Petrofina

PETROFINA is an integrated oil and chemicals group with business activities spanning all sectors of the oil industry: exploration, production, transport, refining, petrochemicals, marketing oil and chemical products, and research. The Group also has interests in paints and oleo-chemicals.

The consolidated profit (including minority holdings) for PETROFINA totalled BEF 22.7 billion in 1997, using the American accounting standards adopted in 1997, compared with BEF 16.6 billion in 1996, a rise of 37%. The Group share in this profit was BEF 22.1 billion (BEF 946 per share) compared with BEF 15.9 billion in 1996 (BEF 686 per share), equivalent to a rise of 39%. Consolidated cash flow for 1997 reached BEF 57 billion compared with BEF 44 billion in 1996. The Group's share of this cash flow represented BEF 55 billion (BEF 2,368 per share) compared with BEF 42.4 billion in 1996 (BEF 1,824 per share).

Profit growth was due to the following developments:

- the excellent performance of the downstream sector, based on the quality of refining operations, the production increase and improved margins;
- results for the upstream sector were slightly up, the increase in production of more than 9% and the rise of 16% in the USD exchange rate compared with 1996 being slightly offset by the fall in the price of Brent crude by around USD 1.56 a barrel and a boost to exploration efforts;
- the results from the chemical sector were a little lower, with the rise in earnings in Europe and overall growth in sales unable to compensate for the effects of the fall in American margins.

The Group plans to invest BEF 45 billion in 1998, compared with BEF 44 billion in 1997. These investments will be largely devoted, in the upstream sector, to the exploration effort, developments planned or in progress in the United States and the British sector of the North Sea, and finalisation of the EKOFISK redevelopment plan. In the downstream sector, investments will be made in chemicals and in the modernisation and expansion of the network of FINA petrol stations in Europe. These investments will finance the construction of a steam cracker at the Port Arthur refinery in the United States, the extension of polypropylene and polyethylene production capacity in progress in the Group's American factories and the debottlenecking of European factories.

During the past year, PETROFINA shares were listed on the New York Stock Exchange, in the form of certificates each equivalent to one tenth of a share in PETROFINA.

As part of the merger by absorption of the American subsidiary FINA Inc., PETROFINA will offer minority shareholders USD 60 per share together with a warrant allowing them to acquire nine tenths of a PETROFINA certificate (0.09 share) at a price of USD 42.25 per certificate.

The Company will propose to the Annual General Meeting an increase in the gross dividend of 15% bringing it to BEF 460 per share.

Contribution to:

	Restricted consolidation		*Consolidation (transitive)*	
	Mio BEF	BEF/share	Mio BEF	BEF/share
Operating result 1997	600	**23.7**	1,696	**66.9**
Estimated value at 31.12.1997	20,527	**792.7**	24,564	**948.6**

Key consolidated figures (BEF million)(US GAAP)

	1994(1)	1995	1996	**1997**
Equity	122,969	123,098	135,011	**155,915**
Turnover	580,676	558,724	622,145	**727,031**
Net profit (Group share)	10,262	11,826	15,948	**22,060**
Net profit per share (BEF)	441	509	686	**945**
Gross dividend per share (BEF)	320	352	400	**460**

(1) the 1994 data are expressed in Belgian GAAP

Compagnie Générale des Eaux

Compagnie Générale des Eaux manages and directs the leading French private services group in the environmental (water, power, cleaning and transport), construction and communications sectors. It has become the world-wide leader in diversified municipal and community services.

The Group turnover totalled FRF 167.1 billion, a rise of 5.6% using a constant consolidation perimeter. This covers growth of 10% in the two main priority strands of Group expansion: environmental services (+ 5.3%) in France and abroad, and communication in France (rise of 78% in turnover at SFR to FRF 9.2 billion). Conversely, in the construction and property sector, Group turnover fell by 1%, with a 4% drop in construction and public works, although property is making a significant recovery.

Abroad, the Group achieved turnover of FRF 53.8 billion, a rise of 5.3%, mainly in environmental services where growth was 15.4% using a constant perimeter and unchanged exchange rates.

Group operating income totalled FRF 4.2 billion, up by 42% using a constant perimeter and unchanged exchange rates. In water services, where growth was in the order of 5% excluding OTV and AWT, the first effects of reorganisation in France offset the fall in consumption. In the energy sector, growth topped 7%, and achieved 21% in cleaning services. The transport business has begun to show the positive effects of its international expansion with growth of 46%. Construction and public works enterprises in the Group and the CGIS substantially reduced their losses, as predicted. In the field of telecommunications, major investments continued to weigh heavily with an operating loss of FRF 1.2 billion (compared with FRF (1.1) billion in 1996). The operating loss from mobile telephone activities was reduced from FRF 1.1 billion to FRF 0.4 billion.

Financial earnings showed a loss of FRF 2 billion. The exceptional earnings of FRF 3.3 billion include dilution profits of FRF 7.2 billion, capital gains on sales of FRF 6.6 billion, depreciation on goodwill of FRF 2.5 billion and exceptional losses of FRF 8 billion.

After income accounted for by the equity method of FRF 0.7 billion, taxes of FRF 1.3 billion, minority interests of FRF (0.8) millions and a participation of FRF 0.3 billion, the Group share of net consolidated earnings was FRF 5.4 billion, representing a rise of 61%.

Cash flow totalled FRF 23.4 billion, allowing a reduction of FRF 17.6 billion in net debt which now stands at FRF 27.5 billion.

In March 1998, the Boards of Directors of the COMPAGNIE GÉNÉRALE DES EAUX and HAVAS approved in principle the arrangements for a merger of the two companies which will be subject to the approval of shareholders at the Extraordinary General Meeting on 11 May 1998.

Contribution to:

	Restricted consolidation		*Consolidation (transitive)*	
	Mio BEF	BEF/share	Mio BEF	BEF/share
Operating result 1997	93	**3.7**	93	**3.7**
Estimated value at 31.12.1997	5,799	**223.9**	5,799	**223.9**

Key consolidated figures (FRF million)

	1994	1995	1996	**1997**
Equity	34,446	30,176	33,682	**44,911**
Turnover	156,157	162,961	165,914	**167,116**
Net profit (Group share)	3,346	(3,686)	1,953	**5,393**
Earnings per share (FRF)	30.2	(31.3)	16.2	**41.8**
Dividend per share (FRF)	11.25	11.25	12.00	**15.00**

Suez lyonnaise des eaux

SUEZ LYONNAISE DES EAUX is born from the merger between the COMPAGNIE DE SUEZ and LYONNAISE DES EAUX. A Franco-Belgian industrial group operating in more than one hundred countries, SUEZ LYONNAISE DES EAUX focuses on four main strands of activity: energy, water, cleaning and communication, and its ambition is to become the world leader for the provision of local authority services.

In 1997 renewed international expansion took the form of:

- signature of a contract for operating gas transport networks by TRACTEBEL in Kazakhstan;
- winning many new water supply and cleansing contracts (Philippines, Bolivia, Morocco, Indonesia, Turkey, Slovenia, Hungary, Vietnam, Palestine, etc.) which increased the number of clients by 20 million, bringing the total number of people served by the Group up to 70 million;
- accelerated international development of SITA. After having taken over the French and Spanish activities of WASTE MANAGEMENT INTERNATIONAL and buying out VEGA, the leading company in the Brazilian cleaning market, at the beginning of 1998 SITA acquired all of the activities, outside North America, of BROWNING-FERRIS INDUSTRIES, thereby becoming the leading European operator and the world number three in waste management services.

Through this internal and external growth, in 1997 SUEZ LYONNAISE DES EAUX made significant progress towards achieving its objective of refocusing on its core business of providing local authority services.

This refocusing process was also boosted by the sale of certain holdings: during the first half of the year, the Group sold all of its portfolio of property investments to real estate companies, together with property development activities on its own account, for FRF 3 billion. It also sold its 50% interest in FACTOFRANCE HELLER (factoring) and 100% of the company SEV (life insurance). SUEZ LYONNAISE DES EAUX carried out other important sales such as the UNION MINIÈRE (24%) for FRF 3.2 billion, ACCOR for FRF 2.2 billion, ORION for FRF 550 million and 30% of SEPHORA. In 1997 these sales raised a total sum in excess of FRF 10 billion.

SUEZ LYONNAISE DES EAUX began the process of simplifying its structures through mergers and take-overs of certain subsidiaries, including the mergers between TRACTEBEL and POWERFIN, and between SUEZ INDUSTRIE, COMPAGNIE D'INVESTISSEMENT ASTORG, SUEZ VENTURES and SUEZ FINANCE CONSEIL, as well as between the Banque LA HENIN and the Banque MONOD.

In January 1997, SUEZ LYONNAISE DES EAUX made a take-over bid for ELYO (energy) and in October for DEGRÉMONT (water treatment engineering).

Contribution to:

	Restricted consolidation		*Consolidation (transitive)*	
	Mio BEF	BEF/share	Mio BEF	BEF/share
Operating result 1997	-	-	52	**2.0**
Estimated value at 31.12.1997	-	-	3,212	**124.0**

Key consolidated figures (FRF million)

	1995(1)	1996(1)	1996(2)	**1997**
Equity (before distribution)	16,461	18,431	45,413	**49,300**
Turnover	98,615	91,620	173,214	**190,420**
Net profit (Group share)	906	1,349	1,981	**4,013**
Net profit per share (FRF)	15.6	22.7	15.9	**32.3**
Dividend before tax per share (FRF)	11.5	12.0	12.0	**15.0**

(1) LYONNAISE DES EAUX
(2) pro forma after merger

Elf aquitaine

The ELF Group, which has operations in 80 countries, is one of the top ten petroleum groups in the world and the fourth largest natural gas producer in Europe. Its ELF ATOCHEM subsidiary is the thirteenth largest chemicals group in the world. SANOFI is among the top 30 health laboratories in the world. Since its privatisation in 1994, the ELF group has refocused on its core businesses (Hydrocarbons, Chemicals and Health), implemented a cost reduction policy aimed at improving its profitability, and continued to expand in emerging markets.

In 1997, operating income grew by 14% to FRF 25.4 billion. The contribution made by the various sectors of activity was as follows:

• Exploration - Production: operating income for the year rose by 8% to FRF 17.1 billion. Excluding special items, the slight rise in operating income came from a FRF 1 billion reduction in costs, allowing a fall of 10% in production costs, from USD 2.9 per barrel in 1996 to USD 2.6 per barrel in 1997. This offset the unfavourable operating environment (with an average fall of 8% in Brent crude prices in USD terms which was only partly offset by the rise in the USD/FRF exchange rate) and the fall of 2.6% in the quantity sold. Exploration costs in 1997 remained stable at FRF 2.3 billion;

• Refining - Distribution: more than half of the rise of FRF 0.4 to FRF 2.2 billion in the contribution to operating income is due to the better operating conditions, and the rest to productivity gains. In dollar terms, European refining margins remained stable at USD 2.70 per barrel in 1997 compared with USD 2.67 per barrel in 1996. On the other hand, the appreciation of the dollar against the currencies of the future euro zone resulted in improved refining margins expressed in these currencies. However, the operating income from this activity showed a loss of FRF 3.2 billion in the wake of an exceptional depreciation of FRF 5.4 billion on the value of the Leuna refinery;

• Chemicals: operating income was up by 12% to FRF 4.1 billion. This improvement stemmed largely from the competitiveness of operations because in 1997 operating conditions for chemicals varied considerably: continued growth in North America, the beginnings of a recovery in Europe, a slowdown in Asia and appreciation of the USD against the FRF;

• Health: the fall in the contribution to operating income to FRF 2.1 billion is due to boosting its sales resources in preparation for the launch of new medicinal products, as well as an increase in Research and Development costs.

Cash flow from operations rose by 7% to FRF 33.2 billion and largely covered the FRF 25.8 billion of investments, including exploration investments of FRF 3.5 billion. The net financial debt fell to FRF 35.4 billion by the end of 1997 (FRF 37.2 billion in 1996). At the end of 1997, the debt ratio stood at 32% compared with 37% at the end of 1996.

Net operating income rose by 35% to FRF 10.2 billion. After taking into account the net capital gains of FRF 0.8 billion realised on the sale of financial assets and an exceptional depreciation of FRF 5.4 billion on the value of the refinery at Leuna, net earnings were FRF 5.6 billion (FRF 7 billion in 1996).

Contribution to:

	Restricted consolidation		*Consolidation (transitive)*	
	Mio BEF	BEF/share	Mio BEF	BEF/share
Operating result 1997	117	**4.6**	117	**4.6**
Estimated value at 31.12.1997	4,316	**166.7**	4,316	**166.7**

Key consolidated figures (FRF million)

	1994	1995	1996	**1997**
Equity	76,472	78,672	80,062	**83,985**
Turnover	207,674	208,290	232,707	**254,306**
Net profit (Group share)	(5,439)	5,035	6,977	**5,602**
Net profit per share (FRF)	(21.0)	18.9	26.0	**21.8**
Gross dividend per share (FRF)	13.0	13.0	14.0	**15.0**

Transcor

The TRANSCOR Group's operations cover the distribution and trading of energy products: coal, oil, and more recently gas and electricity, through three companies (ASTRA, TRANSCOR AG and TRANSCOR ENERGY).

The ASTRA Group, traditionally active in petroleum trading, obtained good results in 1997 thanks to its policy of concentrating on certain particularly promising niche markets. An important milestone in the development of the Group was reached at the beginning of 1998, with the launch of gas and electricity trading in the north-American market. This decision should allow the Group as a whole to acquire the necessary experience to position itself over time as a global supplier of all the various energy needs of its clients.

TRANSCOR AG, which trades coal in the European and North American markets, made a positive contribution to group earnings with an improvement on last year, despite massive stockpiles of coke for European steelmakers. The north-American subsidiary set up at the beginning of the year achieved its trading targets.

TRANSCOR ENERGY (formerly HAUTERAT & WATTEYNE), a Belgian energy products distributor, retained its market share for sales of fuel oil to its Belgian customer base, and also entered the new business of trading in coke and coal in the German market through its German subsidiary TRANSCOR ENERGIEHANDEL GmbH, as well as heating oil in Belgium and Germany and the border regions. These new activities should make a positive contribution as from 1998.

Globally, 1997 produced very satisfactory overall results and saw changes in the sales organisation of the Group in response to prospects for expanding these activities.

Contribution to:

	Restricted consolidation		*Consolidation (transitive)*	
	Mio BEF	BEF/share	Mio BEF	BEF/share
Operating result 1997	69	**2.7**	115	**4.5**
Estimated value at 31.12.1997	778	**30.0**	868	**33.5**

Key consolidated figures (BEF million)

	1994	1995	1996	**1997**
Equity	1,271	1,203	1,286	**1,434**
Turnover	59,045	33,324	42,051	**49,055**
Net profit (Group share)	257	45	173	**216**
Dividends	240	50	145	**200**