



Dear Shareholders, ladies and gentlemen,

We are pleased to present the Directors' report on the activities of your Company and Group for the year and to submit the accounts at 31 December 1996 for your approval.

MAIN EVENTS IN 1996 AND DURING THE FIRST FEW MONTHS OF 1997

DIRECT INVESTMENTS

In 1996 the portfolio of investments directly held by NPM/CNP underwent the following modifications:

- In the first half of the year, the NPM/CNP Group sold 53,000 ROYALE BELGE shares on the Stock Market, lowering its interest to 2.35% ; capital gains of BEF 91 million (restricted consolidation) and BEF 85 million (consolidation) were recorded on this sale.
- At the beginning of the second half of the year, NPM/CNP sold its interest in SCI & ASSOCIÉS (and its BARRY subsidiary) to the CALLEBAUT A.G. Group and its interest in VITAL SOGEVIANDES to the SCI Group, earning a capital gain of BEF 1,051 million (restricted consolidation) and BEF 756 million (consolidation) on this transaction.
- GROUPE JEAN DUPUIS, equally controlled by NPM/CNP and GBL, acquired 50% of the capital of HEXANE S.A., publisher of L'ÉVENTAIL magazine.
- During the course of 1996, the NPM/CNP Group sold 1,784,000 shares of ESPIRITO SANTO FINANCIAL HOLDING, enabling it to reverse in 1996 a BEF 259 million write-down booked the previous year; the Group still holds 263,000 shares in ESPIRITO SANTO FINANCIAL HOLDING.
- In addition, call options issued on 150,000 shares of COMPAGNIE FINANCIÈRE DE PARIBAS were exercised in January 1997. This investment was reclassified to short-term investments at 31 December 1996; a BEF 65 million reversal of write-down was made based on the actual sale price and appears under capital result for 1996.
- The Board of Directors also felt appropriate -given the evolution of ARTEMIS' situation and the decision of the representatives of Groupe NPM/CNP on this company's Board of Directors not to request the renewal of their mandates- to value this interest at its the stock market value, rather than at shareholders' equity ; the result was a BEF 249 million write-off in 1996.
- At the beginning of 1997 the Company acquired 100% of the capital of the SUZY Group, which includes three companies which are mainly active in the Benelux countries in the waffle and biscuit sector.

PARJOINTCO ACTIVITIES

PARJOINTCO N.V. was established in 1990 as a joint venture between FRÈRE-BOURGEOIS/NPM-CNP groups and POWER CORPORATION OF CANADA on the basis of equal ownership and management. The PARGESA/GBL/PARFINANCE sub-group is controlled by PARJOINTCO. In September 1996, the agreements between the two groups were extended until 2014.

As of 31 December 1996, PARJOINTCO held some 55.5% of PARGESA (of which 55.0% consolidated, representing 62.7% of the undiluted voting rights).

In 1996, PARJOINTCO paid a dividend of NLG 87 million, approximately the dividend received from PARGESA.

PARGESA/GBL/ PARFINANCE GROUP

In 1996, PARFINANCE continued to divest its non-strategic interests, responding favourably to the Public Offer of Exchange / Public Offer of Purchase launched by CROWN CORK AND SEAL on CARNAUDMETALBOX at FRF 225 per share. PARFINANCE realized a capital gain of FRF 170 million on this transaction.

Following this transaction, PARFINANCE's treasury totalled roughly FRF 2.5 billion; it used most of this amount in a Public Offer to Purchase 11 million of its own shares at FRF 215 per share. Following the cancellation of these shares, PARGESA's and GBL's interests in PARFINANCE were 48.6% and 40.5% respectively.

The audio-visual sector saw some major changes.

In April 1996, ELECTRAFINA acquired from PARIBAS and UAP about 17% of AUDIOFINA's capital and acquired 35% of CLMM's capital from GBL. CLMM is the controlling stockholder in AUDIOFINA.

These acquisitions were financed by a capital increase by ELECTRAFINA in the form of three new shares and a 1996-1999 4.5% Bond Redeemable in Shares, each for BEF 3,000, for 12 existing shares.

The agreement entered into in April 1996 with BERTELSMANN materialized at the beginning of 1997 by the latter's contribution of its UFA subsidiary to COMPAGNIE LUXEMBOURGEOISE DE TÉLÉDIFFUSION; CLT-UFA HOLDING is now jointly controlled by BERTELSMANN and AUDIOFINA. The latter received DEM 1,556 million (roughly BEF 32 billion) from this transaction.

In September 1996, ELECTRAFINA sold its entire interest in TRACTEBEL to SOCIÉTÉ GÉNÉRALE DE BELGIQUE for BEF 14,500 per share, thereby realizing a capital gain of some BEF 19 billion; NPM/CNP's transitive share in the latter, which is over BEF 1 billion, is posted to consolidated capital result.

ROYALE BELGE also sold its interest in TRACTEBEL, thereby realizing a capital gain of BEF 4 billion.

During the last quarter of 1996, ELECTRAFINA acquired 10 million shares (approximately 6% of the capital) of COMPAGNIE DE SUEZ. On 18 April 1997, this interest was just over 11%.



MAJOR
DEVELOPMENTS AT
SHAREHOLDINGS'
LEVEL

Of course, NPM/CNP supports the investments made by the companies in which it holds an interest and plays an active role in their development :

- PETROFINA invested some BEF 33.7 billion in 1996, principally in the exploration and production sector, with, among others, the continuation of the new developments at EKOFISK in Norway. Major investments were also dedicated to the modernizing and the extension of the FINA gas stations and shops network and the development of new production lines and new product ranges in petrochemicals ;
- During 1996, IMETAL continued its internal and external growth policy by investing over FRF 1 billion, almost 10% of its market capitalisation: acquisition of the European refractory manufacturer PLIBRICO and of the refractory firing-tiles producer LOMBA and the opening of four new terracotta factories. IMETAL also took control of STRATMIN GRAPHITE, the first Canadian producer of natural graphite ;
- The investments of ROYALE BELGE include the increase from 80% to 100% of its shareholding in UAB, a subsidiary selling insurance products through a network of exclusive intermediaries, and the taking of 50% of the capital of the insurance companies created in partnership with LA POSTE ;
- At CLT, the investments are reflected in the accounts in the form of start-up losses on the new projects for LUF 2,880 million. As far as divestments are concerned, the cost of LUF 4,127 million linked to the termination of its own project of digital pay-TV CLUB RTL was more than covered by the LUF 6.7 billion capital gain on the the sale to England's EMAP of all of the capital of the companies which publish TELE STAR and TOP SANTE for FRF 1.4 billion ;
- BBL carried on with its foreign expansion by taking a 5% share in the VYSYA BANK (India), acquiring an 11 % stake in AMERBANK (Poland) and taking a majority shareholding in the French stockbroker FERRI ;
- BERNHEIM-COMOFI took a 50% interest in INTERNATIONAL STORAGE MANAGEMENT in order to acquire a new business: the renting of small individual storage spaces to individuals and companies ;
- ORIOR made numerous acquisitions, of which that of the Swiss agri-food group RIEDER and 71.4% of the watch components manufacturer STERN. ORIOR also increased its stake in RAPELLI from 80% to 100% and that in FREDAG to 68% from 56.4% ;
- The TRANSCOR Group created TRANSCOR GmbH in order to develop its coal trading business in Germany and in the countries of Eastern Europe and opened an office in Pittsburgh (USA) with the purpose of growing its business in the United States and supplying the Group with raw materials ;
- In Tertre (Belgium), ACP is currently making an investment which will provide it with a second source of CO₂.
- EDITIONS DUPUIS acquired the 50% interest in MEDIATOON which was held by its partner ASTRAL. DUPUIS consequently now holds 100% of MEDIATOON and intends to use it to develop audio-visual productions based on both its own characters and those of others.

TREASURY
MANAGEMENT

On 31 December 1996, net available short-term funds directly held by NPM/CNP (that is NPM/CNP, its Swiss financial branch and its restricted consolidated financial subsidiaries) was BEF 12 billion (Group share - estimated value) before distribution of the dividend (compared to BEF 4.8 billion twelve months earlier and an average of BEF 7 billion throughout 1996). In 1996 the NPM/CNP Group made profits on short-term investments - net of losses and write-downs - of BEF 314 million (compared to BEF 423 million in 1995).

In accounting terms, total treasury income including the items described above, net interest and other interest charges and income totalled BEF 573 million - the Group's share being BEF 600 million - in the restricted consolidated accounts, representing 8.1% of the year's average treasury.


In business terms taking into account the evolution of unrealized gains, the Company earned a return on treasury of 11.4% during the year.

USE
OF DERIVATIVES

The Board of Directors of NPM/CNP has authorized the use of derivatives within strict limits, in order to increase the profitability of the portfolio. This has provided the Company with an opportunity to issue two type of options in order to generate related income:

- covered call options which are only written in respect of securities held by the Company at an exercise price that will produce a profit,
- put options on strategic securities which the Company intends to acquire.

In 1996, premiums received, net of their purchase, totalled BEF 31 million and no options were exercised; one single transaction - described in the Notes to the Consolidated Accounts - was still pending at 31 December 1996. The latter was exercised at the beginning of 1997, allowing NPM/CNP to reverse a BEF 65 million write-down.



CONSTRUCTION OF
A NEW
HEADQUARTERS
BUILDING

NPM/CNP's offices were transferred in April 1997 to a new building built by its subsidiary COMPAGNIE IMMOBILIÈRE DE ROUMONT. This company granted 50 year leases to the various firms occupying the building (FRÈRE-BOURGEOIS, among others) so as to ensure an equitable contribution on the part of each to the building's expenses.

The financial contribution of FRÈRE-BOURGEOIS was the subject of special reports in pursuance of articles 60 and 60 bis of the Co-ordinated Laws on Commercial Companies, described at page 20 of the 1995 Annual Report.

The construction costs of the new premises are allocated to the various occupying companies on the basis of surface areas used.

The total cost is approximately BEF 385 million, including the land, the lay-out of the surroundings, the construction of the building and its interior fixtures, architects' and engineering fees, and VAT. Of this amount, FRÈRE-BOURGEOIS bears some BEF 62 million and is charged with an additional BEF 24 million in connection with finishings carried out at its request.

Besides FRÈRE-BOURGEOIS, the other companies making use of the premises are COMPAGNIE NATIONALE À PORTEFEUILLE, CENTRE DE COORDINATION DE CHARLEROI and COMPAGNIE IMMOBILIÈRE DE ROUMONT.

Taking into account items expensed to date and provisions made by NPM/CNP in 1996 as well as the cost allocation methods described on page 11, the share of the NPM/CNP Group in the net book value of the premises represents approximately 0.2% of the estimated value of the Company.

OWN SHARES

During the year, the NPM/CNP Group used the facility granted by the Annual General Meeting, held on 12 June 1996, to purchase its own shares; it purchased 479,869 shares (1.89% of the capital) during the year for BEF 872 million. At 31 December 1996, these shares were still held by the Company and appear in the consolidated assets under the heading "short-term investments - own shares" (see page 75).