



MAIN EVENTS IN 1997 AND THE FIRST MONTHS OF 1998

DIRECT INVESTMENTS

In 1997, the portfolio of investments directly held by the COMPAGNIE NATIONALE À PORTEFEUILLE/NATIONALE PORTEFEUILLEMAATSCHAPPIJ underwent the following modifications:

- Sale by the NPM/CNP Group of 296,695 shares in ELF AQUITAINE (capital gain of BEF 399 million), 288,174 COBEPA shares (capital gain of BEF 150 million), 47,575 ROYALE BELGE shares (capital gain of BEF 136 million) and 8,394 shares in the SOCIÉTÉ GÉNÉRALE DE BELGIQUE (capital gain of BEF 8 million).
- Selling out of the balance of shares held in ESPIRITO SANTO FINANCIAL HOLDING, resulting in a write-back of BEF 40 million and a capital gain of BEF 50 million.
- Further disengagement from ARTEMIS; the 262,307 shares still in our hands on 31 December 1997 were reclassified as liquid investments (book value of around BEF 205 million).
- Acquisition, during the course of 1997, of 100% of the capital of the SUZY Group, operating in the biscuit-making and waffle sector, for a total of BEF 77 million plus shareholder advances of BEF 200 million, as well as 100% of the IJSBOERKE Group (ice cream) for a sum of approximately BEF 1,450 million. These two groups will be placed under a common management team.

On 2 April 1998, a subsidiary of NPM/CNP expressed an interest in buying up to 10% of the share capital of FIBELPAR S.A., controlling shareholder of NPM/CNP, after FRÈRE-BOURGEOIS bought 31.72% of the capital of FIBELPAR from AG 1824, ELECTRAFINA, FINOUTREMER, SOCIÉTÉ GÉNÉRALE DE BELGIQUE and TRACTBEL. The shareholders will be informed of the realisation and the conditions of this possible transaction.

During the months of March and April 1998, NPM/CNP has sold its shareholding in COMPAGNIE GÉNÉRALE DES EAUX on the market, resulting in a capital gain of around BEF 3 billion.

PARJOINTCO ACTIVITIES

PARJOINTCO N.V. was established in 1990 as a joint venture between FRÈRE-BOURGEOIS/NPM-CNP Group and POWER CORPORATION OF CANADA on the basis of equal ownership and management. This provides a vehicle for joint control of PARGESA/GBL/PARFINANCE, through an agreement binding the parties until the year 2014.

On 31 December 1997, PARJOINTCO held 55% of the capital (representing 62.4% of the voting rights) of PARGESA, and consolidated 54.5% (62.1% of the voting rights). In 1997 PARJOINTCO paid a dividend of NLG 86 million, equivalent to the dividend received on PARGESA shares.

In June 1997, PARGESA exercised its GROUPE BRUXELLES LAMBERT warrants, thereby increasing the equity capital of GBL by more than BEF 3 billion; on 31 December 1997, PARGESA held around 49% of its Belgian subsidiary. During the year PARGESA increased its holding in ORIOR HOLDING from 74.1% to 83.1%.

In 1997 the GROUPE BRUXELLES LAMBERT proceeded with the sale of its holding in the GIB GROUP and, at the beginning of 1998, sold its interest in DEWAAY and the BANQUE PARIBAS BELGIQUE. At the end of 1997, GBL also responded favourably to the public offer of exchange made by ING on the BANQUE BRUXELLES LAMBERT shares, thus generating a capital gain of BEF 13.9 billion; the transitive share of NPM/CNP in this company, which exceeded BEF 1.6 billion, was posted in the consolidated capital income. The ING shares obtained in exchange increased the Group's treasury investments; almost half of these have been sold in the market during the first quarter of 1998 with a BEF 3.5 billion profit. In December 1997, GBL converted 330,000 ELECTRAFINA bonds redeemable into shares, giving it a 48.4% holding in its capital. At the beginning of 1998, GBL increased its holding in this company to over 50%.

Following the merging of the audio-visual interests of the AUDIOFINA and BERTELSMANN Groups in CLT-UFA, AUDIOFINA had to sell off 16.7% of the company to BERTELSMANN for a sum of around BEF 32 billion in order to balance the holdings of the two shareholders. The share of the capital gain reverting to NPM/CNP on this occasion totalled BEF 563 million. Furthermore, ELECTRAFINA exchanged with the HAVAS Group the latter's 40% holding in CLMM for AUDIOFINA shares.

Early 1998, AUDIOFINA has sold its entire holding in HAVAS, booking a BEF 1.5 billion capital gain (about BEF 45 million for NPM/CNP's share).

AMERICAN COMETRA, a subsidiary of ELECTRAFINA, sold some petroleum shares, realising a capital gain over the year of more than BEF 6.6 billion (the NPM/CNP share of the capital gain totalled BEF 371 million).

During 1997, a year which saw the pooling of the interests of the COMPAGNIE DE SUEZ and the LYONNAISE DES EAUX, the ELECTRAFINA Group raised its stake in the new merged entity, with a holding of 11.2% of the capital of SUEZ LYONNAISE DES EAUX at the end of the year, representing almost 10% of the voting rights of the company.

In 1997, PARFINANCE sold 936,178 PARIBAS shares and 434,866 AXA-UAP shares; the largest part of these transactions was concomitant with the buy-back of 16.7% of the capital owned by minority shareholders in the SOPARINVEST subsidiary. Early 1998, PARFINANCE finished to disinvest from PARIBAS and AXA-UAP, booking a FRF 972 million gross profit.

On 26 March 1998, PARFINANCE and IMÉTAL have announced their intention to merge, subject to the approval by both their General Meetings.

MAJOR
DEVELOPMENTS
AT THE LEVEL OF
EQUITY-ACCOUNTED
COMPANIES

The Group does of course support investments made by equity-accounted companies and plays an active role in their choice. The main investments and disinvestments carried out by these companies are as follows:

- The investments made in 1997 by PETROFINA amounted to BEF 43.7 billion compared with BEF 33.1 billion in 1996. In the upstream sector, they supported the new developments of EKOFISK, the North Sea and North America as well as the exploration efforts. In the downstream sector, the investments concentrated on the strengthening of the gas stations network. In the chemical sector, the Group invested in the increase of its polymers' production capacity in the USA.
- IMÉTAL actively pursued its internal and external growth policy, making industrial investments to the value of FRF 800 million and acquiring shareholdings with a value of FRF 700 million. The most significant of these were FERRUM, the leading Canadian firm in the mechanical and structural tube market, and NORD KAOLIN, which increases the reserves and the capacity of DRY BRANK KAOLIN in Georgia.
- At the end of 1997, ROYALE BELGE responded positively to the public share exchange offer by ING with BBL, realising a profit of more than BEF 14 billion; the transitive share of NPM/CNP in this deal totalled BEF 422 million.
- The investments by CLT-UFA in the form of start-up losses totalled some BEF 6.5 billion, mainly in relation to the PREMIERE, TPS and CHANNEL 5 projects. At the beginning of 1998, CLT-UFA sold its holding in TPS to other shareholders.
- After having withdrawn from the Berlin project and having sold the building developed in Budapest, BERNHEIM-COMOFI pursued its promotion activities in this city, as well as in its traditional markets, Brussels and the surrounding area. INTERPARKING continued to grow and now manages more than 102,000 parking places in Europe. The expansion of the self-storage business continued with the opening of a site in Düsseldorf and the purchase of four units in Paris.
- TRANSCOR has expanded its coal and coke business by creating a north-American subsidiary and a German subsidiary specialised in trading and marketing coal; the Group also decided in early 1998 to start trading in gas and electricity, initially in the north-American market.
- ÉDITIONS DUPUIS, which now owns 100% of MEDIATOON (50% of which was previously held by ASTRAL), is continuing to develop this subsidiary which is making substantial audio-visual investments in the production of animated cartoon films (FLASH GORDON, PAPHYRUS, etc.).
- In order to reduce its dependence in terms of supplies, ACP has set up a new CO₂ production unit in Tertre which will be operational as from spring 1998.
- Following the acquisition of 100% of TRAITEUR SEILER, a company which manufactures fresh pasta, the ORIOR Group strengthened its existing holdings by increasing its shareholding in TRINCA from 60% to 100%, and buying up an additional 20% of the capital of FREDAG, bringing its holding up to 88%.
- At the beginning of 1998, SUZY, together with MILCAMPS FOODS - one of its main competitors - set up a joint venture to run combined waffle production operations and the marketing of retailers' own brands products.



TREASURY MANAGEMENT

On 31 December 1997, net available short-term funds directly held by the NPM/CNP Group (that is COMPAGNIE NATIONALE À PORTEFEUILLE/NATIONALE PORTEFEUILLE-MAATSCHAPPIJ, its Swiss financial branch in Geneva and its restricted consolidated financial subsidiaries) totalled an estimated BEF 13.3 billion (BEF 12.5 billion book value) before distribution of the dividend (compared with BEF 12 billion a year earlier and a figure in the order of BEF 13 billion on average for 1997 as a whole). During this period, approximately a third of this amount was invested in shares on a short-term basis. In 1997 the NPM/CNP Group realised a profit on treasury shares - net of losses and write-offs - of BEF 555 million (compared with BEF 313 million in 1996).

In total, 1997 income from treasury management including the items mentioned above and net interests and financial income, was posted at BEF 858 million in the restricted consolidated accounts. In financial terms, taking into account the evolution of unrealised gains (BEF 813 million at 31 December 1997 compared with BEF 348 million one year earlier), the company obtained a return of 10.3% on its treasury operations.

USE OF DERIVATIVES

The Board of Directors of NPM/CNP has authorised the use of derivatives, within strict limits, in order to increase the profitability of its financial asset portfolio. This may lead to your Company issuing options of two types, as opportunities arise, in order to collect the corresponding premiums:

- covered call options - representing commitments to sell - issued exclusively on securities held by the Company at a price that would result in a profit if the option was exercised.
- put options - that is commitments to buy - on strategic securities that the Company is willing to acquire.

In 1997, premium collected, net of their eventual purchase, totalled around BEF 3 million; a single minor operation was still outstanding at 31 December 1997.

OWN SHARES

Over the year, 56,270 own shares were acquired for a total sum of BEF 135 million, whilst 124,974 shares were sold on the stock market, enabling the Group to realise a profit of some BEF 113 million. On 31 December 1997, the NPM/CNP Group held 411,165 shares in the COMPAGNIE NATIONALE À PORTEFEUILLE/NATIONALE PORTEFEUILLEMAATSCHAPPIJ with a value of BEF 747 million posted to the asset side of the balance sheet under the heading of "short-term investments - own shares".