Pargesa

Holding SA

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Pargesa

Holding SA

BOARD OF DIRECTORS

CHAIRMAN

Paul DESMARAIS *	Chairman of the Executive Committee, Power Corporation of Canada

VICE-CHAIRMEN

Baron FRÈRE *	Chairman of the Board of Directors, Frère-Bourgeois S.A.
Michel FRANÇOIS-PONCET	Chairman of the Supervisory Board, Paribas
André de PFYFFER *	Attorney-at-Law

DIRECTORS

Fahad AL-RAJAAN *	Director-General, The Public Institution for Social Security
Marc-Henri CHAUDET *	Attorney-at-Law
Ian D. COLLIER	Vice-President, Merchant Banking & Private Placements, Ontario Municipal Employees Retirement System (OMERS)
André DESMARAIS *	President and Co-Chief Executive Officer, Power Corporation of Canada
Paul DESMARAIS Jr.	Chairman of the Board and Co-Chief Executive Officer, Power Corporation of Canada
Gérald FRÈRE	Managing Director, Frère-Bourgeois S.A.
Luzius GLOOR *	
Robert GRATTON	President and Chief Executive Officer, Power Financial Corporation
Aimery LANGLOIS-MEURINNE	Managing Director, Pargesa Holding S.A.
Pierre LANGUETIN	
André LÉVY-LANG	Chairman of the Board of Management, Paribas
Gérard MESTRALLET	Chairman of the Board of Management, Suez Lyonnaise des Eaux
Michel PLESSIS-BÉLAIR **	Vice-Chairman of the Board and Chief Financial Officer, Power Corporation of Canada
Hans-Jörg RUDLOFF	Chairman of the Executive Committee, Barclays Capital
Gilles SAMYN	Managing Director, Compagnie Nationale à Portefeuille S.A.
Pierre SCOHIER *	Chairman of the Board of Directors, Cobepa S.A.

* Term of office due to expire, renewal proposed to the Annual General Meeting
** Election proposed to the Annual General Meeting

COMMITTEES, MANAGEMENT, AUDITORS

EXECUTIVE COMMITTEE

CHAIRMAN
Paul DESMARAIS Jr.

VICE-CHAIRMAN
André DESMARAIS

MEMBERS
Paul DESMARAIS
Baron FRÈRE
Gérald FRÈRE
André LÉVY-LANG
André de PFYFFER
Gilles SAMYN
Pierre SCOHIER

AUDITORS

ATAG ERNST & YOUNG AUDIT S.A.
DELOITTE & TOUCHE EXPERTA S.A.

COMPENSATION COMMITTEE

CHAIRMAN
André de PFYFFER

MEMBERS
Jacques MOULAERT
Michel PLESSIS-BÉLAIR
Hans-Jörg RUDLOFF
Gilles SAMYN

AUDIT COMMITTEE

CHAIRMAN
Marc-Henri CHAUDET

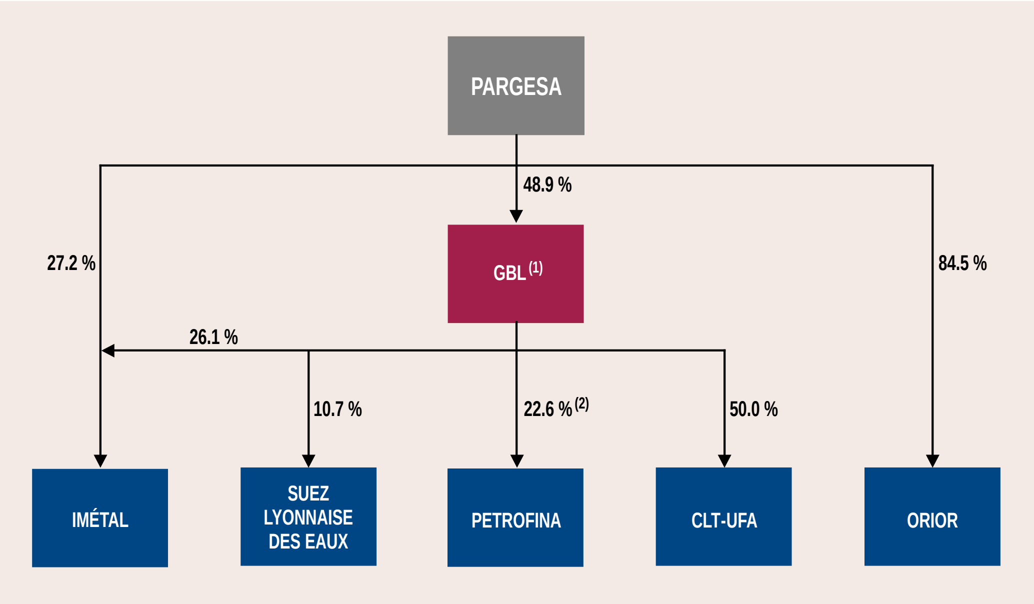
MEMBERS
Paul DESMARAIS Jr.
Pierre LANGUETIN
Gilles SAMYN
Pierre SCOHIER

MANAGEMENT

Paul DESMARAIS	Chairman and Managing Director
Baron FRÈRE	Vice-Chairman and Managing Director
Aimery LANGLOIS-MEURINNE	Managing Director
Pierre HAAS	Advisor to the Chairman
Jacques DRIJARD	Deputy Managing Director
Andrew ALLENDER	Financial Director
Mark KELLER	Chief Accountant
Fabienne RUDAZ BOVARD	Treasurer

PARGESA GROUP

SIMPLIFIED ECONOMIC STRUCTURE AT 31 DECEMBER 1998



(1) The holdings in Suez Lyonnaise des Eaux and PetroFina are held by Electrafina, a 76.8% subsidiary of GBL; CLT-UFA is held by Audiofina, a 51.2% subsidiary of Electrafina

(2) This will become 6.8% of the new Total Fina group on completion of Total's exchange offer for PetroFina

KEY DATA OF SHAREHOLDINGS AT 31 DECEMBER 1998

Company	Currency	Direct interest	Total interest	% Flow-through interest	Net income 1998 (CHF millions)	Shareholders' equity 1998 (CHF millions)
GBL	BEF	48.9%	48.9%	48.9%	1,418	5,990
SUEZ LYONNAISE DES EAUX	FRF		10.7%	4.0%	1,613	14,359
PETROFINA	BEF		22.6%	8.5%	750	6,401
IMÉTAL	FRF	27.2%	53.3%	40.0%	171	1,892
CLT-UFA	LUF		50.0%	9.5%	(33)	734
ORIOR	CHF	84.5%	84.5%	84.5%	4	170

(1) economic interest assessed at the level of Pargesa

Pargesa

Holding SA

GLOBAL DATA

CHF millions	1994	1995	1996	1997	1998	
Consolidated shareholders' equity	2,562.6	2,497.5	2,773.4	3,259.2	3,975.4	
Operating income	165.4	173.0	189.7	201.9	173.8	
Non-operating income (1)	(3.3)	(5.3)	81.8	528.8	672.0	
Consolidated net income	162.1	167.7	271.5	730.7	845.8	
Gross dividend	111.2	114.6	117.4	119.2	121.6	(2) (3)
Shares entitled to dividend	1,611,313	1,636,442	1,653,042	1,655,617	1,665,667	(3)
Market capitalisation at year-end	2,386	2,240	2,449	2,975	3,607	
Estimated net asset value at year-end	3,125	3,139	4,091	4,652	5,612	

(1) including depreciation of goodwill
(2) proposed to the Annual General Meeting
(3) subject to issue of reserve bearer shares between the publication of the Annual Report and the Annual General Meeting

DATA PER SHARE

CHF		1994	1995	1996	1997	1998	
Share price	year-end	1,470	1,380	1,495	1,800	2,170	
	high	1,720	1,500	1,520	2,020	2,725	
	low	1,390	1,230	1,340	1,461	1,712	
	average	1,554	1,395	1,445	1,768	2,156	
Consolidated shareholders' equity		1,509	1,470	1,633	1,919	2,340	
Estimated net asset value at year-end		1,925	1,934	2,497	2,814	3,376	
Share price discount on estimated net asset value (1)		24%	29%	40%	36%	36%	
Operating income (2)		105.7	106.6	115.8	122.1	104.6	
Non-operating income (2)		(2.1)	(3.3)	49.9	319.9	404.3	
Consolidated net income (2)		103.6	103.3	165.7	442.0	508.9	
Gross dividend		69.0	70.0	71.0	72.0	73.0	(3)
Average gross yield		4.4%	5.0%	4.9%	4.1%	3.4%	
Percentage of share capital traded		12%	6%	9%	17%	11%	

(1) at year-end
(2) calculated on the average number of shares outstanding during the year
(3) proposed to the Annual General Meeting

STOCK MARKET INFORMATION

MESSAGE FROM THE CHAIRMAN

MESSAGE FROM THE CHAIRMAN

I wish to make clear to all of our shareholders my great satisfaction concerning the way in which the Pargesa Group has reorganised its business portfolio in recent years. Today, we have four major shareholdings, which cumulatively account for more than 80% of our estimated net asset value. Each of these holdings has visible expansion and appreciation potential. Each is managed by top-quality teams that have proven their worth in the face of the toughest international competition.

The largest of these holdings is Suez Lyonnaise des Eaux, in which we are the dominant shareholder with 10.7%. This group was created by a successful merger, followed by in-depth restructuring. The company has considerable financial resources and unequalled know-how in a fast-growing market.

Total Fina comes next: here, we are also the major shareholder with 6.8%. The decision to join forces with Total is a recent development, now recognised as a logical strategic move, and the expectations it has raised go far beyond the benefits of the industrial consolidation opportunities it offers.

Imétal, in which we have a 53% holding, has just taken a major step towards non-organic growth with its friendly bid for English China Clays. The new group will be a leader in pigment production for the paper industry and the world’s largest industrial mineral producer. The expected synergy is considerable, and provides Imétal with decisive strategic advantages.

CLT-UFA, in which Bertelsmann and ourselves are equal partners, is focusing on the expansion of its dynamic hertz-wave television and radio broadcasting operations. In addition, the company is entering new markets, such as the United Kingdom and Eastern Europe. Lastly, it is coming to the end of its non-core business divestment programme. Thus strengthened, the group will be able to generate excellent results and to take its place as the European sector leader.

Across the board, these efforts represent remarkable accomplishments which, regrettably, have not been adequately acknowledged by the stock market. Therefore, I take the liberty of mentioning that Pargesa Group’s divestment programme has yielded substantial capital gains and has also been implemented under excellent conditions. In this way, we have demonstrated that a closely-knit diversified Group like ours is entirely capable of playing its part as a strategic shareholder in major European companies in the current climate of increased competition and transparency.

For the future, Pargesa Group has the financial resources it needs to sustain the growth of our holdings and to seize new opportunities, should they arise.

Paul Desmarais

1. INTRODUCTION

Pargesa Holding S.A. (Pargesa), whose registered office is in Geneva, is the parent company of Pargesa Group which acts through its holdings in a number of operating companies, in industry and services.

Pargesa Group's investment strategy is based on the following principles:

- concentrating the portfolio on a limited number of major holdings, with the aim of creating long-term value;
- seeking to exercise control, or major influence, over the companies in which the Group holds interests;
- ongoing professional activity as a strategic shareholder in the companies in which Pargesa invests, particularly in the following matters:

  – selecting senior management;
  – discussing and approving development strategies proposed by management;
  – monitoring the course of business on a regular basis and participating in important decision-making;
  – participating in the definition of financial policy.

Applying these principles, the Group's portfolio as of 31 December 1998 was concentrated in four holdings representing approximately 81% of the estimated net asset value: Suez Lyonnaise des Eaux, PetroFina, Imétal and CLT-UFA. Details of their operations are provided in pages 22 to 29 of this report.

2. MAIN EVENTS IN 1998

The 1998 financial year and the early months of 1999 were characterised by numerous transactions designed to implement Pargesa Group's desire to simplify its structure, to concentrate its investment in a limited number of large shareholdings and to expand those holdings.

These transactions had a profound impact on the structure of the Group's results, as the sale of consolidated holdings generated substantial capital gains but also led to the replacement of their contributions by financial income and dividends from new non-consolidated holdings. These alterations also enabled us to eliminate two intermediary holdings, Parfinance and Royale-Vendôme.

In March 1998, Parfinance sold its shares in Paribas and AXA-UAP, realising a net gain of CHF 116 million for Pargesa. In May, Parfinance made an extraordinary distribution (by which Pargesa received CHF 271 million), before being absorbed on 30 June by its subsidiary Imétal.

Parfinance contributed the balance of its treasury, amounting to FRF 1 billion, to Imétal in order to sustain the latter's development projects. Consequently, Pargesa became a direct shareholder with a 27.2% stake in Imétal. Pargesa and GBL jointly held 53.3% of Imétal's capital at 31 December 1998.

In May 1998, GBL's 25.1% interest in Royale-Vendôme, the holding that controls Royale Belge, was sold to AXA-UAP. The transaction yielded a net gain of CHF 378 million for Pargesa.

Through the market, GBL also sold the AXA-UAP shares received as a result of this transaction as well as the ING shares received in exchange for the BBL stock sold in December 1997, which generated a net gain of CHF 147 million for Pargesa.

Lastly, GBL sold its stake in the Bernheim-Comofi group (producing a CHF 44 million gain for Pargesa) and its holdings in Dupuis, Transcor, Distripar, Dewaay, Fibelpar, Havas and Banque Artesia.

During the first half the Group, via Electrafina, added to its investment in Suez Lyonnaise des Eaux. This fresh investment was equivalent to CHF 400 million, effected through the stock market and by contributing shares in Société Générale de Belgique to the public exchange offer launched by Suez Lyonnaise des Eaux in respect of its subsidiary. At 31 December 1998, Electrafina was the main shareholder in Suez Lyonnaise des Eaux with 10.7% of this company.

During the year, GBL raised its interest in Electrafina from 48.4% at 31 December 1997 to 76.8% at 31 December 1998. This increase is essentially attributable to the acquisition in June of Vivendi's 24.4% shareholding in Electrafina.

In December 1998, Electrafina and other major shareholders of PetroFina agreed to promote closer ties between PetroFina and Total, to create the world's fifth-largest oil company, under the name Total Fina. On 14 January 1999, Total's shareholders approved this move and the proposed public exchange offer for all of PetroFina's shares. Once the transaction is completed in 1999, Electrafina will be the first shareholder of Total Fina, with 6.8% of the new group's capital, resulting in a substantial gain for Pargesa.

In January 1999, Imétal, a Pargesa subsidiary, launched a public takeover bid in London for English China Clays (ECC). In February, ECC's Board of Directors recommended acceptance of a revised offer valuing ECC at GBP 756 million, subject to the approval of the European, Canadian and US anti-trust authorities. Completion of this transaction should have a positive impact on Imétal's earnings and, also, enable the group to become the world leader in the white-pigment sector.

In March 1999, CLT-UFA and the Kirch group signed an agreement under which Kirch is to buy nearly all of the CLT-UFA's holding in the share capital of Premiere, Germany's main pay-TV company.

3. SOURCE OF INCOME – ESTIMATED NET ASSET VALUE

The following tables and commentaries are based on a flow-through analysis of the results and the portfolio. This analysis looks through the Group's holding companies – GBL, Parfinance (until the first half of 1998), Electrafina and Audiofina – which possess interests in the operating companies, in order to provide an overview of how Pargesa's income is generated and what its estimated net asset value is.

3.1. Source of income

Changes in the portfolio are reflected in the structure of the profit and loss account and the composition of Pargesa's flow-through net asset value. The sale of holdings consolidated by the equity method (BBL at the end of 1997, Royale Belge in 1998) as well as non-consolidated interests (Paribas and AXA-UAP in 1998) generated substantial gains but reduced contributions to consolidated income, while increasing interest and dividend income as a result of investment in non-consolidated holdings. Furthermore, GBL's higher stake in Electrafina, which rose from 48.4% at 31 December 1997 to 76.8% at 31 December 1998, increased Pargesa's share in the contributions made by Electrafina's assets (Suez Lyonnaise des Eaux, PetroFina, and CLT-UFA), as of the second half of 1998. As a result of these changes, comparison with the previous financial year is less meaningful.

The tables below are obtained by calculating directly Pargesa's flow-through share in the main items of the profit and loss accounts of the holding companies: this manner of presentation highlights the contribution of each company as well as the other components of operating income (financial income, income from securities management, overheads, etc.) and the non-operating income of Pargesa and its holdings.

Table 1 - Economic presentation of the results

CHF millions	1996	1997	1998
Contribution of the major holdings			
• **Consolidated:**			
Imétal	41.0	53.9	63.8
PetroFina	32.6	46.8	52.0
CLT-UFA	14.1	(6.4)	(5.9)
• **Non-consolidated:**			
Suez Lyonnaise des Eaux [1]	–	8.6	12.1
• **Sold:**			
BBL	24.1	28.6	–
Royale Belge	18.1	22.2	–
Paribas [1]	6.3	7.1	–
AXA-UAP [1]	2.0	2.6	–
Tractebel	14.2	–	–
Total contribution of the major holdings	**152.4**	**163.4**	**122.0**
per share (CHF)	*93.0*	*98.8*	*73.4*
Contribution of other companies subject to equity accounting	18.6	19.6	20.7
Operating income of holding companies	18.7	18.9	31.1
Operating income of holding companies	**189.7**	**201.9**	**173.8**
per share (CHF)	*115.8*	*122.1*	*104.6*
Non-operating income of holding companies	108.8	555.7	690.8
Depreciation of goodwill	(27.0)	(26.9)	(18.8)
Net income	**271.5**	**730.7**	**845.8**
per share (CHF)	*165.7*	*442.0*	*508.9*
Number of shares, weighted	*1,638,442*	*1,653,042*	*1,662,117*
Average currency conversion rate			
BEF	0.0399	0.0406	0.0399
FRF	0.2413	0.2486	0.2455

[1] for holdings not subject to equity accounting, the contribution is calculated on the basis of dividends received

In the context described above, operating income for the financial year amounted to CHF 173.8 million compared to CHF 201.9 million in 1997.

The decline in contributions from the major holdings was mainly caused by the sale of BBL and Royale Belge. In contrast, the contribution from the interests held by Electrafina (Suez Lyonnaise des Eaux, PetroFina and CLT-UFA) was influenced by GBL's increased stake in Electrafina, which was reflected in the accounts as of the second half.

Net consolidated income was again exceptionally high, at CHF 845.8 million compared to CHF 730.7 million in 1997, including non-operating income of CHF 690.8 million realised in 1998, essentially composed of gains on the sale of holdings, compared to CHF 555.7 million in 1997, even though significant gains were also realised in that year.

For the most part, these gains were generated by the sale by Parfinance of Paribas and AXA-UAP (CHF 116 million), and by GBL of Royale-Vendôme (CHF 378 million), AXA-UAP and ING (CHF 147 million) and Bernheim-Comofi (CHF 44 million).

3.2. Estimated net asset value

Estimated net asset value per share amounted to CHF 3,376 at the end of 1998, compared to CHF 2,814 at the end of 1997. Estimated net asset value is calculated according to the following principles:

- holdings in listed companies in the Group portfolio (including Audiofina), owned by the holding companies, are valued at their market price;
- per-share values refer to a bearer share with a par value of CHF 1,000, registered shares with a par value of CHF 100 being retained at one-tenth of their number.

Table 2 - Flow-through analysis of Pargesa's estimated net asset value

CHF millions	31.12.96 amount	31.12.96 % of total	31.12.97 amount	31.12.97 % of total	31.12.98 amount	31.12.98 % of total
Suez Lyonnaise des Eaux	130	3.2%	541	11.6%	1,666	29.7%
PetroFina	518	12.7%	676	14.6%	1,246	22.2%
Imétal	1,013	24.8%	969	20.8%	858	15.3%
CLT-UFA (Audiofina)	489	12.0%	485	10.4%	779	13.9%
Royale Belge (Royale-Vendôme)	272	6.6%	421	9.1%	-	-
Paribas	198	4.8%	257	5.5%	-	-
AXA-UAP	134	3.3%	163	3.5%	-	-
BBL	325	7.9%	-	-	-	-
Major holdings	**3,079**	**75.3%**	**3,512**	**75.5%**	**4,549**	**81.1%**
Other holdings	663	16.2%	491	10.6%	307	5.4%
Total portfolio	**3,742**	**91.5%**	**4,003**	**86.1%**	**4,856**	**86.5%**
Net cash (1) (2)	349	8.5%	649	13.9%	756	13.5%
Estimated net asset value	**4,091**	**100.0%**	**4,652**	**100.0%**	**5,612**	**100.0%**
per share	*2,497*		*2,814*		*3,376*	
Market price	1,495		1,800		2,170	
Discount	40%		36%		36%	
BEF exchange rate (year-end)	0.0422		0.0394		0.0399	
FRF exchange rate (year-end)	0.2578		0.2428		0.2451	

(1) the market value of trading securities as well as the net balance of current assets and liabilities are added to the net cash position

(2) debentures redeemable in shares are considered as shareholders' equity

Transactions completed during the financial year had the following influence on the portfolio:

- the weighting of the major holdings, whose number was reduced from seven to four during the period, amounted to 81.1% of the portfolio, compared to 75.5% a year earlier;
- the significant increase in the weighting of Suez Lyonnaise des Eaux, PetroFina and CLT-UFA since the end of 1997 is partly attributable to a rise in the stock prices and to share purchases, but mainly occurred when GBL raised its stake in Electrafina, which possesses these holdings, from 48.4% to 76.8% during the year;
- the proportion of other holdings declined to 5.4% of the net asset value, compared to 10.6% a year earlier;
- unlisted holdings decreased from 4.2% to 1.3% of the estimated net asset value.

3.3. Estimated net asset value at 30 April 1999

Pargesa's estimated net asset value, calculated on the basis of the market price of the portfolio and current exchange rates, increased from CHF 3,376 per share at 31 December 1998 to CHF 4,031 per share at 30 April 1999 and breaks down as follows:

Table 3 - Flow-through of Pargesa's estimated net asset value at 30 April 1999

	Controlling interest	Economic interest	Share price in local currency	Flow-through value in CHF millions	% of total
Total	8.3% [1]	3.2%	*EUR 130*	1,945	29%
Suez Lyonnaise des Eaux	10.7%	4.1%	*EUR 161*	1,631	24%
Imétal	53.3%	40.0%	*EUR 123*	1,241	19%
CLT-UFA (Audiofina)	50.0%	9.8%	*EUR 43*	898	13%
Sub-total				5,715	85%
Other holdings				311	5%
Total portfolio				6,026	90%
Net cash				682	10%
Estimated net asset value				**6,708**	**100%**
per share			*CHF 2,240*	*CHF 4,031*	

[1] this will become 6.8% of the new Total Fina group on completion of Total's exchange offer for PetroFina

At this date the composition of the estimated net asset value reflects the contribution of Electrafina's entire stake in PetroFina to Total, in exchange for new Total shares, which will be followed by a public exchange offer by Total for PetroFina's outstanding share capital. On completion of the foregoing transactions, Electrafina will be the first shareholder in the new Total Fina group with 6.8% of its capital.

The main shareholdings represent 85% of the estimated net asset value, while non-consolidated holdings account for 63%.

4. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are drawn up according to the principles of equity accounting. According to this method, Pargesa's portion of shareholders' equity in direct holdings, namely GBL, Imétal and Orior, is stated in the balance sheet and their contributions correspond to the share of net income attributable to Pargesa. The tables below provide an overview of the profit and loss account and the balance sheet, detailed at pages 32 to 45 of this Report.

The financial statements are presented in accordance with the Swiss Accounting and Reporting Recommendations (ARR). Furthermore, in all essential respects, consolidated shareholders' equity and net profit comply with IAS.

Table 4 - Consolidated profit and loss account (accounting presentation)

CHF millions		1996	1997	1998	
Contribution from GBL		295.9	626.7	693.5	
Contribution from Imétal		-	-	21.9	
Contribution from Parfinance		1.7	69.1	96.8	
Contribution from Orior		4.9	1.4	3.6	
Other companies subject to equity accounting		-	-	0.2	
Operating income		302.5	697.2	816.0	
Pargesa's operating income		1.1	1.9	(9.3)	
Sub-total		**303.6**	**699.1**	**806.7**	
Pargesa's non-operating income		(8.9)	43.5	53.4	
Depreciation of GBL, Imétal (Parfinance) and Orior goodwill		(23.2)	(11.9)	(14.3)	
Net profit		**271.5**	**730.7**	**845.8**	
Weighted share average		*1,638,442*	*1,653,042*	*1,662,117*	
Earnings per share		*165.7*	*442.0*	*508.9*	
Note:	GBL net profit (BEF millions)	16,891	31,726	35,584	
	% consolidated by Pargesa at year-end	47.4%	48.9%	48.8%	
	Imétal net profit (FRF millions)	-	-	340	(1)
	% consolidated by Pargesa at year-end	-	-	26.3%	
	Parfinance net profit (FRF millions)	126	583	846	(2)
	% consolidated by Pargesa at year-end	46.1%	45.8%	45.8%	(3)
	Orior net profit (CHF millions)	6.8	1.6	4.2	
	% consolidated by Pargesa at year-end	74.1%	83.1%	84.5%	

(1) net profit for H2 1998
(2) net profit for H1 1998
(3) at 30 June 1998

The total contributions of companies subject to equity accounting again reached record levels in 1998. The high contribution from GBL, Pargesa's primary direct holding, essentially reflects the capital gains it realised during the year. For Parfinance, which was taken over by its subsidiary Imétal on 30 June 1998, the contribution only represents the first six months of the year, which included the gains realised on the sale of Paribas and AXA-UAP. As of the second half of 1998, Pargesa's accounts show a direct interest of 26.3% in Imétal's profit.

The Group's non-operating income mainly includes the recovery of provisions amounting to CHF 43 million, set aside for pension liabilities and corresponding to holdings sold during the year.

Goodwill depreciation includes the ordinary charge for the fiscal year, and the depreciation of the net balance of CHF 10.8 million of goodwill on GBL attributable to Royale Belge, sold in 1998, whereas in 1997, exceptional depreciation of CHF 9.1 million had been recorded on the sale of BBL.

Table 5 - Consolidated balance sheet (analytical presentation)

CHF millions					31.12.98
• Affiliates subject to equity accounting					
	GBL	Imétal	Orior	Other	
Share of shareholders' equity	2,910.7	497.5	143.9	19.6	3,571.7
Net goodwill	92.1	13.3	5.3	-	110.7
	3,002.8	510.8	149.2	19.6	
• Non-consolidated holdings					13.3
• Loans to affiliates					1.2
• Trading securities					19.0
• Cash and equivalents (net of short-term debt)					251.1
• Frozen deposits (reserved shares)					36.6
Total assets					**4,003.6**
• Loan from affiliate					0.2
• Provision for risks and expenses					28.0
• Shareholders' equity (amounting to CHF 2,340 per share)					3,975.4
Total liabilities					**4,003.6**

The carrying value of the affiliates subject to equity accounting represented 90% of the balance-sheet assets at the end of 1998. The holding in Imétal replaces Pargesa's stake in Parfinance, which was absorbed on 30 June 1998. Net residual goodwill stands at CHF 110.7 million (CHF 30.9 million at end 1997), particularly allowing for the goodwill of CHF 63 million recorded on Imetal's takeover of Parfinance. In terms of liabilities, shareholders' equity represents almost 100% of total assets and stands at CHF 3,975.4 million, or CHF 2,340 per share compared to CHF 1,919 per share at the end of 1997. This increase of almost 22% was mainly the result of the exceptionally high income of CHF 845.8 million for the period.

5. PARENT COMPANY INCOME AND DIVIDEND PROPOSAL

The parent company's income amounted to CHF 153.1 million or CHF 92.1 per share.

The Board of Directors will propose to the Annual General Meeting the payment of a dividend of CHF 73 per bearer share and CHF 7.30 per registered share. This would bring the total dividend distribution for 1998 to CHF 121.6 million. The sum of CHF 85.0 million would be carried forward, given the allocation of CHF 7.7 million to the general legal reserve.

Table 6 - Parent company income and dividend

	1996	1997	1998	
Parent Company income (CHF millions)	122.5	123.5	153.1	
per share (CHF)	*74.8*	*74.7*	*92.1*	
Total dividend (CHF millions)	117.4	119.2	121.6	(1)
per share (CHF)	*71.0*	*72.0*	*73.0*	(1)

(1) proposed to the Annual General Meeting

6. ORGANISATION OF THE COMPANY

The Company has an Audit Committee and a Compensation Committee, composed of members of the Board of Directors and external persons who report on their work to the Board of Directors.

The task of the Audit Committee, which is chaired by Mr. Marc-Henri Chaudet, is to ensure the relevance and the permanence of accounting methods and to ensure that internal procedures for the collection and control of information guarantee these aims.

The Compensation Committee, which is chaired by Mr. André de Pfyffer, is responsible for fixing and implementing remuneration policy for the General Management and the members of the Board of Directors.

7. PROPOSALS TO THE ANNUAL GENERAL MEETING OF 17 JUNE 1999

7.1. Allocation of earnings

Taking into account the earnings for the year, the Board of Directors proposes to the Annual General Meeting that the net profit for the year of CHF 153.1 million, in addition to the balance carried forward of CHF 61.2 million, corresponding to a total amount available for distribution of CHF 214.3 million, be allocated as follows:

• Dividend	CHF	121.6 million
• General legal reserve	CHF	7.7 million
• Retained earnings to be carried forward	CHF	85.0 million

7.2. Elections

The terms of office of Messrs. Paul Desmarais, Albert Frère, André de Pfyffer, Fahad Al-Rajaan, Marc-Henri Chaudet, André Desmarais, Luzius Gloor and Pierre Scohier are due to expire. The Board of Directors proposes to the Annual General Meeting that they be renewed for a period of three years. Mr. Jean-Claude Delorme, whose term of office also expires, has requested that it not be renewed. The Board of Directors warmly thanks Mr. Jean-Claude Delorme for his contribution during his term of office, from 1993 to 1999. The Board also proposes that Mr. Michel Plessis-Bélair, Vice-Chairman of the Board and Chief Financial Officer of Power Corporation of Canada, be elected to the Board for a term of three years.

The Board of Directors proposes that the Annual General Meeting renew the appointment of ATAG Ernst & Young Audit S.A. and Deloitte & Touche Experta S.A. as the Group's auditors for a term of one year.

7.3. Amendment of the Articles of Association

Pursuant to the Stock Market and Securities Trading Act (Loi sur les bourses et les valeurs mobilières, LBVM), and the time-limit set by Article 53 of the legislation, the Board of Directors proposes the addition of a new paragraph, 10 b, with the following wording: “Any person acquiring shares in the company shall not be required to make a public takeover bid pursuant to Articles 32 and 52 of the Stock Market and Securities Trading Act (Loi sur les bourses et les valeurs mobilières, LBVM), if the threshold stated in Article 32.1 LBVM is exceeded (known as the “opting-out” clause)”.

MAIN SHAREHOLDINGS

GROUPE BRUXELLES LAMBERT

Via Electrafina, GBL owns the Pargesa Group's main holdings in Suez Lyonnaise des Eaux, Total Fina and CLT-UFA (through Audiofina). GBL also has a direct stake in Imétal, which Pargesa and GBL control jointly.

	1996	1997	1998
Global data (BEF millions)			
Shareholders' equity at 31 December	93,378	122,422	150,296
Market capitalisation at 31 December	96,033	130,248	171,024
Consolidated net profit	16,891	31,726	35,584
Total distribution	4,702	5,103	5,089
Data per share (BEF)			
Consolidated net profit	718	1,327	1,464
Dividend	200	210	216
Outstanding shares	23,508,759	24,299,940	24,432,025
Pargesa's shareholding (%)	**49.1**	**49.4**	**48.9**

GBL's performance was influenced by the Group's decision to refocus its portfolio, which is now concentrated on four main holdings: Suez Lyonnaise des Eaux, Total Fina, CLT-UFA and Imétal. In the past year, GBL completed significant divestment and strengthened its interests in existing holdings.

In terms of divestment, GBL sold its stakes in Royale-Vendôme and Bernheim-Comofi, realising gains of approximately BEF 20 billion. GBL also sold its investments in Dewaay, Banque Artesia, Group Jean Dupuis, Transcor, Distripar and Havas, as well as the ING shares resulting from the sale of BBL, and AXA-UAP, held in the portfolio, which generated total gains of approximately BEF 11 billion.

Regarding investments, during the year GBL spent BEF 50 billion to raise its stake in Electrafina from 48.4% to 76.8%. In turn, Electrafina invested BEF 10 billion in Suez Lyonnaise des Eaux, to acquire 10.7% of the capital by year-end. In June 1998, GBL bought 9.8% of its own shares from AXA-UAP for BEF 15 billion. These GBL shares were partly set aside to cover a convertible bond issued in July 1998, while the remainder were allocated following the exercise of 584,917 warrants in June 1998 and 739,994 warrants in December 1998.

In December 1998, Electrafina and other major shareholders in PetroFina agreed to join forces with Total to create the world's fifth-largest oil company, to be known as Total Fina. On 14 January 1999, Total's shareholders approved the merger and the principle of a public exchange offer in respect of PetroFina's entire share capital. On completion of these transactions Electrafina will be the main shareholder in Total Fina, with 6.8% of the new group's capital, resulting in a substantial capital gain.

Annual profit was heavily influenced by the foregoing changes. Operating income for the year was BEF 6.9 billion, compared to BEF 7.6 billion a year earlier. Allowing for gains of BEF 29.3 billion, against BEF 24.7 billion the preceding year (in which income was also exceptionally high), total income amounted to BEF 35.6 billion, compared to BEF 31.7 billion in 1997. The board will propose a dividend of BEF 216 per share to the General Meeting, corresponding to a total distribution of BEF 5.1 billion.

SUEZ LYONNAISE DES EAUX

Suez Lyonnaise des Eaux is an industrial and services group active in 120 countries, whose business in focused on four core sectors: Energy, Water, Waste Disposal and Communications.

	1996 [1]	1997	1998
Global data (FRF millions)			
Shareholders' equity at 31 December	45,400	49,301	58,584
Market capitalisation at 31 December	71,057 [2]	84,073	169,637
Consolidated net profit	1,981	4,013	6,582
Total distribution	n.a.	1,894	2,617
Data per share (FRF)			
Consolidated net profit	15.9	32.3	48.6
Dividend	12.0	15.0	17.7
Outstanding shares	125,541,972 [2]	126,235,772	147,767,737
Group shareholding (%)	**6.1**	**11.2**	**10.7**

[1] pro forma
[2] at 19 June 1997, the date on which Compagnie de Suez and Lyonnaise des Eaux merged

During 1998, Suez Lyonnaise des Eaux pursued its strategy, aimed at internationalising its core businesses, simplifying its structures and improving profit margins. By focusing on growth sectors, and especially as a result of urbanisation and deregulation, Suez Lyonnaise des Eaux is now a primary global player in local services.

Energy is Suez Lyonnaise des Eaux's main activity. The group produces, transports and distributes electricity, transports and distributes gas, manages and services installations, district heating schemes, and recycles waste to generate combined heat/electricity.
Suez Lyonnaise des Eaux is a leader in France and the United States in district heating networks. The group is also a major player in combined heat/electricity generation and has extensive know-how in the energy business, giving it an advantageous position in deregulated European gas and electricity markets.
In the course of the year, Tractebel acquired combined heat/electricity generation plants in Massachusetts, New Jersey and California (640 MW), while Elvo inaugurated a sorting and generation plant at Lisbon's World Exhibition site. Tractebel also purchased 68% of Gérasul (4,800 MW), the Brazilian electricity producer.

Via Lyonnaise des Eaux, the group supplies drinking water to more than 77 million people across the globe, and water purification services to 52 million, making it the international n° 1 in the water sector. It is also the world leader in water purification engineering, via its Degrémont subsidiary. Suez Lyonnaise des Eaux seeks to strengthen its position as an international leader by intensifying the expansion of delegated management in the major industrial centres of the industrialised countries and emerging economies.
The group's leadership was illustrated by its success in 1998-1999. Its most recent achievements include a liquid-waste processing contract for Cairo (Egypt), a 20-year drinking water production and distribution contract for Atlanta (United States), 25-year water and purification contracts for Arezzo (Italy), as well as water and purification contracts for Amman (Jordan).

The group has become the European n° 1 in waste management. Following the acquisition, by its subsidiary Sita of the non-US operations owned by Browning Ferris Industries, Suez Lyonnaise des Eaux now ranks third world-wide in the sector. Active in all areas of waste-collection, sorting,

recycling, biological recycling, energy and storage of industrial and household waste, the group is capable of finding solutions to the problems posed by industrial and household waste in expanding conglomerations.
Owing to Sita and Tractebel, the group was able to continue its international expansion. Sita, which was already the market leader in South America, strengthened and extended its network in the Asia Pacific region (Hong Kong, Australia, New Zealand).

Suez Lyonnaise des Eaux has extensive communications holdings in its French and Belgian domestic markets. The group's aim is to become the leader in cable multimedia services, helped by the advent of digital technology and the deregulation of the telecommunications industry. Lyonnaise Câble is the leading cable operator in France, together with Coditel and Electrabel, which rank first in the Belgian market with more than 2.8 million subscribers. The group is also active in hertz-wave television, through M6, and satellite broadcasting via TPS.
The year was marked by the launch of cable fixed-line telephony in France (Lyonnaise Câble), the excellent performance of M6, which became the channel with the highest profit margins in the French audio-visual sector, and the success of TPS, which was confirmed by the inscription of the 650,000th subscriber in January 1999.

The group's consolidated sales amounted to FRF 205.7 billion, up 8% compared to 1997. International sales for core businesses (excluding France and Belgium) amounted to FRF 52.6 billion, or 37% of total turnover, up 65% overall. The group's financial structure is sound, with net debt of FRF 69.9 billion, or 59% of total shareholders' equity (FRF 118.4 billion). Gross operating income covers 7.5 times net financing charges. The group share of net profit was FRF 6.6 billion, a 64% increase. Group share of net operating income advanced 25% to FRF 5 billion.

These results confirm the dynamism and potential of Suez Lyonnaise des Eaux. The group has confidence in its ability to achieve a sharp profit increase for 1999.

At the Shareholders' Annual General Meeting on 28 May 1999, the board of directors will propose the distribution of a net dividend amounting to FRF 17.7 per share, corresponding to a gross dividend of FRF 26.6, including a tax credit, to be paid on 1 June 1999.

PETROFINA

PetroFina is an integrated international oil and petrochemicals group.

	1996	1997	1998
Global data (BEF millions)			
Shareholders' equity at 31 December	135,011	155,915	160,593
Market capitalisation at 31 December	233,581	320,274	369,491
Consolidated net profit	15,948	22,060	18,810
Total distribution	9,301	10,773	10,770
Data per share (BEF)			
Consolidated net profit	686	945	802
Dividend	400	460	460
Outstanding shares	23,252,863	23,420,432	23,459,774
Group shareholding (%)	**22.8**	**22.7**	**22.6**

Petrofina's operations cover various aspects of the oil industry, namely exploration, production, refining, as well as the marketing of oil, petrochemical products and chemicals. The group also produces paints, through its subsidiary, Sigma Coatings.

PetroFina is engaged in oil exploration and production in eleven countries, though the group's activities are mainly concentrated in Europe (70% of reserves) and North America. PetroFina operates six refineries located in Antwerp (Belgium), Rome (Italy), Immingham (United Kingdom), Big Spring, Port Arthur (United States) and Luanda (Angola).
PetroFina's petrochemical plants in Belgium and the southern United States are important producers of monomers and are leaders in the polypropylene, high-density polyethylene and polystyrene sectors.
The group markets its oil and chemical products under the "Fina" brand name. Its service-station network includes 6,300 sales outlets, mainly located in nine European countries and the southern United States. The group employs 14,500 people in 44 countries, with approximately one-third of its staff located in Belgium.

In 1998, the sector's results were influenced by falling prices for crude oil (–33%) and gas (–20%), as well as production problems tied to the launch of the Ekofisk II platform in the North Sea.
Exploration operations were successful, as the group shared in new discoveries in North America, Angola, Italy and the United Kingdom. Consequently, PetroFina has replaced 125% of its production in 1998 and expanded its reserves to cover eleven years of production.

Against a background of low growth in demand and stricter environmental regulations, PetroFina continued to consolidate its refining capacity: construction began on an aromatics extraction unit and a combined electricity/heat generation facility capable of producing three times 42 MW.
Regarding distribution, the group pursued its strategy of concentrating its network around logistic centres. The Norwegian marketing operation was sold to expand market share in the Netherlands.

Petrochemicals held up well in spite of the negative impact of the Asian crisis, owing to higher production and firm demand in Europe and the United States. The group allied itself with BASF to build the world's largest steam cracker at the Port Arthur site, which will complete its non-US industrial base. For polymers, the group started production on its ninth polypropylene line in the United States at the La Porte plant and launched a new high-density polyethylene unit at Bayport.

PetroFina's share of consolidated group income amounted to BEF 23.1 billion, compared to BEF 22.9 billion in 1997. Consolidated net profit for the group totalled BEF 18.8 billion, compared to BEF 22.1 billion a year earlier.
PetroFina's share of cash flow was BEF 56.8 billion, compared to BEF 55.1 billion the preceding year.

On 1 December 1998, Electrafina (76.8% owned by GBL at the end of 1998) and other long-term shareholders in PetroFina (Investor, Tractebel, Electrabel and AG 1824) announced that they planned closer ties between PetroFina and Total to create "Total Fina", the world's fifth-ranking oil group and Europe's third-largest petroleum company.
For this purpose, the parties agreed, under certain conditions, to contribute their entire PetroFina shareholdings, amounting to 41% of the capital, to Total, exchanging PetroFina shares for Total shares on a 2:9 basis, effective as of 1 January 1998.
In this context, on 4 January 1999, the Extraordinary General Meeting of PetroFina's shareholders voted in favour of distributing a gross dividend of BEF 460 per share, as of 13 January. Total's shareholders, who held their General Meeting on 14 January 1999, were largely in favour of the project. They approved the acquisition of 41% of PetroFina and the launch of a public exchange offer, on the same terms, for the balance of the Belgian oil company's capital.

On completion of these transactions and if all of PetroFina's shares are exchanged pursuant to the offer, Electrafina will acquire 6.8% of Total Fina's capital and 6.5% of the voting rights.

Total's dividend for the 1998 financial year will be paid out after the exchange offer has expired.

IMÉTAL

Imétal is the world leader in Mineral and Metal processing.

	1996	1997	1998
Global data (FRF millions)			
Shareholders' equity at 31 December	5,849	6,573	7,720
Market capitalisation at 31 December	11,418	11,167	8,971
Consolidated net profit	614	620	696
Total distribution	238.5	261.2	296.4
Data per share (FRF)			
Consolidated net profit	40.8	44.3	47.9
Dividend	16.0	17.5	18.5
Outstanding shares	14,906,496	14,928,496	16,019,581
Group shareholding (%)	**52.5**	**54.4**	**53.3** (1)

(1) including 27.2% held directly by Pargesa

Imétal is active in the following sectors:

- Mineral processing for construction (fired clay tiles and bricks) and industry (white pigments, refractory concrete, ceramic admixtures and specialities), which represents almost 64% of its business;
- Metal processing covers two specialised activities: structural and mechanical tubing and bimetallic cables.

In these two sectors, Imétal holds dominant positions, in the French Construction Materials segment, the North American Metal Processing market and the global Industrial Minerals sector.

In 1998, Imétal's sales and income rose again. The group experienced dynamic external growth, particularly in Industrial Minerals, owing to its acquisitions in the refractory concrete and ceramic admixture sectors. As the group's business is well-balanced in both sectoral and geographic terms, it was able to offset the downturn at the end of the year in the North American market for tubing and paper. On 30 June 1998, the shareholders of Parfinance and Imétal approved the absorption of Parfinance by Imétal. This transaction added FRF 1 billion to Imétal's shareholders' equity. Pargesa/GBL combined remain the dominant shareholders, and a 7% increase in the number of Imétal shares outstanding promoted an increase in the company's float. Turnover amounted to FRF 12.3 billion, up 11% (1% based on constant consolidation and currency conversion parameters).

Performance per sector was as follows:

- Mineral processing:
  - Turnover in Construction Materials was FRF 2.9 billion, which corresponds to a 4.7% increase. On a constant consolidation and currency conversion basis, the increase would have been 5.3%.
  - Turnover for Industrial Minerals was FRF 5.1 billion; this represents a rise of 16.9%. Changes in the scope of consolidation essentially reflect the absorption of KPCL's acquisitions in Germany (ceramic admixtures), the purchase of American Minerals by C-E Minerals, Inc. (basic refractory materials) and the Plibrico group's expansion, notably in South Africa

(refractory concrete). Based on a constant scope of consolidation and currency conversion, the sector's turnover would have risen 3.6% in spite of slower sales of paper and refractory materials.

- Metal processing:
  Sales increased 8.7% to FRF 4.2 billion. The scope of consolidation expanded to include the Canadian tubing business bought in May 1997, making this division the sector leader on the North American continent. Based on a constant scope of consolidation and currency conversion, the sector's turnover would have fallen 5.5%, notably owing to a steady decline in the sales volume of bimetallic cables, inventory reduction by North American tube distributors and the reorganisation of structural tubing following the takeover of Copperweld Canada.

Operating income rose 12% to FRF 1,346 million, compared to FRF 1,206 million in 1997. Group share of net operating income amounted to FRF 741 million, a 12% increase over the 1997 figure. Allowing for extraordinary losses of FRF –45 million, including FRF –48 million in depreciation of goodwill on acquisitions, group share of net profit was FRF 696 million, compared to FRF 620 million in 1997.

At the General Meeting of 6 May 1999, the board will propose the distribution of a net dividend of FRF 18.5 per share, up 6%, equivalent to a total distribution of FRF 296 million.

Pursuant to its strategic goal of non-organic growth in the Mineral Processing sector, in January 1999 Imétal made a takeover bid for English China Clays Plc (ECC), a UK public company listed on the London Stock Exchange. ECC's board of directors advised shareholders to accept the bid. The acquisition price was GBP 2.50 per share, which values the company's capital at FRF 7 billion. The bid for ECC succeeded on 27 April 1999. The consolidation of this company in the accounts of Imétal, as of 1 May 1999, should have a positive impact on the group's results as of 1999.

CLT-UFA

CLT-UFA is Europe's leading audio-visual group.

	1996	1997	1998 [1]
Global data (LUF millions)			
Shareholders' equity at 31 December	23,472	19,187	18,425
Consolidated net profit	3,372	(2,882)	(832)
Total distribution	1,461	–	–
Data per share (LUF)			
Consolidated net profit	282	(149)	(29)
Dividend	122	–	–
Outstanding shares	13,075,881	19,305,277	19,305,847
Group shareholding (%)	**97.1**	**50.0**	**50.0**

[1] the above table displays the figures at 11 February 1999, as drawn up by CLT-UFA's board of directors

CLT-UFA is the top European radio and television group, active in eleven countries with interests in 40 radio stations and television networks, most of which enjoy a dominant share of the market. The group also produces and distributes radio and television programmes and audio-visual rights.

In 1998, Germany's RTL Television confirmed its leading position with its target audience, in the 14 to 49-year age range, for the sixth consecutive year. Also in Germany, RTL 2 reached breakeven point and benefited from more extensive programming resources, following its agreement in December 1997 with RTL Television. In addition, the other commercial television networks strengthened their respective positions. In France, M6 became the second-ranking network in terms of advertising income; in the Netherlands, CLT-UFA acquired a strategic interest in Holland Media Groep, by raising its stake from 39.5% to 65%.

Overall, start-up operations also went well. In the United Kingdom, Channel 5's performance met expectations. The channel should break even in 2001. Channel 5 now has an audience of 2.1 million households and holds 4.8% of the market. At the end of 1998, RTL Klub occupied second place in the Hungarian market with 32% of its target audience (18 to 49 years).

Last year was also marked by the sale of interests in Talk Radio (UK), TPS (France) and the 65% stake in RTL 9 (Luxembourg).

In 1998 losses at CLT-UFA decreased by 40% in comparison to 1997, mainly as a result of:

- fast-growing profit margins on traditional business (RTL Television in Germany, M6 in France, HMG in the Netherlands, RTL-TVI in Belgium, RTL radio in France, German radio stations);
- a return to profit on several operations (RTL 2 in Germany and RTL 9 in France, RTL 2 radio in France);
- smaller losses on start-up and developing companies (Super RTL and Vox in Germany, Channel 5 in the United Kingdom);
- sale of loss-making operations (CLT-UFA's direct interests in TPS, Talk Radio).

In March 1999, CLT-UFA and the Kirch group agreed that Kirch would buy almost all of CLT-UFA's holding in Premiere, Germany's leading pay-TV channel. On completion of this transaction, for an overall cash payment of DEM 1.6 billion, the Kirch group will own 95% of Premiere's share capital, while CLT-UFA will retain a 5% interest in the pay-TV channel.

CLT-UFA's estimated pre-tax profit for 1998 amounted to more than LUF 1.5 billion (LUF –1.0 billion in 1997) and to LUF –0.8 billion after tax (LUF –2.9 billion in 1997). The upturn in profit margins on traditional business observed in 1998 should continue throughout 1999. Moreover, the ongoing decline in losses by the new television channels launched in 1997, combined with a reinforced financial structure, will enable CLT-UFA to explore new possibilities.

ORIOR

Orior is now essentially composed of two assets: Orior Food, which controls leading companies in the Swiss food industry, and Stern group, which produces dials for the luxury watch industry.

	1996	1997	1998
Global data (CHF millions)			
Shareholders' equity at 31 December	178.1	172.6	170.1
Market capitalisation at 31 December	154.0	158.3	157.2
Consolidated net profit	6.8	1.6	4.2
Total distribution	7.1	7.1	3.4
Data per share (CHF)			
Consolidated net profit	31.4	7.4	19.7
Dividend	33	33	16
Outstanding shares	215,329	215,329	215,359
Pargesa's shareholding (%)	**74.1**	**83.1**	**84.5**

In 1998, Orior completed its transition from a company with broad industrial holdings to a food sector specialist. Virtually all the group's capital is invested in Orior Food and Stern.

In the past year, Orior Food has continued to integrate the food companies acquired recently, and to exploit their potential operating synergy. During the 1998 financial year, the new Rapelli SA site in Ticino started production. In addition, the Fresico poultry-processing plant in China completed its first full year of operation, as did the group's Lineafresca distribution network in Switzerland. Over the period, Orior Food raised its stake in Fredag from 88% to 92%. Orior Food's turnover was CHF 272.2 million compared to CHF 273.2 million in 1997. Sales rose for pâtés/terrines, chilled foods, poultry products and catering, but dropped slightly for cured pork products and fresh pasta. Net operating income amounted to CHF 8.8 million compared to CHF 8.0 million in 1997, a 10% increase. The results suffered from the continuing high price of pork in the first half, the cost of preparing the new Rapelli plant for production and, early in the year, the expense of starting up new operations in China.

The Stern group's turnover was CHF 42.1 million, compared to CHF 40.6 million in 1997. Consolidated net operating income for Stern Créations SA amounted to CHF 1.6 million, compared to CHF 1.1 million the preceding year. The Stern group's contribution to Orior's net operating income was neutral, as operating income merely covered financing charges, which included those of the holding used for the acquisition (Stern Compagnie SA).

The board of directors will ask the General Meeting to approve payment of a dividend of CHF 16 per share, compared to CHF 33 per share the preceding year and corresponding to a distribution rate of approximately 40% of net operating income. In future, Orior's dividend will be commensurate with the profitability of the group's industrial subsidiaries.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS	1998	1997
	CHF million	CHF million
CURRENT ASSETS		
Sight deposits with banks	0.1	3.1
Short-term deposits with banks	303.1	–
Marketable securities (Notes 2f and 3)	19.0	46.9
Other assets and accounts receivable	3.3	6.6
TOTAL CURRENT ASSETS	**325.5**	**56.6**
LONG-TERM ASSETS		
Loan to affiliated company	1.2	–
Non-consolidated investments (Notes 2g and 4)		
– shares	13.3	36.9
Equity in affiliates subject to equity accounting (Notes 2b and 5)	3,571.7	3,232.8
Total investments	3,585.0	3,269.7
Frozen deposits (Note 6)	36.6	45.7
TOTAL LONG-TERM ASSETS	**3,622.8**	**3,315.4**
INTANGIBLE ASSETS		
Goodwill (Notes 2c and 5)	**110.7**	**81.6**
TOTAL	**4,059.0**	**3,453.6**

LIABILITIES	1998	1997
	CHF million	CHF million
COMMITMENTS		
Due to banks on sight	0.4	0.3
Long-term bank borrowings due within the year (Note 7)	50.0	–
Accrued liabilities	5.0	8.4
Total short-term liabilities	55.4	8.7
Loan from affiliated company	0.2	–
Long-term bank borrowing (Note 7)	–	50.0
TOTAL COMMITMENTS	**55.6**	**58.7**
NEGATIVE GOODWILL (Notes 2c and 5)	**–**	**50.7**
PROVISION FOR CONTINGENCIES AND EXPENSES (Note 8)	**28.0**	**85.0**
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	1,698.7	1,698.7
Share premium	236.0	235.4
Treasury stock reserve (Note 10)	41.1	41.1
Currency translation adjustment (Note 11)	(167.4)	(156.4)
Reserves (Note 12)		
– General legal reserve	71.0	64.8
– Consolidated reserves	1,250.2	644.9
– Net income for the year	845.8	730.7
	2,167.0	1,440.4
TOTAL SHAREHOLDERS' EQUITY (Note 13)	**3,975.4**	**3,259.2**
TOTAL	**4,059.0**	**3,453.6**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1998	1997
	CHF million	CHF million
INCOME FROM LONG-TERM INVESTMENTS		
– share in income of affiliates subject to equity accounting (Note 16)	816.0	697.2
– dividends	1.3	2.2
– interest on bonds	–	1.6
	817.3	701.0
INCOME FROM LIQUID ASSETS		
– interest on bank deposits	5.6	1.0
– interest on bank borrowings	–	(0.1)
– foreign exchange	(4.4)	(0.2)
	1.2	0.7
INCOME FROM MARKETABLE SECURITIES		
– dividends and interest	1.7	2.0
– net capital gains from sales of securities	0.7	8.2
– net constitution of provisions	–	(0.7)
	2.4	9.5
FINANCIAL OPERATING EXPENSES		
– interest on bank borrowing	2.3	2.3
	2.3	2.3
OPERATING EXPENSES		
– commissions and bank charges	0.2	0.1
– taxes	1.5	3.5
– directors' fees and payroll expenses	8.4	4.6
– general and administrative expenses	1.8	1.6
	11.9	9.8
NET OPERATING INCOME (I)	**806.7**	**699.1**

	1998	1997
	CHF million	CHF million
CHANGES IN LONG-TERM INVESTMENTS		
– capital gains realised	0.2	–
– capital losses realised	(2.6)	(7.9)
– constitution of provisions	(1.2)	–
– dissolution of provisions	–	0.1
	(3.6)	(7.8)
OTHER		
– net depreciation of goodwill (Note 5)	(14.3)	(11.9)
– net changes in the provision for contingencies and expenses	57.0	51.3
INCOME ON CAPITAL TRANSACTIONS (II)	**39.1**	**31.6**
NET INCOME (I + II)	**845.8**	**730.7**

	1998	1997
	CHF million	CHF million
ALLOCATION OF AVAILABLE PROFIT		
Consolidated reserve at 1 January	1,375.6	746.8
Dividend distributed during the year	(119.2)	(117.4)
Allocation to the general legal reserve during the year	(6.2)	(6.2)
Decrease (increase) of treasury stock reserve	–	21.7
Net income for the year	845.8	730.7
PROFIT TO BE ALLOCATED	**2,096.0**	**1,375.6**
ALLOCATION PROPOSED TO THE ANNUAL GENERAL MEETING OF 17 JUNE 1999 *		
Allocation to the general legal reserve	7.7	6.2
Dividend	121.6	119.2
Consolidated reserves	1,966.7	1,250.2
PROFIT ALLOCATED	**2,096.0**	**1,375.6**

* subject to issue of reserved bearer shares between the date of publication of the Annual Report and the Annual General Meeting

CONSOLIDATED CASH-FLOW STATEMENT

	1998 CHF million	1997 CHF million
OPERATING ACTIVITIES		
Net income for the year	845.8	730.7
Gains on sale of investments	2.4	7.9
Depreciation and provisions	(42.2)	(47.4)
Financial income	(6.4)	(2.6)
Financial expenses	2.4	2.5
Share of profits of affiliates subject to equity accounting	(816.0)	(697.2)
	(14.0)	(6.1)
Interest received	6.0	2.8
Interest paid	(2.4)	(2.5)
Change in accrued liabilities net of other assets and accounts receivable	0.9	0.7
Net sales of securities	28.7	32.0
Dividends received from affiliates subject to equity accounting	126.1	119.4
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	**145.3**	**146.3**
INVESTMENT ACTIVITIES		
Purchase of long-term investments	(27.5)	(150.3)
Sale of long-term investments (including capital repayment and non-recurring dividends)	292.7	45.0
Net loans to affiliates	(1.1)	–
NET CASH PROVIDED BY (USED FOR) INVESTMENT ACTIVITIES	**264.1**	**(105.3)**
FINANCING ACTIVITIES		
Sale of reserved shares (nominal and share premium)	9.7	15.6
Dividend paid	(119.2)	(117.4)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**(109.5)**	**(101.8)**
INCREASE (DECREASE) IN CASH AND EQUIVALENTS NET OF BANK BORROWING AND SIMILAR LIABILITIES	**299.9**	**(60.8)**
Cash and equivalents net of bank borrowing and similar liabilities at beginning of year	2.9	63.7
Cash and equivalents net of bank borrowing and similar liabilities at end of year	302.8	2.9
NET INCREASE (DECREASE)	**299.9**	**(60.8)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS

Pargesa Holding S.A. is registered in the Commercial Register for the canton of Geneva (Switzerland). The company's principal object is to buy, sell, direct and manage investments in the financial, commercial and industrial, both in Switzerland and in other countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared according to the following principles:

2a) Accounting principles

The Company's financial statements have been prepared in accordance with the Swiss Accounting and Reporting Recommendations (ARR) and with Swiss law. In addition, consolidated shareholders' equity and net profit are, in all essential respects, in accordance with International Accounting Standards (IAS).

2b) Consolidation basis

The Company applies the notion of uniform management for determining the consolidation basis. Full consolidation is applied to subsidiaries over which the Company has effective control by way of uniform management. Other investments, which do not meet conditions of uniform management, are treated as affiliated companies and accounted for using the equity method in the consolidated financial statements. Holdings of minor importance are not included in the scope of consolidation.

FULLY CONSOLIDATED COMPANIES		
% of interest consolidated	1998	1997
Pargesa Netherlands B.V., Rotterdam	100.0	100.0
Pargesa Luxembourg S.A., Luxembourg	100.0	100.0
Financière du Parc B.V., Rotterdam	100.0	100.0
Gesparco S.A., Luxembourg	100.0	100.0
PBC, George Town	–	100.0

AFFILIATES SUBJECT TO EQUITY ACCOUNTING		
% of consolidated direct interest	1998	1997
Groupe Bruxelles Lambert S.A., Bruxelles	48.8	48.9
Imétal, Paris (1)	26.3	–
Parfinance, Paris (1)	–	45.8
SFPG, Paris	53.9	–
Orior Holding S.A., Vevey	84.5	83.1

(1) Parfinance was absorbed by Imétal on 30 June 1998

2c) Consolidation goodwill

Goodwill represents the difference between the purchase price of shareholdings and the portion of shareholders' equity assigned to the Company in proportion to such shareholding. Net goodwill is the residual value of the goodwill, allowing for its depreciation over 20 years and for any adjustments.

2d) Recognition of income and expenses

Income and expenses are accounted for as and when they are earned or incurred (and not at time of receipt or payment), and are included in the accounts for the period to which they relate.

2e) Translation of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Swiss francs at the exchange rates applicable at the balance sheet date. Unrealised gains and losses on such translation are recorded in the profit and loss account of the year. Non-monetary items denominated in foreign currencies are recorded at their historic exchange rate.

Exchange rate differences resulting from the use of equity accounting in respect of the Company's attributable share of equity, translated at the exchange rate prevailing at the balance sheet date, compared with the historical date, are recorded as shareholders' equity, under "Currency translation adjustment".

The following exchange rates were applied in preparing these accounts:

	1998	1997
FRF	0.2451	0.2428
BEF	0.0399	0.0394

The Company's share in the results of affiliates subject to equity accounting is converted at the average annual rate. The difference between the average annual rate and the closing rate is stated under shareholders' equity as "Currency translation adjustment". Other income and expenses are converted at the rate of exchange prevailing at the time of the transaction in question.

The following average annual rates were applied in preparing these accounts:

	1998	1997
FRF	0.2455	0.2486
BEF	0.0399	0.0406

2f) Marketable securities

Securities are carried in the balance sheet at cost or market value, whichever is lower. Value adjustments appear in the profit and loss account.

2g) Non-consolidated investments

Non-consolidated investments are carried in the balance sheet at cost or estimated net asset value, whichever is lower.

2h) Expenses of share capital increase

Expenses for share capital increase are deducted from the corresponding share premium.

2i) Taxes

The Company creates a provision for taxes on profits earned at the balance sheet date, regardless of the period of assessment.

3. MARKETABLE SECURITIES: CHF 19.0 million (1997: CHF 46.9 million)

CHF million		Book value 1998		Book value 1997
Listed securities		19.0 [1]		46.9
including: shares	19.0		19.0	
bonds	–		27.9	
Total		**19.0**		**46.9**

[1] market value at 31 December 1998: CHF 28.8 million

4. NON-CONSOLIDATED INVESTMENTS: CHF 13.3 million (1997: CHF 36.9 million)

CHF million	Book value 1998	Book value 1997
Listed securities	11.9 [1]	34.1
Unlisted securities	1.4	2.8
Total	**13.3**	**36.9**

[1] market value at 31 December 1998: CHF 30.3 million

5. AFFILIATES SUBJECT TO EQUITY ACCOUNTING AND GOODWILL

CHF million	GBL 1998	Imétal 1998	Orior 1998	SFPG 1998	Total 1998	Total 1997
Share in the shareholders' equity of the affiliate subject to equity accounting	2,910.7	497.5	143.9	19.6	3,571.7	3,232.8
Net goodwill	92.1	13.3	5.3	–	110.7	30.9
Value of the affiliate subject to equity accounting	3,002.8	510.8	149.2	19.6	3,682.4	3,263.7
Per share	*BEF 6,325*	*FRF 495*	*CHF 820*	*FRF 60*		
Pro memoria:						
Currency translation adjustment	139.2	27.4	0.5	0.3	167.4	156.4

CHF million	1998	1997
Net goodwill as at 1 January	30.9	(15.2)
Net goodwill for the year	94.1	58.0
Net depreciation during the year	(14.3)	(11.9)
Net goodwill as at 31 December	110.7	30.9

The goodwill recorded for the 1998 financial year is attributable in particular to the absorption of Parfinance by Imétal, which resulted in net goodwill of around CHF 63 million; the remainder is imputable for the most part to GBL.

Net depreciation for the financial year of CHF 14.3 million comprises, in particular, depreciation of residual goodwill relating to investments sold during the financial year.

6. FROZEN DEPOSITS: CHF 36.6 million (1997: CHF 45.7 million)

This amount represents a frozen deposit with the Banque Internationale à Luxembourg guaranteeing the par value of the reserve shares created to cover:

- CHF 14.6 million for the exercise of options granted to beneficiaries of the Company's Incentive Plan;
- CHF 22.0 million at the disposal of the Board of Directors.

7. DEBENTURES AND LONG-TERM BANK BORROWING: CHF 50.0 million (1997: CHF 50.0 million)

This loan, amounting to CHF 50.0 million, bears interest at 4.64% and is due on 11 February 1999. It has been restated as a short-term liability.

8. PROVISION FOR CONTINGENCIES AND EXPENSES: CHF 28.0 million (1997: CHF 85.0 million)

Risk provision: CHF 20.1 million

The provision is intended to enable the Company to cover a number of risks which have been analysed and judged as such in the Group's holdings and commitments, but whose assessment is difficult and whose occurrence is unpredictable. In addition, detailing such risks would be contrary to good management and the protection of the best interests of the Company and the Group.

Provision for expenses relating to pension-fund liabilities: CHF 7.9 million

This provision covers the expenses relating to pension-fund liabilities for all companies in the Group. It is calculated on the basis of the prospective actuarial method.

9. SHARE CAPITAL: CHF 1,698.7 million (1997: CHF 1,698.7 million)

The Company's share capital is composed as follows:

CHF million	
• 1,544,294 registered shares, each with a CHF 100 par value, fully paid up	154.4
• 1,507,688 bearer shares, each with a CHF 1,000 par value, fully paid up	1,507.7
• 36,606 reserved bearer shares, each with a CHF 1,000 par value, fully paid up, with no dividend rights (see also Note 6)	36.6
Total	**1,698.7**

On 1 June 1994, the Company created conditional capital of a par value of up to CHF 242.0 million by issuing 220,000 registered shares with a par value of CHF 100 and 220,000 bearer shares with a par value of CHF 1,000.

On 25 June 1998, the Company renewed its authorised capital. Consequently, the Board of Directors is authorised, up to 25 June 2000, to increase the share capital by CHF 148.5 million by issuing 135,000 registered shares with a par value of CHF 100 and 135,000 bearer shares with a par value of CHF 1,000.

The bearer shares are traded on the Swiss Exchange (SWX).

10. TREASURY STOCK RESERVE: CHF 41.1 million (1997: CHF 41.1 million)

CHF million	1998		1997	
	Number	Cost	Number	Cost
Balance at 1 January	35,290	41.1	50,216	62.7
Purchases	–	–	74	0.1
Sales	–	–	(15,000)	(21.7)
Balance at 31 December	**35,290** [1]	**41.1**	**35,290**	**41.1**

[1] including – 22,031 shares (1997: 22,031) which are entered at par value under "Frozen deposits" and which are at the disposal of the Board of Directors (see Note 6). These shares bear neither dividend nor voting rights
– 13,259 shares (1997: 13,259) under "Securities" bear dividend rights but no voting rights

11. CURRENCY TRANSLATION ADJUSTMENT: CHF –167.4 million (1997: CHF –156.4 million)

"Currency translation adjustment" essentially comprises the net negative difference relating to affiliates consolidated according to the equity method (see also Note 5).
The change in the currency translation adjustment breaks down as follows:

CHF million	1998	1997
Balance at 1 January	(156.4)	(27.9)
GBL	(3.1)	(105.4)
Imétal (Parfinance)	(7.1)	(23.1)
Orior	(0.5)	–
SFPG	(0.3)	–
Balance at 31 December	**(167.4)**	**(156.4)**

12. RESERVES: CHF 2,167.0 million (1997: CHF 1,440.4 million)

This item represents the share of retained earnings and reserves in companies consolidated or subject to equity accounting since the date of their being consolidated or subjected to equity accounting.

13. RECONCILIATION OF SHAREHOLDERS' EQUITY

CHF million	1998	1997
Opening balance (1 January)	3,259.2	2,773.4
Dividend approved by the Annual General Meeting on 25 June 1998 (26 June 1997)	(119.2)	(117.4)
Income from the delivery of reserved shares		
• share premium	0.6	1.0
Net currency translation adjustment	(11.0)	(128.5)
Sub-total	3,129.6	2,528.5
Net income for the year	845.8	730.7
Closing balance (31 December) before distribution	**3,975.4**	**3,259.2**

14. OTHER COMMITMENTS

In the context of its cash flow management, the company from time to time enters into currency forward and interest-rate swap contracts. As of 31 December 1998, no such contracts were outstanding.

This item also includes commitments related to an incentive plan set up for the benefit of certain members of Pargesa Group's senior management, represented by options on shares recorded under non-consolidated investments. The beneficiaries must exercise their options before a set date, and the options may only be acquired over time. This plan is entirely covered by shares held by the Group, and any expenses that could result from the exercise of all the options have been fully provisioned.

The nominal values of these commitments as of 31 December were as follows:

CHF million	1998	1997
Commitments to buy and sell shares	9.8	28.9
Guarantees issued in favour of third parties	0.1	0.1
Total	**9.9**	**29.0**

15. RELATED PARTY TRANSACTIONS

CHF million	1998	1997
Assets:		
• Other assets and accrued income	0.8	0.2
• Loan to an affiliated company	1.2	–
Liabilities:		
• Accrued liabilities	0.2	–
• Loan from affiliated companies	0.2	–

16. SHARE IN PROFITS OF AFFILIATES SUBJECT TO EQUITY ACCOUNTING: CHF 816.0 million
(1997: CHF 697.2 million)

CHF million	1998	1997
Contribution by GBL	693.5	626.7
Contribution by Imétal	21.9 (1)	–
Contribution by Parfinance	96.8 (2)	69.1
Contribution by Orior	3.6	1.4
Contribution by SFPG	0.2	–
Total contributions	**816.0**	**697.2**

(1) share in Imétal's profit for 2nd half of 1998
(2) share in Parfinance's profit for 1st half of 1998

17. SUBSEQUENT EVENTS

On 14 January 1999, the shareholders of Total approved closer ties with PetroFina and the principle of a public exchange offer for PetroFina's entire share capital. PetroFina is owned by Electrafina, which is itself controlled by GBL. The completion of this transaction in 1999 will result in a substantial gain for Pargesa.

In January 1999, Imétal launched a public takeover bid for English China Clays (ECC) on the London Stock Exchange. Once completed, this transaction should have positive repercussions on Imétal's results.

In March 1999, CLT-UFA and the Kirch group signed an agreement under which Kirch is to buy nearly all of the CLT-UFA's holding in the share capital of Premiere, Germany's main pay-TV company.

REPORT OF THE GROUP AUDITORS TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF PARGESA HOLDING S.A., GENEVA

Geneva, 25 March 1999

Ladies and Gentlemen,

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows and notes) of Pargesa Holding S.A. for the year ended 31 December 1998.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualifications and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis on which to form an opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Accounting and Reporting Recommendations (ARR) and comply with the law and the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

We recommend that the consolidated financial statements submitted to you be approved.

Furthermore, in our opinion, consolidated shareholders' equity and net income for the year ended 31 December 1998, are presented in all material aspects in compliance with International Accounting Standards (IAS).

ATAG ERNST & YOUNG AUDIT S.A.
Bernard F. Fishman   Prof. Dr. Claude Bourqui

DELOITTE & TOUCHE EXPERTA S.A.
Pierre-Alain Bracher   George Hashimoto

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY BALANCE SHEET

ASSETS	1998	1997
	CHF million	CHF million
CURRENT ASSETS		
Due from banks at sight	–	3.0
Marketable securities	19.0	46.9
Other assets	1.5	113.6
TOTAL CURRENT ASSETS	**20.5**	**163.5**
FROZEN DEPOSITS (Note 1)	**36.6**	**45.7**
LONG-TERM ASSETS		
Long-term investments (Note 2)	2,080.1	2,078.1
Loan to affiliated company	177.2	–
TOTAL LONG-TERM ASSETS	**2,257.3**	**2,078.1**
TOTAL	**2,314.4**	**2,287.3**

LIABILITIES	1998	1997
	CHF million	CHF million
CURRENT LIABILITIES		
Due to banks at sight	0.5	0.2
Bank borrowings (Note 3)	50.0	–
Provision for taxes and other liabilities	2.8	5.5
TOTAL CURRENT LIABILITIES	**53.3**	**5.7**
LONG-TERM LIABILITIES		
Long-term bank borrowings	–	50.0
Loan from affiliated company	–	4.9
TOTAL LONG-TERM LIABILITIES (Note 3)	**–**	**54.9**
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	1,698.7	1,698.7
Share premium	236.0	235.4
General legal reserve	71.0	64.8
Treasury stock reserve (Note 5)	41.1	41.1
Earnings carried forward	61.2	63.2
Net income for the year	153.1	123.5
TOTAL SHAREHOLDERS' EQUITY	**2,261.1**	**2,226.7**
TOTAL	**2,314.4**	**2,287.3**
Guarantees (Note 6)	296.3	298.2

PARENT COMPANY PROFIT AND LOSS ACCOUNT

INCOME	1998 CHF million	1997 CHF million
OPERATING INCOME		
Accrued interest	1.5	–
Income from securities		
– dividends	1.0	2.0
– interest on bonds	0.8	–
– capital gains on sales	0.4	8.2
Income from long-term investments		
– dividends	163.6	123.6
– interest on bonds	–	1.6
Foreign exchange gain (loss)	–	(0.3)
Other income	0.5	0.1
TOTAL OPERATING INCOME	**167.8**	**135.2**

EXPENSES	1998	1997
	CHF million	CHF million
OPERATING EXPENSES		
Interest on long-term bank borrowings	2.3	2.3
Commissions and bank charges	0.2	0.1
Directors' fees and payroll expenses	8.4	4.6
Overheads and administrative expenses	2.1	1.2
TOTAL OPERATING EXPENSES	**13.0**	**8.2**
OPERATING INCOME BEFORE TAXES	**154.8**	**127.0**
Taxes	(1.5)	(3.5)
OPERATING INCOME AFTER TAXES	**153.3**	**123.5**
NON-RECURRING INCOME (EXPENSES)		
Constitution of provisions for capital losses on investments	(0.2)	–
TOTAL NON-RECURRING INCOME (EXPENSES)	**(0.2)**	**–**
NET INCOME FOR THE YEAR	**153.1**	**123.5**

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE ALLOCATION OF AVAILABLE INCOME*

	1998	1997
	CHF million	CHF million
AVAILABLE INCOME		
Net income for the year	153.1	123.5
Retained earnings brought forward	61.2	41.4
Decrease of the treasury stock reserve	–	21.7
AVAILABLE INCOME	**214.3**	**186.6**
ALLOCATION		
General legal reserve	7.7	6.2
Dividend	121.6	119.2
Retained earnings to be carried forward	85.0	61.2
INCOME ALLOCATED	**214.3**	**186.6**

* subject to issue of reserved bearer shares between the date of publication of the Annual Report and the Annual General Meeting

If the proposal is approved, the dividend for the year ended 31 December 1998 will be payable as follows:

- For each bearer share of CHF 1,000 par value, against remittance of coupon No. 24:

Gross	CHF	73.00
Less 35% Federal withholding tax	CHF	(25.55)
Net	CHF	47.45

This coupon will be payable from 23 June 1999, at Banque Paribas (Suisse) S.A., UBS S.A. and Crédit Suisse First Boston.

- For each registered share of CHF 100 par value, payable directly by the Company:

Gross	CHF	7.30
Less 35% Federal withholding tax	CHF	(2.56)
Net	CHF	4.74

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. FROZEN DEPOSITS: CHF 36.6 million (1997: CHF 45.7 million)

This amount represents frozen deposits with the Banque Internationale à Luxembourg guaranteeing the par value of the reserve shares created to cover:

- CHF 14.6 million for the exercise of options held by beneficiaries of the Company's Incentive Plan;
- CHF 22.0 million at the disposal of the Board of Directors.

2. LONG-TERM ASSETS: CHF 2,080.1 million (1997: CHF 2,078.1 million)

CHF million	1998		1997	
	% held	Book value	% held	Book value
Orior Holding S.A., Vevey	84.5	135.3	83.1	133.0
Pargesa Luxembourg S.A., Luxembourg	100.0	103.9	100.0	103.9
Pargesa Netherlands B.V., Rotterdam	100.0	1,840.9	100.0	1,840.9
Miscellaneous		–		0.3
Total		**2,080.1**		**2,078.1**

3. LONG-TERM BANK BORROWINGS: CHF 50.0 million (1997: CHF 54.9 million)

Bank loan

This loan, amounting to CHF 50.0 million, bears interest at 4.64% and is due on 11 February 1999. It has been restated as a short-term liability.

4. SHARE CAPITAL: CHF 1,698.7 million (1997: CHF 1,698.7 million)

The Company's share capital is made up of the following:

CHF millions	
• 1,544,294 registered shares, each with a par value of CHF 100, fully paid up	154.4
• 1,507,688 bearer shares, each with a CHF 1,000 par value, fully paid up	1,507.7
• 36,606 reserved bearer shares, each with a par value of CHF 1,000, fully paid up, with no dividend rights (see also Note 1)	36.6
Total	**1,698.7**

On 1 June 1994, the Company created authorised capital of up to CHF 242.0 million by issuing 220,000 registered shares with a par value of CHF 100 and 220,000 bearer shares with a par value of CHF 1,000.

On 25 June 1998 the Company restored its authorised capital. Consequently, the Board of Directors is authorised, up to 25 June 2000, to increase the share capital by CHF 148.5 million by issuing 135,000 registered shares with a par value of CHF 100 and 135,000 bearer shares with a par value of CHF 1,000.

The bearer shares are traded on the Swiss Exchange (SWX).

5. TREASURY STOCK RESERVE: CHF 41.1 million (1997: CHF 41.1 million)

CHF million	1998 Number	1998 Cost	1997 Number	1997 Cost
Balance at 1 January	35,290	41.1	50,216	62.7
Purchases	–	–	74	0.1
Sales	–	–	(15,000)	(21.7)
Balance at 31 December	**35,290** [1]	**41.1**	**35,290**	**41.1**

[1] including – 22,031 shares (1997: 22,031) which are entered at par value under “Frozen deposits” and which are at the disposal of the Board of Directors (see Note 1). These shares bear neither dividend nor voting rights
– 13,259 shares (1997: 13,259) under “Securities” bear dividend rights but no voting rights

6. OTHER COMMITMENTS: CHF 296.3 million (1997: CHF 298.2 million)

CHF million	1998	1997
• Guarantees issued in respect of wholly-owned subsidiaries[1]	296.2	298.1
• Guarantees issued in respect of third parties	0.1	0.1
Total	**296.3**	**298.2**

[1] these guarantees are intended to cover credit lines open to Pargesa subsidiaries. At 31 december 1998, no credit line was in use

7. SIGNIFICANT SHAREHOLDERS

In %	1998 Vote	1998 Capital	1997 Vote	1997 Capital
Parjointco (Power Financial Corporation 50%, Frère-Bourgeois/ Compagnie Nationale à Portefeuille 50%)	61.2	54.7	62.4	55.0
Paribas Group	21.0	14.5	21.5	14.6

REPORT OF THE AUDITORS TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF PARGESA HOLDING S.A., GENEVA

Geneva, 25 March 1999

Ladies and Gentlemen,

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Pargesa Holding S.A. for the year ended 31 December 1998.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualifications and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis on which to form an opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with the law and the Company's articles of incorporation, as well as with the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

We recommend that the financial statements submitted to you be approved.

ATAG ERNST & YOUNG AUDIT S.A.
Bernard F. Fishman   Prof. Dr. Claude Bourqui

DELOITTE & TOUCHE EXPERTA S.A.
Pierre-Alain Bracher   George Hashimoto

ADDRESSES

Addresses of main shareholdings

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