Chairman, and EUR 397,000 for the other members. For 1999 the members of the Board of Management received the following salaries and performance-related bonuses (in EUR):

	Salary	Bonus	Total
Cees J.A. van Lede, Chairman	466,600	276,800	743,400
Fritz W. Fröhlich, Deputy Chairman	426,100	224,600	650,700
Paul K. Brons	381,200	181,500	562,700
Ove H. Mattsson	381,200	181,500	562,700
Rudy M.J. van der Meer	381,200	181,500	562,700

Pension Scheme

Accrued pension benefits depend on service years, membership years of the Board of Management, retirement age, and the customs and rules in the respective countries of origin. Members of the Board of Management normally retire at the age of 62. In 1999, the members of the Board of Management did not pay any pension contributions.

Other Benefits

Other benefits granted to the members of the Board of Management are in conformity with those customary elsewhere.

Option scheme

For a description of the option scheme until 1998 and of the revised option scheme reference is made to note f.

The conditional options issued in 1999 have an exercise price of EUR 42.50 and the expiry date is April 25, 2004. Given the nature of the revised option scheme, all options granted in 1999 are still outstanding at December 31, 1999.

	Options issued and outstanding
Cees J.A. van Lede	36,000
Fritz W. Fröhlich	27,000
Paul K. Brons	24,000
Ove H. Mattsson	24,000
Rudy M.J. van der Meer	24,000
Total	135,000

The aggregate number of options held by the present members of the Board of Management under the scheme until 1998 (unconditional options) is as follows:

Expiry date	Year of issue	Exercise price, in EUR	Options issued	Options outstanding at December 31, **1999**	1998
April 27, 2001	1996	22.45	84,860	**24,328**	32,328
April 28, 2002	1997	28.10	82,832	**50,712**	50,712
April 28, 2003	1998	47.40	132,000	**132,000**	132,000
Total				**207,040**	215,040

Shares of Akzo Nobel N.V. held by the Members of the Supervisory Board and the Board of Management

At December 31, 1999, the aggregate number of Akzo Nobel N.V. common shares held by the members of Supervisory Board was 51,794, while they held no options. At December 31, 1999, the aggregate number of Akzo Nobel N.V. common shares held by the members of the Board of Management was 3,204, while they held no options other than the aforementioned stock options.

Note [c]

Financial Noncurrent Assets

	Total	Consolidated companies: Share in capital	Consolidated companies: Loans*	Nonconsolidated companies: Share in capital	Nonconsolidated companies: Loans	Other financial noncurrent assets
Situation at December 31, 1998	6,962	1,700	5,225	24		13
Investments/divestitures	409	426		(17)		
Equity in earnings	241	236		5		
Dividends received	(988)	(988)				
Loans granted	2,158		2,020		138	
Repayment of loans	(1,541)		(1,539)			(2)
Changes in exchange rates	237	207	30			
Goodwill	(215)	(215)				
Situation at December 31, 1999	**7,263**	**1,366**	**5,736**	**12**	**138**	**11**

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

Note [d]

Receivables

	1999	1998
Receivables from consolidated companies	**83**	59
Receivables from nonconsolidated companies	**21**	
Taxes		85
Other receivables	**57**	39
	161	183

Note [e]

Cash and Cash Equivalents

	1999	1998
Short-term investments	**91**	102
Cash on hand and in banks	**247**	5
	338	107

At December 31, 1999, an amount of EUR 236 million was not freely available until January 10, 2000, in connection with the legal finalization of the Acordis divestment. At December 31, 1998, the amount of cash and cash equivalents was freely available.

Note [f]

Shareholders' Equity

	Subscribed share capital	Additional paid-in capital	Statutory reserves	Cumulative translation differences	Other reserves	Share-holders' equity
Situation at December 31, 1997	647	2,606	–	(591)	1,510	4,172
Issue of common shares	1	3				4
Retained earnings					296	296
Goodwill		(549)			(1,806)	(2,355)
Changes in exchange rates in respect of affiliated companies				(218)		(218)
Situation at December 31, 1998	648	2,060	–	(809)	–	1,899
Issue of common shares	1	21				22
Income for the year					204	204
Dividend		(286)				(286)
Goodwill		(11)			(204)	(215)
Changes in exchange rates in respect of affiliated companies				237		237
Situation at December 31, 1999	**649**	**1,784**	**–**	**(572)**	**–**	**1,861**

Subscribed Share Capital

Authorized capital stock of Akzo Nobel N.V. is NLG 4,000,048,000 and consists of 48 priority shares of NLG 1,000 and 600 million common shares of NLG 5 and 200 million cumulative preferred shares of NLG 5. Subscribed share capital consists of 48 priority shares, 285,885,524 common shares and no preferred shares.
In 1999, 509,024 common shares were issued in exchange for shares in Acordis AG, Germany, and 56,300 common shares were issued in connection with the exercise of options.

Stock Options

In 1999, Akzo Nobel's stock option scheme was revised. Options have been granted to all members of the Board of Management, Senior Vice Presidents, and Executives, except in the United States where a separate scheme is in operation. Altogether about 800 persons are entitled to options. The options expire after five years and may not be exercised during the first three years. At the end of this three-year period the holders of options may choose for options or stock appreciation rights or both. No financing facilities exist for option rights or tax payable thereon.

The options issued under the scheme until 1998 were exercisable immediately upon having been granted.

One option entitles the holder thereof to buy one common share of NLG 5.00 par value. The exercise price of newly granted options is the Amsterdam Exchanges closing price on the first day that the Akzo Nobel share is quoted ex dividend.

The number of options lapsed in 1999 was 21,600 (1998: nil).

Stock Options

Expiry date	Year of issue	Exercise price in EUR	Options issued	Options outstanding at December 31, **1999**	1998
Unconditional options					
May 5, 1999	1994	25.35	193,256		17,284
April 27, 2000	1995	20.40	317,912	**14,156**	21,664
April 27, 2001	1996	22.45	333,360	**65,336**	77,064
April 28, 2002	1997	28.10	277,920	**116,060**	124,664
April 28, 2003	1998	47.40	462,200	**448,600**	462,200
				644,152	702,876
Conditional options					
April 26, 2004	1999	42.50	1,163,400	**1,155,400**	
				1,799,552	702,876

Stock options granted to the Board of Management are included in the above schedule. For further details reference is made to note b.

Additional Paid-in Capital

At least EUR 1,190 million of additional paid-in capital (at December 31, 1998: EUR 1,168 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.

Note [g]

Long-Term Debt

	1999	1998
Debentures	**1,147**	1,147
Debt to consolidated companies	**2,877**	2,489
Other borrowings	**2**	1
	4,026	3,637

Debentures

	1999	1998
8% 1992/02	**136**	136
6⅜% 1993/03	**136**	136
7% 1995/05	**227**	227
5¾% 1996/01	**136**	136
5⅜% 1998/08	**512**	512
	1,147	1,147

Debt to Consolidated Companies
Borrowings from these companies have no fixed repayment schedule. Interest charged on these borrowings averaged 4.6% in 1999 (1998: 4.5%).

Note [h]
Short-Term Debt

	1999	1998
Debt to credit institutions	**596**	614
Commercial paper	**950**	824
Taxes and social security contributions	**53**	8
Debt to consolidated companies	**6**	26
Borrowings from nonconsolidated companies	**6**	10
Dividend	**201**	195
Other liabilities	**63**	39
	1,875	1,716

Commercial paper relates to Akzo Nobel's Euro commercial paper program, which at December 31, 1999, had a maximum of EUR 1.0 billion (as at December 31, 1998).

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 Netherlands consolidated companies. These debts, at December 31, 1999 aggregating EUR 1.0 billion (at December 31, 1998: EUR 0.8 billion), are included in the consolidated balance sheet.

Additionally, guarantees were issued in behalf of consolidated companies in the amount of EUR 2.6 billion (1998: EUR 2.2 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, Intervet Laboratories Limited, Organon Research and Development Limited, and Akzo Nobel Decorative Coatings Ireland Limited, under section 17 of the Companies (Amendment) Act 1986 Ireland.

Guarantees relating to nonconsolidated companies amounted to EUR 65 million (1998 EUR 36 million).

Arnhem, February 24, 2000

The Board of Management
C.J.A. van Lede
F.W. Fröhlich
P.K. Brons
O.H. Mattsson
R.M.J. van der Meer

The Supervisory Board
A.A. Loudon
F.H. Fentener van Vlissingen
L.P. Bremer, III
A.E. Cohen
J.G.A. Gandois
H. Kopper
L.H. Thunell
M.C. van Veen
L.C. van Wachem
D. Wendelstadt

OTHER INFORMATION

AUDITORS' REPORT

We have audited the 1999 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, 1999, 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 24, 2000

KPMG Accountants N.V.

PROFIT ALLOCATION AND DISTRIBUTIONS IN ACCORDANCE WITH THE ARTICLES OF ASSOCIATION

Article 43

43.6

The Board of Management shall be authorized to determine, with the approval of the Supervisory Board, what share of profit remaining after application of the provisions of the foregoing paragraphs shall be carried to reserves.
The remaining profit shall be placed at the disposal of the General Meeting of Shareholders, with due observance of the provisions of paragraph 7, it being provided that no further dividends shall be paid on the preferred shares.

43.7

From the remaining profit, the following distributions shall, to the extent possible, be made as follows:
(a) to the holders of priority shares: six percent per share or the statutory interest referred to in paragraph 1 of article 13, whichever is lower, plus any accrued and unpaid dividends;
(b) to the holders of common shares: a dividend of such an amount per share as the remaining profit, less the aforesaid dividends and less such amounts as the General Meeting of Shareholders may decide to carry to reserves, shall permit.

43.8

Without prejudice to the provisions of paragraph 4 of this article and of paragraph 4 of article 20, the holders of common shares shall, to the exclusion of everyone else, be entitled to distributions made from reserves accrued by virtue of the provision of paragraph 7b of this article.

43.9

Without prejudice to the provisions of article 42 and paragraph 8 of this article, the General Meeting of Shareholders may decide on the utilization of reserves only on the proposal of the Board of Management approved by the Supervisory Board.

Article 44

44.7

Cash dividends by virtue of paragraph 4 of article 20, article 42, or article 43 that have not been collected within five years of the commencement of the second day on which they became due and payable shall revert to the Company.

PROPOSAL FOR PROFIT ALLOCATION

With due observance of article 43, paragraph 7, of the Articles of Association, it is proposed that net income of EUR 204 million is carried to other reserves.

Furthermore, with due observance of article 43, paragraph 9, it is proposed that dividend on priority shares of EUR 1,307 and on common shares of EUR 286 million will be paid out of that portion of additional paid-in capital, which cannot be considered free from income tax within the meaning of the Netherlands 1964 Income Tax Law.

Following the acceptance of this proposal, the holders of common shares will receive a dividend of EUR 1.00 per share of NLG 5, of which EUR 0.30 was paid earlier as an interim dividend. The final dividend of EUR 0.70 will be made available from May 15, 2000.

SPECIAL RIGHTS TO HOLDERS OF PRIORITY SHARES

The priority shares are held by "AKZO NOBEL STICHTING" (Akzo Nobel Foundation), whose board is composed of the members of the Supervisory Board and the Board of Management. They each have one vote on the board of the Foundation, thus complying with the provisions of article 10 of annex X of the AEX Listing and Issuing Rules.

The Meeting of Holders of Priority Shares 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.

FINANCIAL SUMMARY

Consolidated Statement of Income

Millions of euros	**1999**	1998	1997	1996	1995	1994	1993	1992	1991	1990
Net sales	**14,432**	12,482	10,914	10,182	9,751	10,078	7,491	7,584	7,647	7,826
Operating income before nonrecurring items	**1,364**	1,242	1,121	922	895	877	486	539	525	572
Nonrecurring items	**(41)**	(165)	(3)							
Operating income, after nonrecurring items	**1,323**	1,077	1,118	922	895	877	486	539	525	572
Financing charges	**(275)**	(207)	(124)	(119)	(118)	(129)	(99)	(108)	(126)	(167)
Taxes	**(344)**	(303)	(330)	(268)	(271)	(224)	(123)	(129)	(120)	(127)
Earnings from nonconsolidated companies	**40**	23	54	41	62	46	37	30	29	47
Earnings from normal operations, after taxes	**744**	590	718	576	568	570	301	332	308	325
Extraordinary items after taxes	**(515)**				(16)	(36)	(66)	(30)	(50)	(29)
Earnings before minority interest	**229**	590	718	576	552	534	235	302	258	296
Minority interest	**(25)**	(16)	(17)	(16)	(20)	(17)	(2)	(9)	5	5
Net income	**204**	574	701	560	532	517	233	293	263	301
Net income excluding extraordinary and nonrecurring items	**759**	703	700	560	548	553	299	323	313	330
Common shares, in millions at December 31	**285.9**	285.3	285.2	284.7	284.3	284.3	215.9	184.0	183.8	177.7
Dividend	**286**	278	275	242	226	226	154	136	136	131
Per common share, in EUR										
Net income	**0.71**	2.01	2.46	1.97	1.87	1.82	1.24	1.59	1.43	1.69
Net income excluding extraordinary and nonrecurring items	**2.66**	2.46	2.46	1.97	1.93	1.95	1.59	1.76	1.71	1.86
Dividend	**1.00**	0.98	0.97	0.85	0.79	0.79	0.74*	0.74	0.74	0.74
Shareholders' equity	**6.51**	6.66	14.63	12.49	10.73	10.32	12.93	12.52	11.75	11.86
Number of employees at December 31	**68,000**	85,900	68,900	70,700	69,800	70,400	60,700	62,500	65,200	69,800
Salaries, wages, and social charges	**3,655**	3,272	2,897	2,750	2,685	2,735	2,306	2,305	2,311	2,300
Ditto, as % of net sales	**25.3**	26.2	26.5	27.0	27.5	27.1	30.8	30.4	30.2	29.4
Ratios										
Operating income before nonrecurring items as percentage of net sales	**9.5**	10.0	10.3	9.1	9.2	8.7	6.5	7.1	6.9	7.3
Operating income before nonrecurring items as percentage of invested capital	**15.5**	16.2	17.0	15.1	15.8	15.6	11.5	13.2	12.7	13.7
Net income excluding extraordinary and nonrecurring items as percentage of shareholders' equity	**40.4**	23.2	18.1	17.0	18.3	19.3	11.7	14.5	14.7	16.0

* *Holders of the 31.5 million common shares placed in November 1993 were only entitled to the final dividend of EUR 0.57 per share.*

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

Consolidated Balance Sheet

Millions of euros, December 31	**1999**	1998	1997	1996	1995	1994	1993	1992	1991	1990
Intangible assets	**304**	132	107	76	66	30				
Property, plant and equipment	**4,435**	5,311	4,420	4,304	3,848	3,808	2,886	2,656	2,661	2,670
Financial noncurrent assets	**1,282**	947	848	787	693	686	512	616	455	435
Noncurrent assets	**6,021**	6,390	5,375	5,167	4,607	4,524	3,398	3,272	3,116	3,105
Inventories	**2,091**	2,291	1,835	1,760	1,648	1,541	1,317	1,269	1,266	1,300
Receivables	**2,981**	2,823	2,267	1,981	1,907	1,865	1,429	1,341	1,414	1,433
Cash and cash equivalents	**932**	536	317	404	317	330	845	299	368	370
Current assets	**6,004**	5,650	4,419	4,145	3,872	3,736	3,591	2,909	3,048	3,103
Total assets	**12,025**	12,040	9,794	9,312	8,479	8,260	6,989	6,181	6,164	6,208
Shareholders' equity	**1,861**	1,899	4,172	3,555	3,052	2,935	2,792	2,304	2,161	2,106
Minority interest	**154**	190	118	108	88	83	70	64	64	87
Equity	**2,015**	2,089	4,290	3,663	3,140	3,018	2,862	2,368	2,225	2,193
Provisions	**1,835**	2,102	1,697	1,594	1,528	1,403	1,077	1,100	1,101	1,151
Long-term debt	**2,678**	2,672	914	975	1,233	1,424	1,061	817	825	945
Short-term borrowings	**2,803**	2,663	778	1,128	735	500	643	638	745	530
Current liabilities	**2,694**	2,514	2,115	1,952	1,843	1,915	1,346	1,258	1,268	1,389
Short-term debt	**5,497**	5,177	2,893	3,080	2,578	2,415	1,989	1,896	2,013	1,919
Total equity and liabilities	**12,025**	12,040	9,794	9,312	8,479	8,260	6,989	6,181	6,164	6,208
Invested capital										
Of consolidated companies	**7,755**	8,524	6,783	6,395	5,794	5,519	4,361	4,062	4,137	4,096
In nonconsolidated companies	**644**	466	579	561	525	496	437	562	391	353
Total	**8,399**	8,990	7,362	6,956	6,319	6,015	4,798	4,624	4,528	4,449
Property, plant and equipment										
Capital expenditures	**797**	819	641	836	750	741	531	423	457	512
Depreciation	**740**	661	587	537	488	516	402	395	398	393
Ratios										
Net sales/invested capital	**1.64**	1.63	1.66	1.67	1.72	1.78	1.78	1.85	1.86	1.87
Gearing	**2.26**	2.30	0.32	0.46	0.53	0.53	0.30	0.49	0.54	0.50
Equity/noncurrent assets	**0.33**	0.33	0.80	0.71	0.68	0.67	0.84	0.72	0.71	0.71
Inventories and receivables/ current liabilities	**1.88**	2.03	1.94	1.92	1.93	1.78	2.04	2.07	2.11	1.97

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

Business Segment Statistics

Millions of euros	**1999**	1998	1997	1996	1995	1994	1993	1992	1991	1990
Pharma										
Net sales	**2,865**	2,323	2,094	1,793	1,713	1,665	1,552	1,473	1,390	1,259
Operating income[1]	**595**	480	422	361	340	297	268	241	233	195
Invested capital[2]	**2,086**	1,406	1,251	1,085	895	818	808	733	673	607
Operating income[1]										
– as percentage of net sales	**20.8**	20.7	20.2	20.1	19.9	17.9	17.2	16.4	16.8	15.5
– as percentage of invested capital	**36.4**	36.1	36.2	36.4	39.7	36.6	34.7	34.3	36.4	32.2
Gross cash flow	**736**	586	512	441	408	361	323	291	280	238
Expenditures for PP&E	**199**	173	107	107	124	108	103	88	81	67
Average number of employees	**18,300**	16,200	15,500	15,100	14,300	14,100	14,000	13,600	13,200	12,800
Coatings										
Net sales	**5,504**	4,765	3,804	3,374	3,104	3,125	1,826	1,843	1,748	1,783
Operating income[1]	**466**	401	341	269	215	236	90	92	100	114
Invested capital[2]	**2,308**	2,264	1,540	1,416	1,349	1,270	850	864	853	764
Operating income[1]										
– as percentage of net sales	**8.5**	8.4	9.0	8.0	6.9	7.6	4.9	5.0	5.7	6.4
– as percentage of invested capital	**20.4**	21.1	23.1	19.4	16.4	18.1	10.5	10.7	12.4	14.8
Gross cash flow	**623**	534	450	368	306	331	146	147	152	161
Expenditures for PP&E	**162**	194	130	115	115	106	78	65	77	77
Average number of employees	**31,400**	28,500	22,900	21,800	21,500	21,900	14,200	15,000	14,500	15,300
Chemicals										
Net sales	**3,835**	3,394	3,438	3,492	3,332	3,586	2,639	2,573	2,603	2,614
Operating income[1]	**367**	320	331	261	276	323	159	163	149	172
Invested capital[2]	**2,704**	2,583	2,655	2,589	2,319	2,351	1,577	1,546	1,577	1,571
Operating income[1]										
– as percentage of net sales	**9.6**	9.4	9.6	7.5	8.3	9.0	6.0	6.3	5.7	6.6
– as percentage of invested capital	**13.9**	12.2	12.6	10.7	11.8	13.7	10.2	10.4	9.5	10.7
Gross cash flow	**656**	584	583	491	479	550	323	326	311	329
Expenditures for PP&E	**304**	278	263	423	342	333	192	140	155	204
Average number of employees	**14,000**	13,400	13,700	14,900	15,300	16,000	12,900	13,400	14,400	14,700
Acordis/Fibers										
Net sales	**2,242**	1,947	1,606	1,540	1,626	1,645	1,470	1,707	1,934	2,202
Operating income[1]	**(62)**	64	42	37	72	36	(10)	58	46	99
Invested capital[2]		1,673	1,148	1,155	1,159	961	1,204	995	1,076	1,241
Operating income[1]										
– as percentage of net sales	**(2.8)**	3.3	2.6	2.4	4.4	2.2	(0.6)	3.4	2.4	4.5
– as percentage of invested capital	**(3.7)**	4.5	3.7	3.2	6.8	3.4	(0.9)	5.6	4.0	7.9
Gross cash flow	**98**	198	152	138	174	142	102	172	174	234
Expenditures for PP&E	**107**	135	83	144	140	146	141	113	118	133
Average number of employees	**17,400**	16,100	13,700	14,500	15,200	16,700	18,500	20,100	23,500	26,200

1) *Before nonrecurring items.*
2) *At December 31.*

Regional Statistics

Millions of euros	**1999**	1998	1997	1996	1995
The Netherlands					
Net sales by destination	**862**	797	788	799	744
Net sales by origin	**2,583**	2,556	2,606	2,683	2,708
Operating income[1]	**316**	273	248	245	220
Expenditures for PP&E	**214**	196	163	239	305
Invested capital[2]	**1,840**	1,929	1,729	1,732	1,689
Number of employees[2]	**12,900**	18,100	17,600	17,800	18,400
Germany					
Net sales by destination	**1,436**	1,339	1,212	1,266	1,343
Net sales by origin	**1,944**	1,627	1,480	1,378	1,391
Operating income[1]	**58**	109	94	71	107
Expenditures for PP&E	**68**	74	54	79	81
Invested capital[2]	**101**	848	769	709	675
Number of employees[2]	**5,100**	12,000	10,700	11,200	11,700
Sweden					
Net sales by destination	**524**	518	496	495	479
Net sales by origin	**1,003**	984	864	868	845
Operating income[1]	**68**	99	107	82	118
Expenditures for PP&E	**70**	80	99	156	72
Invested capital[2]	**865**	785	762	675	543
Number of employees[2]	**4,700**	4,900	4,700	4,700	4,800
United Kingdom					
Net sales by destination	**1,164**	1,000	802	653	703
Net sales by origin	**1,406**	955	597	496	444
Operating income[1]	**30**	56	50	25	27
Expenditures for PP&E	**69**	89	25	13	12
Invested capital[2]	**820**	1,184	245	227	200
Number of employees[2]	**5,700**	9,600	3,800	3,900	3,900
Other European countries					
Net sales by destination	**4,327**	3,915	3,367	3,012	2,874
Net sales by origin	**2,814**	2,607	2,149	1,822	1,644
Operating income[1]	**498**	405	353	275	199
Expenditures for PP&E	**121**	147	88	71	58
Invested capital[2]	**1,649**	1,273	1,021	923	823
Number of employees[2]	**15,400**	16,000	13,200	12,100	11,000

Millions of euros	**1999**	1998	1997	1996	1995
USA and Canada					
Net sales by destination	**3,382**	2,850	2,446	2,299	2,087
Net sales by origin	**3,162**	2,620	2,305	2,139	1,963
Operating income[1]	**253**	216	177	142	141
Expenditures for PP&E	**144**	149	134	205	162
Invested capital[2]	**1,439**	1,638	1,580	1,544	1,384
Number of employees[2]	**10,100**	12,600	9,500	11,100	11,400
Latin America					
Net sales by destination	**841**	790	709	640	534
Net sales by origin	**566**	565	509	457	424
Operating income[1]	**53**	43	57	39	40
Expenditures for PP&E	**36**	31	40	52	41
Invested capital[2]	**415**	451	455	390	307
Number of employees[2]	**4,500**	5,100	4,800	5,200	5,100
Asia					
Net sales by destination	**1,223**	756	715	635	568
Net sales by origin	**687**	398	311	227	208
Operating income[1]	**55**	20	24	26	22
Expenditures for PP&E	**35**	38	29	20	11
Invested capital[2]	**449**	296	166	148	118
Number of employees[2]	**7,700**	6,000	4,100	3,700	2,400
Other regions					
Net sales by destination	**673**	517	379	383	419
Net sales by origin	**267**	170	93	112	124
Operating income[1]	**33**	21	11	17	21
Expenditures for PP&E	**40**	15	9	2	8
Invested capital[2]	**177**	120	55	47	55
Number of employees[2]	**1,900**	1,600	500	1,000	1,100

1) *Before nonrecurring items.*
2) *At December 31.*

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

FINANCIAL CALENDAR

- Report for the 1st quarter 2000
  April 25, 2000

- Annual Meeting of Shareholders 1999
  April 26, 2000

- Quotation ex 1999 final dividend
  April 28, 2000

- Payment of 1999 final dividend
  May 15, 2000

- Report for the 2nd quarter 2000
  July 26, 2000

- Report for the 3rd quarter 2000
  October 25, 2000

- Quotation ex 2000 interim dividend
  October 26, 2000

- Payment of 2000 interim dividend
  November 13, 2000

- Report for the year 2000
  February 23, 2001

- Annual Meeting of Shareholders 2000
  April 26, 2001

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

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COMPANY STATEMENT

OUR COMPANY

Akzo Nobel is a multicultural company.
We are market-driven and technology-based, serving customers throughout the world with healthcare products, coatings, and chemicals.

Akzo Nobel conducts its diversified activities through business units, which report directly to the Board of Management.

We maintain a product portfolio with leading positions in important market segments.

OUR PEOPLE

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

Our employees are professionals whose entrepreneurial behavior is result-oriented and guided by personal integrity.
They strive for the success of their own units in the interest of Akzo Nobel as a global company.

In return, our employees can count on opportunities for individual and professional development in an international working environment.
We offer them rewarding and challenging assignments with room for initiative.

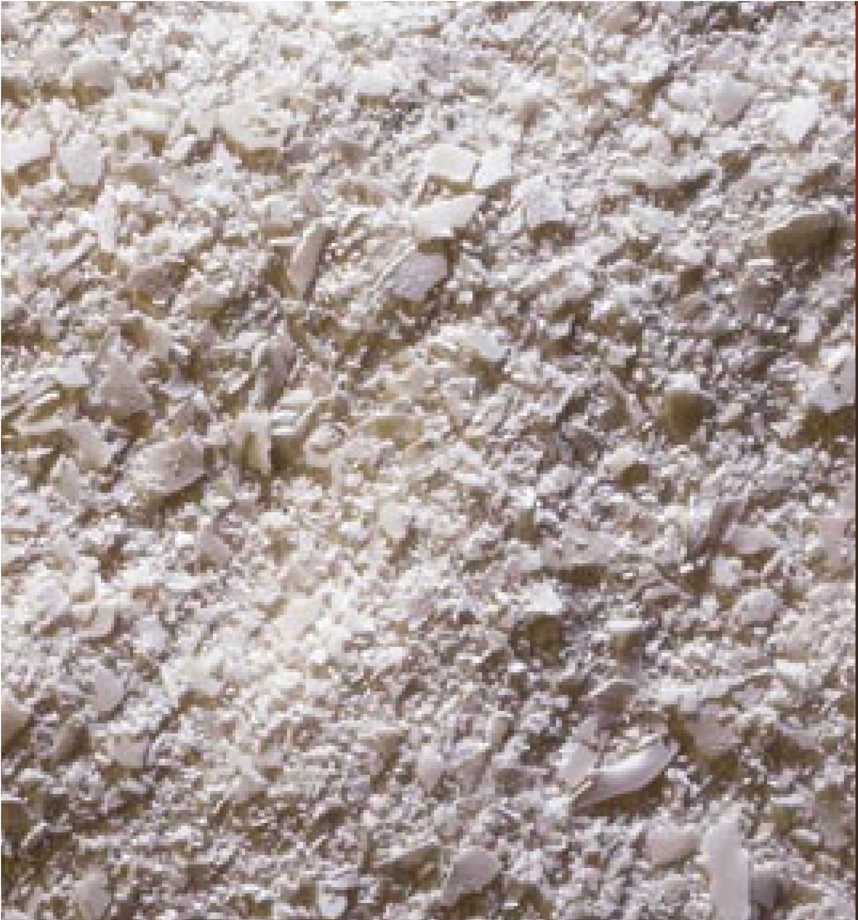
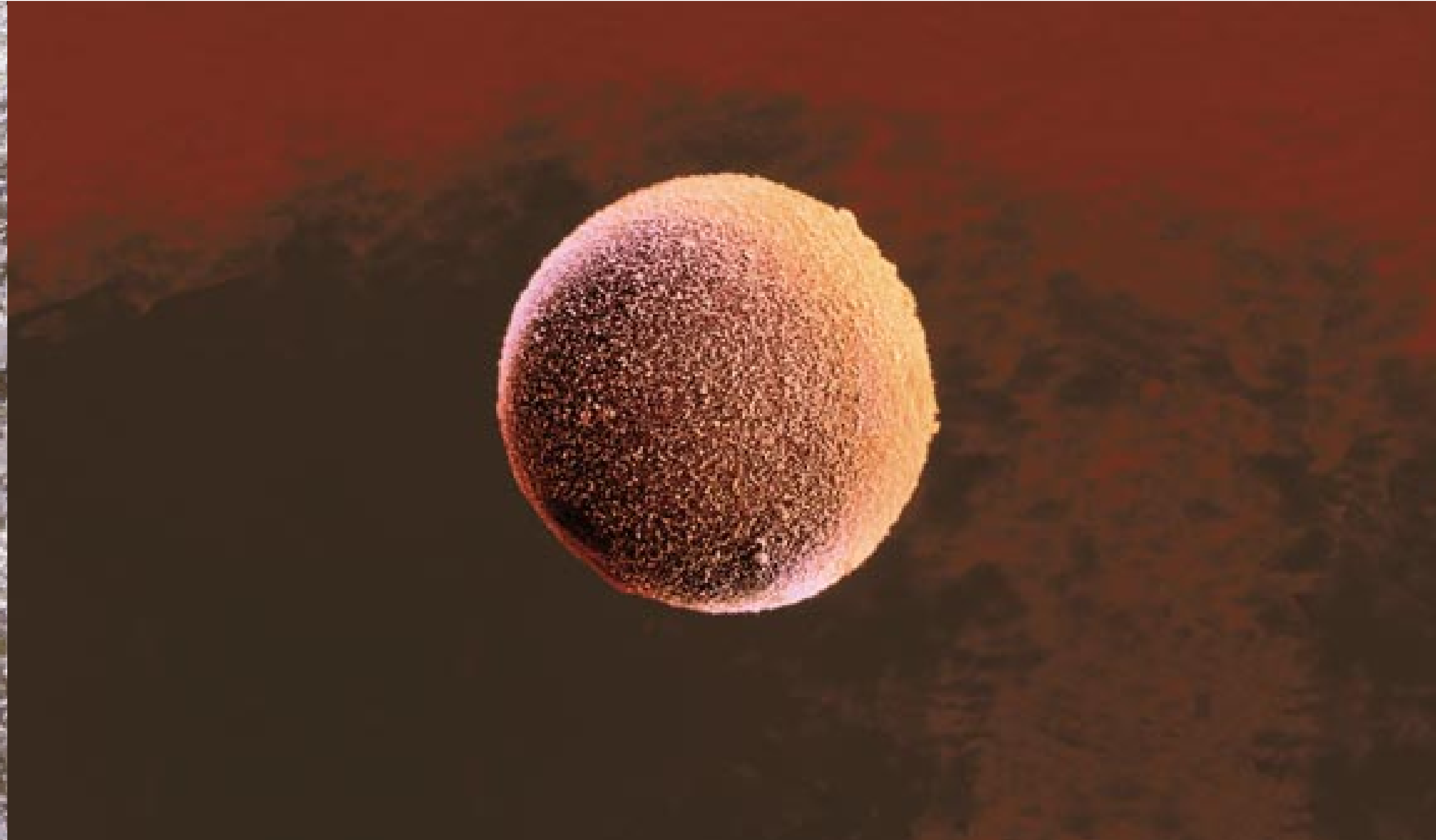
OUR COMMITMENS

We will focus our efforts on the success of our customers.
We will provide competitive returns on our shareholders' investments.
We will create an attractive working environment for our employees.
We will conduct our activities in a socially responsible manner.

OUR AMBITION

To be the first choice of customers, shareholders, and employees, and to be a respected member of society.

Cover:
Fertilized human egg
(magnification 1,000 X)

Definitions of certain financial ratios and concepts used in this Annual Report
(please turn over)