Annual Report 2000

PHARMA

COATINGS

CHEMICALS

AKZO NOBEL

PROFILE

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

Headquartered in the Netherlands, the Company has activities in more than 75 countries and employed 68,200 people during 2000. Sales in 2000 were EUR 14.0 billion, with Pharma accounting for EUR 3.8 billion, Coatings for EUR 5.6 billion, and Chemicals for EUR 4.7 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.

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 COMMITMENTS

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.

CONTENTS

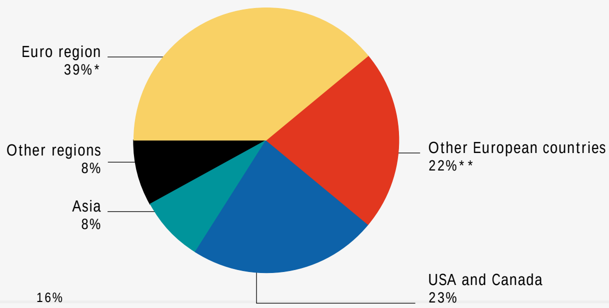
SAFE HARBOR STATEMENT*

This Annual Report contains statements which address such key issues as Akzo Nobel's growth strategy, future financial results, market positions, product development, pharmaceutical products in the pipeline, and product approvals. Such statements, including but not limited to the "Outlook for 2001," should be carefully considered and it should be understood that many factors could cause forecasts and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, development of raw material and personnel costs, physical and environmental risks, and legislative, fiscal and other regulatory measures. Stated competitive positions are based on management estimates and information provided by specialized external agencies.

** Pursuant to the U.S. Private Securities Litigation Reform Act 1995.*

Net sales by origin

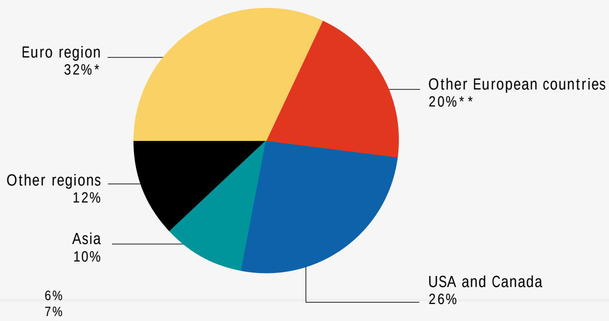
(EUR 14.0 billion)



* The Netherlands	16%
Germany	8%
Other	15%
** Sweden	9%
United Kingdom	7%
Other	6%

Net sales by destination

(EUR 14.0 billion)



* The Netherlands	6%
Germany	7%
Other	19%
** Sweden	4%
United Kingdom	8%
Other	8%

5-year return on Akzo Nobel share

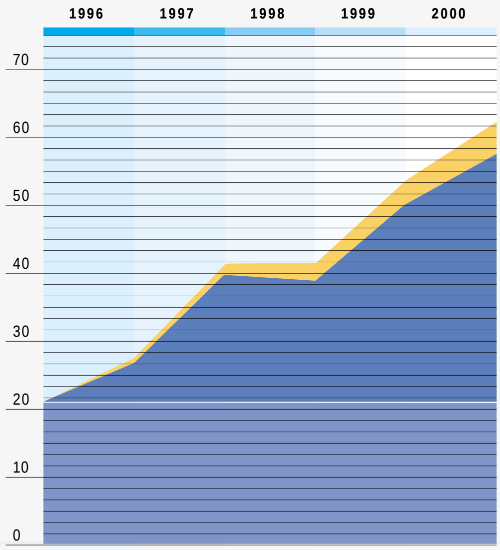
(including dividend)

Share price at year-end 1995

Share price increase

Dividend paid

in EUR



The above graph shows that the value of an Akzo Nobel share purchased for EUR 21.06 at year-end 1995 rose EUR 36.14 to EUR 57.20 in the five-year period, while shareholders additionally received EUR 4.72 dividend.
In total, this represents an average annual return of 24%.

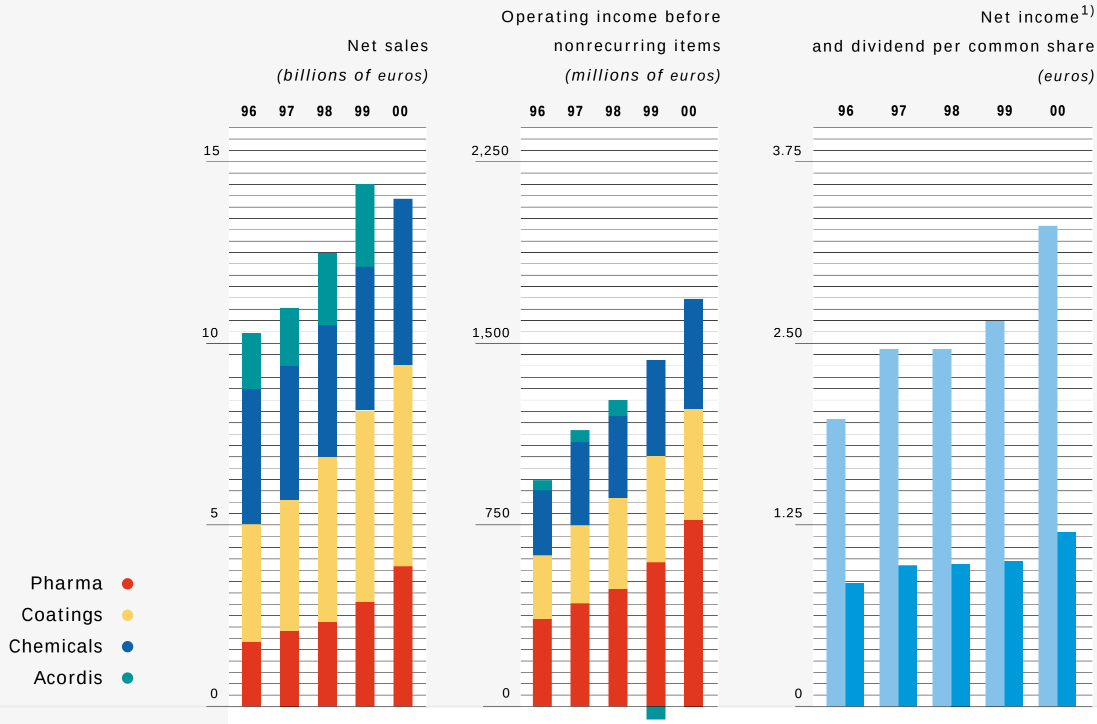
As from January 1, 2000, the Resins business unit was transferred from Coatings to Chemicals. The corresponding figures have been restated.

Introduction of the Euro (EUR)

All amounts in this Annual Report are in euros, which currency was introduced on January 1, 1999.
All prior-year figures have been restated in euros, using the fixed rate of EUR 1.00 = NLG 2.20371 applicable since January 1, 1999.

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

COMPANY OVERVIEW



Millions of euros	**2000**	1999	**Key changes in %** *(italics = excl. Acordis[2])*	
Net sales	**14,003**	14,432	(3)	*15*
Operating income				
– before nonrecurring items	**1,652**	1,364	21	*16*
– after nonrecurring items	**1,609**	1,323		
Net income excluding extraordinary and nonrecurring items	**946**	759	25	
Net income	**966**	204		
Cash flow	**1,678**	1,005	67	
Shareholders' equity	**2,446**	1,861		
EVA[3]	**490**	270		
Property, plant and equipment				
– expenditures	**725**	797	(9)	*5*
– depreciation	**631**	740		
Per common share, in EUR				
Net income excluding extraordinary and nonrecurring items	**3.31**	2.66	25	
Net income	**3.38**	0.71		
Cash flow[1]	**5.61**	5.33		
Dividend	**1.20**	1.00		
Shareholders' equity	**8.55**	6.51		
Key ratios				
Operating income before nonrecurring items				
– as percentage of net sales (ROS)	**11.8**	9.5		
– as percentage of invested capital (ROI)	**20.4**	15.5		
Interest coverage	**6.1**	5.0		
Gearing	**1.64**	2.26		
Number of employees at year-end	**68,400**	68,000		

[1] *Before extraordinary and nonrecurring items.*
[2] *The Fibers activities divested at year-end 1999.*
[3] *EVA principles are explained on page 21; for EVA per group see page 22.*

MILESTONES IN 2000

Pharma

- Organon sells Thiemann Arzneimittel, Germany
- Intervet purchases Bayer's Biologicals business in the United States and Canada
- Organon invests EUR 44 million in production facilities for a new antithrombotic drug (pentasaccharide) in the United States and starts 50/50 cooperation with Sanofi/Synthélabo in this area
- First Pharma Analysts and Investors Research Days held in New York and London
- Intervet acquires R&D centers in Germany and the United Kingdom
- Organon opens new research facility in Scotland
- Diosynth opens biotechnological downstream processing unit and starts construction of biotechnological upstream processing unit in Oss, the Netherlands (total investment: EUR 70 million)
- Akzo Nobel sells Chefaro

Coatings

- Industrial Coatings acquires Dexter Corporation's aerospace coatings business in the United States
- Car Refinishes acquires Commercial Vehicle Coatings activities of Mason Coatings, United Kingdom
- Decorative Coatings International invests in Schönox® building adhesives plant in Germany
- Decorative Coatings Europe acquire French wholesaler Vachon*
- Coatings to make major investments in China

Chemicals

- Catalysts launches innovative breakthrough in Fluid Catalyst Cracking (FCC) technologies in the United States
- Functional Chemicals opens new EUR 18 million High Performance Iron Chelates (HPIC) plant in Sweden
- Functional Chemicals opens new EUR 55 million chelates manufacturing facility in the United States
- Pulp & Paper Chemicals to acquire Hopton Technologies, United States*
- Chemicals to make major investments in China

* *Concluded in January 2001.*

CHAIRMAN'S STATEMENT

BEST YEAR EVER

Dear Shareholders,

Two thousand has been an excellent year for your Company: high growth, record earnings, and a strengthened balance sheet. A dividend increase is awaiting your approval.

This was the first year of operation after the divestment of Fibers. This move has made us a better balanced Company and permitted us to reinforce our internal coherence, with a strong focus on optimal exploitation of the synergy potential between our businesses and on value creation.

ENHANCED BUSINESS COHERENCE

Through a number of key acquisitions and divestments, we were able to further strengthen our industrial base.

In Pharma, the acquisition of Bayer's Biologicals elevated Intervet, after the acquisition of Hoechst Roussel Vet in 1999, to a true leadership position: third place worldwide in the animal healthcare market.

In Coatings, the acquisition of Mason enhanced our position in Car Refinishes and enabled us to extend our services to the application of graphics on commercial vehicles. At least of equal importance was the acquisition of Dexter Aerospace Coatings, through which we established a leading position in this attractive high technology market after the EC-imposed divestment in 1999 of the former Courtaulds Aerospace Coatings business.

In Chemicals, we extended our portfolio through three acquisitions, of which Hopton Technologies was a welcome addition to our Paper Chemicals business in the United States.

These are a few examples of portfolio improvement through well-targeted acquisitions. Divestments, however, also contributed to greater coherence in our activities. Chefaro, with its core business in branded over-the-counter pharmaceuticals, was sold to a specialized player in that market. Amidst our mainstream business of research-based drugs, Chefaro had little chance for its own structural development. Similarly, diminishing cohesion in product lines led to the sale of Thiemann Arzneimittel, originally an Organon subsidiary.

Geographically, we were also able to strengthen our position by growing the business in the right places. In Asia, we benefited from a remarkably quick recovery from the crisis that erupted in 1997. Almost all our business units participated in this renewed growth, and our Asian network—stemming from former Courtaulds—proved most useful. We are engaged in a number of major investment projects in China, both in Coatings and in Chemicals.
We capitalized on our stronger position in the human healthcare market in Japan after the activities acquired from Kanebo in 1999 were integrated into Organon KK. In the United States growth clearly surpassed our plans. Pharma's growth of over 30% has been spectacular. Organon Inc. has even doubled its sales in three years. The Company's sales in North America now represent well over 25% of the total.

The real value added potential of Akzo Nobel as a focused hybrid lies in the optimal use of our collective know-how. To that end we are making special efforts to fully exploit the vast opportunities provided by the Net, an area of ongoing attention in the year ahead. In addition, we continue to work on creating greater coherence between our most related businesses by placing a stronger emphasis on R&D and Management Development Programs.

FOCUSED VALUE CREATION

Our present portfolio permits us to pursue higher growth ambitions than in the past.
We targeted and surpassed 10% organic growth in Pharma and 5% in Chemicals; Coatings registered a 3% increase. This organic growth was instrumental in adding EUR 120 million economic value to the Company. An increase of about the same magnitude resulted from the separation of Fibers. We measure value creation today in terms of Economic Value Added (EVA), a concept we are currently introducing throughout the Company. It should improve capital productivity, have a positive effect on shareholder value, and better reflect today's thinking on value creation.

CHALLENGING OUTLOOK

Our strong earnings in 2000 should be seen in the light of a truly favorable economic environment. Economic growth in Europe at around 3% was rather high. Although business activity in the United States lost steam by year-end, the year as a whole has been quite strong. In addition, the strength of some currencies, notably the dollar, further leveraged our already good results: roughly one third of the increase in operating income is attributable to currency translation effects.

For 2001, we expect a somewhat lower growth rate in Europe than in 2000. In the United States, economic activity has fallen significantly, but an improvement later in the year is assumed. The euro has recovered at the end of 2000 and may appreciate further from its present level.

Against this background we have set ourselves the goal of achieving a net income of EUR 1 billion, excluding extraordinary and nonrecurring items, contingent on economic circumstances not further developing to our disadvantage.

INTERNAL PROCEDURES REVIEWED

In 2000 we reviewed and developed a number of key internal procedures, ranging from the introduction of EVA, the formulation of Business Principles, the identification of Best Practices in the field of Human Resources, to the wider use of Intranet. Most of these programs carry over into 2001.

Certain events induced us to conduct a comprehensive review of our competition law compliance practices. Unfortunately, these events and investigations by competition authorities later in the year led us to take a provision to cover related fines and costs. It is understood in the Company that any noncompliance will result in the termination of employment.

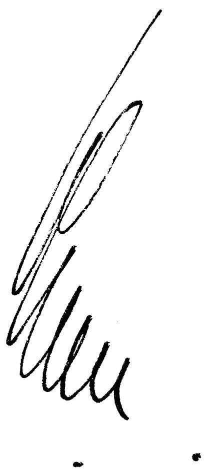
A YEAR OF CONSOLIDATION FOR OUR EMPLOYEES

In sharp contrast to the turbulent year 1999, for our employees on the whole, 2000 has been a year of consolidation. We realize, however, that this does not hold true for all business units, particularly those involved in integrating newly acquired activities.

We continue to strive for a zero accident rate and we are happy to report that our safety record has again improved, although only marginally. However, we will be unceasing in our efforts to provide greater safety for our employees and the environment in which they operate. We have developed a special plan to gain further insight into and improve health standards in the Company. We care greatly about the physical and mental fitness of our employees and are now developing specific programs for occupational health and substance abuse.

We realize that business is people’s work. We therefore want our employees to partake in the Company’s prosperity also as shareholders. To that end we have developed an Employee Share Plan, which aims to increase employee involvement and identification with the economic performance of the Company. This plan, to be launched in 2001, will permit every employee to become the holder of a limited number of shares with the Company’s assistance.

As shareholders, you will realize that it is the collective effort of our employees that has produced this excellent result for 2000. We are greatly indebted to them.



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
Rudy M.J. van der Meer (1945, Dutch), *Coatings*	1993
Dag Strömqvist (1942, Swedish), *Chemicals*	2000

Secretary

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

General Counsel

A. Jan A.J. Eijsbouts (1945, Dutch)	2000

Senior Vice Presidents

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

SHAPING OUR FUTURE

For Akzo Nobel the change to the new millennium coincided with the most fundamental transformation in the Company's history. Fibers' exit in 1999 drastically changed the composition and face of Akzo Nobel. In last year's Annual Report we reiterated our stated policy: we give priority to growth of our Pharma and Coatings operations, and strive to improve Chemicals' returns and portfolio composition. We shape our future proactively, participating in the dynamics of the diverse markets where we operate and setting ourselves ambitious goals.

We must constantly fine-tune our strategy and pursue more demanding performance ambitions in an increasingly international and aggressive business climate. This calls for a strong focus on value creation, for which the Economic Value Added (EVA) concept is an effective measuring tool. Similarly, e-business plays an increasingly important role in generating value, for which we have set up the proper infrastructure to fully exploit the synergies and opportunities of the IT world.

AMBITIOUS TARGETS

In **Pharma**, the fastest growing among the larger European pharmaceutical companies, our challenge is to maintain the critical mass needed in human healthcare and at the same time consolidate and preserve our newly acquired world class position in the animal healthcare market. We are striving for continued double-digit growth through a combination of organic growth—predominantly by launching new products from our well-filled pipelines—and bolt-on acquisitions. We will continue to invest in R&D and in the marketplace and have targeted a return on sales of more than 20% and a 40% return on investment in the long term.

In **Coatings** we will use our skills and imagination to strengthen our world leader position and stay ahead. The target is a return on investment of 30%, which will enable us to reap the benefits of a generation of acquisitions that have led to the number one position worldwide for Coatings. We will consolidate and further expand this position through optimal planning of production and logistics, and through innovative programs in such areas as high-solids coatings, waterborne coatings, and novel coatings chemistry. We will continue our active acquisition policy.

In **Chemicals** our primary efforts are geared to structurally improving the profitability of our operations. We will be alert to opportunities to further adjust our portfolio and strengthen our position in a dynamic mergers and acquisitions market. We have raised our target for the return over the business cycle to 2.5% over the cost of capital, which corresponds to a return on investment of about 17%. This will mean an even stronger emphasis on growth in the right markets and areas, cost control, and pruning of the portfolio.

Akzo Nobel's key products, competitive positions, as well as Pharma's products in the pipeline are stated on pages 28 and 29.

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, 2000, only common shares and priority shares had been issued and were outstanding.

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 appoints members of 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 authorize the Board of Management to issue new shares up to 10% 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 26, 2000.

Any holder or holders of common shares, representing at least 1% 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 not in the Company's interests.

With effect from 2000, Akzo Nobel shareholders who hold their shares through a Netherlands-based custodian have been offered the possibility to participate in a three-year pilot project for a proxy voting system developed by the Shareholder Communication Foundation, Euronext Amsterdam, and the major Dutch banks. Akzo Nobel was one of the founding companies of the Foundation. In order to use the proxy voting system effectively, the Company has obtained for the period through 2002 the approval by the General Meeting to establish a record date for the purpose of exercising the right to attend and vote at the meeting.

The priority shares are held by the Akzo Nobel Foundation, established at Curaçao, the 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.

General Meeting of Shareholders, April 26, 2000.

No preferred 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 at least 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.

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 in the year in which they reach the age of 62.

Internal structure of management and control

Akzo Nobel fosters continuous awareness of Corporate Governance throughout the organization. The Company Statement, which has further been worked out in Business Principles, sets high standards for corporate and individual behavior. 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 26, 2000, Dieter Wendelstadt stepped down from the Supervisory Board, having reached retirement age. The Board expressed its gratitude to Mr. Wendelstadt, who also served on the Nomination and Remuneration Committee, for the valuable contributions he made to the Company during his seven years on the Board—a period of major transformation for Akzo Nobel.

At the same meeting the Rt. Hon. Virginia Bottomley JP MP was appointed to the Supervisory Board, effective May 1, 2000. Mrs. Bottomley, former Secretary of State for Health and Member of the British Cabinet, is currently Vice Chairman of the British Council and Governor of the London School of Economics.

Aarnout A. Loudon and Hilmar Kopper, who resigned from the Supervisory Board as their terms of office were expiring, were reappointed.

At the General Meeting of April 26, 2001, Jean G.A. Gandois, who has served on the Board for twelve years, will step down, having reached retirement age. We wish to express our deep appreciation to Mr. Gandois for the outstanding manner in which he has served the Company over the years.

Frits H. Fentener van Vlissingen and Abraham E. Cohen, who will step down at the same meeting as their terms of office are expiring, are recommended for reappointment.

Also at that meeting it will be proposed that membership of the Supervisory Board be reduced from ten to nine.

Changes in the Board of Management

Ove H. Mattsson, member of the Board of Management responsible for Coatings, retired on July 1, 2000. Mr. Mattsson, who was President and CEO of Nobel Industrier AB, joined the Board in 1994. He was instrumental in the strong expansion that lifted Coatings to its present number one position worldwide.

With effect from the same date, Rudy M.J. van der Meer, until then responsible for Chemicals, took over Mr. Mattsson's responsibility for Coatings.

At the General Meeting of April 26, 2000, Dag Strömqvist, former general manager of the Pulp & Paper Chemicals business unit, was 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 met five times. The 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, acquisitions and divestments, and major investment projects. The Supervisory Board also met without the Board of Management being present to discuss management continuity and the functioning and composition of the Supervisory Board and the Board of Management.

In 2000 the Supervisory Board engaged in in-depth discussions on:

- overall strategy
- economic and market developments
- potential risks
- improvement of the Company's financial structure
- value creation and the EVA concept
- initiatives for an Employee Share Plan

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

The *Nomination and Remuneration Committee* prepared the proposals for reappointment of Mr. Fentener van Vlissingen and Mr. Cohen. Furthermore, the Committee reviewed the total remuneration, including the granting of options and other benefits, of the members of the Board of Management and discussed their remuneration in the context of the introduction of the EVA concept.

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, and the effects of the introduction of the euro. In January 2001, preparations for the 2000 Financial Statements were extensively discussed with the Board of Management, the external auditors, and the internal auditors. The Committee also discussed the provision for fines and costs relating to antitrust cases, prior to discussion in the Supervisory Board meeting on February 22, 2001. The Minutes of the Audit Committee meetings are distributed to and discussed by the full Board.

Financial Statements and Dividend Proposal

We herewith submit for shareholders' approval at the General Meeting of April 26, 2001, the financial statements of Akzo Nobel N.V. for 2000 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 90.

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 20. 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 22, 2001

The Supervisory Board

10
8 9
7 6
5
4
3
2 1

Lo C. van Wachem [10]
Maarten C. van Veen [9]
Jean G.A. Gandois [8]
Lars H. Thunell [7]
L. Paul Bremer, III [6]
Abraham E. Cohen [5]
Hilmar Kopper [4]
The Rt. Hon. Virginia Bottomley JP MP [3]
Frits H. Fentener van Vlissingen [2]
Aarnout A. Loudon [1]

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 Boards of ABN AMRO Bank 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 Board of* *SHV Holdings, the Netherlands* *Chairman of the Supervisory Boards of CSM and Draka, the Netherlands*
The Rt. Hon. Virginia Bottomley JP MP (1948, British)	2000	*Former Secretary of State for Health and Member of the British Cabinet* *Vice Chairman of the British Council* *Governor of the London School of Economics* *Partner of Odgers Ray & Berndtson*
L. Paul Bremer, III (1941, American)	1997	*Former U.S. Ambassador to the Netherlands* *Managing Director of MMC enterprise risk* *Nonexecutive Director of Air Products & Chemicals, Pennsylvania* *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 Vasomedical, 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*

SUPERVISORY BOARD

	Has served in this or similar capacity since:	
Jean G.A. Gandois (1930, French)	1989	*Chairman of the Supervisory Board of Suez Lyonnaise des Eaux, France* *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 Board of Danone* *Member of the Supervisory Board of Siemens*
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	*Member of the Board of Swedish Bankers Association* *Member of the Board of Arcot Systems, Advisory Board* *Member of the Board of b-business partners B.V., the Netherlands* *Member of the Board of The Swedish Industry and Commerce Stock Exchange Committee*
Maarten C. van Veen (1935, Dutch) [1]	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 Bank* *Member of the Supervisory Board of Internatio-Müller, 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 Boards of BMW and Bayer* *Nonexecutive Director of IBM* *Nonexecutive Director of Atco, Canada, and Zurich Financial Services, Switzerland*

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

Fritz W. Fröhlich, Deputy Chairman and CFO:
"Better company, better ratios."

ALL RATIOS IMPROVED

GENERAL

FINANCIAL PERFORMANCE

- **Reaping the benefits of improved portfolio**
- **EVA* created in 2000 EUR 490 million versus EUR 370 million in 1999**
- **Net income up 25%**
- **Operating income 19% higher, reflecting average growth of 30% for Pharma, 16% for Chemicals, and 13% for Coatings**
- **Pharma—record growth; now 47% of Akzo Nobel's operating income**
- **Coatings and Chemicals—strong start; softening market conditions later in the year**
- **Sales growth 15%, of which 6% organic growth and 7% from currency translation**
- **Gains on divestments more than offset provisions for antitrust cases and restructurings**
- **Expenditures for PP&E EUR 725 millon, 115% of depreciation (1999: 119%)**
- **Positive funds balance from normal operations, after dividends, EUR 375 million (1999: EUR 294 million)**
- **Gearing improved from 2.3 to 1.6; interest coverage up from 5.0 to 6.1**

* *EVA principles are explained on page 21; for EVA per group see page 22.*

DYNAMIC GROWTH FOR PHARMA

Pharma grew at an accelerated pace and achieved 30% growth in operating income to EUR 772 millon, despite continued heavy spending for marketing and R&D to sustain further growth. At EUR 2 billion, Organon set new sales records for contraceptives, Remeron® (antidepressant), Puregon®, (infertility treatment), and Livial® (hormone replacement therapy), with double-digit growth in almost all countries, notably in the United States. With sales in excess of EUR 1 billion, Intervet turned in an excellent performance in a year dominated by the integration of the Hoechst Roussel Vet businesses acquired in 1999. The strong position of Intervet in the global animal healthcare market was further enhanced by recent acquisitions, including Bayer's Biologicals in the United States. Diosynth also demonstrated healthy growth with considerably higher sales and results. Organon Teknika's results trailed the previous year's level. Chefaro registered further earnings gains. This business was sold at year-end for EUR 140 million.

MAINTAINING COATINGS' RESULTS DESPITE RISING COSTS

Coatings' operating income of EUR 455 million exceeded the 1999 figure by 13%. After a good start, Coatings began to feel the impact of higher raw material prices and a slowdown in the business climate later in the year. Nevertheless, earnings exceeded the previous year due to strong performances by the industrial coatings activities, Car Refinishes, and Marine & Protective Coatings. Decorative Coatings suffered from market pressure. Through the acquisition of Dexter Aerospace Coatings a leadership position in this attractive high-technology market was established. Bolt-on acquisitions enhanced positions of Car Refinishes and Decorative Coatings.

HEALTHY PERFORMANCE AT CHEMICALS

Chemicals turned in a good performance, particularly in the first nine months. Operating income rose 16% to EUR 456 million. Return on investment improved from 14.3% to 15.4%. Base Chemicals, Surface Chemistry, and Catalysts were the principal contributors to this improvement. Pulp & Paper Chemicals did distinctly better, especially the North American Bleaching Chemicals activities, while Polymer Chemicals and Functional Chemicals also exceeded their 1999 levels. Results for Resins, Salt, and Plastics and Processing Additives lagged behind. Toward the end of the year several business units began to experience pressure from softening market conditions and increased raw material prices. Chemicals extended its portfolio with some acquisitions, of which Hopton Technologies was a welcome addition to the Paper Chemicals business in the United States.

NOTE

Developments of sales, operating income, net income, and investment expenditures indicated on these pages exclude the effects from Acordis and PRC-DeSoto (Coatings), both divested in 1999, and from extraordinary and nonrecurring items.

Condensed Consolidated Statement of Income

Millions of euros	**2000**	1999
Net sales:		
Pharma, Coatings, Chemicals	**14,003**	12,190
Acordis		2,242
	14,003	14,432
Operating income before nonrecurring items:		
Pharma	**772**	595
Coatings	**455**	441
Chemicals	**456**	392
Other	**(31)**	(2)
	1,652	1,426
Acordis		(62)
	1,652	1,364
Financing charges	**(272)**	(275)
Operating income before nonrecurring items, less financing charges	**1,380**	1,089
Taxes thereon	**(456)**	(357)
Earnings of consolidated companies, after taxes	**924**	732
Earnings from nonconsolidated companies	**65**	52
Earnings before minority interest	**989**	784
Minority interest	**(43)**	(25)
Net income excluding extraordinary and nonrecurring items	**946**	759
Extraordinary and nonrecurring items, after taxes	**20**	(555)
Net income	**966**	204
Net income per share, excluding extraordinary and nonrecurring items (*in EUR*)	**3.31**	2.66
R&D expenditures:		
Pharma	**492**	400
Coatings	**150**	135
Chemicals	**140**	128

Net sales in 2000 amounted to EUR 14.0 billion, a 15% increase on the 1999 figure, excluding Acordis. Higher volumes, particularly at Pharma and Chemicals, accounted for a 4% increase and currency translation for 7%. Average selling prices were 2% higher; the balance of acquisitions and divestments added another 2%.

Operating income before nonrecurring items as a percentage of net sales (ROS):

	2000	1999
Pharma	**20.1**	20.8
Coatings	**8.2**	8.0*
Chemicals	**9.6**	9.4
	11.8	11.7
Acordis		(2.8)
Akzo Nobel	**11.8**	9.5

Financing charges in 2000 were on a par with the previous year. The reduced debt level had a positive effect. However, this was offset by the impact of higher currency exchange rates and short-term interest rates. Interest coverage improved from 5.0 to 6.1.

The average *tax rate* in 2000 was 33%, equal to 1999.

Earnings from nonconsolidated companies were considerably higher, mainly due to Flexsys and Methanor. Acordis also made a positive contribution.

Net income excluding extraordinary and nonrecurring items rose 25%.

Extraordinary and nonrecurring items are discussed on page 20.

R&D expenditures, excluding Acordis, were up 17% from 1999, largely due to Pharma. In 2000, Pharma's R&D expenses as a percentage of sales were 13%, at Coatings and Chemicals each 3%.

* *On a continuing basis.*

Funds Balance

Millions of euros	**2000**	1999
Total earnings before minority interest[1)]	**1,009**	229
Depreciation and amortization	**669**	776
Cash flow	**1,678**	1,005
Gain/loss on divestments, writedowns, changes in provisions and deferred tax assets, and other	**210**	301
Retained income nonconsolidated companies	**(122)**	(11)
Changes in working capital	**(408)**	140
Net cash provided by operations	**1,358**	1,435
Expenditures for:		
– property, plant and equipment	**(725)**	(797)
– acquisition of consolidated companies	**(270)**	(725)
Proceeds from sale of:		
– interests	**244**	1,039
– property, plant and equipment	**114**	
Redemption loans nonconsolidated companies	**83**	
Other changes	**(28)**	(40)
Net cash used for investing activities	**(582)**	(523)
Funds balance before dividend	**776**	912
Dividend payment	**(313)**	(304)
Funds balance	**463**	608

Net cash provided by operations in 2000 amounted to EUR 1,358 million, somewhat lower than in 1999. Due to strong growth of activities and lower net taxes payable, working capital increased by EUR 408 million (1999: decrease of EUR 140 million).

Expenditures for property, plant and equipment were somewhat higher at all three groups, aggregating EUR 725 million, against EUR 690 million in 1999 (excluding Acordis). Expenditures were 115% of depreciation (1999: 119%).

Acquisition expenditures particularly concerned Bayer’s Biologicals and Dexter Coatings.

Proceeds from divestments predominantly related to the sale of Chefaro, Thiemann Arzneimittel, and the participation in Tosoh Akzo Corporation.

Proceeds from sale of property, plant and equipment mainly related to the sale of property in Stockholm.

In 2000, as in the previous year, normal operations were financed without additional capital market transactions. The Company continued to use the money market, including the Euro and U.S. commercial paper markets, for short-term funding requirements. As backup for this financing committed credit lines were in place in the amount of EUR 2 billion.

Condensed Consolidated Balance Sheet

Millions of euros, December 31	**2000**	1999
Noncurrent assets	**5,602**	5,377
Working capital[2)]	**2,825**	2,378
Invested capital of consolidated companies	**8,427**	7,755
Nonconsolidated companies	**673**	644
Cash and cash equivalents	**416**	932
	9,516	9,331
Equity	**2,605**	2,015
Provisions	**2,215**	1,835
Borrowings	**4,696**	5,481
	9,516	9,331

Invested capital at December 31, 2000, of EUR 8.4 billion compares with EUR 7.8 billion at year-end 1999. Acquisitions added EUR 0.3 billion, while divestments caused a reduction of EUR 0.1 billion. Higher exchange rates led to an increase of EUR 0.1 billion. Due to growth of activities, invested capital expanded EUR 0.3 billion.

The *invested capital turnover ratio* was 1.73, against 1.71 in 1999.

Equity increased by EUR 0.6 billion, which was mainly the effect of retained income. Net borrowings were EUR 0.3 billion lower. As a consequence, gearing improved to 1.64 (1999: 2.26).

[1)] *Including extraordinary items.*

[2)] *After deduction of dividends to be paid.*

Our credit rating by Standard & Poor's was revised as a consequence of the slower-than-expected recovery of our financial position after the Courtaulds acquisition in 1998. The credit rating by Moody's was not affected. At present we have long-term ratings of A-/A and short-term ratings of A2/P1, both with a stable outlook. The impact of the downgrading on our funding cost was only marginal.

EXTRAORDINARY AND NONRECURRING ITEMS ON BALANCE POSITIVE

In 2000, the Company recorded a net extraordinary charge of EUR 25 million and a net nonrecurring gain of EUR 45 million.
The Company recognized net extraordinary gains on divestments of EUR 125 million, relating to Chefaro, Thiemann Arzneimittel, and the sale of property in Stockholm. A net extraordinary loss of EUR 150 million was taken in view of antitrust cases and pending investigations for certain Akzo Nobel Chemicals businesses. Of this total, EUR 25 million was paid in 2000. Nonrecurring items included a net profit on divestments of nonconsolidated companies (Tosoh Akzo Corporation and Acordis' Twaron activities) and a pension premium refund in Sweden. This was partially offset by charges for restructurings and asset impairments, mainly at Chemicals, and the settlement for the Acordis divestment.

HEADCOUNT SLIGHTLY UP

The number of employees rose from 68,000 at the end of 1999 to 68,400 at year-end 2000. Through organic growth the workforce expanded by 900, notably at Pharma and Coatings, while reorganizations at all groups led to a reduction of 700. Acquisitions and divestments, on balance, caused an increase of 200.

DIVIDEND PROPOSAL

At the General Meeting of Shareholders of April 26, 2001, a dividend for 2000 will be proposed of EUR 1.20 per common share, up EUR 0.20 on 1999. In November 2000 an interim dividend of EUR 0.30 was declared and made payable. This proposal would result in a dividend payment of EUR 343 million, a payout ratio of 36% relative to net income excluding extraordinary and nonrecurring items.

Pages 21 through 64 form an integral part of the Report of the Board of Management.

OUTLOOK FOR 2001

For 2001, we expect a somewhat lower growth rate in Europe than in 2000. In the United States, economic activity has fallen significantly, but an improvement later in the year is assumed. The euro has recovered at the end of 2000 and may appreciate further from its present level.

Against this background we have set ourselves the goal of achieving a net income of EUR 1 billion, excluding extraordinary and nonrecurring items, contingent on economic circumstances not further developing to our disadvantage.

Expenditures for property, plant and equipment are expected to increase from EUR 0.7 billion in 2000 to EUR 0.9 billion in 2001 with a strong focus on Pharma.

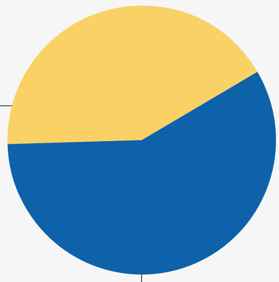
We expect to generate a financial surplus, so that no additional funds will have to be raised for ongoing operations in 2001.

Excluding acquisitions and divestments, we do not expect the number of employees to change significantly in 2001.

Arnhem, February 22, 2001

The Board of Management

ECONOMIC VALUE ADDED (EVA*)



VALUE CREATION

A TOOL GEARED TO VALUE CREATION

"Make your business worth more tomorrow than it is today" is the straightforward value creation message for managers throughout Akzo Nobel. This means that we constantly strive to make sure that the profitability of our operations is increasingly attractive to investors. This requires continuous efforts to improve capital productivity.

EVA provides a proper tool for measuring value creation. This tool deducts from net operating profit after taxes (NOPAT) a capital charge representing the cost of capital calculated on the basis of an average rate of return investors expect. This cost of capital is currently 9%.
A positive EVA indicates that profits made are sufficient to justify the investments needed to generate them.

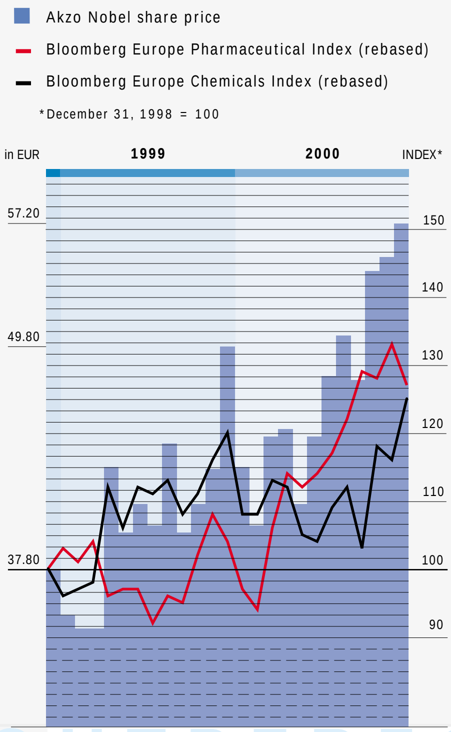
Since January 2000 the EVA concept has been tested on a pilot basis at the corporate center and in three business units: Industrial Finishes, Surface Chemistry, and Diosynth.

EVA is to be implemented at all business units in 2001. To this end, "value drivers"—income or cost items for which a manager is directly responsible—are being identified for each activity. EVA targets tailored to businesses and specific areas such as sales, production, and logistics will be the yardstick for measuring performance. EVA will also serve as a tool to appraise investments and acquisitions.

The elements of the EVA calculation cannot be derived directly from the data given in the Financial Statements, as it takes into account certain adjustments such as equalization of restructuring cost over a number of years instead of a one-time charge.

* *EVA® is a registered trademark of Stern Stewart & Co.*

AKZO NOBEL SHAREHOLDERS



MARKET OUTPERFORMED

Over the last two years the development of Akzo Nobel's share price has outperformed the market.

HIGH VALUE CREATION IN 2000

Akzo Nobel has started the millennium with a challenging business portfolio. After the successful divestment of Acordis at the end of 1999, the Company now has three powerful business drivers: Pharma, Coatings, and Chemicals. Leveraging the value creation capabilities of our businesses is a key target for the coming years, using EVA as yardstick because it correlates more closely with the expectations of our shareholders. EVA, which will also be embedded in our performance-related incentive programs, signals a further alignment of management and shareholder interests. Performance of over 750 of our managers is already measured against EVA targets.

Millions of euros	**2000**	1999
Pharma	**335**	265
Coatings	**125**	95
Chemicals	**55**	30
Corporate	**(25)**	(20)
	490	370
Divested operations		(100)
Total	**490**	270

All three groups succeeded in creating more value in 2000 than in the prior year.

EMPLOYEE SHARE PLAN

In 2001 we will begin to introduce the Employee Share Plan to promote employee interest in the Company's financial results. Under the plan, each employee will be eligible to receive a certificate entitling him or her to a specific small and limited number of Akzo Nobel shares three years after issue of the certificate (6 shares for the year 2001). The Company will buy these shares in the open market.

DYNAMIC INVESTOR RELATIONS APPROACH

In 2000, Akzo Nobel actively communicated its strategy and the developments of its businesses to the financial world. For the first time in the Company's history analysts and investors days were organized in New York and London exclusively for Pharma. The feedback was highly encouraging. Board members and business unit management attended Pharma and Chemicals conferences and a number of road shows. A feedback system with the financial community is in place and is facilitating an open dialogue. Akzo Nobel is alert to the opportunities created by the Internet. Our quarterly press conferences and conference calls with the investor community are accessible on line.

DISTRIBUTION OF SHAREHOLDINGS

At year-end 2000, approximately 32% of Akzo Nobel's shares was held in the United States, 25% in the Netherlands, 23% in the United Kingdom, and 20% in other countries. About 12% of the total number of shares was owned by private investors and 88% 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.

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

For the financial calendar and contacts with Investor Relations, reference is made to page 96.

Five-year summary

*Amounts in euros per share**	**2000**	1999	1998	1997	1996
Net income excluding extraordinary and nonrecurring items	**3.31**	2.66	2.46	2.46	1.97
Net income	**3.38**	0.71	2.01	2.46	1.97
Dividend	**1.20**	1.00	0.98	0.97	0.85
Shareholders' equity	**8.55**	6.51	6.66	14.63	12.49
Share price					
Highest	**59.15**	52.40	58.58	42.84	26.99
Lowest	**37.30**	30.00	25.87	26.29	19.97
Year-end	**57.20**	49.80	38.80	39.66	26.77
Dividend in % of net income excluding extraordinary and nonrecurring items	**36**	38	40	39	43
Number of common shares outstanding at year-end (in millions)	**285.9**	285.9	285.3	285.2	284.7

* *Data have been adjusted to reflect the four-to-one stocks split on July 1, 1998, and the change in accounting principles for deferred taxes in 1999.*

PEOPLE AT AKZO NOBEL

In recent years a gradual change has taken place in Akzo Nobel's corporate culture moving away from a centralized structure to a more open and entrepreneurial organization. In the year under review we continued to focus on improving individual career guidance, annual appraisals, and education and training support. Worldwide, we have sought to create the right e-mentality in our Company. At corporate level, Akzo Nobel's Intranet serves as a center to share experiences.

We continue to strive for a greater international diversity of our management.

ALIGNMENT OF EMPLOYEE AND COMPANY INTERESTS

There has been a marked convergence of employee and Company interests, supported by the announcement of the Employee Share Plan for all employees and the introduction of the EVA concept. Both initiatives will enhance employee interest in the Company's business performance. In the coming years we will see the introduction of more individualized compensation and benefits packages, although it must be remembered that reward is not only a question of pay.

"WHERE THERE IS A WILL…….."

The long-term future of Akzo Nobel lies in the aptitude and competence of young talent, which will not be enough in itself, without the will and motivation to succeed. We need a motivational management style that nurtures and grows talent while generating enthusiasm. For this reason we are highlighting the importance of good motivational leadership skills at all management levels.

SHARING BEST PRACTICES

The value of motivational leadership is increasingly recognized and has led to a number of excellent improvement initiatives. Best practice examples are being collected and will be made available on the corporate HR Intranet site. As more business unit programs are being introduced, the best practice pages will become a valuable source of ideas and procedures for HR officers as well as line management.

"WHAT GETS MEASURED GETS DONE"

Under this motto a concise employee survey measuring perceived leadership behavior has been developed and tested in the field at two operational units. The results of the tests reveal that the level of motivational leadership skills varies considerably and that there is certainly room for improvement. This employee survey will be tested further in three business units during 2001 and will be implemented Company-wide in 2002. To complement the employee survey, which will be conducted every three years, a number of key performance indicators are being developed, which will be measured annually.

NO QUICK FIX

These programs will not result in major changes in the next two or three years. Only with long-term, sustained commitment can we achieve the desired improvements in motivational leadership skills and talent development.

HEALTH, SAFETY, AND ENVIRONMENT (HSE)

HSE INTEGRAL PART OF BUSINESS POLICY

Concern for health, safety, and environment is an integral part of Akzo Nobel's 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.

We have designated the following parameters to be managed by all Akzo Nobel business units and have added targets to be achieved by 2005:

	1999	2005 targets
Frequency Rate Lost Time Injuries per million hours	3.65	2.50
Total Illness Absence Rate	not available	3.5%
COD (Chemical Oxygen Demand) of discharge to surface water, in tons	4,000	3,000
Organic compounds to air, in tons	5,800	4,000
Nonreusable waste, in tons	145,000	115,000

The 1999 figures in this summary are exclusive of Acordis. The definitions of the parameters used may vary per entity but have been applied consistently.

The 1999 figures have been presented as those on 2000 are not yet available. Starting from next year's Annual Report, we intend to report actual data for the year under review. Additionally, Pharma, Coatings, and Chemicals will select group-specific parameters and targets, while the individual business units will add BU-specific parameters and targets. All Akzo Nobel sites will be included.

Overall, 2000 has been a satisfactory year for HSE at Akzo Nobel. It was also a safer year than 1999: we reduced the Frequency Rate of Lost Time Injuries by almost 10%. Regrettably, two employees lost their lives in car accidents. Only a few accidents with material damage were reported.

We have issued a new Directive on Product Stewardship, which stipulates that every business unit should have a Product Stewardship Management System in place by 2003.

The year 2000 was also the year in which more emphasis was placed on health parameters. A Managing Total Health training program was started, and pilot projects were conducted on Substance Abuse Policy. Guidelines have been prepared on Occupational Health Management and Smoking Policy.

Our HSE website continues to play a key role in increasing the awareness of the usefulness of a good HSE policy. HSE is used as a normal business tool, resulting in the right balance between profitability, environment, and social responsibility at each business unit within Akzo Nobel.

AKZO NOBEL IN SOCIETY

Conscious of its place in society, Akzo Nobel has in 2000 actively supported community-based programs in the fields of education, sports, art, and culture. Most of the projects are international in character and are principally aimed at stimulating young talent. Our proactive approach of developing projects in partnership with local communities has resulted in a number of interesting alliances.

The funding of educational programs in developing countries by the Education Fund '94—in partnership with Plan International—is helped by donations from our employees worldwide. Two contributing employees, from Germany and Sweden, visited one of the programs in Chennai in India.

In May, a drawing competition was held for children of our employees worldwide on the theme of children in developing countries. The competition produced 15 winning entries that were printed as Christmas cards by the printers of this annual report at cost price and sold to our business units at market price. The proceeds of the 35,000 cards sold were donated to the Education Fund.

To celebrate the 400th anniversary of international ties between Japan and the Netherlands, a concert was given in Japan as part of our Young Talent Program by the Rotterdam Philharmonic Orchestra, featuring the young Dutch violinist Janine Jansen and conducted by Valery Gergiev. To date, there have been 21 concerts all over the world to promote the careers of 13 young soloists.

More than 1,000 children from schools bordering our sites in the Netherlands were invited to the "Salt of the Earth" exhibition in The Hague, where they were able to learn all about the importance of salt in their daily lives. This traveling exhibition produced by the Hall of Ideas of the Midland Center for Arts in Michigan was cosponsored by Akzo Nobel through its Education-Industry Partnership program, which is designed to encourage young children to show a greater interest in science and technology.

The Shtandart.

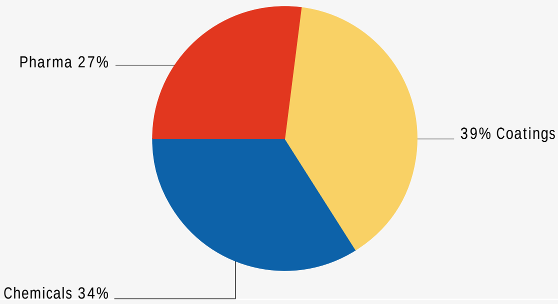
Christmas card drawn by Syuuhei Hayakawa (age category 7-9 years) from Japan.

The Akzo Nobel Science Award celebrated its 30th anniversary. In even years the award is conferred in the Netherlands and in odd years in Sweden. In 2000, Professor Jacques van Boom of the University of Leiden, the Netherlands, received the award for his research on the organic synthesis of biomolecules.

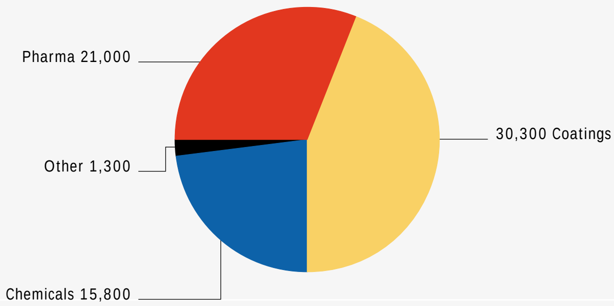
The Akzo Nobel Art Foundation continued its policy of acquiring work by young painters and sculptors who excel in both ethical and esthetic expression, contributing to the well-being of our employees. A recent employee poll confirmed that the work of the Foundation is perceived as a positive contribution to the working climate.

Akzo Nobel participated in a project for the unemployed in St. Petersburg, Russia, to build the *Shtandart*, a replica of the frigate designed by Czar Peter I the Great in 1703. The ship was constructed by volunteers headed by Captain Vladimir Martous and was painted with Sikkens® yacht paint.

Net sales
[EUR 14.0 billion]



Number of employees
at December 31, 2000 [68,400]



BUSINESS ACTIVITIES

AKZO NOBEL'S PRODUCTS AND MARKETS

PHARMA

COATINGS

CHEMICALS

AKZO NOBEL'S PRODUCTS AND MARKETS

MAJOR PRODUCT LINES	KEY PRODUCTS/APPLICATIONS	COMPETITIVE POSITION

PHARMA

Prescription drugs, hospital supplies, veterinary products, raw materials for the pharmaceutical industry	• Contraceptives, infertility treatment, hormone replacement therapy (HRT), and CNS products (antidepressants, antipsychotics)	• Among top four suppliers of hormonal contraceptives, second largest in infertility products; building up positions in CNS products and HRT
2000 sales EUR 3.8 billion	• Muscle relaxants and diagnostics	• World leader in muscle relaxants, strong in bacteriology diagnostics
	• Veterinary vaccines and pharmaceuticals	• One of the three major suppliers of veterinary products
	• Pharmaceutical raw materials	• Leading supplier of steroids and industrial peptides, strong in heparins

Human healthcare products in the pipeline	***(Phase II and later)***		
Project	***Application***	***Phase***	***Anticipated launch***
Cyclessa®	triphasic OC	filed	2002 (USA)
Clira™	triphasic OC	filed	2003 (USA)
Laurina®	triphasic OC	prelaunch	2001
Implanon®	contraceptive implant	market	Europe
		III	2002/3 (USA)
Nuvaring®	contraceptive ring	filed	2002
Org 30659	OC/new progestagen	III	2003
Puregon® Pen	infertility	prelaunch	2001
Xyvion™	osteoporosis	filed	2001 (USA)
Andriol® Testocaps™	male HRT	III	2002 (Europe)
			2004 (USA)
Remeron® Soltab™	depression	launch	2001 (USA)
		III	2001 (Europe)
Ariza™	depression	III	2002 (USA)
			2003 (Europe)
Org 12962	depression	II	2005
Org 5222	psychosis	II	2005
Org 31540/penta	thrombosis	filed	2001/2
Veterinary products in the pipeline	numerous new products (vaccines and pharmaceuticals)	in various stages of development	

COATINGS

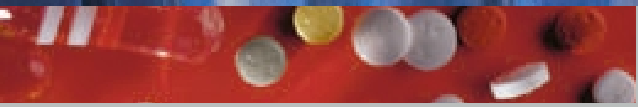
The world's leading coatings producer

Coatings and related products, adhesives, and printing inks	• Coatings for decoration and protection of architectural structures	• Market leader in Europe
2000 sales EUR 5.6 billion	• Car refinishes, finishes for commercial vehicles, and graphic products for decals	• Among top four global suppliers
	• Coatings for protection and decoration of hulls, interiors, and superstructures for ships and yachts, protective coatings and fire-retardant products for large plants, e.g. chemical, paper, refinery, and offshore	• World leader

MAJOR PRODUCT LINES	KEY PRODUCTS/APPLICATIONS	COMPETITIVE POSITION
	• Industrial coatings such as powder, coatings, coatings for wood, metal, coil, and plastics, and non-stick coatings, e.g. for construction and products for building components, automotive, aircraft, appliances, furniture, mirrors, cookware, and agricultural equipment	• World leader in selected markets
	• Resin impregnated paper for surfacing of wood panels and flooring	• World leader in the noncaptive market
	• Adhesives and resins for wood-based board, panels, furniture, floors, doors, etc	• Leader in selected market niches
	• Building adhesives for professional users	• 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 *2000 sales EUR 4.7 billion*	• Pulp bleaching chemicals and chemicals for the manufacture of paper and board	• World leader in pulp bleaching chemicals and strong worldwide position in paper chemicals
	• Functional chemicals such as chelates, micronutrients, flame retardants, CMC, animal feed additives, and intermediates such as carbon disulfide, monochloroacetic acid, and ethylene amines	• Leading or strong worldwide positions
	• Surfactants and fatty acids used in detergents, cleaning, and personal care, as well as in asphalt production and the agro, oil, mining, and textile industries; thickeners and additives for coatings and building materials	• Leading or strong worldwide positions
	• Polymerization catalysts such as organic peroxides, metal alkyls, and custom-manufactured Ziegler-Natta systems for the polymer producing industry	• Leading or strong worldwide positions
	• Resins for coatings and printing inks	• Leading in selected market niches
	• Chlorine and caustic soda for industrial applications	• Leading positions in Northwest Europe
	• Salt for electrolysis, other chemical industries, and consumer use	• Leading position in Northwest Europe
	• Catalysts for the oil refining and chemical industries	• Leading global supplier of the most extensive range of refinery catalysts
	• Plastic additives such as stabilizers and polysulfides for high-performance sealants	• Leading supplier in Europe

Akzo Nobel also conducts chemical activities through joint ventures. In 2000, sales of these nonconsolidated companies totaled EUR 1.7 billion on a 100% basis.

Pharma



Responsible in Board of Management:
Paul K. Brons

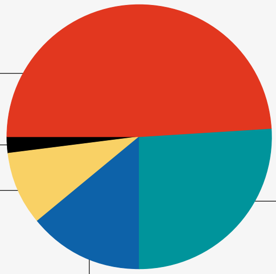
Group Director Technology:
Jan H. Dopper

Business Units:	General Managers:
Organon	*Tjeerd Kalff*
Intervet	*A.T.M. (Toon) Wilderbeek*
Organon Teknika	*R.R.M. (Bob) Salsmans*
Diosynth	*Johan C.C.B. Evers*
Chefaro	*A.H.J.M. (Ton) Scheepens*

PHARMA

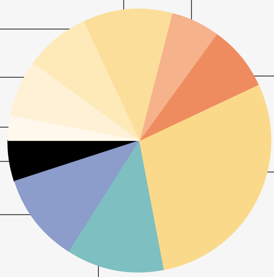
2000 business unit sales

[EUR 4.0 billion]



2000 net sales

by destination



Millions of euros	**2000**	1999
Net sales	**3,839**	2,865
Operating income before nonrecurring items	**772**	595
Depreciation and amortization	**168**	141
Gross cash flow	**940**	736
Expenditures for PP&E	**214**	199
R&D expenditures	**492**	400
Invested capital at year-end	**2,373**	2,086
EVA*	**335**	265
Key ratios		
Operating income as percentage of:		
– net sales	**20.1**	20.8
– invested capital	**34.6**	36.4
Net sales/invested capital	**1.72**	1.75
Expenditures for PP&E/depreciation	**1.5**	1.6
Number of employees at year-end	**21,000**	21,100

SALES AND INCOME

In 2000, Pharma grew at an accelerated pace. Sales of EUR 3.8 billion exceeded the 1999 figure by 34%, half of which was due to acquisitions, while a healthy 10% volume growth was achieved. Positive currency translation effects added 7%. Average selling prices were slightly higher.

As a result of this strong upward trend, Pharma achieved 30% growth in operating income before nonrecurring items to EUR 772 million, despite continued heavy spending in marketing and R&D to sustain further growth. Organon set new records for sales of contraceptives, Remeron® (antidepressant), Puregon® (infertility treatment), and Livial® (hormone replacement therapy), with double-digit growth in almost all countries, notably in the United States. Intervet turned in an excellent performance in a year dominated by the integration of the HR Vet business acquired from Hoechst in 1999. Diosynth also demonstrated healthy growth with considerably higher sales and results. Organon Teknika's results trailed the previous year. Chefaro registered further earnings gains. At year-end this business—representing about 2% of Pharma's sales—was sold to the Belgian OTC specialist Omega Pharma for EUR 140 million.

Return on sales was 20.1% against 20.8% in 1999. Return on investment of 34.6% compares with a long-term target of 40%.

* *EVA principles are explained on page 21.*

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

Paul K. Brons visiting Pharma U.S. sites: "Accelerating growth for Pharma in the United States."

RECORD GROWTH

BUSINESS REVIEW

GROWING OUR GLOBAL COMPETITIVENESS IN HEALTHCARE

In the first year after the millennium change, our Pharma group has been working hard and successfully to shape up to the key challenges of accelerating innovation and maintaining critical mass in the global marketplace.

Intervet, our veterinary business unit, achieved a decisive strategic breakthrough: doubling sales and moving from tenth up to a solid third place in the global veterinary market. This was achieved by the successful integration of the HR Vet operations and the acquisition of Bayer's veterinary U.S. biologicals operations.

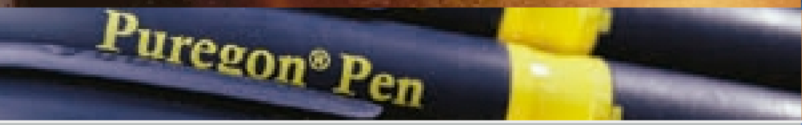
The complex integration process was carried out expeditiously. Combined with the high quality and the many years of hands-on experience of "new" Intervet's enlarged staff in local and international operations, this enabled Intervet to maintain internal growth and lift profitability back again to a quite satisfactory level.

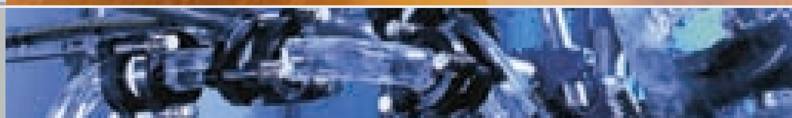
New research facilities were opened or acquired, and office and manufacturing facilities added, to provide an optimal environment for sustained and well-integrated international growth. Intervet will remain strongly focused on high-quality innovation in our broadened range of veterinary products and services.

Pharma's principal business unit Organon, which accounts for half of total Pharma sales, successfully concentrated on maintaining its rapid autonomous growth momentum: 22% overall, while sales in the United States even increased 37%.

In addition, and in line with the Company's priority for growth in Pharma, Organon continued to pursue its investment strategy to further reinforce its infrastructure. This includes additional state-of-the-art manufacturing facilities to meet current demand and expected sales growth as well as expansion of its innovative R&D. This strategy is aimed at Europe, Japan, and the United States, the latter being by far our largest single market, now accounting for 28% of sales of Organon products.

A recent report prepared for the European Commission, entitled *"Global Competitiveness in Pharmaceuticals, a European Perspective,"* concludes that European pharmaceutical companies have not only been losing competitiveness to their U.S. peers, but also that this trend has intensified recently. Unlike the U.S.-based multinationals, the

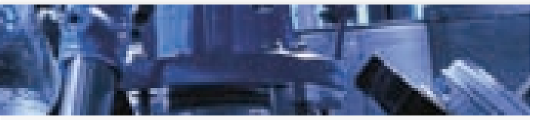

Puregon® Pen



European pharma companies still lack the background and leverage of a single domestic (European) market. Instead, they are dependent—and therefore have to be unduly focused—on the ever changing patchwork of pricing and reimbursement policies by the different national governments. While unsuccessfully trying to contain market growth, these policies prevent the gradual creation of a competition-based single market and a more competitive and innovation-oriented pharmaceutical industry environment. The enlargement of the European Union may exacerbate this market complexity even further if adequate steps are not taken to create a more dynamic and transparent pan-European market, allowing open and diversified competition.

According to the above report, Europe has been less effective than the United States in encouraging growth of new technology suppliers and innovation specialists in such fields as combinatorial chemistry, genomics, and high-throughput screening. This is also the reason why Organon has of necessity looked mostly toward the United States for high-tech research partnerships in these fields.

We fully subscribe to the importance of current efforts in several European countries to improve and stimulate their and Europe's science and technology infrastructure. Although our Pharma group alone directly employs 3,650 researchers, 26% of our total R&D budget is spent on external scientific collaborations. Because our main R&D laboratories are in the Netherlands, the United Kingdom, France, and Germany, the availability of top-class universities and science institutes in these countries is a prerequisite for rejuvenating our highly qualified research staff, and for maintaining a scientific working environment that is conducive to successful innovation.



The infertility product Puregon® Pen, a recent addition to Organon's renowned range of female healthcare products, is capturing the market.

Diosynth, our business unit specializing in codeveloping and producing the high-tech complex bio-pharmaceutical substances needed by today's innovative pharmaceutical industry, strongly contributed again to our good results. Its high-tech focus also provides an important enabling technology platform for our Pharma group. With its current state-of-the-art production facilities in the Netherlands working at full capacity, Diosynth is making new investments, particularly in the area of biotechnology, to meet growing demand from innovators. Given its experience and quality record, we expect Diosynth to also play an increasing role in helping translate results from R&D start-up projects into full-scale, robust production.

In our diagnostic activities, Organon Teknika strengthened its key positions and prospects for further growth through continued, successful innovation. Because of the R&D intensity of modern diagnostic technology and the consolidation that is currently taking place in the diagnostics industry, the possibilities of one or more alliances to create a broader platform for our diagnostics activities are being explored.

Reduced opportunities for synergy between Chefaro, our nonprescription products business unit, and our other increasingly R&D-intensive activities have led to the decision to sell this relatively small but profitable Pharma business unit to Omega Pharma, a Belgium-based, dedicated pharmacy supplies company.

Developments in the Business Units

ORGANON – PRESCRIPTION DRUGS

Sales EUR 1,980 million (1999: EUR 1,620 million)

CONTINUED DOUBLE-DIGIT GROWTH

2000 was the fourth consecutive year in which Organon achieved double-digit growth. Organon develops, produces, and markets pharmaceutical products in the fields of gynecology, psychiatry, atherothrombosis, and autoimmune diseases and has an excellent international reputation based on its outstanding products and innovative R&D.

Ongoing volume growth resulted in sales of EUR 1,980 million, which translates into a sales gain of 22% (24% in 1999), far above the average for the pharmaceuticals sector worldwide. Income and economic value added were up substantially from 1999, despite an 18% increase in R&D expenditures and 31% higher selling and distribution costs. Headcount grew from 11,200 to 11,500 at year-end 2000, the net result of expansion in the United States, reinforcement of R&D and Information Technology, and the divestment of Thiemann in Germany.

Double-digit growth was achieved in virtually all countries. In the United States, which accounts for 28% of Organon's sales worldwide, sales increased 37%. In Japan, the second largest pharmaceutical market in the world, almost doubled, as the 1999 acquisition of Kanebo's western medicines division began to bear fruit. Sales in that country accounted for 10% of Organon's sales in 2000. Integration of the Kanebo division into Nippon Organon has been completed. The South American market recovered from the effects of the devaluation of the Brazilian real in 1999 and sales gained 33%. In Europe, sales rose 22%, mainly driven by volume growth. During the year, Organon successfully introduced the contraceptives Cerazette® and Implanon® in a number of countries. Sales of contraceptives increased 20% to EUR 492 million. In Infertility, sales of Puregon® developed positively to EUR 282 million. In Hormone Replacement Therapy, Livial® sales increased to EUR 155 million, up 40% from 1999. Sales of the antidepressant Remeron® increased 58% to EUR 414 million.

R&D maintained its focus on quality and output. Both in Research and in Development, the organization has been transformed into a flexible, project team-driven operation. Partnerships with third parties were strengthened. Organon's pipeline—including phase I—comprises seven new products in gynecology, seven in psychiatry, three in the field of atherothrombosis, and two in autoimmune diseases. One of the phase III products for psychiatry is the antidepressant Ariza™ (gepirone).

Organon continued to invest in R&D and Production. In Newhouse, Scotland, a new pharmacology laboratory was opened. In Oss, the Netherlands, new preclinical development facilities—a pilot project unit and development lab—became operational, while the construction of a new office building and development labs is scheduled to be completed by the end of 2001. In the United States, Organon expects to invest EUR 44 million in two facilities, in West Orange (New Jersey) and Allentown (Pennsylvania), for the manufacture of a new antithrombotic product. This investment stems from the agreement concluded between Organon and Sanofi-Synthélabo to commercialize and manufacture a new blood clot-preventing drug. In the United States, Canada, and Mexico, the product will be marketed by joint ventures using the two companies' sales and distribution organizations in these countries. Organon and Sanofi will each hold 50% stakes in the joint ventures, which will be consolidated proportionally.

The concentration of production in key locations in Europe and South America was completed. For Asia we will update our sourcing strategy in line with our continuous drive for cost efficiency and concentration of production in key locations.

Organon expects to launch a number of products in the United States and Japan in the next few years. The Time-to-Market project was completed. A number of changes in organizational structure, processes, and communication have been implemented. The objective is to ensure faster global product launches of a higher quality.

The traditional relationship between Organon and its final customers is changing as a result of the Internet. Patients are better informed and want to have a say in their treatment. The Internet is a unique tool for establishing contacts between Organon, the prescribers of its products, and the end users. Organon is developing a coherent e-business strategy focused on marketing aspects and knowledge management, which fully covers all disciplines.

Organon strives for business processes with a globally harmonized flow of information supported by an IT platform. In order to meet these needs we have restructured our IT organization to give it a more global focus.

In recent years key projects, such as Time Compression Initiative in R&D, Time-to-Market in Marketing & Sales, and similar projects in Production, have led to major improvements within Organon. To fully benefit from these continuous efforts, management communication and integration throughout the company will be further improved across all disciplines and geographic borders. To achieve these goals, Organon has embarked on an intensive education and training program for senior management.

In the years to come our main challenge will be to maintain double-digit growth and increase market share. Our main growth markets will be the United States and Japan as a result of the anticipated worldwide launches of new products.

INTERVET – VETERINARY PRODUCTS

Sales EUR 1,020 million (1999: EUR 515 million)

A TURBULENT YEAR

2000 was a very satisfactory year in which Intervet was increasingly successful in providing the veterinary market with innovative vaccines and special products for both livestock and companion animals.

During the year we placed a strong focus on integrating the former HR Vet business and Intervet into a single operation. Sales and marketing organizations in 45 countries were integrated in the first three quarters of 2000. To optimize synergies from combining capabilities, we also embarked on the reorganization and restructuring of our R&D, production and support functions. Vaccine research activities in Marburg, Germany, have been relocated to Boxmeer, the Netherlands, and vaccine research in Copenhagen will be transferred to Milton Keynes, United Kingdom, in 2001. In Germany we will concentrate pharmaceutical research—now spread over several laboratories in Frankfurt and Wiesbaden—in the newly acquired laboratory facilities in Schwabenheim. Site closures were announced in Ireland and in the United States, which will be effected in 2001. In Singapore we opened a new laboratory dedicated to tropical aquaculture research.

In August, we acquired Bayer's Biologicals operations in the United States. Integration of these activities is now in full swing. U.S.-based Biotrends, a company specializing in feline vaccine development, was also acquired. As a result, Intervet now has a full range of vaccines available for all major species. In the years ahead, production and R&D facilities will be streamlined to fully utilize the synergy potential of these acquisitions.

In September, we purchased the remaining shares of Farmaceutici Gellini in Italy.
This operation is now fully integrated in our business. In Turkey, a new local company was established to strengthen our position in the region.

We also acquired U.K.-based Vetstream, an electronic publishing company providing high quality subscription services to veterinary professionals. The purchase of Vetstream fits into Intervet's key strategic objectives in exploiting new e-business opportunities.

Our increased R&D efforts and investments are accelerating new product launches. During the year we obtained registrations for a large number of important new products. Central EU registration was achieved for Ibaflin® tablets (antibiotic for dogs), Incurin® tablets (incontinence treatment for dogs), and Pruban® paste (topical corticosteroid). Decentral EU procedures were completed for six vaccines intended for livestock and companion animals.

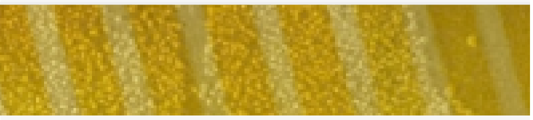
Intervet covers the animal healthcare market worldwide with products for livestock, pets, and other animals. Its state-of-the-art research lab in Singapore conducts exploratory research into fish vaccines.

In the United States, we obtained USDA approval for Prosystem® M + HP + E, a powerful swine combination vaccine, and for the dog vaccine Progard® KC-plus.

In Japan, eight new products for poultry, dogs, and swine were registered.

First ever registrations were obtained for Nobilis® Paramyxo P201 (pigeon respiratory vaccine) in Germany and Nobilis® COX ATM (live poultry vaccine against coccidiosis) in South America.

On the strength of our well-filled pipeline we expect to introduce in the coming years a steady stream of new products in major markets worldwide.



ORGANON TEKNIKA – HOSPITAL SUPPLIES

Sales EUR 555 million (1999 : EUR 530 million)

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 as well as in automated blood culture systems.

GENERICS PRESSURE

Operating income lagged slightly behind the high 1999 figure, mainly due to generics pressure on our pharmaceutical business in the United States. Aided by substantial currency exchange effects, sales were well ahead of 1999, despite lower Norcuron® sales in the United States. Strong sales growth of pharmaceuticals in Asia and Latin America did not offset lower U.S. sales. New generic versions of vecuronium bromide in the United States exerted strong pressure on the pricing of our core product Zemuron® (muscle relaxant), sold elsewhere as Esmeron®. Our rapid onset, short duration muscle relaxant Raplon® developed favorably in the United States. Launches in other countries are foreseen from 2001 onwards. The development of products for pain management for use by anesthesiologists is making satisfactory progress.

Higher diagnostics sales were mainly attributable to currency translation gains. Operational results showed structural improvement through a cost reduction program initiated in 1999, but this was largely offset by currency translation losses, primarily on export sales of U.S.-manufactured products. Microbiology and Hemostasis achieved strong volume growth, reflecting the strong position of BacT/ALERT® systems and the revival of growth for MDA® hemostasis systems. Sales of Immunodiagnostics met expectations, particularly for the Vironostika® HIV Uni-Form II Ag/Ab assay for screening donated blood. Nucleic Acid Diagnostics sales showed only modest growth due to delays in FDA approval for NucliSens® HIV-1 QT and the later-than-expected availability of the molecular beacons based new assay generation.

In order to achieve the critical mass needed in diagnostics, an alliance with one or more diagnostics companies is being pursued.

DIOSYNTH – ACTIVE INGREDIENTS FOR THE PHARMACEUTICAL INDUSTRY

Sales EUR 380 million (1999: EUR 335 million)

BEST YEAR EVER

Diosynth is a prominent niche player in the market for active pharmaceutical ingredients (APIs) as well as advanced intermediates, aiming for products with high added value. The business unit typically operates in segments where it can play an important role. During the last few years Diosynth successfully completed its transformation from a biochemical/chemical company into a chemical/biotechnological organization. Diosynth's main APIs are steroids, synthetic peptides, carbohydrates, opiate analogs, gonadotrophic hormones, insulins, and heparin.

Sales and income grew strongly, making 2000 the best year ever. In order to exploit its growth potential, Diosynth has embarked on an ambitious investment program that will enable the company to continue meeting demand by innovative companies for new chemical and biotechnological products. In the pharmaceutical industry, innovation is the key driver behind the development of new indications, new formulations of existing products, or completely new entities, ranging from small-sized molecules to highly complex structures. Today more than 80% of Diosynth's sales go to innovators—both small and large—in the United States and the European Union.

Diosynth is now well placed to meet the challenges ahead, aided by its strong commercial organization, a highly reliable HSE/c-GMP management structure, and an innovative, time-oriented R&D group. On the strength of these capabilities, Diosynth successfully completed two major strategic development projects. For further growth the biotechnology base was extended with the completion of a downstream processing unit and the start of the construction of a new upstream processing unit—two key strategic projects involving a total investment of EUR 70 million. The new downstream processing unit was successfully inspected by the FDA and is now operational.

CHEFARO – NONPRESCRIPTION PRODUCTS

Sales EUR 85 million (1999: EUR 90 million)

FURTHER EARNINGS GAIN

Chefaro manufactures nonprescription medicines and diagnostic tests for home use.

Portfolio adjustments made in recent years have led to greater efficiency and a stronger focus on Chefaro's main product categories, resulting in further earnings gains. In a persistently difficult European OTC market, Chefaro's main brands improved their position in a number of market segments.

Marked improvements were achieved in the muscular pain market in the Netherlands, where Tantum® (topical analgesic) continued to expand its leading position with a sales gain of 25%. In the United Kingdom, the Jungle Formula® range strengthened its number one position in the market for insect repellents. Particularly gratifying were the results for the home pregnancy tests Femtest® in Germany, Predictor® in Mexico, and Charbon de Belloc® (remedy for gastrointestinal disorders) in France, where intensified marketing and sales support resulted in a clear market leadership position.

In line with Akzo Nobel's strategy to concentrate on research-intensive human and animal healthcare products and biopharmaceuticals, Chefaro was divested to Omega Pharma at year-end.

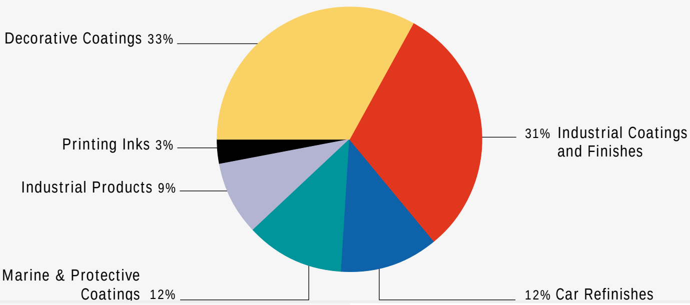
Coatings

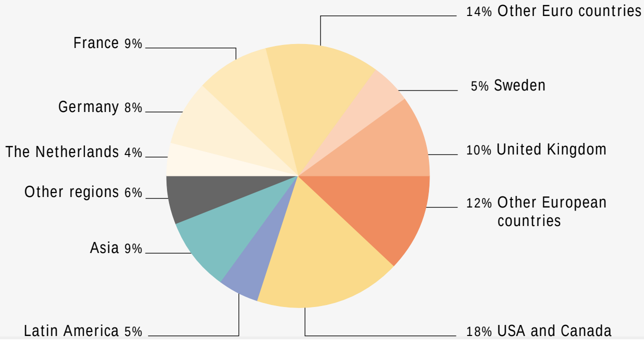
Responsible in Board of Management:
Rudy M.J. van der Meer

Senior Group Director:
M. (Rinus) Rooseboom

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

Business Units:	General Managers:
Decorative Coatings:	
– Europe	*Leif Abildgaard*
– International	*Jan Andersson*
Industrial Coatings	*Göran Jönsson*
Industrial Finishes	*Robert J. Torba*
Car Refinishes	*Cor J.L.M. de Grauw*
Marine & Protective Coatings	*Leif Darner*
Industrial Products	*Lars-Erik Thomsgård*
Printing Inks	*Peter Koivula*





Millions of euros	**2000**	1999
Net sales	**5,568**	5,266
Operating income before nonrecurring items	**455**	441
Depreciation and amortization	**151**	148
Gross cash flow	**606**	589
Expenditures for PP&E	**170**	155
R&D expenditures	**150**	135
Invested capital at year-end	**2,334**	2,193
EVA[1]	**125**	95
Key ratios		
Operating income as percentage of:		
– net sales	**8.2**	8.0[2]
– invested capital	**20.1**	20.2
Net sales/invested capital	**2.46**	2.42
Expenditures for PP&E/depreciation	**1.1**	1.1
Number of employees at year-end	**30,300**	29,800

SALES AND INCOME

Sales of EUR 5.6 billion were 10% higher than the comparable previous year figure. Volumes increased 1%, with 2% higher selling prices. Positive currency translation effects were 6%, while acquisitions added 1%.

Coatings' operating income before nonrecurring items of EUR 455 million exceeded the 1999 figure by 13%, excluding the contribution from PRC-DeSoto divested by mid-1999. After a good start, Coatings began to feel the impact of higher raw material prices and a slowdown in the business climate later in the year. Nevertheless, earnings exceeded the previous year due to strong performances by Car Refinishes, Marine & Protective Coatings, Industrial Products, Industrial Finishes, and Industrial Coatings. Decorative Coatings and Printing Inks suffered from market pressure.

Return on sales of 8.2% in 2000 was slightly above the previous year's level[2]. Return on investment worked out at 20.1%, compared with a long-term target of 30%.

[1] *EVA principles are explained on page 21.*
[2] *Excluding divestments, mainly PRC-DeSoto.*

Rudy M.J. van der Meer: "Strong focus on innovation and technology."

WORLDWIDE LEADING

BUSINESS REVIEW

IMPROVED PLATFORM FOR FURTHER GROWTH

The trend toward further consolidation in the worldwide coatings industry continued in 2000. Nevertheless, the ten largest worldwide paint suppliers control less than 50% of the global market, and Akzo Nobel—the world's largest coatings company—only has a market share of around 8%.

For Akzo Nobel, 2000 has been a year of selective strategic acquisitions and investments as well as major cost reduction programs.

Anticipating the further development of a single European market for decorative coatings, most of our operations in this region are now concentrated in one business unit, Decorative Coatings Europe (DCE). This restructuring process will fundamentally improve our cost structure and enable us to fully exploit synergies on a pan-European level, based upon world class supply chain management. To enhance customer focus, the activities within DCE have been split into two main sub-units: Retail (Do-It-Yourself) and Trade (Professionals).

The acquisition of the French paint merchant Vachon S.A., announced in December 2000, underscored Akzo Nobel's Decorative Coatings strategy of improving our position in the commercial distribution of coatings for professional painters.

A separate business unit, Decorative Coatings International, has been formed with the prime objective of bolstering our presence in high growth areas. The acquisition of Kithold in Morocco, the opening of a new production unit in Shanghai, and the start of the construction of a new factory in Moscow further strengthened our positions in these regions.

The investment in the construction of a new state-of-the-art factory for powder-based building adhesives in Rosendahl, Germany, announced during 2000, will support further growth in this attractive market segment, not only in Western but also Eastern Europe.

During the year the rationalization process at Marine & Protective Coatings continued. The structural improvement of our cost base will allow further profitable growth in this sector.

Akzo Nobel moved into a leading global position in Aerospace Coatings with the acquisition of the coatings business of Dexter Corporation, United States. This acquisition effectively doubled the size of our Aerospace Coatings business and also improved our position in the Transportation and Specialty Coatings sectors in the United States.

Car Refinishes' already sizable stake in coatings for commercial vehicles and fleets was further enhanced by the acquisition of the Commercial Vehicle Coatings activities of Mason Coatings in the United Kingdom. This also gave us access to the attractive business for graphic applications on vehicles, which we will extend to the rest of Europe.

Industrial Finishes continued its strategy of expansion in Asia. A new plant, now being built in Dongguan City, Southern China, will initially produce industrial wood coatings, underscoring our long-term commitment to the rapidly growing furniture industry in China, one of the major furniture-producing countries in the world.

Also in 2000, Akzo Nobel announced a major investment in a shared site in Suzhou, China, which is to serve as a platform for further expansion of our core businesses car refinishes, powder coatings, and transportation coatings in the region. This underlined one of our strategic goals to increase market share in the fast growing Asian economies.

Driven by market demand for high performance, cost effective, and more environmentally friendly coatings, the key success factors in the years ahead will remain innovation and technology. During the year, Marine Coatings achieved impressive growth with our proprietary Ecoloflex™ tin-free antifouling and successfully launched Intersleek® 717 Linkcoat, a newly developed fouling release conversion technology. Car Refinishes made strong progress in the development of new products, particularly in waterborne basecoats. Autoclear Vision®, a new clearcoat, received the prestigious Automechanika Award for Innovative Technology.

The year 2000 was characterized by fast rising raw material prices putting pressure on our margins, modest volume growth, and toward the end of the year a slowdown in the U.S. economy. Nevertheless, we have been able to improve our results compared to the previous year. In 2000, Coatings reached a satisfactory return on investment of 20%, creating an improved platform for further profitable growth, which brings us one step closer to our ambitious goal of achieving a return on investment of 30%.

Developments in the Business Units

DECORATIVE COATINGS

Sales EUR 1,865 million (1999: EUR 1,780 million)

In 2000, Akzo Nobel restructured its Decorative Coatings business. The majority of the decorative coatings operations in Europe are now combined in Decorative Coatings Europe. Decorative Coatings International covers all other geographic areas and our building adhesives activities.

Both business units serve the professional and do-it-yourself (*DIY*) markets. Major brands include Sikkens®, Levis®, Astral®, Flexa®, Herbol®, Procolor®, Sadolin®, Trimetal®, Pinotex®, Crown®, Nordsjö®, and Marshall®. Leading building adhesive brands are Schönox®, Cégécol®, and Casco®.

DECORATIVE COATINGS EUROPE

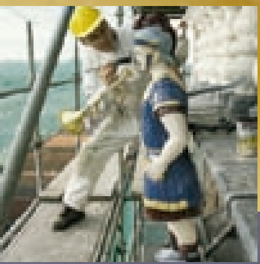
RISING RAW MATERIAL PRICES; WEAK SUMMER SEASON

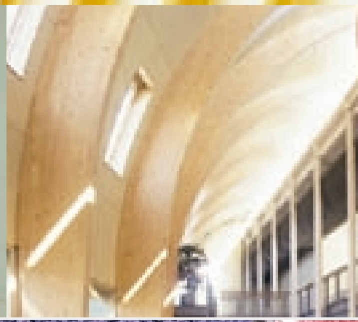
Decorative Coatings Europe, which operates in almost all European countries, has organized its operations in sub-units serving the customer segments Retail (DIY), Trade (Professionals), and Specialties. Decorative Coatings Europe was set up in response to the clear trend toward a single European market for decorative coatings.

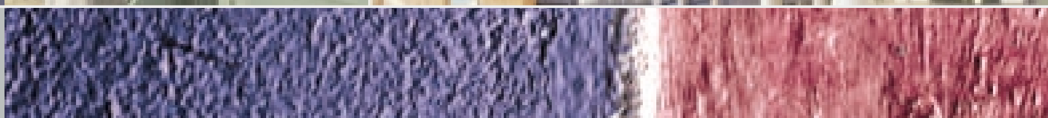
In spite of the relatively good economic situation in most countries, the market was affected by a weak outdoor season, particularly in the do-it-yourself market, and rising raw material prices in some sectors. In the professional sector, demand in a number of countries was hampered by a shortage of painters. Overall, Decorative Coatings Europe's results lagged behind the 1999 level. In most countries, however, we registered a satisfactory performance, up from the previous year. In general, trade activities did better than the retail segment. Our operations in Germany were adversely affected by a considerable downturn in the building and construction sector.

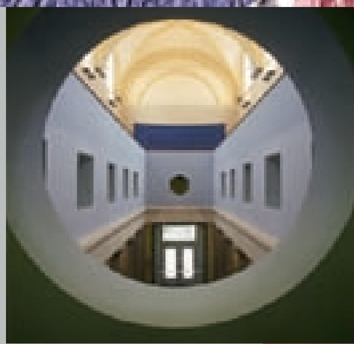
The new pan-European organization has already brought about a major cultural change: we have strengthened our customer market focus, put in place a platform for improved coordination of our European business, and are now focusing on adding value to cope with intensifying international competition. The first positive results of the restructuring program are already noticeable.

In a move to concentrate operations and cut structural costs we announced a number of site closures, which are now being effected in Berlin and Copenhagen. The distribution center at Rugby, United Kingdom, is also closing down.








DECORATIVE COATINGS INTERNATIONAL

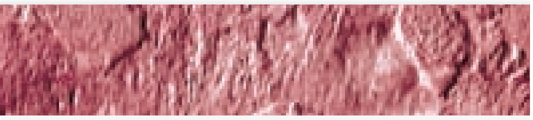
A CHALLENGING YEAR WITH GOOD RESULTS

Decorative Coatings International has coatings operations in virtually all parts of the world, particularly in Scandinavia, Russia, the Baltic states, Ukraine, Central/Eastern Europe, Morocco, Tunisia, Brazil, Argentina, China, Vietnam, Turkey, Greece, the United States, and Canada. Building adhesives operations—based in Germany and France—predominantly supply Europe.

Earnings were slightly up from the previous year's level. Sales volumes developed favorably. A good performance was registered for our paint operations in North America and in Turkey, where Marshall is the leading decorative coatings company. In Scandinavia, bad weather conditions affected the outdoor season. Our operations in Greece and Brazil encountered fierce price competition, which negatively influenced profitability.

Recently acquired Sadvel in Morocco and Astral in Tunisia showed solid development.

A new production unit was opened in Shanghai. In Vietnam, volumes and market shares improved. Central and Eastern Europe also showed good progress. The planned factory in Moscow will start up in 2001.



Our top-of-the-range decorative coatings for the professional and do-it-yourself markets provide color and conservation. Our products were used for such prestigious projects as the restoration of the Moscow Town Hall.

Our Argentinean business implemented a niche strategy, concentrating on wood-care products.

Investments have been made in new building adhesives production capacity at the Schönox site in Germany and a new warehouse in Pontiac, Michigan.

Best practice is being introduced throughout Decorative Coatings International to bolster product development and improve production efficiency. New Product Stewardship policies will be introduced from 2001. Most units are already certified or are close to being certified under the ISO 14000 Environmental Management System.

E-business activities have been started in the areas of supply chain integration, procurement, and marketing and sales. Websites dedicated to various target groups are being developed.

INDUSTRIAL COATINGS AND INDUSTRIAL FINISHES

Sales EUR 1,725 million (1999: EUR 1,510 million)

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

INDUSTRIAL COATINGS

STRENGTHENED PRODUCT PORTFOLIO

The business unit includes Powder Coatings, Transportation Coatings (OEM for commercial vehicles and components and their subcontractors as well as for passenger car subcontractors), Specialty Coatings, and Aerospace Coatings. Worldwide, Industrial Coatings provides a comprehensive product and service portfolio, making optimal use of its globally available expertise.

Overall, Industrial Coatings' results were up from 1999. Performance in Asia Pacific was excellent and improved in Europe. In the United States, activities remained at a high level, with the exception of the U.S. truck market, which saw a substantial downturn. South America was up from its low 1999 level.

Powder Coatings registered gains in income and sales, driven by continued rationalization effects from the successful integration of the former Courtaulds activities and positive sales development in Asia Pacific.

For Transportation Coatings, 2000 was a year of consolidation. Business suffered from weak market conditions in the U.S. automotive industry and raw material price hikes. These negative developments were largely offset by a favorable performance in Asia Pacific.

Specialty Coatings' results rose substantially, reflecting better market conditions, improved technologies, and higher productivity.

After the acquisition of Dexter Coatings in September 2000, the Aerospace Coatings segment became truly global with top market positions in the United States, Europe, and Asia Pacific. Business developed positively in 2000 and will benefit from additions to the product portfolio and improved geographic spread upon full integration of this newly acquired business.

Industrial Coatings focused its R&D efforts on improving the eco-efficiency of its products and on assisting customers in the development of productivity-boosting systems.

INDUSTRIAL FINISHES

SUCCESSFUL YEAR

Industrial Finishes supplies factory-applied wood and coil coatings. Major markets for its wood coatings are home and office furniture, kitchen and bath cabinetry, wood flooring, and building products. Coil coatings are used for metal building products, domestic appliances, HVAC equipment (heating, ventilation, air conditioning), automotive components, and other specialty items.

Overall, the healthy global economy in 2000 led to slightly higher demand in most markets. However, higher raw material prices and intensified price competition squeezed margins. In response, our operating units cut costs and reengineered certain products. Combined with the exploration of new market niches and generally higher sales, these measures resulted in a successful year with higher income for the business unit.

Industrial Finishes achieved significant gains in market share in the emerging markets of Asia and South America. The decision made many years ago to enter the Asian marketplace has begun to pay excellent dividends. In line with this geographic expansion strategy, a new plant is being built in Dongguan City, Southern China. This site will serve as a bridgehead for continued expansion in this high growth area.

In South America, the business unit provides global technology and marketing support to its local organization. Combined with the skills and knowledge available locally, these efforts enable us to increase our level of business in this area.

CAR REFINISHES

Sales EUR 690 million (1999: EUR 600 million)

IMPRESSIVE PROGRESS

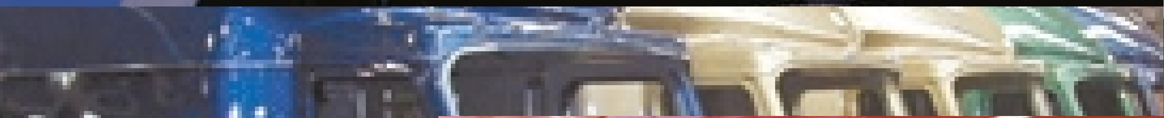
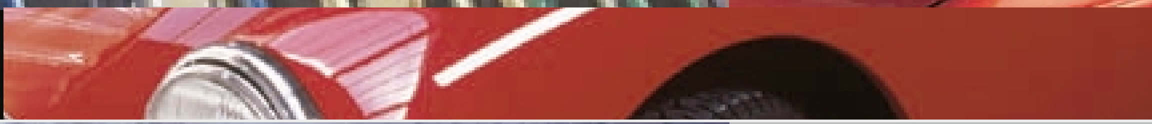
Car Refinishes supplies paints, services, and software for car repair and commercial vehicle workshops. The main product lines include Sikkens® for the high-end segment, a number of regional brands in the medium segment, and several leading brands in the commercial vehicles sector.

The business unit had a very successful year with sales and operating income clearly above 1999 levels. Europe and North America performed well, with price increases compensating for rising raw material costs. Improved margins resulted in higher income. Business in Eastern Europe was up from the previous year, building on the recovery that began at the end of 1999. South America is slowly emerging from the economic crisis. Asia Pacific enjoyed higher sales and volumes, but earnings lagged because of restructuring costs in Australia and China.

In August, Mason's commercial vehicle business was acquired from McCleod-Russel in the United Kingdom. These activities were integrated with the commercial vehicle business operating under the Sikkens® and Cromadex® CT brands. The business unit is now a major player in the European market for painting and decorating commercial vehicles.

During the year, Car Refinishes made strong progress in the development and sale of new products, particularly waterborne basecoats. Autoclear Vision®, a new clearcoat, received the Automechanika Award for Innovative Technology.




MARINE & PROTECTIVE COATINGS

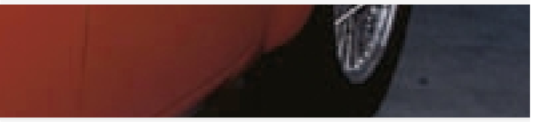
Sales EUR 670 million (1999: EUR 610 million)

STRONG RECOVERY DESPITE DEPRESSED MARKETS

Marine & Protective Coatings, with its International® brand name, combines our Marine, Yacht, Offshore and Onshore Protective Coatings and serves the industry with comprehensive coatings and service solutions. The business unit is the worldwide leader in these markets.

The business unit turned in an improved earnings performance in 2000.

Marine Coatings had a good year, bolstered by continued growth in the new construction market in Asia Pacific. This growth should continue in the next two or three years, notably in Korea and China. Freight rates and operators' margins improved considerably in 2000, but the maintenance and repair sector remained extremely competitive. During the year, we achieved growth in our proprietary Ecoloflex™ tin-free antifouling.



Akzo Nobel's high endurance coatings products are applied in virtually all areas of transportation ranging from passenger cars, trucks, and all kinds of marine vessels to aircraft.

Protective Coatings' worldwide sales remained flat, primarily due to weak market conditions in Europe, Australia, and North America, fueled by low customer investments as oil prices fell sharply in 1999. The rise in oil prices should prompt new construction and maintenance capital expenditure to rally in the next two years. Improvements were achieved in Asia, although a return of growth to pre-1998 levels remains a two-year target. Our Latin American business region rebounded from the devaluation in 1999 and earnings returned to 1998 levels.

Sales of Yacht Coatings were up from 1999, spurred by strong growth in the United States, as new products were launched. Compared to 1999, earnings were substantially ahead, primarily reflecting strong sales in the United States.

INDUSTRIAL PRODUCTS

Sales EUR 525 million (1999: EUR 465 million)

ANOTHER YEAR OF IMPROVEMENT

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

2000 was a good year with markedly higher results. The business unit bolstered its market positions in all geographic areas through organic growth. Efficiency improved substantially as a result of continuous process development and high capacity utilization of production units.

Impregnated Papers strengthened its position and performance in North America and Europe, due to a combination of more efficient production and improved market conditions. The South American market recovered slightly.

Adhesives delivered a good performance. The business expanded its sales of wood adhesives in all geographic areas, aided by ambitious marketing activities and new products. Our Colombian operation achieved higher earnings, supported by the recovery of the South American economy.

Expancel® microspheres continued their strong performance in all established markets and achieved positive results in South America.

Industrial Products developed a new generation of impregnated papers for the flooring industry and more efficient adhesives systems for laminated beams.

PRINTING INKS

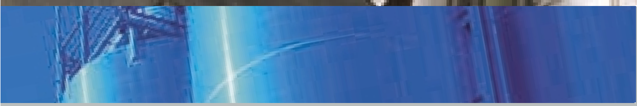
Sales EUR 190 million (1999: EUR 210 million)

RESTRUCTURING FOR THE FUTURE

The business unit produces printing inks for the graphics and packaging industries with leading positions in Scandinavia and Northern Europe. In the Narrow Web segment we are global market leader, with water-based and UV-curing inks for the tag and label market.

Operating income did not reach the previous year's level, mainly due to provisions for restructurings. Exports to Russia and other Eastern European countries continued to develop positively, while our position in other regions remained stable. During the second half of the year we restructured our operations to achieve greater cost effectiveness. These measures are expected to have a strong positive effect on results.

Chemicals



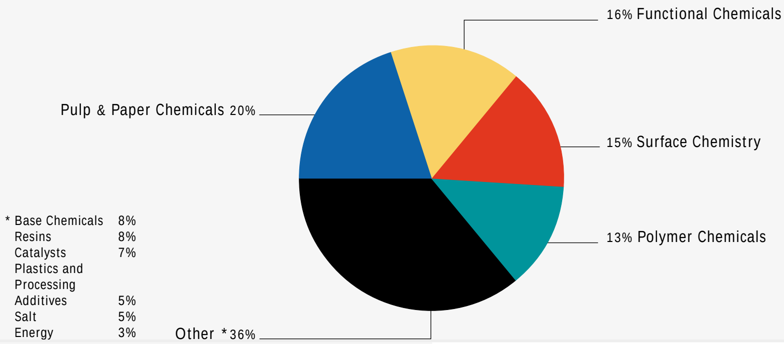
Responsible in Board of Management:
Dag Strömqvist

Senior Group Director:
Conrad S. Kent

Business Units:	**General Managers:**
Pulp & Paper Chemicals	*Jan Svärd*
Functional Chemicals	*Peggy Viehweger*
Surface Chemistry	*Rob Frohn*
Polymer Chemicals	*Arend-Jan Kortenhorst*
Resins	*Klaas Hielkema*
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*

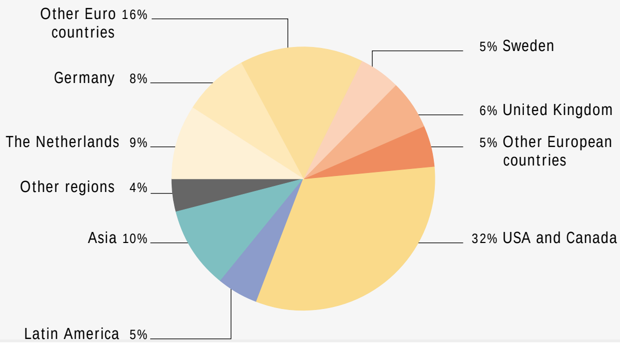
2000 business unit sales

[EUR 5.0 billion]



2000 net sales

by destination



Millions of euros	**2000**	1999
Net sales	**4,740**	4,154
Operating income before nonrecurring items	**456**	392
Depreciation and amortization	**337**	299
Gross cash flow	**793**	691
Expenditures for PP&E	**329**	311
R&D expenditures	**140**	128
Invested capital at year-end	**3,096**	2,819
EVA**	**55**	30
Key ratios		
Operating income as percentage of:		
– net sales	**9.6**	9.4
– invested capital	**15.4**	14.3
Net sales/invested capital	**1.60**	1.51
Expenditures for PP&E/depreciation	**1.0**	1.1
Number of employees at year-end	**15,800**	15,700

SALES AND INCOME

Chemicals turned in a good performance, particularly in the first nine months of the year.

Sales for the year of EUR 4.7 billion exceeded the 1999 figure by 14%, of which 3% stemmed from volume growth and 2% from higher selling prices. The positive effect of currency translations was 7%, while acquisitions added 2%.

Operating income before nonrecurring items rose 16% to EUR 456 million. Base Chemicals, Surface Chemistry, and Catalysts were the principal contributors to the improvement. Pulp & Paper Chemicals did distinctly better, especially the North American Bleaching Chemicals activities, while Polymer Chemicals and Functional Chemicals also exceeded their 1999 levels. Results for Resins, Salt, and Plastics and Processing Additives lagged behind. Toward the end of the year several business units began to experience pressure from softening market conditions and increased raw material prices.

ROS was 9.6% in 2000 (1999: 9.4%). ROI improved from 14.3% to 15.4%. This should be compared to a target over the business cycle of 2.5% over the cost of capital, which corresponds to about 17% ROI.

Sales by nonconsolidated companies, on a 100% basis, totaled EUR 1.7 billion, equal to 1999. Chemicals' share in earnings of these companies was EUR 47 million (1999: EUR 43 million). Flexsys and Methanor earnings in particular were up.

** *EVA principles are explained on page 21.*

Dag Strömqvist, visiting a plant in the Netherlands: "Creating competitive advantage through innovation."

SOLID PERFORMANCE

BUSINESS REVIEW

CONTINUED STRONG PERFORMANCE

In the chemical industry the general trend toward globalization and orientation on core businesses continued in 2000, bringing with it some major concentrations in a world of increasingly open economies, customer consolidation, and intensified competition.
The driving forces in this evolution are the need for specialization, economies of scale in sales/marketing, production, and R&D.

Chemicals' strategy is to enhance our leading positions in selected segments of the chemical industry by creating value for our customers and ourselves through superior technology, lowest cost, and continuous improvement. We are active in segments that span a broad range of specification, functional, and specialty chemicals. Our growth efforts are directed toward creating a stronger presence in North America and Asia.

The pursuit of this strategy led to a number of significant developments for Chemicals in 2000. We acquired Hopton Technologies, a U.S.-based paper chemicals company to complement our expertise in paper coating, and in France we broke ground for a plant based on new technology to produce an environmentally friendly wet strength agent.
As part of our global chelates strategy, we opened a new state-of-the-art chelates facility in the United States and a micronutrients plant in Sweden. In line with our strategy for Catalysts to improve profitability through substantial cost reduction and better products, new FCC catalyst technologies were introduced in Pasadena, Texas, where FCC production in the United States is also being consolidated. The acquisition of Nares, in Portugal, established Resins as the European leader in printing ink resins.

Pulp & Paper Chemicals further strengthened its position in Asia by expanding production capacity at the paper chemicals business acquired from Dongsung in Korea in 1999.

Surface Chemistry announced its decision to expand production capacity in Sweden for rheology additives and established a new Marketing and Technology Center for Rheology Additives and Surfactants in Singapore.

Functional Chemicals began construction of its MCA plant in China, which will further strengthen our global MCA position when it comes on stream in early 2002.
Our phosphorus-based flame retardants business in the United States is being expanded to maintain our leading position in this market, capitalizing on increased pressures against competing bromine-based flame retardants.

Polymer Chemicals successfully strengthened its global market positions, particularly in the Asia Pacific region. It was decided to relocate production at Gillingham, United Kingdom, to sites in continental Europe and the United States as part of a long-term plan to further improve the business unit's cost base.

For Base Chemicals, intense public debate in the Netherlands about the risks of transporting chlorine led to extensive contacts with the authorities on how to reduce transport and still meet sound business criteria. We hope to resolve this issue in 2001. Our 50% joint venture ECI brought its new chlorine plant at Bitterfeld, Germany, on stream by mid-2000.

Plastics and Processing Additives continued its restructuring efforts with the closure of its facility at Roermond-West, the Netherlands. The concentration on core business led to the transfer of its UV/EB curing agent business to Resins and the divestment of its stearates and polyols businesses.

Resins transferred from Coatings to Chemicals on January 1, 2000. Subsequently, on July 1, the UV/EB resins business transferred from Plastics and Processing Additives to Resins.

Production at our solar salt facility in Onslow, Western Australia, is on schedule for its first harvest in April 2001.

In line with our strategy to strengthen our Asian position, we purchased the majority share in our NEN Paper Chemicals joint venture in Japan from Nissan Chemicals. Further restructuring of our shareholdings in Japan resulted in the sale of our 50% stake in Tosoh Akzo Corporation (Polymer Chemicals) to Tosoh and the increase of our participation in Akzo Kashima (Functional Chemicals) from 70% to full ownership.

Overall, Chemicals' performance improved considerably in 2000 due to healthy economic growth in the United States, Europe, and Asia. The high value of the U.S. dollar against the euro also had a positive impact. Steep price increases for oil, energy, and certain raw materials, on the other hand, had a negative impact. Despite a marked slowdown in business activity in the second half of the year, especially in the United States, Chemicals' targets for the year were met.

Developments in the Business Units

PULP & PAPER CHEMICALS

Sales EUR 990 million (1999: EUR 805 million)

A YEAR OF EXPANSION

Pulp & Paper Chemicals, known in the market as Eka Chemicals, produces environmentally compatible bleaching chemicals and performance chemicals for the manufacture of paper and board, as well as a number of specialty products.

Overall, sales and results for 2000 were clearly up on those of 1999.

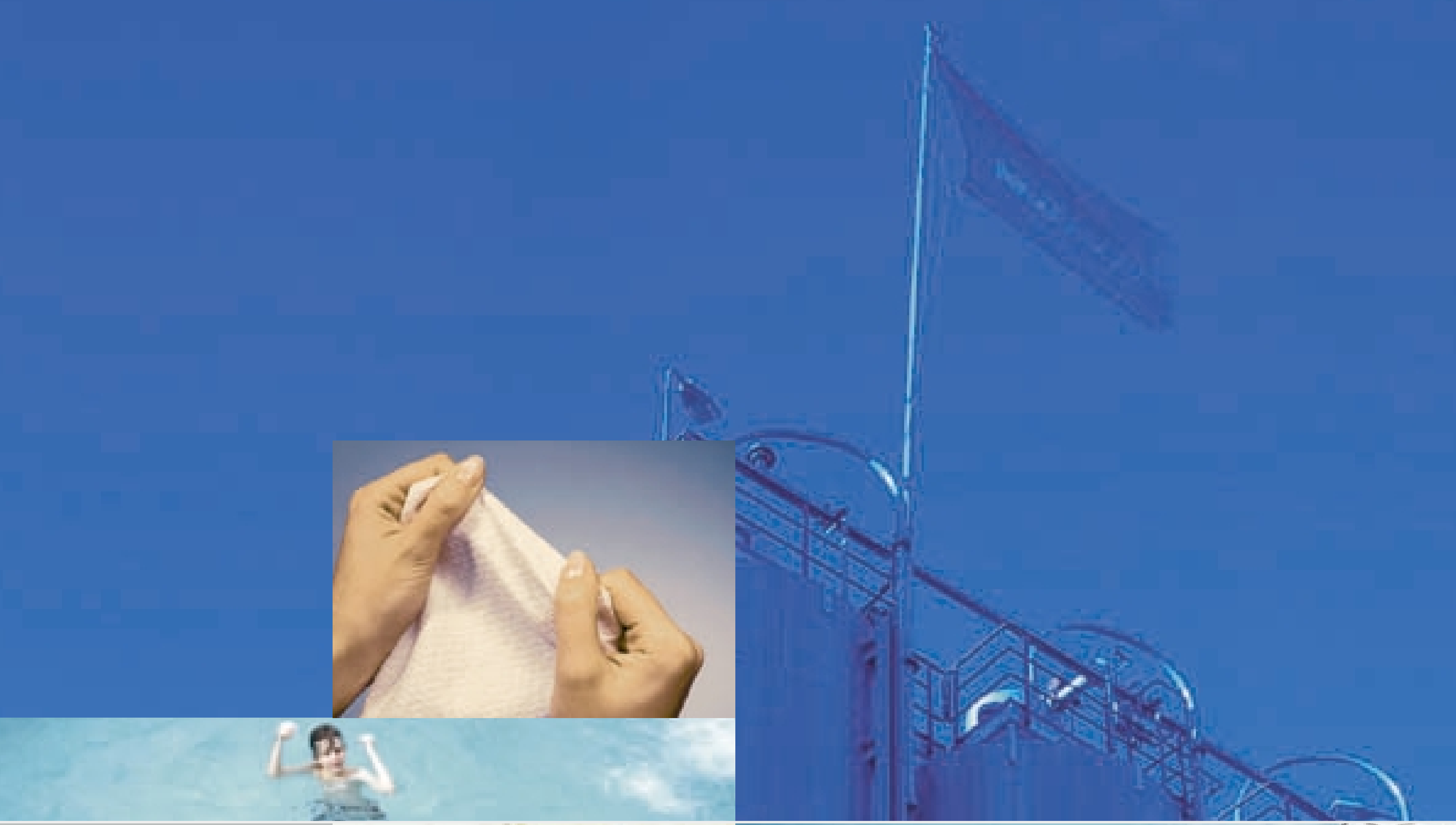
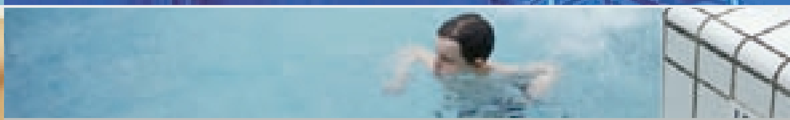
Our operations in North America turned in a good performance, which was mainly attributable to a strong pulp market and conversion of pulp mills to Elemental Chlorine Free (ECF) bleaching, following the implementation of new environmental regulations. A more balanced chemicals market led to higher sodium chlorate prices. The hydrogen peroxide market in North America picked up.

Our European bleaching chemicals activities showed a varied picture. The sodium chlorate market remained stable, while overcapacity and higher energy costs had an adverse effect on hydrogen peroxide results.

Sales growth of our paper chemicals was substantial. We further strengthened positions in Asia through investments in the recently acquired Dongsung business in Korea and the acquisition of a majority share in our former joint venture with Nissan Chemicals in Japan. In the United States, we acquired Hopton Technologies, a paper chemicals company that complements our expertise in paper coating. A production unit for a new, more environmentally friendly wet strength agent is under construction in France, while sites in Sweden and other countries are being expanded.

Kromasil®, a specialty product for chromatographic purification of pharmaceuticals and laboratory use, is in a favorable stage of development, and ground was broken late 2000 for the construction of a new production plant in Bohus, Sweden. Our resin and colloidal silica product lines also developed well.

The joint venture between Eka Chemicals and Polymer Latex GmbH, producing SB-latex for paper coating, was hurt by soaring raw material prices. Akzo-PQ Silica, our 50% joint venture with PQ Corporation and European market leader in sodium silicates, improved on its good 1999 performance.


FUNCTIONAL CHEMICALS

Sales EUR 815 million (1999: EUR 715 million)

IMPROVEMENT DESPITE RAW MATERIAL PRICE HIKES

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

Despite major price increases in key raw materials such as methanol, ethylene oxide, acetic acid, and ammonia, Functional Chemicals was able to improve slightly on its 1999 performance.

2000 saw the completion of new investments for future growth. New capacity for micronutrients came on stream in Kvarntorp, Sweden, strengthening our market position. In September, the largest chelates plant in the world was opened in Lima, Ohio, reinforcing Akzo Nobel's growing global presence in this diversified market. The size of the project along with coincidental market consolidation depressed short-term results in the United States.

Major price increases in key raw materials like ethylene oxide and methanol led to very low margins in ethylene amines and methylamines markets.

Many of Akzo Nobel's chemicals contribute indirectly to making daily life comfortable. Applications include shampoo, toothpaste, laundry softeners, kitchen appliances, and water purification.

Carbon disulfide results were plagued by persistent problems in the world's fiber markets, although higher oil prices would appear to offer some relief, as rayon becomes more cost competitive compared to polyester fibers.

Our global phosphorus chemicals business, mainly for flame retardants, provided excellent returns during 2000.

The construction of a new monochloroacetic acid plant in Taixing, China, is in full swing, and the plant will come on stream in early 2002, further strengthening our global MCA position. Our MCA joint venture, Denak, suffered from the depressed economy in Japan.

CMC products rallied in some markets, notably for oil drilling and mining, rendering good results.

SURFACE CHEMISTRY

Sales EUR 765 million (1999: EUR 640 million)

STRONG PERFORMANCE

Surface Chemistry produces surfactants and fatty acids used in detergents, cleaning formulations, personal care products, and numerous industrial applications, including petroleum and asphalt, as well as rheology additives for coatings and building materials.

Earnings in 2000 clearly exceeded those of 1999.

Surfactants' operations continued to perform favorably, although in Europe they came under pressure from higher raw material costs. Business grew significantly in 2000, spurred by strong U.S. and global economies, continued recovery in Asia and investments made in previous years to remove bottlenecks and expand capacity. Results continued to rise, driven by strong improvements in Oleochemicals, Rheology Additives, and Surfactants outside Europe. In Asia we made considerable progress in 2000, as is reflected in the opening of our new Marketing and Technology Center for Rheology Additives and Surfactants in Singapore.

Rheology Additives achieved significant gains in volume, sales, and operating income as a consequence of a strong new products program. Nevertheless, capacity constraints limited total growth. New capacity at our Örnsköldsvik, Sweden, plant is under construction and due to come on stream in late 2001. Oleochemicals performed well, buoyed by favorable raw material prices and growth resulting from recent capacity expansion in Malaysia.

POLYMER CHEMICALS

Sales EUR 650 million (1999: EUR 590 million)

RECORD BREAKING PERFORMANCE

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

For the fourth consecutive year, the business unit set new records for sales and operating income due to continued growth of the polymer producing industry and the strong U.S. dollar. However, growth slowed considerably in the second half of the year.

Business in Europe was especially strong in the first half of the year, with all product groups contributing. To improve our cost structure, we have decided to gradually transfer all manufacturing operations from Gillingham, United Kingdom, to other sites.

In North America, our metal alkyls results suffered due to a combination of lost volume (competition), lower prices, and higher raw material costs (ethylene and aluminum).
An earnings improvement plan is successfully being implemented. All other product groups performed as expected, although performance during the first half of the year was better than in the second. In South America, we recovered strongly from a weak first quarter to end the year ahead of 1999.

In Asia, we sold our 50% share in the joint venture Tosoh Akzo Corporation, Japan, to Tosoh. Our Korean operation, Akzo Nobel Amides Co. Ltd., which produces amides, gave improved results. The Singapore-based 56% joint venture, Coin Akzo Nobel Peroxides Pte Ltd., created in 1999, and the 88% Tianjin Akzo Nobel Peroxides Co. Ltd. joint venture in China, both for organic peroxides, contributed favorably to results. Overall, results in Asia Pacific were gratifying, helped by the strong recovery of most economies in the region and the strong U.S. dollar.

Our worldwide optical monomers business delivered an excellent performance, achieving record results.

RESINS

Sales EUR 410 million (1999: EUR 320 million)

IMPROVED TECHNOLOGICAL AND GEOGRAPHIC PORTFOLIO

Resins, which was transferred from the Coatings to the Chemicals Group on January 1, 2000, produces a range of specialized products for coatings and printing inks.

Results for 2000 failed to meet the 1999 level. Resins significantly strengthened its geographic and technology portfolio in 2000. The technology portfolio was broadened with the addition of powder resins facilities at Silvertown, United Kingdom, and the UV/EB curing resins business in the United Kingdom taken over on July 1, 2000, from the business unit Plastics and Processing Additives.

A joint venture with Thai Urethane Plastics was set up to strengthen our position in Asian markets. The joint venture, Synthese (Thailand) Co. Ltd., will market and sell alkyd and amino resins and powder resins.

Full ownership of International Pine Products S.A. (IPP) in Argentina was realized in 2000. This together with the purchase of Nares in Portugal at the close of 2000 established us as a leading global player in printing ink resins. The addition of Nares simultaneously made us number one in Europe in printing ink resins.

A global strategic alliance—a reciprocal preferred supplier agreement—was formed with Mitsubishi Rayon Company.

BASE CHEMICALS

Sales EUR 380 million (1999: EUR 325 million)

STRONG PERFORMANCE

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

Despite a depressed caustic market, Base Chemicals more than doubled previous year's earnings, driven by increased volumes, lower costs, and a strong PVC market.

The sale of the 50% VCM/PVC joint venture ROVIN to Shin-Etsu, the world's largest PVC producer, further strengthened our chlor-alkali activities in Rotterdam. The sale of our European sulfuric acid products business in Amsterdam to PVS Chemicals Inc. was completed.

Intense public debate in the Netherlands about the risks of transporting chlorine led to extensive contacts with the authorities on how to reduce transport and still meet sound business criteria.

In spite of low caustic prices, the 50% joint venture ECI Elektro-Chemie GmbH improved its results significantly. A new chlorine plant at Bitterfeld, Germany, based on strong local demand, came on stream by mid-2000.

Our 30% joint venture Methanor, the Netherlands, gave excellent returns due to strong demand and high world methanol prices, mainly driven by high U.S. natural gas prices.

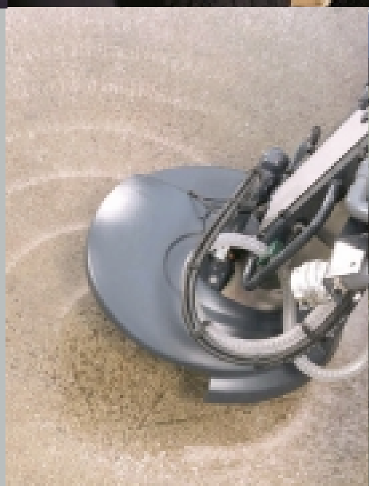
CATALYSTS

Sales EUR 355 million (1999: EUR 295 million)

MARKET POSITION STRENGTHENED; RESULTS SUBSTANTIALLY UP

Catalysts, which creates clean fuel solutions through the catalysts it provides for oil refining and selected chemical industries, again significantly improved results for all product lines. Continued sales growth, further implementation of R&D projects that strengthen technological leadership, and substantial cost reductions led to the second consecutive year of strong profit improvement.



Lower costs and higher market share, particularly in the Americas, drove FCC improvement. New FCC technologies, leading to better products and lower production costs, were successfully implemented. Investments bringing our FCC Pasadena, Texas, plant up to world scale strengthened our leadership in Resid FCC, the highest added-value segment.

The HPC market continues to respond to more stringent fuel specifications, which creates opportunities for new catalyst systems but also limits volume growth of the market. Our STARS technologies have become the industry standard to meet these specifications at low cost. A breakthrough technology for ultra-low sulfur fuels is now being tested by several oil companies. Efforts to ensure structural long-term profitability have already delivered results for both cost reduction and market share growth, the latter particularly in the Americas.

Transportation keeps the economy going. Our products are indispensable in this sector, for instance in road construction, tires, aircraft sealants, hull reinforcement, fuel additives, and deicing.

Despite improved productivity, FCC-S.A., our Brazilian joint venture, reported for the first time disappointing results, due to price pressure. Nippon Ketjen Company, our Japanese joint venture, again posted good results. Eurecat's results are stable and its cooperation with our "total catalyst management" efforts is yielding promising results.

PLASTICS AND PROCESSING ADDITIVES

Sales EUR 240 million (1999: EUR 260 million)

MIXED PERFORMANCE

The business unit produces plastic additives and processing chemicals, such as stabilizers, biocides, and bonding agents, in addition to polysulfide chemicals for use in high-performance sealants. On July 1, 2000, the UV/EB curing agents business was transferred to the business unit Resins.

The business unit's results fell short of those of 1999.

Profitability in Plastics Additives for PVC remained stable. By and large, margins continued to be squeezed, primarily due to pressure on customer industries and the strong British pound. Prospects for heavy-metal-free and organic stabilizers improved due to a voluntary agreement by major parties in PVC manufacturing and processing to stop the use of cadmium in Europe in 2001 and to limit lead compounds by 30% in the coming years. New "green" additives for flexible PVC end use were introduced. Biocides are finding new markets.

Restructuring continued with the closure of the facility in Roermond-West, the Netherlands, and subsequent production transfers to Düren and Greiz, Germany. Concentration on core business resulted in divestments in stearates and polyols.

Our position in Processing Chemicals improved. Our polysulfide chemicals, in particular those for the sealants industry, strengthened their presence in high performance applications worldwide.

SALT

Sales EUR 235 million (1999: EUR 235 million)

LEADING POSITION MAINTAINED IN A RESTRUCTURING MARKET

The business unit produces salt for the chemical industry and a variety of other industries, as well as for household use and deicing purposes.

Salt has maintained its leading position in a European market characterized by increasing competitive pressure due to continuing overcapacity. Results in 2000 trailed the 1999 level. However, a process of market restructuring is clearly in progress, which will enable us to improve our position.

Sales of electrolysis salt, which account for about 70% of sales volume, were high, thanks to strong demand from the chemical industry. Although sales to other sectors were satisfactory, competitive pressure kept price levels down. Steps are being taken to counteract the negative influence of steep hikes in energy prices.

Production at our solar salt facility in Onslow, Western Australia, is on schedule for the first harvest in April 2001. Premarketing activities for a smooth entry into the Asia Pacific chemicals market are underway.

ENERGY

Sales EUR 155 million (1999: EUR 125 million)

ENERGY EFFICIENCY IMPROVED

Through our Energy Efficiency Program, Akzo Nobel's operations in the Netherlands had by year-end 2000 improved energy efficiency by more than 50% compared to 1989, reducing greenhouse emissions and improving our competitive position. Our modern cogeneration joint ventures are responsible for more than 85% of the reduction.

The Energy Efficiency Program's monitoring system is planned to be implemented on Akzo Nobel's energy intensive sites in the United States, Canada, Germany, and Sweden. The extent of the potential savings in these countries is to be established.

The Delesto cogeneration unit (50% joint venture with Dutch utility company Essent) was named "Project of the Year 2000" by the leading international magazine Power Engineering.

OTHER ACTIVITIES

Flexsys

Aided by the strength of the U.S. dollar and successful worldwide price increases, the results of this 50% rubber chemicals joint venture improved in 2000, after a decline in 1999.

The Asia Pacific business has fully recovered from the general downturn of two years ago. The construction in Malaysia of a world-scale Crystex® insoluble sulfur facility to serve growing regional markets is on schedule for commercial startup by mid-2001.

In 2000, Flexsys announced its decision to close primary accelerator production at its Ruabon, United Kingdom, site in a move to cut costs by concentrating sulfenamides activity in Europe at its Antwerp, Belgium, site.

Delamine

The 50% joint venture in ethylene amines continued to improve production capacity and reliability at its Delfzijl plant in the Netherlands.

Despite market recovery for a number of applications, steep increases in raw material prices put pressure on margins. Results in 2000 were on par with those of 1999.

FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Change in Accounting Principles

In line with the general practice in the industry, starting from 2000, purchased goodwill is capitalized and amortized on a straight-line basis over the estimated useful life, up to a maximum of 20 years. Goodwill used to be charged directly to equity. Goodwill arising from acquisitions prior to 2000 is not capitalized retroactively. Adjustments to goodwill arising from acquisitions made in 1999 are recognized in line with the former accounting principles.

In 2000, total goodwill capitalized was EUR 119 million and the amortization charge amounted to EUR 3 million. The amount charged to shareholders' equity for adjustments of goodwill arising from acquisitions made in 1999 aggregated EUR 16 million.

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. Foreign exchange differences are included in income. Results on currency hedging contracts are also recognized in income to offset the foreign exchange differences on the related hedged items.
The capitalized or accrued amount is included in receivables or current liabilities. 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 resulting from translation into euros of intercompany loans and of shareholders' equities of affiliated companies outside the Netherlands 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	
	2000	1999	**2000**[1]	1999[1]
USD	**0.928**	1.003	**0.926**	1.067
GBP	**0.622**	0.621	**0.607**	0.655
SEK	**8.820**	8.560	**8.472**	8.781

[1] *Average rates.*

Principles of Valuation of Assets and Liabilities

Intangible Assets
Purchased goodwill is capitalized and amortized on a straight-line basis over the estimated useful life, up to a maximum of 20 years. 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 life of such facilities. In cases were the book value so computed permanently exceeds the value to the business additional write-downs are made.

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 value.

Provisions
Provisions are recorded when it is probable that a liability has been incurred, and the amount involved is reasonably estimable. Provisions are stated at face value, except for certain long-term provisions. Provisions in respect of pension obligations and other such obligations are generally computed on an actuarial basis.

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 Borrowings and Short-Term Debt

Long-term borrowings 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.

- Royalty income is recognized on an accrual basis under Other Results.

- 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. For basic earnings per share the weighted average number of common shares was 285,902,574 for 2000 and 285,441,344 for 1999. For diluted earnings per share this was 286,155,360 and 285,523,521, respectively.

Consolidated Statement of Income

Millions of euros	NOTE	2000		1999	
Net sales			**14,003**		14,432
Cost of sales			**(7,427)**		(8,514)
Gross margin			**6,576**		5,918
Selling expenses		**(3,467)**		(3,136)	
Research and development expenses		**(790)**		(726)	
General and administrative expenses		**(755)**		(740)	
Other results	1	**88**		48	
			(4,924)		(4,554)
Operating income before nonrecurring items			**1,652**		1,364
Nonrecurring items	2		**(43)**		(41)
Operating income, after nonrecurring items			**1,609**		1,323
Financing charges	3		**(272)**		(275)
Operating income less financing charges			**1,337**		1,048
Taxes	4		**(446)**		(344)
Earnings of consolidated companies after taxes			**891**		704
Earnings from nonconsolidated companies		**65**		52	
Nonrecurring gain/(loss) nonconsolidated companies		**78**		(12)	
	5		**143**		40
Earnings before minority interest			**1,034**		744
Minority interest			**(43)**		(25)
Net income before extraordinary items			**991**		719
Extraordinary items after taxes	6		**(25)**		(515)
Net income			**966**		204
Net income excluding extraordinary and nonrecurring items			**946**		759
In EUR:					
Basic net income per share			**3.38**		0.71
Basic net income excluding extraordinary and nonrecurring items per share			**3.31**		2.66
Diluted net income per share			**3.38**		0.71
Diluted net income excluding extraordinary and nonrecurring items per share			**3.31**		2.66

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

AFTER ALLOCATION OF PROFIT

Millions of euros, December 31	NOTE	**2000**		1999	
Assets					
Noncurrent assets					
Intangible assets	8		**403**		304
Property, plant and equipment	9		**4,501**		4,435
Financial noncurrent assets:	10				
– nonconsolidated companies		**673**		644	
– deferred tax assets		**325**		244	
– other financial noncurrent assets		**373**		394	
			1,371		1,282
			6,275		6,021
Current assets					
Inventories	11	**2,267**		2,091	
Receivables	12	**3,176**		2,981	
Cash and cash equivalents	13	**416**		932	
			5,859		6,004
Total			**12,134**		12,025
Equity and liabilities					
Equity	14				
Akzo Nobel N.V. shareholders' equity		**2,446**		1,861	
Minority interest		**159**		154	
			2,605		2,015
Provisions	15		**2,215**		1,835
Long-term borrowings	16		**2,729**		2,678
Short-term debt					
Short-term borrowings	17	**1,967**		2,803	
Current liabilities	18	**2,618**		2,694	
			4,585		5,497
Total			**12,134**		12,025

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Millions of euros	**2000**		1999	
Total earnings before minority interest	**1,009**		229	
Depreciation and amortization	**669**		776	
Cash flow		**1,678**		1,005
Other adjustments to reconcile earnings to cash provided by operations:				
– (gain)/loss on divestments	**(125)**		483	
– write-downs	**73**		13	
– equity in earnings of nonconsolidated companies	**(154)**		(57)	
– dividends from nonconsolidated companies	**32**		46	
– changes in provisions	**314**		(217)	
– changes in deferred tax assets	**(54)**		(57)	
– other changes	**2**		79	
		88		290
Change in working capital[1]		**(408)**		140
Net cash provided by operations		**1,358**		1,435
Purchase of intangible assets	**(45)**		(24)	
Expenditures for property, plant and equipment	**(725)**		(797)	
Proceeds from sale of property, plant and equipment	**114**			
Investments in nonconsolidated companies	**(13)**		(35)	
Redemption loans nonconsolidated companies	**83**			
Acquisition of consolidated companies[2]	**(270)**		(725)	
Proceeds from sale of interests[2]	**244**		1,039	
Other changes in financial noncurrent assets[3]	**30**		19	
Net cash used for investments		**(582)**		(523)
		776		912
Issuance of shares	**1**		2	
New long-term borrowings	**155**		230	
Repayment of long-term borrowings	**(222)**		(479)	
Changes in short-term borrowings	**(917)**		(8)	
Net cash used for financing activities		**(983)**		(255)
		(207)		657
Dividends paid		**(313)**		(304)
		(520)		353
Effect of exchange rate changes on cash and cash equivalents		**4**		43
Change in cash and cash equivalents		**(516)**		396
Cash and cash equivalents at beginning of year		**932**		536
Cash and cash equivalents at end of year		**416**		932

See note 21.

1) *Inventories and receivables less current liabilities, exclusive of dividends.*
2) *Net of cash of acquired or divested interests.*
3) *Excluding deferred tax assets.*

The accompanying notes are an integral part of these consolidated financial statements.

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

After the acquisition of Courtaulds plc in 1998, the fibers operations of Akzo Nobel and Courtaulds were combined into a separate organization, named Acordis. At December 31, 1999, Acordis was sold for EUR 640 million to a newly established company. Akzo Nobel acquired a 21% interest in this company and extended a subordinated loan of EUR 138 million. In 1999, the Company recognized an extraordinary loss after taxes of EUR 515 million for the separation and divestment of Acordis.

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 goodwill of EUR 300 million in 1999. In 2000, additional goodwill of EUR 16 million was recognized as a charge to shareholders' equity.

At year-end 2000, Chefaro, Akzo Nobel's Over-The-Counter activity, was divested for EUR 140 million. The gain on this divestment was EUR 90 million.

During 1999 and 2000, Akzo Nobel acquired and deconsolidated various other businesses, none of which were significant to the consolidated financial statements.

Segment Information

	Net sales to third parties		Group net sales		Operating income before nonrecurring items		Operating income, after nonrecurring items		Earnings from nonconsolidated companies	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
Pharma	**3,838**	2,865	**3,839**	2,865	**772**	595	**774**	572	**3**	2
Coatings	**5,547**	5,256	**5,568**	5,266	**455**	441	**453**	441	**4**	–
Chemicals	**4,589**	4,004	**4,740**	4,154	**456**	392	**390**	385	**47**	43
Acordis		2,231		2,242		(62)		(62)		6
Other	**29**	76	**36**	131	**(31)**	(2)	**(8)**	(13)	**11**	1
Total	**14,003**	14,432	**14,183**	14,658	**1,652**	1,364	**1,609**	1,323	**65**	52
Intergroup revenues			**(180)**	(226)						
			14,003	14,432						

	Total assets		Total liabilities excluding borrowings		Expenditures for property, plant and equipment		Investments in intangible assets		Depreciation and amortization	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999	**2000**	1999
Pharma	**2,970**	2,661	**719**	718	**214**	199	**16**	16	**168**	141
Coatings	**3,392**	3,316	**1,372**	1,468	**170**	155			**151**	148
Chemicals	**3,964**	3,741	**1,195**	1,229	**329**	311	**29**	33	**337**	299
Acordis						107				160
Miscellaneous products, nonallocated and eliminations including cash and cash equivalents	**1,135**	1,663	**1,547**	1,114	**12**	25			**13**	28
Nonconsolidated companies	**673**	644								
Total	**12,134**	12,025	**4,833**	4,529	**725**	797	**45**	49	**669**	776

As from January 1, 2000, Resins was transferred from Coatings to Chemicals. The 1999 Coatings and Chemicals figures have been restated accordingly.

	Sales by country of destination		Total assets		Expenditures for property, plant and equipment	
	2000	1999	**2000**	1999	**2000**	1999
The Netherlands	**787**	862	**2,820**	2,775	**156**	214
Germany	**1,064**	1,436	**1,567**	691	**51**	68
Sweden	**538**	524	**793**	939	**74**	70
United Kingdom	**1,052**	1,164	**737**	1,003	**56**	69
Other European countries	**3,879**	4,327	**2,017**	2,333	**96**	121
USA and Canada	**3,596**	3,382	**2,259**	1,978	**193**	144
Latin America	**944**	841	**592**	548	**35**	36
Asia	**1,466**	1,223	**866**	741	**35**	35
Other regions	**677**	673	**324**	294	**29**	40
Total	**14,003**	14,432	**11,975**	11,302	**725**	797
Eliminations and cash and cash equivalents			**(514)**	79		
Nonconsolidated companies			**673**	644		
Total			**12,134**	12,025		

CONSOLIDATED STATEMENT OF INCOME

Note [1]

Other Results

	2000	1999
Royalties	**66**	39
Results on sale of redundant assets	**2**	(1)
Currency exchange differences	**2**	(2)
Other items	**18**	12
	88	48

Note [2]

Nonrecurring Items

In 2000, the following nonrecurring items were recognized:

Pension premium refund Sweden	52
Asset impairments and restructurings at	
– Chemicals	(77)
– Coatings	(18)
	(43)

In 1999, nonrecurring charges for restructurings were as follows:

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

Note [3]

Financing Charges

	2000	1999
Interest received and similar income	**26**	25
Interest paid and similar expenses	**(298)**	(300)
	(272)	(275)

Interest paid was reduced by EUR 9 million (1999: EUR 9 million) due to the capitalization of financing expenses of capital investment projects under construction.

Note [4]

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	2000	1999
Corporate tax rate in the Netherlands	**35**	35
Effect of lower tax rates in specific countries	**(2)**	(4)
Tax exempt income	**(1)**	–
Losses of the year, not recognized as deferred tax asset	**1**	2
	33	33

At December 31, 2000, losses carried forward for which no deferred tax assets had been recognized, amounted to EUR 130 million, of which EUR 60 million will expire within five years. For an amount of EUR 35 million of losses there is no expiration date.

Note [5]

Earnings from Nonconsolidated Companies

Earnings from nonconsolidated companies were net of a tax charge of EUR 16 million (1999: EUR 8 million). The net nonrecurring after-tax gain in 2000 relates to the gain on the divestment of the Company's participation in Tosoh Akzo Corporation and the Company's share in the gain on the divestment of Twaron Products by Acordis, partially offset by the effect of the settlement for the Acordis divestment. The 1999 nonrecurring loss is due to the divestment of the Company's participation in ROVIN.

Note [6]

Extraordinary Items

In 2000 the following extraordinary items were recognized:

	Gross	Taxes	Net
Divestiture			
– Chefaro	90		90
– Other	40	(5)	35
Antitrust cases	(200)	50	(150)
	(70)	45	(25)

For information on the divestiture of Chefaro reference is made to Changes in Consolidated Interests on page 72.

For information on the antitrust cases reference is made to note 19.

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 information on the Acordis divestment reference is made to Changes in Consolidated Interests on page 72.

Note [7]

Salaries, Wages, and Social Charges

	2000	1999
Salaries and wages	**2,569**	2,935
Pension costs	**213**	179
Other social charges	**499**	541
	3,281	3,655

Employees

Average number of employees	**2000**	1999
Pharma	**21,200**	18,300
Coatings	**30,100**	30,400
Chemicals	**15,600**	15,000
Acordis		17,400
Other units	**1,300**	3,500
	68,200	84,600
Number of employees at December 31	**68,400**	68,000

CONSOLIDATED BALANCE SHEET

Note [8]

Intangible Assets

	Total	Goodwill	Licences and intellectual property rights	Preparation and start-up expenses
Situation at December 31, 1999				
Cost of acquisition	363		326	37
Amortization	(59)		(47)	(12)
Book value	304		279	25
Changes in book value				
Acquisitions	144	119	20	5
Investments	45		33	12
Disinvestments	(15)		(15)	
Amortization	(38)	(3)	(30)	(5)
Reclassification	(38)		(38)	
Changes in exchange rates	1	–	–	1
Total changes	99	116	(30)	13
Situation at December 31, 2000				
Cost of acquisition	496	119	321	56
Amortization	(93)	(3)	(72)	(18)
Book value	**403**	**116**	**249**	**38**

Note [9]

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, 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
Changes in book value						
Acquisitions	88	76	1	11		
Divestitures	(30)	(9)	(10)		(4)	(7)
Capital expenditures	725	234	437	84	(46)	16
Disinvestments	(92)	(7)	(11)	(6)		(68)
Depreciation	(631)	(108)	(428)	(79)		(16)
Write-downs	(73)	(4)	(67)	(2)		
Changes in exchange rates	79	37	36			6
Total changes	66	219	(42)	8	(50)	(69)
Situation at December 31, 2000						
Cost of acquisition	9,863	2,744	5,712	884	427	96
Depreciation	(5,362)	(958)	(3,699)	(612)		(93)
Book value	**4,501**	**1,786**	**2,013**	**272**	**427**	**3**

The book value of property, plant and equipment financed by installment buying and leasing was EUR 15 million at December 31, 2000 (at December 31, 1999: EUR 18 million).

Note [10]

Financial Noncurrent Assets

		Nonconsolidated companies			
	Total	Share in capital	Loans	Deferred tax assets	Other
Situation at December 31, 1999	1,282	465	179	244	394
Acquisitions/deconsolidations/investments	84	7	6	25	46
Disinvestments/repayments	(175)	(25)	(83)		(67)
Equity in earnings	154	154			
Dividends received	(32)	(32)			
Taxes on income	54			54	
Changes in exchange rates	4	2		2	–
Situation at December 31, 2000	**1,371**	**571**	**102**	**325**	**373**

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 141 million at year-end 2000 (at December 31, 1999: EUR 124 million). Equity in 2000 earnings was EUR 31 million, against EUR 22 million in 1999. At year-end 2000, these partnerships accounted for EUR 4 million of short-term receivables from nonconsolidated companies (at December 31, 1999: EUR 38 million).

Note [11] **Inventories**

	2000	1999
Raw materials and supplies	**676**	614
Work in process	**429**	372
Finished products and goods for resale	**1,157**	1,093
Inventory prepayments	**5**	12
	2,267	2,091

Note [12] **Receivables**

	2000	1999
Trade receivables	**2,358**	2,231
Taxes	**189**	98
Receivables from nonconsolidated companies	**89**	203
Prepaid expenses	**141**	166
Other receivables	**412**	305
	3,189	3,003
Discounted portion	**(13)**	(22)
	3,176	2,981

For details on receivables from nonconsolidated companies reference is made to note 10.

At December 31, 2000, other receivables included a pension premium refund receivable in Sweden of EUR 42 million and a receivable for the divestiture of Chefaro amounting to EUR 35 million.

Note [13] **Cash and Cash Equivalents**

	2000	1999
Short-term investments	**99**	255
Cash on hand and in banks	**317**	677
	416	932

Short-term investments almost entirely consist of cash loans, time deposits, marketable private borrowings, and debentures immediately convertible into cash. At December 31, 2000, the amount of cash and cash equivalents was freely available.

Note [14] **Equity**

	Akzo Nobel N.V. shareholders' equity	Minority interest
Situation at December 31, 1999	1,861	154
Issuance of shares	1	
Income for the year	966	43
Dividend	(343)	(28)
Changes in minority interest in subsidiaries		(10)
Goodwill	(16)	
Changes in exchange rates	(23)	
Situation at December 31, 2000	**2,446**	**159**

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 [15] **Provisions**

	2000	1999
Deferred taxes	**403**	197
Pension obligations	**946**	854
Restructuring of activities	**268**	345
Environmental costs	**221**	235
Other	**377**	204
	2,215	1,835

The current portion of provisions amounted to EUR 428 million (at December 31, 1999: EUR 358 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, 2000, as at December 31, 1999, 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 19.

Other Provisions

Other provisions relate to a great variety of risks and commitments. Included are provisions for antitrust cases of EUR 170 million. Reference is made to note 19.

Note [16]

Long-Term Borrowings

	2000	1999
Debentures:		
– issued by Akzo Nobel N.V.	**1,147**	1,147
– issued by consolidated companies	**1,038**	966
Private borrowings	**30**	41
Debt to credit institutions	**417**	391
Other borrowings	**97**	133
	2,729	2,678

The total amount of long-term credit facilities arranged by Akzo Nobel was USD 1.0 billion (at December 31, 2000: EUR 1.1 billion; at December 31, 1999: EUR 1.0 billion). At the end of 2000 the facility was not used, whereas at year-end 1999 USD 451 million (EUR 450 million) was utilized. Furthermore, the Company has a EUR 1.0 billion short-term back-up facility.

In 2000 the average interest rate was 5.8% (1999: 6.0%).

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, 2000: EUR 539 million; at December 31, 1999: EUR 499 million).

Debt to credit institutions were secured to an aggregate amount of EUR 9 million (at December 31, 1999: EUR 6 million) by means of mortgages, etc.

For details on financial instruments reference is made to note 20.

Aggregate maturities of long-term borrowings are as follows:

	2001	2002/2005	after 2005
Debentures:			
– issued by Akzo Nobel N.V.	136	500	511
– issued by consolidated companies	124	625	289
Private borrowings	14	7	9
Debt to credit institutions	288	43	86
Other borrowings	30	32	35
	592	1,207	930

Note [17]

Short-Term Borrowings

	2000	1999
Commercial paper	**1,585**	1,888
Debt to credit institutions	**370**	908
Borrowings from nonconsolidated companies	**12**	7
	1,967	2,803

Commercial paper relates to Akzo Nobel's commercial paper program in the United States, which at December 31, 2000, as at December 31, 1999, had a maximum of USD 1.0 billion (year-end 2000: EUR 1.1 billion; year-end 1999: EUR 1.0 billion), and to Akzo Nobel's Euro commercial paper program, which at December 31, 2000, had a maximum of EUR 1.5 billion (at December 31, 1999: EUR 1.0 billion).

For details on financial instruments reference is made to note 20.

Note [18] **Current Liabilities**

	2000	1999
Prepayments by customers	**20**	19
Suppliers	**1,433**	1,482
Debt to nonconsolidated companies	**15**	40
Taxes and social security contributions	**246**	247
Amounts payable to employees	**297**	253
Dividends	**259**	201
Pensions	**16**	17
Other liabilities	**332**	435
	2,618	2,694

Note [19] **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 15, the provisions for environmental costs accounted for in accordance with the aforesaid policies aggregated EUR 221 million at December 31, 2000 (at December 31, 1999: EUR 235 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.

Antitrust Cases

Akzo Nobel is involved in investigations by the antitrust authorities in the United States, Canada, and the European Union into alleged violations of the respective antitrust laws for some products in these jurisdictions. As the Company had already considerably reinforced its antitrust compliance program, it was able to offer its full cooperation to the relevant authorities in the context of a number of pending cases. In addition, the Company is involved in civil damage claims in relation to some of these alleged antitrust violations. Legal costs and civil damage settlements incurred in 2000 in connection with these cases amounted to EUR 30 million. Based on an estimate of the probable costs, fines, and civil damages to be paid over a number of years to come–taking into account legal advice and the current facts and circumstances–the Company has recorded a further provision amounting to EUR 170 million; reference is made to note 15.

However, it should be understood, that in light of future developments such as (a) the outcome of the investigations of the various antitrust authorities, (b) potential additional lawsuits by (indirect) purchasers, (c) possible future civil settlements, (d) the failure to satisfy the conditions of any future class action settlement, and (e) adverse rulings or judgments in the pending investigations or in related civil suits, the antitrust matters could result in additional liabilities and related costs. The Company at this point in time could not estimate any additional amount of loss or range of loss in excess of the recorded amounts with sufficient certainty to allow such amount or range of amounts to be meaningful. Moreover, the aforementioned liabilities are typically paid over a number of years and the timing of such payments cannot be predicted with confidence. The Company believes that the potential aggregate amount of any additional fines and civil damages to be paid will not materially affect the Company's financial position. The aggregate amount, however, 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, but could be material to the Company's result of operations in any one accounting period.

Commitments

Purchase commitments for property, plant and equipment aggregated EUR 41 million at December 31, 2000. At December 31, 1999, these commitments totaled EUR 49 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 639 million at December 31, 2000 (at December 31, 1999: EUR 634 million). Payments due within one year amount to EUR 143 million (1999: EUR 168 million); payments due after more than five years amount to EUR 239 million (1999: EUR 228 million).

Guarantees relating to nonconsolidated companies totaled EUR 26 million (at December 31, 1999: EUR 65 million). As general partners in several partnerships, Akzo Nobel companies are liable for obligations incurred by these partnerships. At December 31, 2000, the risk ensuing from these liabilities was EUR 84 million (at December 31, 1999: EUR 83 million).

Note [20] 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, 2000, outstanding contracts to buy currencies totaled EUR 0.6 billion (at December 31, 1999: EUR 2.2 billion), while contracts to sell currencies totaled EUR 1.5 billion (at December 31, 1999: EUR 1.4 billion). These contracts mainly relate to pounds sterling, U.S. dollars, Swedish kronor, Danish kroner, and Japanese yen.

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 borrowings 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 5 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 5 years.

The Company has entered into interest rate cap agreements with a cap rate of 8½% for an amount of USD 200 million (year-end 2000: EUR 215 million; year-end 1999: EUR 199 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 38 million at December 31, 2000. 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.

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.

Fair Value of Financial Instruments

The carrying values and estimated fair values of financial instruments do not differ materially with the exception of the following:

	December 31, 2000		December 31, 1999	
Asset/(liability)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Foreign currency contracts	11	14	24	26
Swap contracts	–	–	(4)	(8)
Interest swap contracts	–	15	–	17
Interest rate cap contracts	1	–	2	1
Long-term borrowings	(2,729)	(2,724)	(2,678)	(2,647)

CONSOLIDATED STATEMENT OF CASH FLOWS

Note [21]

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 borrowings	Short-term borrowings
Changes in 2000 balance sheet items	505	380	51	(836)
Eliminations:				
– changes in exchange rates	(43)	(13)	(80)	(73)
– changes in consolidation	(44)	(56)	(38)	(8)
Other changes[2]	(10)	3		
Changes in 2000 financial position	408	314	(67)	(917)

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	**2000**	1999
Net income from affiliated companies	a	**983**	241
Other net income		**(17)**	(37)
Net income		**966**	204

Akzo Nobel N.V. Balance Sheet

AFTER ALLOCATION OF PROFIT

Millions of euros, December 31	NOTE	**2000**		1999	
Assets					
Noncurrent assets					
Financial noncurrent assets	c		**8,694**		7,263
Current assets					
Receivables	d	**235**		161	
Cash and cash equivalents	e	**17**		338	
			252		499
Total			**8,946**		7,762
Shareholders' Equity and Liabilities					
Shareholders' equity	f				
Subscribed share capital		**649**		649	
Additional paid-in capital		**1,796**		1,784	
Statutory reserves		**–**		–	
Cumulative currency translation differences		**(595)**		(572)	
Other reserves		**596**		–	
			2,446		1,861
Long-term borrowings	g		**5,259**		4,026
Short-term debt	h		**1,241**		1,875
Total			**8,946**		7,762

The accompanying notes are an integral part of these financial statements.

Notes to Akzo Nobel N.V. Statement of Income and Balance Sheet

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 66 through 68. Thus net income and shareholders' equity are equal to net income and shareholders' equity as shown in the consolidated financial statements on pages 69 and 70. 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 and Shares of the Members of the Supervisory Board and the Board of Management**

Total Remuneration
In 2000, the remuneration for members of the Supervisory Board was EUR 449,000 (1999: EUR 435,000). Former members of the Supervisory Board did not receive any remuneration in 2000, as in 1999.

In 2000, remuneration for members of the Board of Management, including expenses for pensions and other such obligations, amounting to EUR 5,964,000 (1999: EUR 5,084,000) was charged to Akzo Nobel N.V. and its subsidiaries. The charges for former members of the Board of Management amounted to EUR 107,000 (1999: EUR 118,000).

Supervisory Board
In respect of their functions the members of the Supervisory Board received in 2000 the following remuneration:

Euros	
Aarnout A. Loudon, *Chairman*[1]	54,200
Frits H. Fentener van Vlissingen, *Deputy Chairman*[1] [2]	45,400
Virginia Bottomley, from May 1, 2000	27,200
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 [2]	45,400
Maarten C. van Veen [3]	43,900
Lo C. van Wachem [1]	45,400
Dieter Wendelstadt [1], till May 1, 2000	15,100

[1] *Member of the Nomination and Remuneration Committee.*
[2] *Member of the Audit Committee.*
[3] *Member of the Nomination and Remuneration Committee from May 1, 2000.*

At December 31, 2000, the members of the Supervisory Board held 51,883 Akzo Nobel N.V. common shares and no options. The specification is as follows:

Number of shares	
Frits H. Fentener van Vlissingen	42,332
L. Paul Bremer, III	500
Abraham E. Cohen	4,000
Jean G.A. Gandois	800
Maarten C. van Veen	297
Lo C. van Wachem	3,954

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 specific targets; as from the year 2000 this component is primarily dependent on the Economic Value Added realized.

The salaries of the members of the Board of Management were adapted for the last time per May 1, 1999 and were consequently not changed during the year 2000. For 2000 the members of the Board of Management received the following salaries and performance-related bonuses:

Euros	**2000**	1999
Cees J.A. van Lede, *Chairman*		
Salary	**490,100**	466,600
Bonus	**480,000**	276,800
	970,100	743,400
Fritz W. Fröhlich, *Deputy Chairman*		
Salary	**444,600**	426,100
Bonus	**386,000**	224,600
	830,600	650,700
Paul K. Brons		
Salary	**397,000**	381,200
Bonus	**311,000**	181,500
	708,000	562,700
Rudy M.J. van der Meer		
Salary	**397,000**	381,200
Bonus	**311,000**	181,500
	708,000	562,700
Ove H. Mattsson, till July 1, 2000		
Salary	**198,500**	381,200
Bonus	**155,500**	181,500
	354,000	562,700
Dag Strömqvist, from July 1, 2000		
Salary	**198,500**	
Bonus	**155,500**	
	354,000	

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 in the year that they reach the age of 62. In 2000, as 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.

Stock Options[1)]

The conditional options issued to the members of the Board of Management in 2000 have an exercise price of EUR 44.82 and the expiry date is April 27, 2010. A definitive grant of 50% of these options is dependent on certain performance indicators to be met three years after the date of grant.

The aggregate number of options held by the present members of the Board of Management is as follows:

Number of options	Outstanding at January 1, 2000	Granted in 2000	Outstanding at December 31, 2000	Exercise price in EUR	Expiry date
Cees J.A. van Lede	20,592		20,592	28.10	April 28, 2002
	36,000		36,000	47.40	April 28, 2003
	36,000		36,000	42.50	April 26, 2004
		39,600	39,600	44.82	April 27, 2010
Fritz W. Fröhlich	24,000		24,000	47.40	April 28, 2003
	27,000		27,000	42.50	April 26, 2004
		29,700	29,700	44.82	April 27, 2010
Paul K. Brons	8,164		8,164	22.45	April 27, 2001
	15,060		15,060	28.10	April 28, 2002
	24,000		24,000	47.40	April 28, 2003
	24,000		24,000	42.50	April 26, 2004
		26,400	26,400	44.82	April 27, 2010
Rudy M.J. van der Meer	16,164		16,164	22.45	April 27, 2001
	15,060		15,060	28.10	April 28, 2002
	24,000		24,000	47.40	April 28, 2003
	24,000		24,000	42.50	April 26, 2004
		26,400	26,400	44.82	April 27, 2010
Dag Strömqvist	6,000		6,000	47.40	April 28, 2003
	6,000		6,000	42.50	April 26, 2004
		3,300	3,300	44.82	April 27, 2005
		13,200	13,200	44.82	April 27, 2010
	306,040	138,600	444,640		

All the options with an expiry date after the year 2003 are conditional options; the remainder is unconditional.

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

At December 31, 2000, the members of the Board of Management held 1,598 Akzo Nobel N.V. common shares. The specification is as follows:

Number of shares	
Cees J.A. van Lede	394
Rudy M.J. van der Meer	4
Dag Strömqvist	1,200

Members of the Board of Management held no options other than the aforementioned stock options.

BALANCE SHEET

Note [c]

Financial Noncurrent Assets

		Consolidated companies		Nonconsolidated companies		
	Total	Share in capital	Loans[1]	Share in capital	Loans	Other financial noncurrent assets
Situation at December 31, 1999	7,263	1,366	5,736	12	138	11
Investments/disinvestments	3,805	3,817		(12)		
Equity in earnings	983	983				
Dividends received	(2,478)	(2,478)				
Loans granted	2,790		2,790			
Repayment of loans	(3,630)		(3,559)		(69)	(2)
Changes in exchange rates	(23)	(32)	9			
Goodwill	(16)	(16)				
Situation at December 31, 2000	**8,694**	**3,640**	**4,976**		**69**	**9**

Note [d]

Receivables

	2000	1999
Receivables from consolidated companies	**59**	83
Receivables from nonconsolidated companies	**28**	21
Taxes	**68**	
Other receivables	**80**	57
	235	161

Note [e]

Cash and Cash Equivalents

	2000	1999
Short-term investments	**6**	91
Cash on hand and in banks	**11**	247
	17	338

At December 31, 2000, the amount of cash and cash equivalents was freely available.

[1] *Loans to these companies have no fixed repayment schedule.*

Note [f]

Shareholders' Equity

	Subscribed share capital	Additional paid-in capital	Statutory reserves	Cumulative translation differences	Other reserves	Shareholders' equity
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
Issue of common shares	–	1				1
Income for the year					966	966
Dividend					(343)	(343)
Goodwill[1)]		11			(27)	(16)
Changes in exchange rates in respect of affiliated companies				(23)		(23)
Situation at December 31, 2000	**649**	**1,796**	**–**	**(595)**	**596**	**2,446**

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, 285,937,700 common shares and no preferred shares. In 2000, 52,176 common shares were issued in connection with the exercise of options.

Stock Options

In 1999, Akzo Nobel's stock option scheme was revised. Options are 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. In the year 2000 options were granted to approximately 650 persons (1999: approximately 800). The options expire after five years (except for those granted to the members of the Board of Management as from 2000) and can 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 grant.

One option entitles the holder thereof to buy one common share of NLG 5 par value. The exercise price is the Amsterdam Exchanges closing price on the first day that the Akzo Nobel share is quoted ex dividend.

1) *Includes reversal of EUR 11 million goodwill charge against additional paid-in capital of 1999.*

Outstanding Option Rights (including Board of Management)

Expiry date	Year of issue	Options issued	Exercise price in EUR	Options outstanding at December 31, 2000	1999
Unconditional options					
April 27, 2000	1995	317,912	20.40		14,156
April 27, 2001	1996	333,360	22.45	**47,204**	65,336
April 28, 2002	1997	277,920	28.10	**104,264**	116,060
April 28, 2003	1998	462,200	47.40	**437,100**	448,600
Total				**588,568**	644,152
Conditional options					
April 26, 2004	1999	1,163,400	42.50	**1,131,600**	1,155,400
April 27, 2005	2000	908,920	44.82	**899,020**	
April 27, 2010	2000	148,500	44.82	**148,500**	
Total				**2,179,120**	1,155,400

The number of unconditional options lapsed in 2000 was nil (1999: 13,600) and conditional options 33,700 (1999: 8,000).

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 Borrowings

	2000	1999
Debentures	**1,147**	1,147
Debt to consolidated companies	**4,110**	2,877
Other borrowings	**2**	2
	5,259	4,026

Debentures

	2000	1999
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 6.2% in 2000 (1999: 4.6%).

Note [h] **Short-Term Debt**

	2000	1999
Debt to credit institutions	**155**	596
Commercial paper	**763**	950
Taxes and social security contributions		53
Debt to consolidated companies	**10**	6
Borrowings from nonconsolidated companies	**10**	6
Dividend	**258**	201
Other liabilities	**45**	63
	1,241	1,875

Commercial paper relates to Akzo Nobel's Euro commercial paper program, which at December 31, 2000, had a maximum of EUR 1.5 billion (at December 31, 1999: EUR 1.0 billion).

Note [i] **Liabilities Not Shown in the Balance Sheet**

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, 2000 aggregating EUR 0.9 billion (at December 31, 1999: EUR 1.0 billion), are included in the consolidated balance sheet.

Additionally, guarantees were issued in behalf of consolidated companies in the amount of EUR 2.5 billion (1999: EUR 2.6 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, Akzo Nobel Car Refinishes (Ireland) Limited, and Akzo Nobel Decorative Coatings Ireland Limited, under section 5(c) of the Companies (Amendment) Act 1986 Ireland.

Guarantees relating to nonconsolidated companies amounted to EUR 26 million (1999: EUR 65 million).

Arnhem, February 22, 2001

The Board of Management
Cees J.A. van Lede
Fritz W. Fröhlich
Paul K. Brons
Rudy M.J. van der Meer
Dag Strömqvist

The Supervisory Board
Aarnout A. Loudon
Frits H. Fentener van Vlissingen
Virginia Bottomley
L. Paul Bremer, III
Abraham E. Cohen
Jean G.A. Gandois
Hilmar Kopper
Lars H. Thunell
Maarten C. van Veen
Lo C. van Wachem

AUDITORS' REPORT

We have audited the 2000 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, 2000, 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 22, 2001

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 6, of the Articles of Association, EUR 623 million of net income is carried to other reserves.

Furthermore, with due observance of article 43, paragraph 7, it is proposed that dividend on priority shares of EUR 1,307 and on common shares of EUR 343 million will be distributed.

Following the acceptance of this proposal, the holders of common shares will receive a dividend of EUR 1.20 per share of NLG 5, of which EUR 0.30 was paid earlier as an interim dividend. The final dividend of EUR 0.90 will be made available from May 14, 2001.

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	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991
Net sales	**14,003**	14,432	12,482	10,914	10,182	9,751	10,078	7,491	7,584	7,647
Operating income before nonrecurring items	**1,652**	1,364	1,242	1,121	922	895	877	486	539	525
Nonrecurring items	**(43)**	(41)	(165)	(3)						
Operating income, after nonrecurring items	**1,609**	1,323	1,077	1,118	922	895	877	486	539	525
Financing charges	**(272)**	(275)	(207)	(124)	(119)	(118)	(129)	(99)	(108)	(126)
Taxes	**(446)**	(344)	(303)	(330)	(268)	(271)	(224)	(123)	(129)	(120)
Earnings from nonconsolidated companies	**143**	40	23	54	41	62	46	37	30	29
Earnings from normal operations, after taxes	**1,034**	744	590	718	576	568	570	301	332	308
Extraordinary items, after taxes	**(25)**	(515)				(16)	(36)	(66)	(30)	(50)
Net earnings before minority interest	**1,009**	229	590	718	576	552	534	235	302	258
Minority interest	**(43)**	(25)	(16)	(17)	(16)	(20)	(17)	(2)	(9)	5
Net income	**966**	204	574	701	560	532	517	233	293	263
Net income excluding extraordinary and nonrecurring items	**946**	759	703	700	560	548	553	299	323	313
Common shares, in millions at December 31	**285.9**	285.9	285.3	285.2	284.7	284.3	284.3	215.9	184.0	183.8
Dividend	**343**	286	278	275	242	226	226	154	136	136
Per common share, in EUR										
Net income	**3.38**	0.71	2.01	2.46	1.97	1.87	1.82	1.24	1.59	1.43
Net income excluding extraordinary and nonrecurring items	**3.31**	2.66	2.46	2.46	1.97	1.93	1.95	1.59	1.76	1.71
Dividend	**1.20**	1.00	0.98	0.97	0.85	0.79	0.79	0.74[1]	0.74	0.74
Shareholders' equity	**8.55**	6.51	6.66	14.63	12.49	10.73	10.32	12.93	12.52	11.75
Number of employees at December 31	**68,400**	68,000	85,900	68,900	70,700	69,800	70,400	60,700	62,500	65,200
Salaries, wages, and social charges	**3,281**	3,655	3,272	2,897	2,750	2,685	2,735	2,306	2,305	2,311
Ditto, as % of net sales	**23.4**	25.3	26.2	26.5	27.0	27.5	27.1	30.8	30.4	30.2
Ratios										
Operating income before nonrecurring items as percentage of net sales	**11.8**	9.5	10.0	10.3	9.1	9.2	8.7	6.5	7.1	6.9
Operating income before nonrecurring items as percentage of invested capital	**20.4**	15.5	16.2	17.0	15.1	15.8	15.6	11.5	13.2	12.7
Net income excluding extraordinary and nonrecurring items as percentage of shareholders' equity	**43.9**	40.4	23.2	18.1	17.0	18.3	19.3	11.7	14.5	14.7

[1] *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 certain financial ratios and concepts see back cover.

Consolidated Balance Sheet

Millions of euros, December 31	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991
Intangible assets	**403**	304	132	107	76	66	30			
Property, plant and equipment	**4,501**	4,435	5,311	4,420	4,304	3,848	3,808	2,886	2,656	2,661
Financial noncurrent assets	**1,371**	1,282	947	848	787	693	686	512	616	455
Noncurrent assets	**6,275**	6,021	6,390	5,375	5,167	4,607	4,524	3,398	3,272	3,116
Inventories	**2,267**	2,091	2,291	1,835	1,760	1,648	1,541	1,317	1,269	1,266
Receivables	**3,176**	2,981	2,823	2,267	1,981	1,907	1,865	1,429	1,341	1,414
Cash and cash equivalents	**416**	932	536	317	404	317	330	845	299	368
Current assets	**5,859**	6,004	5,650	4,419	4,145	3,872	3,736	3,591	2,909	3,048
Total assets	**12,134**	12,025	12,040	9,794	9,312	8,479	8,260	6,989	6,181	6,164
Shareholders' equity	**2,446**	1,861	1,899	4,172	3,555	3,052	2,935	2,792	2,304	2,161
Minority interest	**159**	154	190	118	108	88	83	70	64	64
Equity	**2,605**	2,015	2,089	4,290	3,663	3,140	3,018	2,862	2,368	2,225
Provisions	**2,215**	1,835	2,102	1,697	1,594	1,528	1,403	1,077	1,100	1,101
Long-term borrowings	**2,729**	2,678	2,672	914	975	1,233	1,424	1,061	817	825
Short-term borrowings	**1,967**	2,803	2,663	778	1,128	735	500	643	638	745
Current liabilities	**2,618**	2,694	2,514	2,115	1,952	1,843	1,915	1,346	1,258	1,268
Short-term debt	**4,585**	5,497	5,177	2,893	3,080	2,578	2,415	1,989	1,896	2,013
Total equity and liabilities	**12,134**	12,025	12,040	9,794	9,312	8,479	8,260	6,989	6,181	6,164
Invested capital										
Of consolidated companies	**8,427**	7,755	8,524	6,783	6,395	5,794	5,519	4,361	4,062	4,137
In nonconsolidated companies	**673**	644	466	579	561	525	496	437	562	391
Total	**9,100**	8,399	8,990	7,362	6,956	6,319	6,015	4,798	4,624	4,528
Property, plant and equipment										
Capital expenditures	**725**	797	819	641	836	750	741	531	423	457
Depreciation	**631**	740	661	587	537	488	516	402	395	398
Ratios										
Net sales/invested capital	**1.74**	1.64	1.63	1.66	1.67	1.72	1.78	1.78	1.85	1.86
Gearing	**1.64**	2.26	2.30	0.32	0.46	0.53	0.53	0.30	0.49	0.54
Equity/noncurrent assets	**0.41**	0.33	0.33	0.80	0.71	0.68	0.67	0.84	0.72	0.71
Inventories and receivables/current liabilities	**2.04**	1.88	2.03	1.94	1.92	1.93	1.78	2.04	2.07	2.11

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

Business Segment Statistics

Millions of euros	**2000**	1999	1998	1997	1996	1995	1994	1993	1992	1991
Pharma										
Net sales	**3,839**	2,865	2,323	2,094	1,793	1,713	1,665	1,552	1,473	1,390
Operating income[1]	**772**	595	480	422	361	340	297	268	241	233
Invested capital[2]	**2,373**	2,086	1,406	1,251	1,085	895	818	808	733	673
Operating income[1]										
– as percentage of net sales	**20.1**	20.8	20.7	20.2	20.1	19.9	17.9	17.2	16.4	16.8
– as percentage of invested capital	**34.6**	36.4	36.1	36.2	36.4	39.7	36.6	34.7	34.3	36.4
Gross cash flow	**940**	736	586	512	441	408	361	323	291	280
Expenditures for PP&E	**214**	199	173	107	107	124	108	103	88	81
Average number of employees	**21,200**	18,300	16,200	15,500	15,100	14,300	14,100	14,000	13,600	13,200
Coatings										
Net sales	**5,568**	5,266	4,570	3,618	3,218	2,960	2,989	1,697	1,725	1,624
Operating income[1]	**455**	441	382	325	257	206	225	81	83	87
Invested capital[2]	**2,334**	2,193	2,167	1,436	1,322	1,253	1,191	778	787	776
Operating income[1]										
– as percentage of net sales	**8.2**	8.4	8.4	9.0	8.0	7.0	7.5	4.8	4.8	5.4
– as percentage of invested capital	**20.1**	20.2	21.2	23.6	20.0	16.9	22.9	10.4	10.6	11.9
Gross cash flow	**606**	589	505	425	348	289	312	130	131	132
Expenditures for PP&E	**170**	155	181	120	106	101	95	67	54	67
Average number of employees	**30,100**	30,400	27,500	21,900	20,800	20,600	21,000	13,300	14,100	13,600
Chemicals										
Net sales	**4,740**	4,154	3,670	3,706	3,726	3,559	3,804	2,845	2,755	2,798
Operating income[1]	**456**	392	339	347	273	285	334	168	172	162
Invested capital[2]	**3,096**	2,819	2,680	2,759	2,683	2,415	2,430	1,649	1,623	1,654
Operating income[1]										
– as percentage of net sales	**9.6**	9.4	9.2	9.4	7.3	8.0	8.8	5.9	6.2	5.8
– as percentage of invested capital	**15.4**	14.3	12.5	12.8	10.7	11.8	16.4	10.3	10.5	9.8
Gross cash flow	**793**	691	613	608	511	496	569	339	342	331
Expenditures for PP&E	**329**	311	291	273	432	356	344	203	151	165
Average number of employees	**15,600**	15,000	14,400	14,700	15,900	16,200	16,900	13,800	14,300	15,300
Acordis/Fibers										
Net sales		2,242	1,947	1,606	1,540	1,626	1,645	1,470	1,707	1,934
Operating income[1]		(62)	64	42	37	72	36	(10)	58	46
Invested capital[2]			1,673	1,148	1,155	1,159	961	1,204	995	1,076
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
– as percentage of invested capital		(3.7)	4.5	3.7	3.2	6.8	3.4	(0.9)	5.6	4.0
Gross cash flow		98	198	152	138	174	142	102	172	174
Expenditures for PP&E		107	135	83	144	140	146	141	113	118
Average number of employees		17,400	16,100	13,700	14,500	15,200	16,700	18,500	20,100	23,500

[1] *Before nonrecurring items.*

[2] *At December 31.*

Regional Statistics

Millions of euros	**2000**	1999	1998	1997	1996
The Netherlands					
Net sales by destination	**787**	862	797	788	799
Net sales by origin	**2,214**	2,583	2,556	2,606	2,683
Operating income[1]	**354**	316	273	248	245
Expenditures for PP&E	**156**	214	196	163	239
Invested capital[2]	**1,928**	1,840	1,929	1,729	1,732
Number of employees[2]	**12,800**	12,900	18,100	17,600	17,800
Germany					
Net sales by destination	**1,064**	1,436	1,339	1,212	1,266
Net sales by origin	**1,134**	1,944	1,627	1,480	1,378
Operating income[1]	**91**	58	109	94	71
Expenditures for PP&E	**51**	68	74	54	79
Invested capital[2]	**530**	101	848	769	709
Number of employees[2]	**4,700**	5,100	12,000	10,700	11,200
Sweden					
Net sales by destination	**538**	524	518	496	495
Net sales by origin	**1,268**	1,003	984	864	868
Operating income[1]	**83**	68	99	107	82
Expenditures for PP&E	**74**	70	80	99	156
Invested capital[2]	**765**	865	785	762	675
Number of employees[2]	**4,700**	4,700	4,900	4,700	4,700
United Kingdom					
Net sales by destination	**1,052**	1,164	1,000	802	653
Net sales by origin	**966**	1,406	955	597	496
Operating income[1]	**44**	30	56	50	25
Expenditures for PP&E	**56**	69	89	25	13
Invested capital[2]	**733**	820	1,184	245	227
Number of employees[2]	**5,600**	5,700	9,600	3,800	3,900
Other European countries					
Net sales by destination	**3,879**	4,327	3,915	3,367	3,012
Net sales by origin	**3,025**	2,814	2,607	2,149	1,822
Operating income[1]	**558**	498	405	353	275
Expenditures for PP&E	**96**	121	147	88	71
Invested capital[2]	**1,316**	1,649	1,273	1,021	923
Number of employees[2]	**15,300**	15,400	16,000	13,200	12,100

Millions of euros	**2000**	1999	1998	1997	1996
USA and Canada					
Net sales by destination	**3,596**	3,382	2,850	2,446	2,299
Net sales by origin	**3,198**	3,162	2,620	2,305	2,139
Operating income[1]	**251**	253	216	177	142
Expenditures for PP&E	**193**	144	149	134	205
Invested capital[2]	**1,960**	1,439	1,638	1,580	1,544
Number of employees[2]	**10,600**	10,100	12,600	9,500	11,100
Latin America					
Net sales by destination	**944**	841	790	709	640
Net sales by origin	**704**	566	565	509	457
Operating income[1]	**91**	53	43	57	39
Expenditures for PP&E	**35**	36	31	40	52
Invested capital[2]	**419**	415	451	455	390
Number of employees[2]	**4,700**	4,500	5,100	4,800	5,200
Asia					
Net sales by destination	**1,466**	1,223	756	715	635
Net sales by origin	**1,132**	687	398	311	227
Operating income[1]	**122**	55	20	24	26
Expenditures for PP&E	**35**	35	38	29	20
Invested capital[2]	**554**	449	296	166	148
Number of employees[2]	**7,600**	7,700	6,000	4,100	3,700
Other regions					
Net sales by destination	**677**	673	517	379	383
Net sales by origin	**362**	267	170	93	112
Operating income[1]	**58**	33	21	11	17
Expenditures for PP&E	**29**	40	15	9	2
Invested capital[2]	**223**	177	120	55	47
Number of employees[2]	**2,400**	1,900	1,600	500	1,000

[1] *Before nonrecurring items.*
[2] *At December 31.*

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

Akzo Nobel N.V.
Investor Relations Department
Tel: +31 26 366 4317
Fax: +31 26 442 4909
E-mail: investor.relations@akzonobel.com

FINANCIAL CALENDAR

- Report for the 1st quarter 2001
  April 25, 2001
- Annual Meeting of Shareholders
  April 26, 2001
- Quotation ex 2000 final dividend
  April 30, 2001
- Payment of 2000 final dividend
  May 14, 2001
- Report for the 2nd quarter 2001
  July 25, 2001
- Report for the 3rd quarter 2001
  October 24, 2001
- Quotation ex 2001 interim dividend
  October 25, 2001
- Payment of 2001 interim dividend
  November 8, 2001
- Report for the year 2001
  February 21, 2002
- Annual Meeting of Shareholders
  April 24, 2002

DEFINITIONS

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 borrowings
Long-term borrowings plus short-term borrowings less cash and cash equivalents

Gearing
Net interest-bearing borrowings 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 of the amounts at the beginning and the end of the year.
The 1994 and 1999 ratios have been adjusted to reflect the Nobel acquisition at the beginning of 1994 and the divestment of Acordis at the end of 1999.

Akzo Nobel N.V.
Velperweg 76
P.O. Box 9300
6800 SB Arnhem, the Netherlands
Tel: +31 26 366 4433
Fax: +31 26 366 3250
E-mail: ACC@akzonobel.com
Internet: http://www.akzonobel.com

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

Design
Dedato, Amsterdam, the Netherlands
Printing and typesetting
Tesink bv, Zutphen, the Netherlands