Message to the Shareholders

The ongoing process of

Dear Shareholders,

In presenting this report on the 1999 financial year, we believe it is necessary to place it in perspective compared with 1998. Indeed, over these two years significant changes have occurred :

- in fully diluted terms, we have bought back 6.5 million of our own shares (in the form of shares and warrants) – for a sum of EUR 460 million – and distributed dividends totalling EUR 128 million. Despite these major outflows of funds, our total estimated value rose from EUR 2.3 billion to EUR 3.2 billion over the same period. The estimated value per share therefore increased from EUR 84 (beginning of 1998) to EUR 154 (at the end of 1999), equivalent to a yearly Total Performance for the Shareholders of 38% over the past two years;
- with ELECTRAFINA we contributed to the creation of the fourth largest oil company in the world, TOTAL FINA ELF, which enabled us, amongst other things, to externalise a portion of the value that was not reflected in the stock market price of PETROFINA alone. At the end of 1999, our direct stake in the TOTAL FINA ELF Group represented 34% of our estimated value, and around 44% if we add the transitive holding through the PARGESA Group;
- as part of our strategic intent, we invested around EUR 300 million in private equity, raising the total of our commitments from EUR 90 million to EUR 390 million;
- the PARGESA Group focused on a limited number of major holdings : 2 holdings controlled alone (IMERYS) or jointly (CLT-UFA) and 2 strategic holdings (TOTAL FINA ELF and SUEZ LYONNAISE DES EAUX).

A yearly Total Performance for the Shareholders of 38% over the past two years

The two main challenges over the coming years for NPM/CNP are adequate management of our direct shareholding in the TOTAL FINA ELF Group and the profitable development of our private equity assets.

Let us look back over 1999...

Inside NPM/CNP

The completion of a significant own shares buy-back operation combined with active management of our short-term investment portfolio, with exceptionally favourable results, was accompanied by the intensification of the Charleroi team's activities in the field of private equity.

Last year we signalled our dual intention :

- to develop these activities giving priority to small and medium enterprises, often family run, with ambitions to seize the opportunities offered by the development of "Corporate Europe";
- to become a professional operator respected by our peers in this domain.

This determination has in no way prevented us from applying strict valuation criteria or from abandoning certain competitive bid procedures when the prices offered by others exceeded our valuations. Bound by confiden-

value creation

tiality agreements, we can not report in this document on the various acquisition studies that failed to materialise in 1999 or that are still pending.

We are pleased to have fulfilled our strategic ambition through two major investments in sectors that we wish to give priority :

- agri-food with the acquisition of a 75% stake in the French group ENTREMONT active in the cheese sector, which generates annual turnover of around EUR 1 billion and will be used as a point of departure for creating a major player in the European cheese market, while respecting its existing values of quality, tradition and modernity;
- specialised distribution – in particular that of luxury products – by obtaining control of JOSEPH, an English Group operating in the ready-to-wear luxury clothing sector and generating turnover of EUR 75 million, more than 60% of which is in Great Britain; our ambition is to support its already significant development to make it, over the longer term, into a major player in the world of fashion and the specialised distribution of luxury ready-to-wear clothing.

"An optimist sees the opportunity in every difficulty"

Winston Churchill

Necessary concentration

Monitoring our shareholdings, both large and small, consumes resources. To avoid spreading ourselves too thinly, we limit our investments to four or five sectors. Noting that "small" shareholdings have a tendency to require as much, if not more, attention as the "large" ones, we are seeking to concentrate on major holdings.

We have therefore decided :

- to associate SUZY and its subsidiary INTERWAFFLES on a 50/50 basis with the CORONA-LOTUS Group in order to benefit jointly from the critical mass required to survive in the very competitive waffle market (see box "Managing the unpredictable"). The new common entity has started the construction of a new factory at Courcelles (Charleroi region) and, at the beginning of 2000, has acquired the LA PASCALOU Group in order to strengthen its position. Finally, the Dutch company DRIEHOEK, which showed few synergies with the rest of the Group, was sold;

- the sale to BELGACOM of our holding in WIN. We are satisfied that WIN fulfilled its principal objective of making Internet access available to the people of Wallonia. It even exceeded its goals, because today WIN is the leading free Internet service provider in the Region.

Budding

Although we limit – from a geographical point of view and size – the investments made at the level of NPM/CNP, we encourage our holdings to expand through internal and external growth, while of course asking them to adopt the same pragmatic attitude towards the price of any acquisition. Projects that came to fruition include the acquisition of the chocolate maker VANPARYS – CORNÉ PORT ROYAL by the DISTRIPAR Group and the acquisition by IJSBOERKE of the distributor JONCKERS in the Southern Netherlands.

The exercice of our skills; being the market and a sting for our shareholdings

We limit our interventions in our shareholdings to our three professional shareholder skills : determining the strategy (major investments, budgets, etc.), the choice and motivation of managers and financial engineering.

The key events in the pursuit of these activities were :
- at strategic level : the launching of studies within the ENTREMONT and DUPUIS groups and "e-tail" positioning of our major shareholdings,
- at human resource management level :
  - the recruitment of Thomas MEISSER, former CEO of QUICK, who strengthens the management team at IJS-BOERKE,
  - the establishment of stock ownership plans for the management. A notable example was the completion of a plan at the TRANSCOR Group under which 20% of the capital was sold to the personnel,
- financial engineering : recourse to financial banking aid to fund our acquisitions, allowing us to conserve liquid assets at NPM/CNP (see pages 10 and 11).

We also consider that one of our main functions, within our unlisted shareholdings, is to fulfil on their behalf the role

Managing the unpredictable

As we pointed out last year, our "private equity" investments entail risks of a very different nature to those resulting from holding a portfolio of listed assets.
In May 1999, our Belgian agri-food businesses, IJS-BOERKE and SUZY, were hit hard by the dioxin crisis, the medium-term impact of which on Belgian companies cannot be underestimated.
Five months later, the main production unit of the SUZY Group was badly damaged by fire.
This incident has also allowed us to bring to the fore the reality of our added value, mainly the value of the strategic work undertaken. True to our task, we established a network of contacts over the three years that we had been holding this investment, studying and simulating the optimum industrial structures for these units. This network and our strategic database enabled us, together with the management team, to react without haste but with the benefit of the urgency, in such a way that, within precisely 15 days, a new future had been sketched out and, to a large extent, set in motion.

"An optimist sees the opportunity in every difficulty". This maxim that CHURCHILL was so fond of quoting is one of the fundamentals of our internal culture. Although, to all appearances, it would have been preferable to have drawn up the strategic plans that had been approved before the outbreak of fire, our speed of reaction will greatly contribute to satisfy our requirement for return in excess of the cost of capital for our holdings in SUZY-DESOBRY-DRIEHOEK.

that would be played by the financial markets if they were listed : to influence, judge, recompense and sanction, with objectivity and long-term vision, their ability to create value.

Alongside this, we also have to accompany and support their management because there are many long years of unremitting effort between theory and putting it into practice, both on our part and that of all the management teams of our companies.

It is customary for us to say that, although investing is difficult, creating EVA (Economic Value Added) and MVA (Market Value Added) is even harder.

We know that our performance over the long term stems from the industrial results of our shareholdings. This is why we have relentlessly pursued our efforts to ensure that the managers of our companies adopt as their credo the relationship between their net operating profits after tax (NOPAT) and the capital invested.

To be the market and a sting for our shareholdings

Moreover, MVA also results from strategic and structural decisions (as has been demonstrated over the past two years); we therefore remain very vigilant concerning the choices made by our subsidiaries and shareholdings.

At the PARGESA – GBL – ELECTRAFINA level

ELECTRAFINA and NPM/CNP were the driving force of the merger between PETROFINA and TOTAL and then supported the Public Exchange Offer subsequently launched by TOTALFINA on ELF AQUITAINE (in which NPM/CNP was a shareholder) creating TOTAL FINA ELF.

GBL confirmed its long-term commitment to the audio-visual sector by increasing its stake in AUDIOFINA, which controls CLT-UFA (the leading European audio-visual group), to parity with BERTELSMANN/WAZ. This increase results from the two-stage acquisition of the shares held by VIVENDI and PARIBAS in AUDIOFINA.

We deliberately restrict ourselves in this message to the most prominent aspects with an impact on the holdings of the PARGESA / GBL / ELECTRAFINA Group. For more detailed analysis, and the events that marked the life of the companies in which this group had interests, please refer to pages 34 to 43 of this report.

The NPM/CNP team

A small team

We are committed to maintaining a small, motivated and flexible team at our head office. The virtues of this organisation were clearly seen throughout 1999, especially when applied to the lever of the strong, professional management teams that lead our shareholdings. There is also great satisfaction when the teams from these companies and our own draw mutual benefit from working together.

Outsourcing

The small size of the team at NPM/CNP can not be an obstacle to its professionalism. In view of the additional effort required to deal with private equity, we outsource certain tasks, while of course remaining ultimately responsible for the quality of the work. We therefore develop harmonious relations with certain service providers that we consider to be partners and "external colleagues" :

- international auditing firms;
- law firms specialising in financial, commercial, fiscal and European law;
- recruitment advisors;
- strategy consultants who work directly within our holdings;
- merchant banks and credit institutions.

A year of exceptional activity, 1999 generated total external costs of EUR 4.5 million. This sum, although large in absolute terms, allowed us to remain flexible and, in the long term, is less than we would have had to pay to support all of these skills in our own team, in particular to ensure that they were available at the appropriate times and, on some occasions, could be used in several major projects simultaneously.

To align the long-term interests of the staff with those of our shareholders

Staff motivation

In our concern to adapt the remuneration of our teams to reflect market conditions, we periodically (as it was the case this year) commission an external consultancy to carry out an objective review of remunerations for the entire NPM/CNP team.

Moreover, the introduction of a stock ownership plan for our staff aligned their long-term interests with those of the shareholders; the staff has undertaken to retain its shares in the company (LOVERFIN) which was used to purchase the NPM/CNP shares for a period of at least five years.

ZBT and PBVM

Following the success of our first in-house attempt at zero-base thinking (or ZBT) in 1995, we decided to undertake a similar exercise to prepare ourselves for the challenges of the next five years, the lifespan of a strategic breath for a team like ours. This time the theme will be the Process Based Value Management.

Two major developments

Between 1988 and 1994, your company grew strongly through increases in capital (EUR 1.3 billion). Today, the NPM/CNP Group is taking advantage of the substantial discount on its own shares to buy them back on the stock market and, where appropriate, to cancel them. At the present time, these buy-backs are made on discounts of more than 35%.

We confirm our policy of having a positive net cash position. This being said, our approach to financing acquisitions has undergone a change. In our desire to optimise the return on invested capital, we have decided, wherever possible, to finance a part of our private equity acquisitions using bank loans customised for each holding. In general, such external financial support is granted – without a guarantee from NPM/CNP – to an ad hoc acquisition vehicle. This system has the dual advantage of limiting the capital required for acquisition, and of optimising the EVA® of each investment.

The nationality of decision-making centres will take precedence over that of capital

Naturally, we are aware that this policy increases the risk associated with our investments but, apart from the favourable impact of the financial optimisation, we believe that the portfolio effect generated by the diversification of our investments should cover this increase in the financial risk.

Towards Corporate Europe

NPM/CNP shareholders are well aware of the ambition that underpins the Group's actions : to participate with enthusiasm in the emergence and success of "Corporate Europe".
As this new world takes shape, centres of decision-making will take precedence over the nationality of the capital holding companies. We have decided not to be a holding company looking for power and accept to dilute it where this generates value for all shareholders. This is why we have associated some of our shareholdings (local when considered at a European level) with powerful partners to allow them to develop fully within the enlarged group while retaining decision-making centres in Belgium.

The participation of many former managers of PETROFINA in the general management of the TOTAL FINA ELF Group and, in particular, the vice-chairmanship entrusted to François CORNELIS, is a source of great satisfaction. This provides proof that Belgium has managerial talent which is attractive to major international companies. Need we remind you that Michel TILMANT, who was a member of the senior management at GBL, which he left to join the Executive Committee of the BBL and then its chairmanship, is today President of ING BANK and will become in May the Vice-President of the Executive Committee at ING ?

1999 results

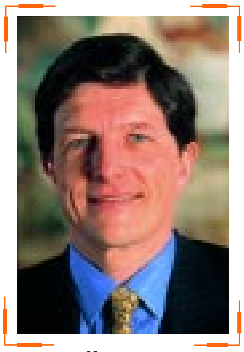
Our operating result has grown so spectacularly, largely thanks to the active management of our cash position, that it is unlikely that NPM/CNP will be able to repeat this performance in the year 2000, last year having been exceptional in this respect. The operating result should nevertheless allow us to pursue the current policy of dividend growth.

Non-operating results largely reflect the effect on the books of the capital gains from the contribution of PETROFINA and ELF AQUITAINE shares to the new company TOTAL FINA ELF. These results are analysed as a whole and commented on pages 22 to 24.

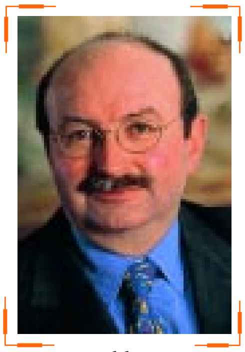
You also know that, in the eyes of the management of your Company, all that counts is the long-term growth of the estimated value and the dividend.

Like every other year, this report contains the Total Shareholders' Return (TSR) achieved – annually and over a longer period – on the net global assets of NPM/CNP. In 1999, it stood at 43%. This means that since NPM/CNP's resizing in 1988, we have generated a return on investment at an annual average compounded rate of 12.7% (in terms of estimated value).

Allow us to close this message by thanking you for your loyalty. Our gratitude also go to all of our partners who, alongside us, have brought many operations to fruition during the year, and also to all of the staff who strove with no thought other than to ensure that NPM/CNP remains worthy of your trust.



Gilles Samyn
Managing Director



Gérald Frère
Chairman

NPM/CNP and the BEL 20®

Some shareholders have asked us about the possibility of NPM/CNP entering the BEL 20®, stock market index. This is a legitimate question, in that this introduction might have a positive effect on its share price, although this cannot be taken for granted.

In application of Article 4.2.1 of the BEL 20® regulations, the stock market authority has considered that NPM/CNP held - through PARGESA - 49% of GBL, although NPM/CNP only holds transitively 12% of GBL. The effect of this is that our stock market capitalization has been reduced, placing us in 27th position in the list of eligible companies, although the reduction of the percentage that we hold transitively in financial terms would place us in 14th position.

Following our queries, the stock market authority of BXS has recently informed us of being aware of the problem and to take it into account in case of a global reorganisation of the BEL 20® index.