Message to the Shareholders

The ongoing process of value creation

Dear Shareholders,

For the purposes of our report, we believe that it is necessary to set the year 2000 in the perspective of 1999 and the preceding financial years.

First of all, we wish to emphasise that:

- the most objective way of measuring our performance is through the changes in our dividend and in our estimated value, since these are the two factors which reflect the financial health of a holding company like NPM/CNP;
- we take a long-term view of the evolution of these factors, since it is only on such a time scale that a team of asset managers can effectively "work" the raw material at its disposal.

The most objective way of measuring our performance is through the changes in our dividend and in our estimated value.

From this point of view, the development of NPM/CNP has been positive:

- value creation (taking into account the dividend distributed) stood at 19 % in the year 2000, thus bringing Total Performance for the Shareholders (TPS) achieved since 1988 to 14% (compound net annual return).
- dividend per share growth has accelerated at 5%, a rate which can reasonably be expected to continue in the future.
- remarkably, these returns have been achieved while maintaining a low risk profile. They did not rely on any leverage effect, except very marginally over the past two years through special purpose acquisition vehicles. More important still, a significant portion of our assets has been held in the form of cash during long periods since 1988.

Our estimated value is a purely objective figure which is established mathematically on the basis of a method that has remained unchanged since 1988. It is published in our annual report (see page 17) and on our Internet site.

However, it is clear that, for any shareholder, the stock market price remains the most representative indicator of a transaction price. From this point of view, the estimated value represents an indicator which helps the market to determine the share price; this latter reflects a balance between buyers and sellers.

As in the case of NPM/CNP, this process often results in a discount. It can be seen that this has considerably increased over a long period, rising from less than 10% at the beginning of the '90s to over 35% in recent years, including peaks of over 45%.

This phenomenon, which applies both to NPM/CNP and to the holdings which it controls jointly with POWER CORPORATION (i.e. PARGESA, GBL and ELECTRAFINA), is paradoxical given that, during the same period :

- the fruits of past investments have been harvested
- the Group has been continuously simplifying its structure (in 1998, NPM/CNP absorbed its parent company, FIBELPAR, while IMERYS did the same with PARFINANCE; in the last 12 months, we have seen the disappearance of AUDIOFINA and the announcement of the disappearance of ELECTRAFINA)

- over the past three years, NPM/CNP has bought back 30% of its own equity, while its transitive ownership of the main assets of GBL through ELECTRAFINA has increased from less than 6% to nearly 11%, following the purchase by these holdings of shares in PARGESA, GBL and ELECTRAFINA.

It is true that the discount on these shares – and especially those of GBL – would appear to have been reduced following the announcement of the BERTELSMANN operation. However, it seems to us that, in reality, this is a correction of the estimated value by the market (which takes into account a revised value of the BERTELSMANN stock to be held by GBL) rather than a real reduction in the discount. Nevertheless, we hope that the recently announced merger (GBL / ELECTRAFINA) will see the start of a genuine reduction.

At the risk of repeating ourselves, we would recall that the estimated value is the essential yardstick of our performance and is an objective tool for communication with us.

To put it in a nutshell, you set the discount and we manage the value.

You set the discount and we manage the value.

There is no disguising the fact that there are two elements which affect the value of this measure, as communicated to you, and which transfer part of its valuation to you (as well as to the analysts and the market). They are:

- the exchange of RTL GROUP shares for BERTELSMANN shares to be held by GBL, which will give rise to the problem of estimating the value of BERTELSMANN over time with effect from 2001. We are aware of this difficulty but have decided to fix the value of the BERTELSMANN shares acquired at the stock market price of the RTL GROUP shares contributed on the date of the swap operation and not to modify it subsequently ;
- the increase in the amounts invested in private equity, where the shareholdings are taken at book value (acquisition price less any reductions in value) or at the portion of their shareholders' funds due to NPM/CNP if the latter is higher than the former. In general, the valuation calculated in this way is below a transaction price. A write-off or a write-down would be posted by the Board in the event of a permanent impairment of the value of a long-term financial investment and so, in principle, the real value should never be less than the book value.

This decision on the valuation of BERTELSMANN and the private equity interests has been taken in order to remain purely factual and objective at our level. It goes without saying that this is accompanied by our commitment to transparency and to the provision of additional information so as to enable the shareholders and the analysts to determine the value which they wish to adopt in their own valuation of the NPM/CNP share and then, subsequently, its stock market price (*).

What the shareholder must bear in mind, now more than ever, is that the only correct way to value both NPM/CNP and PARGESA or GBL is to appraise the different compo-

(*) At the end of March 2001, this is applicable to assets representing approximately 25% of our estimated value calculated with these definitions.

nents and then, after adding them together, to apply a reasonable discount to the result(**).
It goes without saying that to value our stock on the basis of a multiple of the consolidated results is completely wrong because, at the present time, only a minority of our investments are equity-accounted for. If the analyst wishes to arrive at a proper valuation of NPM/CNP, PARGESA or GBL on the basis of aggregated financial data, the only way to do so is by updating the flows of dividends which these companies will pay in the future.
In this connection, moreover, we must point out that the "sum of the parts" method normally used by financial analysts nowadays to value any industrial, commercial or financial group is exactly the same as the method we recommend you to apply to our holdings.
While we regret the existence of the discount, this results from the judgement of the shareholders and from the positions they take on the stock exchange. As managers, this is something we have to live with. Having said that, the discount allows NPM/CNP to acquire its own shares at a good price, thus rewarding the shareholders who remain loyal.

However, let us leave these questions aside because, what really counts more than anything is the way our main shareholdings perform in practice, as this is what guarantees the future growth of our estimated value and our dividends.

PARGESA Group

The CLT-UFA/AUDIOFINA operations which gave rise to the RTL GROUP after the merger with PEARSON TV in July 2000 were accompanied by a significant rise in the stock market valuation of this company due, on the one hand, to the effect of the general re-rating of media stocks in the world markets and, on the other, to the effect of the plan of action launched in 1996 with a view to improving the profitability of the Group. The dividend per share is up 13% in 2000.
In 2001, the 29.9 % stake held by GBL in the RTL GROUP should be exchanged for 25.1 % of BERTELSMANN, a group with more diversified assets (but the main one of which remains the RTL GROUP). This contribution is an example of the application of our principles of value management, in which risk and return are balanced against each other.
This operation follows on from other transactions initiated by the Group (such as the creation of TOTALFINAELF in 1998-99) and is an expression of its ambition to work actively for the creation of groups on an international scale, even if this involves a dilution in terms of percentage shareholdings or indeed a loss of control or joint control.
For more detail, we refer back to our 1999 message, in which this strategic issue was discussed at length.
For the SUEZ Group, the year 2000 was also a period of growth, both in turnover and profits, the managers seeking to ensure that the Group remains focused on its core businesses. The dividend paid for the year 2000 is up 10%.
IMERYS continued with the integration of the ENGLISH CHINA CLAYS Group. Although certain difficulties were encountered in this process, the year ended with operating profit up 16.6%, a result which has permitted an increase of 12.5% in the dividend.
TOTALFINAELF smoothly integrated first PETROFINA and then ELF AQUITAINE, thus bringing into operation the group to emerge from the two public exchange offers. The ongoing

(**) This discount will take into account very low effective tax rate and G&A expenses.

restructuring of the Group and the resulting synergies should continue to act as significant "value drivers", holding out the prospect of growth in profits and in stock market valuation.

In parallel with these internal developments, TOTALFINAELF enjoyed the benefit of a particularly favourable oil price and dollar exchange rate. The combination of internal and external factors boosted the operating profit of TOTALFINAELF to EUR 7.6 billion (+128 %). The dividend to be proposed to the forthcoming AGM is up by 40%.

Value investing

The bulk of the NPM/CNP investment in TOTALFINAELF is held directly within the framework of its "value investing" division.

Last June, we issued a loan in the form of bonds convertible into TOTALFINAELF shares, with the aim of enabling shareholders to profit from the volatility applying to a part of our interest in this company.

As TOTALFINAELF remains by far the most important asset in our portfolio, this decision should not be seen as a sign of doubt with regard to the future of this company, indeed quite the contrary.

FOMENTO DE CONSTRUCCIONES Y CONTRATAS (FCC) continued to benefit from extremely favourable economic conditions in Spain, which its structures and management were able to exploit to the full. The outcome was an increase of 22% in net profit and a substantial rise in the dividend is also expected. It should be noted, moreover, that it was as much the promise of the Spanish economy as the intrinsic qualities of the FCC Group which led us to invest in this company.

Our interests in TAITTINGER S.A. and LE LOUVRE are still too recent for us to do more than to express real satisfaction with regard to the results achieved by this company over the past year.

Private equity

Our interests in private equity currently stand at some EUR 500 million.

Our interests in private equity - i.e. in unlisted companies - currently stand at some EUR 500 million or slightly less than 15% of our estimated value (in application of the prudent valuation criteria described above).

A major development in this area came in March 2000, with the acquisition of a substantial minority stake in the French sugar group SAINT LOUIS SUCRE.

Here again, our intention is to work alongside other investors and an extremely efficient management in establishing a large and profitable pan-European group.

In the private equity field, our chief concern is to act as the kind of good parent who finds it normal to give priority to a problem child. As our portfolio is limited both in the number of companies and in relation to our overall estimated value, it is to be expected that it will include companies which perform well and a minority of others which experience certain difficulties.

Irrespective of the reasons for such difficulties, it is our task to ensure that, in the long term, the bottom line is better than the average weighted cost of the capital invested.

Since we acquired IJSBOERKE, the company has continued, despite a difficult situation, to invest in a computerised real-time logistics system designed to help us, in the long term, to optimise its home-deliveries and, inter alia, "Customer Relation Management". While IJS-BOERKE was proceeding with these investments, the churn in its client base necessitated heavy charges for the renewal of the client portfolio and profits were depressed by the dioxin crisis and a sequence of two very wet summers. In addition, some minor foreign investments proved over hasty. At the end of the financial year, the company posted a loss of EUR 2.3 million. Fortunately, its cash flow remained positive, though down 43% to EUR 2.4 million.

...companies which perform well and a minority of others which experience certain difficulties.

Life was not easy for ENTREMONT in 2000, a year of poor dairy markets, especially in France and Germany. With the completion of our strategic studies, we proceeded to appoint a new CEO and a CMO to strengthen the management team. We look forward to the future with a confidence which has enabled us to authorise two major investments (EUROSERUM and the new Montauban cheese plant).

The remaining companies we have invested in are doing well. Whether for internal or external reasons, some of them had an exceptional year in 2000. However, what we had to say above with regard to difficult cases applies, of course, to the others.

Special mention must be made of:

- TRANSCOR, which recorded its best ever performance, with a return on capital invested of over 26%.
- EDITIONS DUPUIS, which took advantage of the diversity of its skills in "universe management" to achieve substantially higher profits (+ 36 %). The prospects for medium term development remain very positive.
- JOSEPH, which achieved a further increase in sales. During the first full year in which it has been held, the company covered the average cost of the capital invested by NPM/CNP
- DISTRIPAR, which we now own 100%, saw all the main investments progressing favourably. BELGIAN SKY SHOPS adapted very well to the changes in the regulations for duty-free shopping, closing the year with a fall in turnover of only 5%. CHÂTEAU CHEVAL BLANC had another great vintage year – the third in a row – with sale prices rising steadily. CLOQUET – PLANET PARFUMS increased turnover by 13% with the opening of 5 new points of sale.

More detailed comments on the private equity investments are to be found on pages 48 to 59 of this report.

Referring back to the beginning of this message, it will be recalled that most European groups are valued on a "sum of their parts" basis. The listing of our various shareholdings - the "divisions" as it were of NPM/CNP - and their performances will have reminded you that your company is no different from the others and that it too is valued on the basis of its component parts.

We are "over-invested" in the oil sector, but our confidence in the future performance of TOTALFINALELF justifies this.

It can be seen that our portfolio is :

- on the one hand, highly concentrated since the top four interests represent more than 70% of the total, with the oil sector accounting for nearly 50%, and
- on the other, extremely diversified at the level of our private equity activities.

This balance is the expression our intention to maintain an adequate risk/return ratio at all times.

While we would acknowledge that we are "over-invested" in the oil sector, we consider this to be justified in view of our confidence in the future performance of TOTALFINALELF.

Meanwhile, we would like to restructure our private equity holdings, if and when the opportunities arise, by focusing on a smaller number of interests though, at the same time, maintaining sectorial diversification.

Even though shareholdings may be minor, they will not be disposed of until they reach maturity. The corollary of this is that holdings which have become minor over the course of time will remain with us for a number of years.

Where appropriate, it could even be a larger shareholding which will be sold first. Nothing is set in stone.

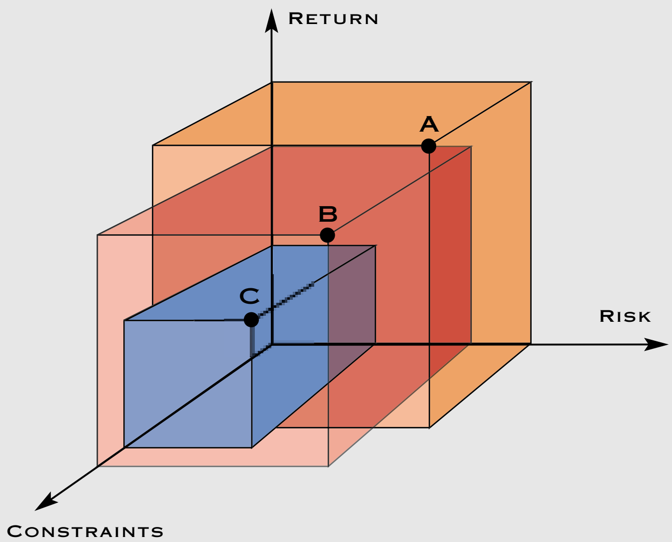
It remains the intention of the Group to rotate its portfolio and to use this rotation to achieve a higher concentration. In other words, though the risk profile of the portfolio may increase slightly, it will be easier to manage.

In this connection, the "Process-Based Value Management" now being applied by the Charleroi team, has led us to the conclusion that one of the competences which needs to be improved is risk management and that it may even be necessary to envisage the establishment of a "value at risk" or of a "Risk-Adjusted Return On Capital" approach.

It will be recalled that our basic procedure is to assess every investment or disposal decision in terms of a 3D-approach : return, risk and constraints.

From past experience and from various studies (mostly strategic) carried out in conjunction with the managers of our main shareholdings, we are inclined to believe that the team has developed a good level of expertise in the assessment and control of return, thanks to the establishment of reporting procedures which permit the comparison of the

Return, risk and constraints



A third factor, i.e. constraints, has, more than ever, to be integrated in the traditional risk/return analysis in environments experiencing fast and unpredictable changes.

NOPAT to capital invested ratio with the average weighted cost of this same capital.
It is more or less the same with regard to our capabilities in the valuation and management of constraints. Nevertheless, it is clear that the ever more numerous and unpredictable changes in the environments in which we and our companies operate are as uncertain as the legislative and regulatory frameworks.
However, as indicated above, a detailed assessment of all the underlying risks, whether at our level (vis-à-vis our portfolio) or inside our companies (at the level of their value-drivers) is an area in which most shareholdings still have ground to make up and we are no exception to this rule.
This is a complex field and any attempt to tackle it must allow time for us to train not only ourselves but also others and to establish pragmatic and efficient procedures.
We are considering initiating these efforts at TRANSCOR, which could serve as an example for all of our Group entities.

On the occasion of the last AGM held in April 2000, you resolved to support the FONDATION CHARLES-ALBERT FRÈRE through a generous donation of EUR 250.000 per annum for a three year period. The aim of this association is to help:

- the physically or mentally handicapped through hippotherapy
- the physically handicapped through palliative care of the children concerned
- the socially handicapped, i.e. the victims of poverty.

NPM/CNP would like you to know that its assistance is greatly appreciated and that it will certainly contribute to the success of this noble initiative.

As you are aware, the Wallon region is seeking to obtain substantial financial support in order to promote the FONDATION FOLON, which is based in the Château de la Hulpe, an estate belonging to the region. Your company, which is itself based in the Wallon region could hardly fail to respond to this initiative which, in seeking to exhibit the works of a Wallon, thus Belgian, artist of world-wide reputation, is also serving to improve the image of a region striving successfully to rehabilitate itself. Therefore, we have supported this action by offering EUR 250 000.
However, as we have already indicated to you, this type of intervention will remain limited even though it is normal that an enterprise should contribute financially to charitable works which bring benefits to the region in which it is based.
We are also happy to take the occasion of this message to confirm to you that – once again to a limited extent – your company has decided to acquire works of art, if and when the opportunity arises. They will be displayed in the Loverval building, along with many other works which are on loan to us from the FRÈRE Group.

It is customary to conclude a message of this kind with an expression of gratitude to the staff from the Board of Directors and the senior management. We are more than happy to maintain this tradition, as the team has been severely tested, with operations and periods of intensive work succeeding each other non-stop in 1999, 2000 and into 2001.
Last but not least, we should like to thank you, our shareholders, for your loyalty and support.

Gilles Samyn
Managing Director

Gérald Frère
Chairman