



1995
Annual Report



Société Générale d'Entreprises

1995 Annual Report

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SGE in 1995

1995 was a particularly difficult year for Société Générale d'Entreprises, which realized net sales of FF45.3 billion, down 1.2% from the previous year, and posted a consolidated net loss (Group share) of FF933 million. The 1994 result was a profit of FF290 million.

As for the construction sector as a whole, these poor earnings reflected the highly unfavorable general climate of markets in Europe (France included), where SGE does 93% of its business. But the size of the loss is a consequence of the particular geographic pattern of the Group's activity. SGE has a large presence in Germany (22% of net sales), specifically in that country's most exposed market segments: the eastern Länder generally, for one; short-cycle building trades in a sharp downturn in the west, for another; and lastly, in the Berlin property market, currently quite unfavorable. Added to this is the handicap of a significant presence in Great Britain (6% of net sales), which is still a burden on earnings although business there has improved sharply and should continue to do so in 1996.

The trend toward recovery, evident in 1994's modest rebound in France, was not confirmed, and that brief remission was followed by a drop that is worrisome for being spread virtually throughout Europe. The causes of the decline are well known, although they vary in importance by country according to particular circumstances. The list includes: consumers' caution in the face of uncertainties over employment and increases in taxes and social security contributions; reductions in public investment programs as part of efforts to control government deficits and public debt; postponement of capital spending by business while awaiting renewed order growth; and the still-unfinished process of restoring the health of financial institutions and markets.

This situation has an impact not only on activity but also on price levels, which fell, in some cases sharply. Recession in the construction sector re-emerged in France and Great Britain, deepened in Benelux, and became a heavy reality in Germany.



In Germany, the contraction in activity took on the aspect of a crisis, given the degree to which German firms were unprepared for the new economic environment. In the west, activity in the sector declined for the first time since 1990. The engine of housing demand has run out of steam and can no longer mask the retreat in non-residential construction and industrial capital spending. In public works, slower growth in the new Länder can no longer offset the contraction of activity in the western Länder. The arrival during the preceding period, of some 200,000 low-paid foreign workers has subverted fair competition in much of the sector. As a result, the Group's German activities posted a very large overall loss that includes two exceptional items. The first relates to restructuring costs (FF354 million) incurred or provisioned in 1995 in order to finance a sweeping reorganization of operating and corporate structures. The second relates specifically to the Berlin property assets: the adjustment to market conditions of SGE's programs in that city, now nearing completion, led to large provisions.

Losses were particularly severe for the roadwork subsidiary, SGE VBU, whose efforts to reorient its business toward the upkeep market, to make up for the collapse in major motorway projects in the east, are having to be made in a climate of exacerbated competition. Losses were similarly heavy for H. Nickel (climate-control engineering), which refocused on its core business and shut down several units; for G+H Montage (insulation), a victim of high fringe-benefit costs; and for OBG and OBAG (building construction), which were simultaneously redeploying into turn-key projects (in Berlin and the new Länder) and continuing to upgrade their labor productivity.

In Great Britain, the market remained lackluster, with no significant worsening. The overall 2% decline was due entirely to the contraction in private housing. Public housing, healthcare and roadwork programs began to be affected by the freeze on government expenditure with no offsetting increase in new programs. This situation triggered large-scale restructuring in an already weakened industry.

Norwest Holst's loss in 1995 was once again significant, although smaller than in 1994. The British subsidiary is beginning to benefit from its efforts to adjust to market conditions and is gradually regaining an effective marketing capacity, confirming its progress back to profitable operation. Its real estate assets boast decent occupancy rates and the situation in that sector is close to being back in balance.

In France, the market for public works fell by 4% and that for public housing by 8%, which was comparable to the decline in the market for non-residential construction. Job losses became substantial once again. The roadwork sector enjoyed a boost from the 1993 stimulus plan that lasted through the first half, but activity turned down later in the year. In the housing sector, the announcement of tax measures to stimulate the economy and changes in financing regimes precipitated a wait-and-see phenomenon even before those policy measures could begin to have an effect. Although the situation remained favorable for electrical work, markets were very difficult for the other industrial and interior works building specialties, notably HVAC in the tertiary sector and industrial insulation.

Lastly, growing awareness on the part of the major European players that this situation could prove durable led to intensified competition in third-country markets, where they sought to make up for the lack of business at home. The international major-projects market, where Campenon Bernard SGE is a big player, thus became highly competitive—especially in Asia, which remains the only truly buoyant market—whereas the recovery involving a small number of infrastructure projects in Africa presents real opportunities only to companies that, like Sogea, have long had a presence on that continent.

Against this once again difficult background, highlighted in France by the dysfunction in the practice of awarding public contracts, the SGE Group's French subsidiaries showed good resilience in their home and export markets and maintained their positive earnings contribution at the honorable level of FF377 million.



Only Freyssinet and Tunzini Wanner posted (relatively small) losses, the former because of the Mexican crisis and losses in Germany, the latter because of extremely unfavorable developments in France. Adding to the contribution of the French subsidiaries was SGE's share of Cofiroute earnings, which increased to FF187 million in 1995 and could rise further in 1996. With Cofiroute, SGE has a solid source of steady contribution to its earnings.

1996 should see an upturn in earnings despite the further decline in activity that will almost automatically ensue from the contraction in orders for major projects and the continuation of recessionary trends in the Group's markets throughout Europe. It is expected that the French subsidiaries will continue to provide a strongly positive contribution, while Norwest Holst's objective in Great Britain is to move back to operating break-even. Earnings for the year will be determined largely by the timing and scale of any business recovery for the German subsidiaries and by movement in the situation of the Berlin property assets.

Although market visibility is uncertain, even in the short term, the strategic orientations of SGE Group subsidiaries are clear and action to implement them is well under way. These orientations include: continuous fine-tuning in phase with developments in each market, overall and considering local geographic situations ; seizing every opportunity for development, notably in rehabilitation and maintenance of existing facilities; taking the initiative in working out proposals to turn potential demand into effective demand; being selective in bidding on major projects, especially internationally, based on careful analysis of risks; continuing with Europe-wide implementation of an organization by line of business, while preserving local cultural differences in trade practices; and maintaining vigilance and rigor in capital spending commitments.

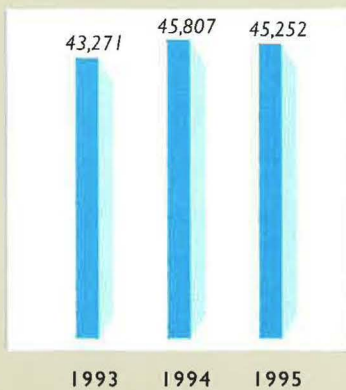
The SGE Group currently comprises nearly 450 companies spanning the various segments of the construction industry, from building and public works to roadwork and industrial and technical installations.

With operations throughout the world, the Group makes up a coherent industrial whole that has branched out into complementary lines of business, such as environmental engineering, industrial maintenance, services to local authorities (water, waste-water treatment and sanitation), operation of motorways, urban roadways and parking facilities on a concession basis.

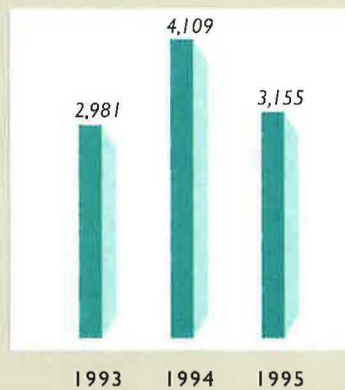
The balance among the Group's activities, its international presence—particularly in Europe—and the professionalism and technical expertise of its staff are the Group's greatest assets for the future.

Key Figures

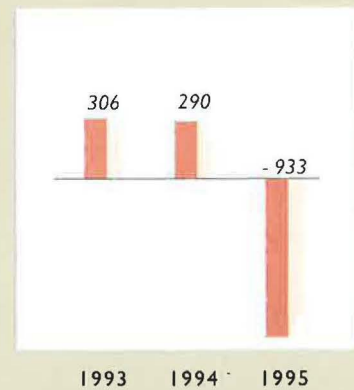
Net sales
(in millions of French francs)



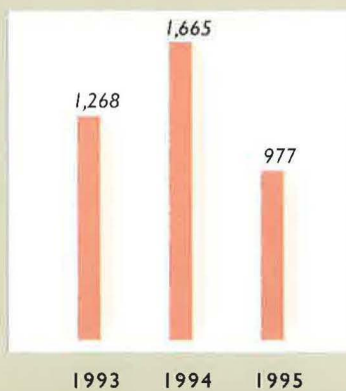
Shareholder's Equity
(in millions of French francs)



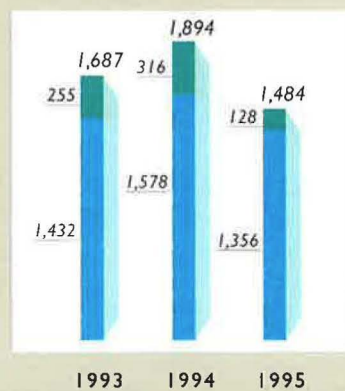
Net income
(in millions of French francs)



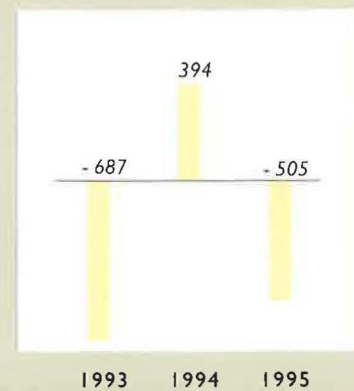
Cash Flow
(in millions of French francs)



Investments
(in millions of French francs)



Net Financial Position
(in millions of French francs)



■ Financial Investments
■ Capital Expenditures

Group Management and Structure

BOARD OF DIRECTORS

Chairman and Chief Executive Officer
Guy DEJOUANY

Vice Chairman
Serge MICHEL

Managing Director
Antoine ZACHARIAS

Directors
Jean-Louis BEFFA
Michel CAMBOURNAC
Jean-Marc ESPALIOUX
Patrick FAURE
Roland GENIN
Pierre GIRAUDET
Raymond GUITONNEAU
Jean-Marie MESSIER
Guy RICHARD
Pierre TROTOT
CREDIT LYONNAIS
(represented by Pascal LAMY)

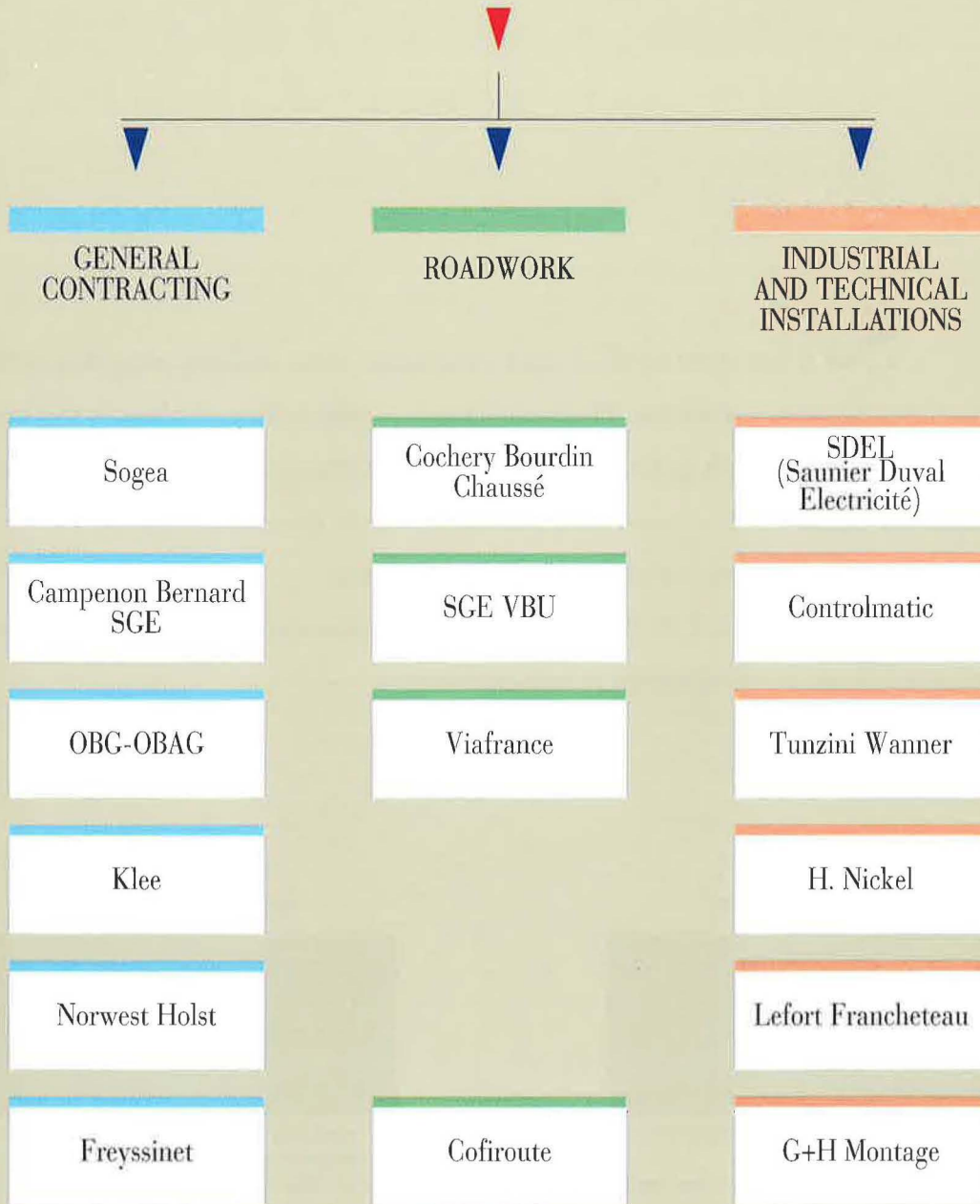
EXECUTIVE COMMITTEE

Antoine ZACHARIAS
Bernard HUVELIN
Pierre PARISOT
Jean-Georges ETTER
Alain LECLERC
Jacques LUGIEZ
Roger MARTIN
Manfred MEYER
Henri STOUFF
Dominique VELUT




STATUTORY AUDITORS

Bernard MONTAGNE et Associés
SALUSTRO REYDEL

SOCIÉTÉ GÉNÉRALE D'ENTREPRISES



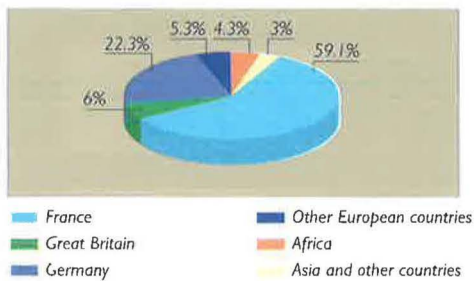
The SGE Group companies are organized into three business segments, corresponding to major families of the construction trades:

-  General Contracting, comprising the building construction and civil engineering subsidiaries;
-  Roadwork;
-  Industrial and Technical Installations.

SGE is one of the world's largest construction firms, realizing more than 40% of its sales on the international market. The Group's largest market is Europe, where it does nearly 90% of its business, principally in France (FF26.7 billion), Germany (FF10.1 billion) and Great Britain (FF2.7 billion). SGE is present in all the countries of the European Union and has recently established operations in several countries in Eastern Europe.

SGE is active on every continent. In 1995 the Group had operations in over 80 countries, either on a permanent basis or as part of a major construction project.

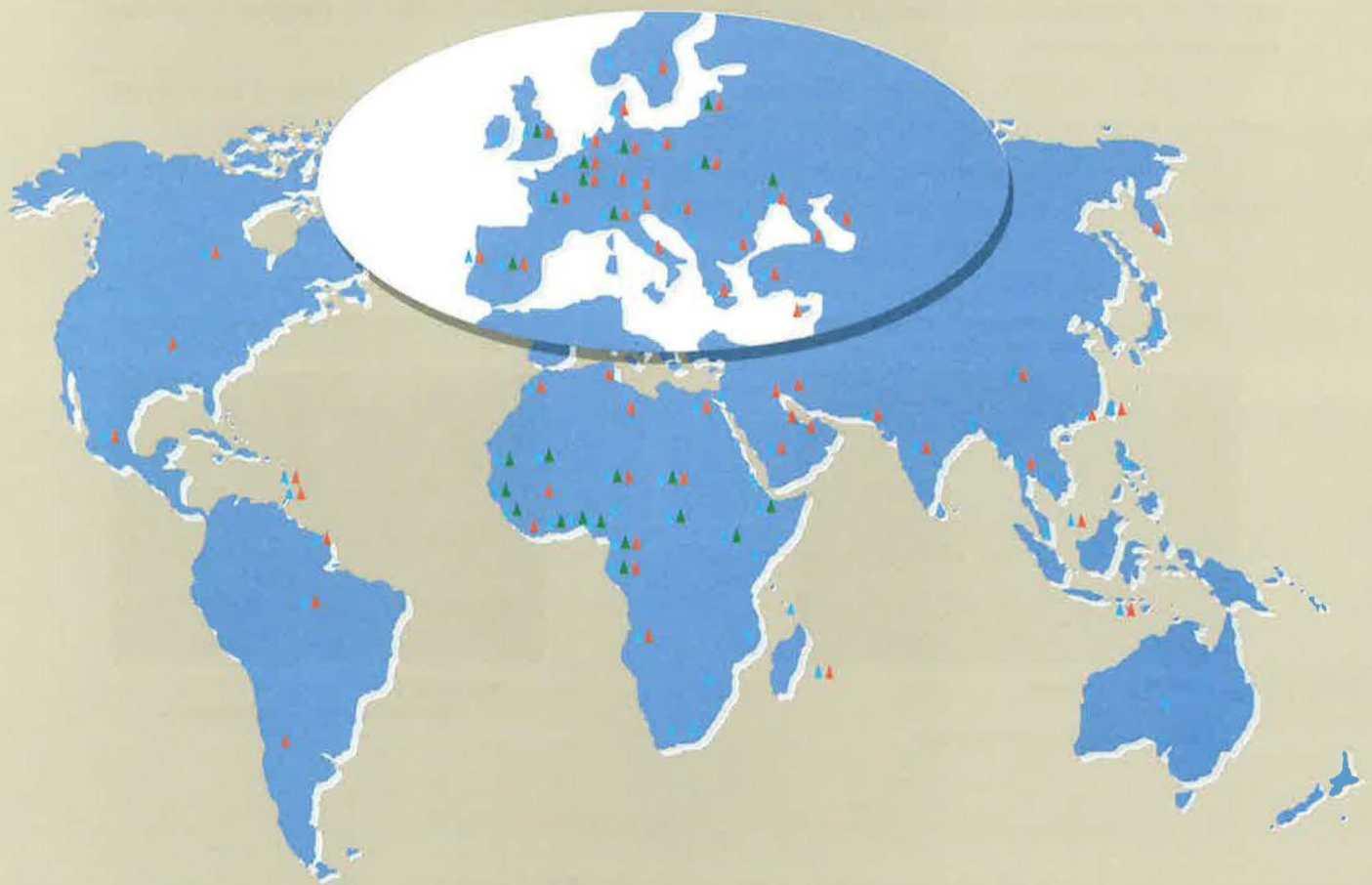
Net sales by geographic area






Net sales by business segment



Geographic Scope



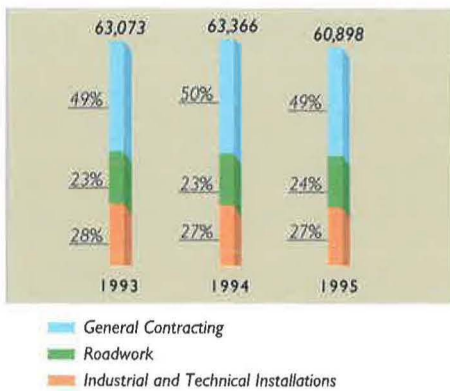
-  General Contracting
-  Roadwork
-  Industrial and Technical Installations

Human Resources

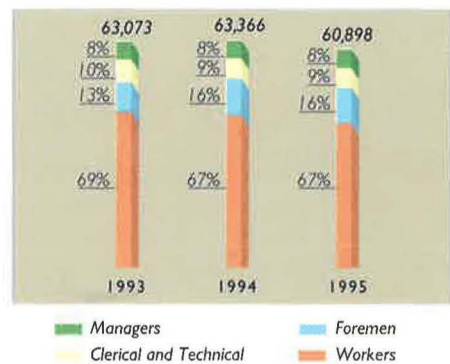
The SGE Group's social initiatives in 1995 focused on

- *Youth hiring and training.* As part of the "hiring and insertion" contract between the Générale des Eaux Group and the Ministry of Labor, SGE Group subsidiaries developed a large-scale program to provide jobs for unemployed young people. In 1995 the program took in more than 800 workers under the age of 26. Training sessions were provided for worksite managers to further the integration of youth hires into the company.
- *Workplace safety.* In 1995 the emphasis was on training for coordinators in charge of accident prevention at major projects and sensitization of all on-site personnel to safety considerations.
- *Work hours.* Management and labor representatives signed several agreements for dealing with the varying work loads inherent to the construction trades.

SGE average number of employees by business segment



SGE average number of employees by socio-professional category



Innovation and Research

Innovation and R&D efforts in 1995 focused mainly on

- *Materials:* high-performance concretes (Campenon Bernard SGE), recycling of clinker in paving materials (Cochery Bourdin Chaussé and Viafrance), development of a new fire-retardant material (Tunzini).
- *Processes:* design and development of vacuum wastewater systems (Sogea), cooling floor systems (Tunzini Wanner), cold-mix pavements and draining covers (Cochery Bourdin Chaussé and Viafrance).
- *Construction technologies:* pleated-web bridge decks, connection of tunnel arch liners (Campenon Bernard SGE), anchorings for pre-stressed concrete building floors and bridge decks (Freyssinet).

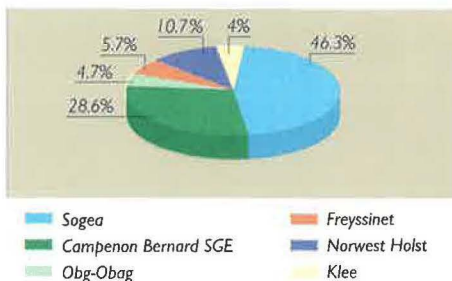
The Group in Motion



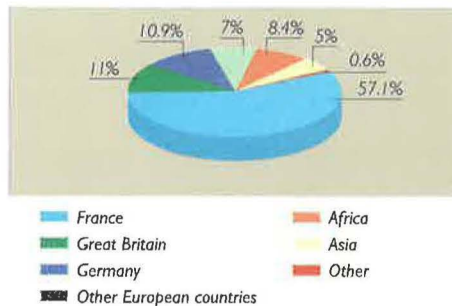
Worksite managers at Group subsidiaries received special training in working with young people recruited as part of SGE's social integration employment program.

General Contracting

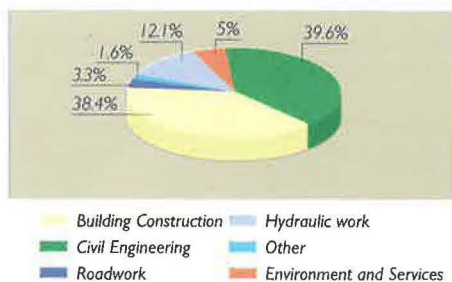
General Contracting Net sales by subsidiary...



... by geographic area



... and by line of business

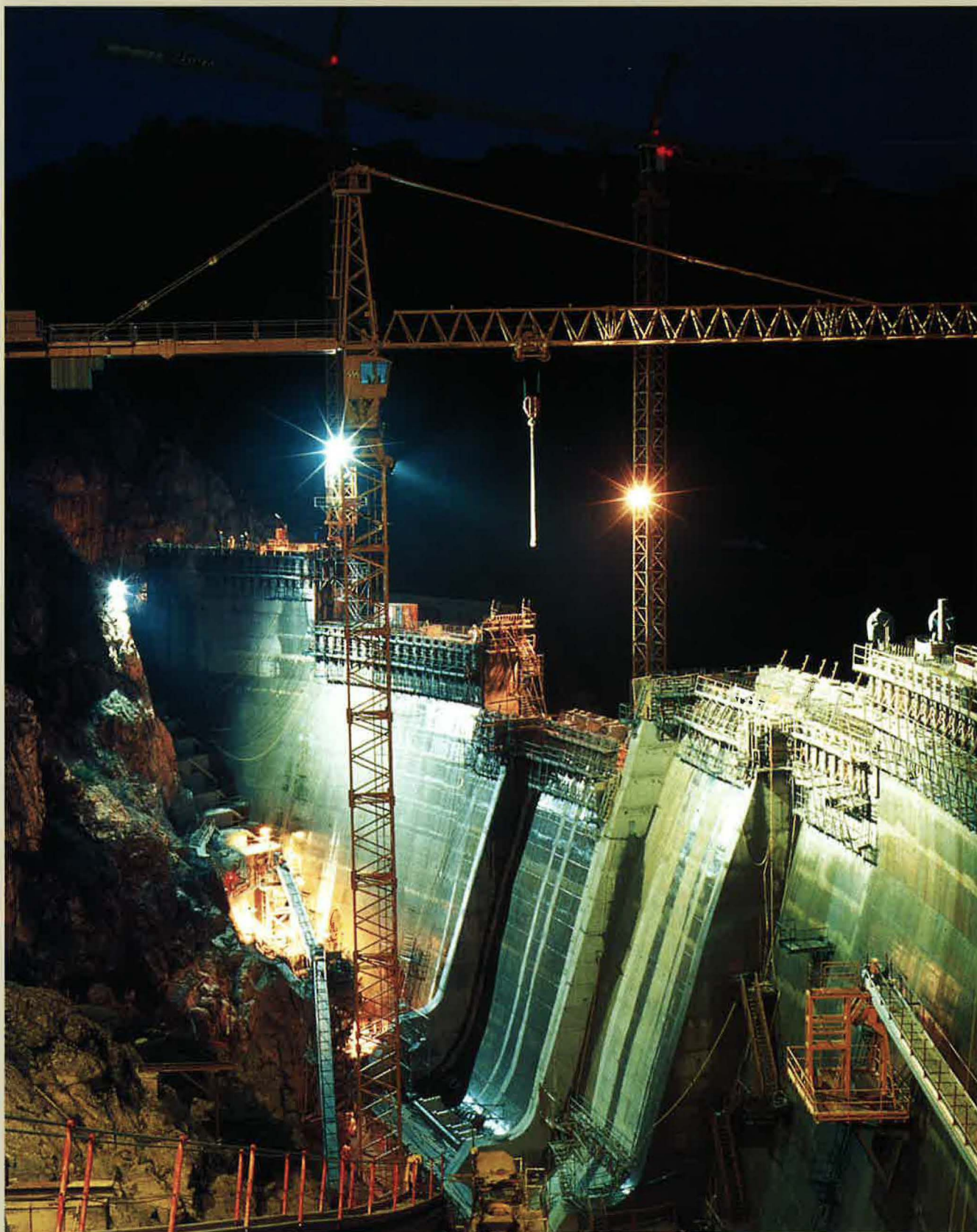


Within SGE, the General Contracting segment brings together three firms in the field of building construction, civil engineering and public works—Sogea, Campenon Bernard SGE and Norwest Holst—the German building construction subsidiaries, OBG, OBAG and Klee, and a firm specializing in civil engineering, Freyssinet.

Consolidated net sales of these companies in 1995 amounted to FF22 billion, a decrease of 3.2% from the preceding year. The decline affected all companies in the segment with the exception of Norwest Holst, which posted a 7% rebound after four successive years of decline that had cut activity by 25%. Building activity in France fell in a market mired in recession.

Civil engineering activity fell off more sharply, despite the launching of a number of large projects in France, because of the marked contraction in international business.

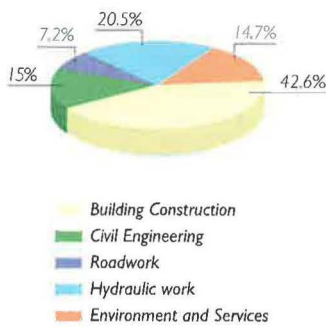
The segment's contribution to Group earnings remained negative, at a loss of FF113 million, owing mainly to poor results in Germany and Great Britain. In the latter country, however, Norwest Holst cut its operating loss significantly.



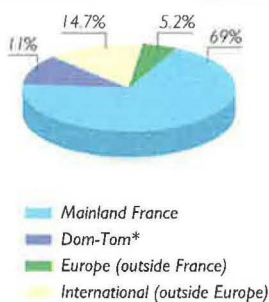
The Puy-Laurent dam, built for EDF by Sogea's Dodin Sud subsidiary, opened in the spring of 1996. Constructed using the arch dam technique, this structure is the largest water-impoundment dam of this type built in France in the past ten years.

Sogea

Net sales
by line of business...



... and by geographic area



* French overseas departments and territories

For Sogea 1995 was a year of stabilization. Its consolidated net sales eroded slightly to FF10.1 billion (down 1.6%) but the reduction was concentrated for the most part in the DOM-TOM (French overseas departments and territories), where the business was refocused on the most active market segments. Strong demand in the “environment and services” sector helped maintain activity in mainland France, offsetting declines in building construction and civil engineering. The increase in international sales is attributable to growth in roadwork business in Africa.

MAINLAND FRANCE

Net sales realized on the mainland were virtually stable at FF7 billion, compared with FF7.1 billion in 1994. Activity in the Greater Paris region largely made up for the slight decline elsewhere.

Net sales in building construction amounted to FF3.8 billion in 1995, down slightly from 1994, in a market in recession. As in 1994, activity was led by public buildings and housing

projects, along with a few major private-sector projects in the service and industrial sectors.

In the area of public buildings, the most significant projects were the administration building for the Meurthe-et-Moselle department in Nancy, the Treasury building in Nantes and the École Nationale des Techniciens de l'Équipement in Valenciennes, all of which were delivered during the year, as well as the court buildings in Grasse and Béthune.

In the hospital sector, Sogea delivered the Mantes-la-Jolie hospital and began work on the big new Georges Pompidou hospital, on the site of the old Citroën factory in the 15th arrondissement of Paris. This facility will have 700 beds and a research center integrated into the care units.

Activity remained brisk in school buildings, for both new construction and renovation. Sogea carried out contracts won under the METP public works contracting procedure for several schools, notably the Lycée Pirandello in the 13th arrondissement of Paris and lycées in Villepinte, Bezons, and Beauvais.



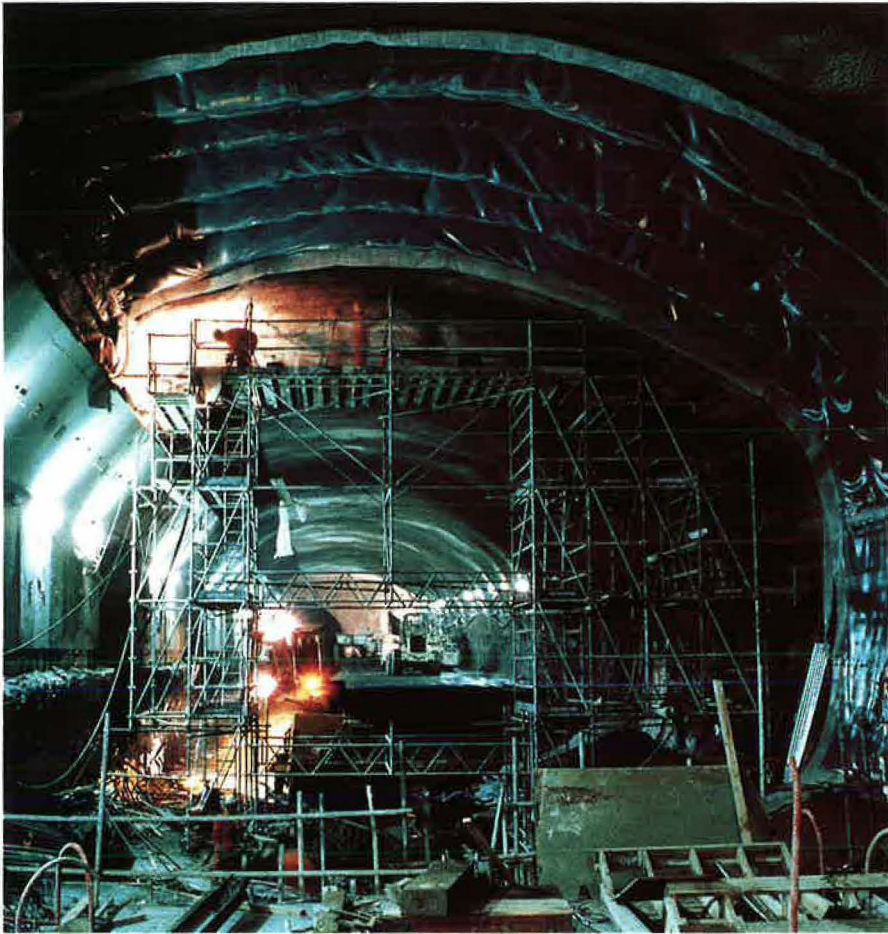
In the area of public housing, in addition to doing rehabilitation work on a total of 6,000 units, Sogea broke ground in 1995 on a number of new complexes and student dormitories, notably in Montrouge as part of an operation where Sogea is also responsible for overall site planning. Significant rehabilitation projects were carried out in Liévin (Nord), on mining villages of Charbonnages de France, and, on an emergency basis in the closing months of 1995, on several buildings in Paris and elsewhere, as part of a government plan to house the least advantaged. Besides these public projects, the year saw a number of private-sector projects in industry and services. Rehabilitation work on the Paul Doumer

Construction of the Georges Pompidou hospital, on the grounds of the old Citroën plant in the 15th arrondissement of Paris, began in January 1995. Sogea is the contractor for the rough work.

tower at La Défense began during the year in partnership with Campenon Bernard SGE. The first phase of work was completed on the EDF headquarters in Saint-Denis, and Sogea will carry out the second phase in association with CBC. A new fabrication plant for Amtel, an American semiconductor manufacturer, was built in Rousset (Bouches-du-Rhône) by a consortium including Sogea.

In civil engineering, activity for Sogea and its specialized subsidiaries (TPI Ile-de-France and Dodin) held steady

at FF1.4 billion. The principal work-sites were the underground rail station in Monaco, the École-Saint-Lazare station over the path of the rapid urban express RER E line, and the Puylaurent dam on the Ardèche river. In 1995 Sogea and its Dodin subsidiary also began construction of the Tanus viaduct across the Vaur valley in the Massif Central. This structure will have a span of 570 meters and set a new record in France for a cantilevered concrete bridge.



Work on one of the access tunnels to the Condorcet station, along the route of the future RER E line in Paris. In 1998 the new line will provide another east-west link under the city, in addition to the present A line.

In hydraulic engineering, where Sogea is one of the leading French firms, 1995 net sales were FF1.2 billion. The year's biggest projects were building a new wastewater main, 3 km long and 2.6 meters in diameter, on the Clichy-la-Briche section for the Greater Paris regional waste water authority, rehabilitating the Vésubie canal near Nice and outfitting a number of drinking water treatment plants

(Avignon, Rouen, Reims, Beauvais, Belfort, Cavaillon).

In the environment and services sector, activity held steady at FF700 million after rising sharply over the two previous years.

The year's main "environment" projects consisted of a household refuse plant with a capacity of 111,000 tons per year in Monthyon (Seine-et-Marne)

near Paris, several solid waste plants in Charente and outfitting of a drinking water treatment plant in Gérardmer (Vosges).

In the area of services to local authorities, Sogea made no new investments in parking facilities in 1995, having put several sites into service in previous years, notably in Toulouse, Marseille and Tours.

DOM-TOM

Sogea's activity in the DOM-TOM (French Overseas Departements and Territories) amounted to FF1.1 billion, a decrease of 22% from 1994. The reduction was concentrated on the Antilles owing to the very sharp deterioration of the building construction market in that region. Sogea refocused its business in Martinique and Guadeloupe on public housing, the environment (Sogea began construction of a wastewater treatment plant on Saint-Martin) and services to local authorities, notably water distribution on Guadeloupe.

In the Indian ocean, business was steady on both La Réunion and Mayotte, where Sogea is firmly established.

The year's main projects were the construction of 500 units of public

housing and the Saint-Denis media library on La Réunion.

In hydraulic engineering, the biggest jobs involved laying pipelines downstream from the Mafate dam on La Réunion and the water supply system for the north side of Mayotte.

EUROPE

Sogea's net sales in Europe (excluding France) amounted to FF420 million, a slight decrease from the previous year.

The Belgian subsidiary Denys, specialized in pipework and drilling, enjoyed a good level of activity not only in its domestic market, but also in the Netherlands and France, where it carried out several large-scale drilling assignments. In 1995 both Denys and its pipe manufacturing subsidiary Socea obtained ISO 9000 certification for the full range of their activities. Major drainage work was also done for the Lille-Brussels TGV line.

In Portugal Sogea, in association with its local partner, began operation of the Val do Ave household waste composting plant. The same firm is, in addition, part of the consortium that



Reinforcement work on the water main north of Agadir (Morocco) carrying water from the Dkhila dam.

has won the contract to build the Frielas water treatment plant, the largest in Portugal.

AFRICA

In Africa Sogea realized net sales of FF1.5 billion, up sharply (32%) from the previous year. The growth came not only in countries where Sogea has long been present, such as Morocco and Gabon, but also in countries the company has entered more recently, such as Ethiopia, Malawi and Mozambique. The most notable increase was in **roadwork**, which now represents 50% of Sogea's business in Africa. The biggest projects were in Gabon and West Africa, in particular Guinea. In East Africa, work began during the year on rebuilding the Mille-Assab

road between Ethiopia and Eritrea.

In hydraulic work, which is Sogea's other major line of business in Africa, activity remained strong in Morocco, where Sogea did the civil engineering for the sea-water desalination plants for the towns of Laayoune and Boujdour in the south of the country. The other main accomplishments of the year were the laying of 200 km of pipelines between Benguela and Lobito in Angola and the drinking water supply line for the city of Blantyre in Malawi.

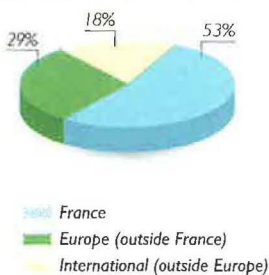
In total, with improved earnings in the overseas departments and Africa making up for the drop in earnings on the mainland, Sogea contributed FF92 million to consolidated net income.

Campenon Bernard SGE

Net sales
by line of business...



... and by geographic area



Campenon Bernard SGE conducts SGE's major-projects business in France and internationally. In France, the company also operates in the construction and civil engineering trades through a network of specialized branch offices and subsidiaries. Since 1994 it has also been present in Germany through two former East German companies specializing in building construction, OBG and OBAG, acquired by SGE in 1991 and 1992, and a recently created subsidiary, SGE Hoch- und Ingenieurbau, specializing in large-scale operations. Since 1995, the company has also been responsible for operating management of the Klee construction company, based in Mannheim in western Germany.

In 1995 Campenon Bernard SGE realized consolidated net sales of FF7.4 billion down a notable 8% from the previous year attributable mainly to a sharp decline in international major-projects business.

MAJOR PROJECTS

With FF3.4 billion in net sales in 1995, Campenon Bernard SGE's major-projects activity posted a sharp decline (down 11%). This decline resulted exclusively from the international market, which was affected by a combination of factors: a decrease in public investment in Europe, a general increase in competition worldwide, and a scarcity of operations combining satisfactory conditions of financing, security and profitability. The French market, for its part, is showing some signs of an upturn.

In Europe, the slowdown in activity can be attributed in large part to completion of the Channel Tunnel and the Storebaelt Tunnels in Denmark, which were finished in early 1996. All performance tests in the Channel Tunnel were successfully passed. The process of putting the tunnel in service, instituted gradually starting in 1994,



ended with the opening of the coach shuttle service in 1995.

Faced with a very serious financial crisis, Eurotunnel had to suspend service of its debt in September and filed a legal claim against TML, which is currently before the litigation settlement committee.

Work at Storebaelt entered its final phase. After disassembly of the tunneling machines and completion of related work, the south tunnel was delivered in August 1995. In the north tunnel, damaged by a fire in June 1994, the two ends of the tunnel were joined in April 1995 and the rough work was completed in February 1996. The contractual consequences of the fire were resolved in an agreement signed with the client during the summer.

Work continued during 1995 on two other large underground projects. Following the agreement reached in 1994, work resumed on construction of the

Athens metro, which had been delayed by contract problems. However, the progress of one of the two tunneling machines was held up by unforeseen geological difficulties, the consequences of which have resulted in a request for a contract adjustment. Excavation work on line 2 of the Cairo metro continued according to plan and the drilling, which is being done by two tunneling machines, was expected to be finished in the first half of 1996. The Egyptian client has given the Interinfra consortium, in which Campenon Bernard SGE is lead-manager of civil engineering, the task of building an extension to line 2. This job was awarded via an amendment to the current contract.

In Lisbon, work started on the future Vasco da Gama bridge across the Tagus estuary (17 km in total, inclu-

ding 12.4 km of viaduct and a cable-stayed bridge with a span of 824 meters). Foundation piles for the piers of the viaduct have begun to be driven along virtually the entire length of the structure. Concrete bases for the first piers were poured during the autumn, as were those of the two pylons for the main span. Prefabrication work on the beams has begun and the first ones, weighing 2,000 tons each, were installed in the spring of 1996.

Outside Europe, construction of the Lesotho tunnels to carry water to South Africa entered the final phase, following completion of the drilling work in 1994. In Pakistan the civil engineering work for the Hub River hydroelectric power station was completed according to plan.



The cornerstone for the new Stade de France was laid on 6 September 1995. Six months later, more than half of the rough work was completed, with the foundations finished and the intermediate seating tiers in place.



The Kwai Chung viaduct is a key link in the infrastructure program for the new Hong Kong airport. 3.5 km long, with a total deck surface three times that of the Normandy bridge, this viaduct is being built in a dense urban setting, on top of several busy road and rail arteries.

The water-supply channels and discharge channels to the sea were completed, as was structural work on the power station. In Hong Kong, 1995 saw progress made in catching up after the delays encountered earlier at the site of the Kwai Chung viaduct. By the end of the year the technical problems had been resolved and the project was 70% completed. Negotiations are under way with the client on financial compensation for accelerating the job to meet the new performance deadlines imposed by the client.

The sewer project in Hong Kong—25 km of wastewater discharge tunnels drilled to a depth of 150 meters—was started at the beginning of the year.

The four tunnels were put in service between October 1995 and February 1996 due to late delivery of the production wells by the client.

Orders for major international projects were down by more than 30% owing to the overall contraction in the market and greater selectiveness in taking on projects. However, thanks to its technical know-how and international partnership agreements, the company was able to obtain major contracts, such as constructing liquefied gas storage tanks in Qatar (in partnership with some Japanese groups) and providing technical assistance in building the Jin Mao tower in Shanghai, which at 420 meters will be the tallest building in China.

In France, major-project activity revived somewhat. Orders for major projects, particularly large earthmoving projects, posted a very sharp rise (40%). Work began during the year on the Orelle tunnel in Savoie and the TGV tunnel in Marseille. In Saint-Denis, work on the new Stade de France started as soon as the concession contract was signed in late April. Extremely quick mobilization enabled the first concrete to be poured in August, and by the end of the year the project was moving forward on the very tight schedule set up to ensure opening of the facility in early 1998. A large program of work done for Cofiroute—construction of the Angers-Langeais section of the A85 and widening of 50 km of roadway in the existing network—also sustained activity in 1995.

BRANCH OFFICES AND SUBSIDIARIES

From its permanent installations (excluding Germany), Campenon Bernard SGE realized total net sales of FF2.8 billion, down 7% from the previous year. The increase recorded for construction work in the Greater Paris area only partially made up for the loss of business elsewhere in France, particularly in the east, southwest and Rhône-Alpes region, where the Nantua viaduct project and the Lyon metro were completed during the year. **In Building Construction**, the growth of the public housing and school building sector slowed but notable accomplishments in 1995 included completion of the René Caillié vocational school in Marseille and commencement of work on the Sylvain Menu middle school in Marseille and the Lycée Langevin in La Seyne-sur-Mer. Also, the company was named as the winner of Marseille's "Great Urban Project" in association with public contracting authorities.

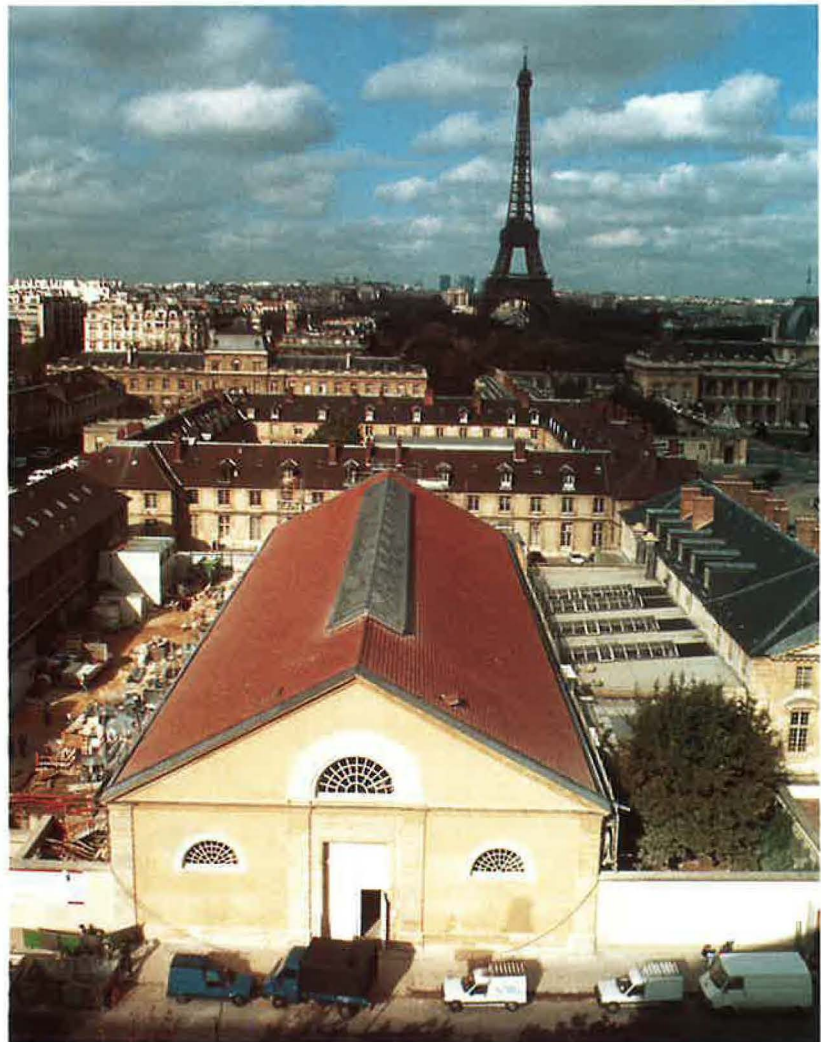
In the tertiary sector, after delivery of the Société Générale headquarters at La Défense and the first phase of the Cité Internationale de Lyon, carried out in association with Sogea, significant orders were obtained during the year for construction of a new headquarters for GEC Alsthom in Saint-Ouen, the Belvédère office complex above the La Défense ring road, the amphitheater of the École Militaire in Paris and the training building for the Leclerc tank in Saumur.

In civil engineering, the Colombes sewage treatment plant, which is proceeding satisfactorily, was the year's main project. Activity in the underground work sector dropped significantly after completion of work on the D line of the RER and excavation of the D line of the Lyon metro. Nevertheless, several new projects started up during the year, in particular the Cachan-Charenton main sewer in the Greater Paris area.

Maritime and riverine projects held steady following the fall recorded in 1994, but decisions are still awaited on some major navigable waterway projects. The largest project was the

dredging of the channel for construction of the Tagus river bridge in Lisbon. **The earthmoving sector** maintained a good level of activity, with growth at Deschiron making up the fall in business at Valérian. The year saw the completion of various sections of the A54 motorway (Saint-Martin de Crau to Salon-de-Provence), the A64 motorway near Saint-Gaudens, and continuation of work on the A28 in Haute-Normandie and the A837 in Charente-Maritime.

Excluding Germany, Campenon Bernard SGE maintained a satisfactory contribution of FF83 million to SGE Group consolidated net income.



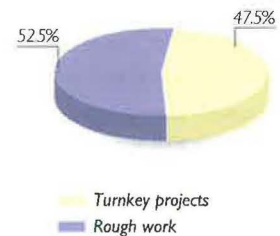
Edif, a Campenon Bernard SGE subsidiary for the Greater Paris area, converted the École Militaire's former indoor equestrian arena into a conference and training center without altering its exterior.

The building, in the 7th arrondissement of Paris, is listed as a national historical monument.

OBG - OBAG SGE Hoch- und Ingenieurbau



Net sales
by business segment



Construction of the Lindencorso, in the heart of Berlin Mitte, was SGE Hoch- und Ingenieurbau's largest project in 1995. The contributions of several French and German artists enlivened the traditional flag ceremony marking completion of the rough work.

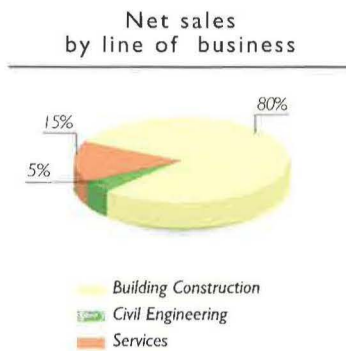
SGE's construction business in Germany is carried out by two building companies, OBG and OBAG, and a major-projects company, SGE Hoch- und Ingenieurbau, all of which are controlled 70% by Campenon Bernard SGE and 30% by SGE Deutsche Holding. In 1995 these businesses realized aggregate sales of FF1.2 billion, equivalent to the preceding year's level. This apparent stability masks some contrasting trends: a reduction in rough work, redeployment toward turnkey deals, and an increase in

large-scale work. The two subsidiaries in building construction—OBG, based mainly in Berlin and Brandenburg, and OBAG, based in Bautzen in Saxony—posted a drop in business that resulted in part from greater commercial selectiveness and in part from the deterioration of the market in Berlin and the new Länder.

The main projects of the year consisted of residential buildings in Bautzen and Joachimsthal, a real estate development in Dresden, the Zittau wastewater treatment plant, the Schwedt bus station, and the customs house in Ludwigsdorf on the German-Polish border.

SGE Hoch- und Ingenieurbau, the major-projects subsidiary created in 1994, continued work on two large construction projects, the Lindencorso in the historic center of Berlin and an office complex in Babelsberg on the grounds of the famous film studios. The improvement in earnings at OBAG and SGE Hoch- und Ingenieurbau made it possible to reduce the losses of SGE's German construction subsidiaries, but those losses nevertheless remained high (FF101 million). In addition, an in-depth reorganization of OBG's structure and organization was undertaken during this year.

Klee



Campeon Bernard SGE is responsible for the operating management of the Klee construction company, based in Mannheim in western Germany. The SGE Group first took an equity stake in Klee in 1991 and then raised its holding from 38% to 63% in 1994.

In 1995 Klee realized net sales of FF870 million, a marked increase over the previous year, in spite of the shrinking market for new construction. The company developed its business in the renovation and maintenance area. Concerning new work, the main projects of the year were industrial buildings, such as the distribution



In 1995 Klee completed the headquarters building of the IG Metall union in Mannheim (Bade-Wurtemberg).

center built for Coca Cola, and a few contracts for public buildings, such as the penitentiary in Weiterstadt. Klee also took part in the construction of a concrete products factory near Saint Petersburg in Russia.

To adapt to market requirements, the company made a staffing adjustment that involved regrouping around two main centers, Mannheim and Stuttgart. This weighed on Klee's 1995 earnings, which fell to a loss of FF17 million.

Norwest Holst

In 1995 Norwest Holst realized net sales of £308 million, up sharply (7%) after four years of decline. The upturn came mainly from civil and hydraulic engineering, which now accounts for more than 40% of the firm's revenues; building construction and installation of building services are the two other core businesses.



In civil engineering, activity rose 20% as a result of three major projects. During the year, Norwest Holst completed the widening of the M1 motorway at Leicester and continued work on the A12 Hackney Wick to M11 Link Road in East London and the Deeside River crossing in Clwyd, North Wales. In joint venture with OTV, the company also won a large order to construct a sewage treatment plant in Davyhulme, Manchester. The John Jones earthmoving subsidiary posted exceptional growth (70%) thanks to several large projects that included the Derby Southern Bypass, the M65 Blackburn Southern Bypass

in Lancashire, and an interchange on the ring road north of Dublin. Norwest Holst Soil Engineering maintained its activity thanks to an increase in its business of soil stabilization by injection.

In the pipeworks and utilities sectors, the company decided to discontinue with major pipeline installation and to focus on network system maintenance. Major contracts with North West Water, Severn Trent Water, British Gas and Midlands Electricity were obtained or renewed.

Following several years of recession, the building construction business stabilized in 1995, with growth being achieved at the three branch offices in the center and south of England (Birmingham, Winchester and Watford). This made up for a decline at the two Northern regional offices (Manchester and Leeds).

In the non-residential sector, good progress was achieved with major contracts being won from Lancaster University, the Royal Air Force in Odiham

(Hampshire) and the refurbishment works for Harrods in London. Norwest Holst also received a major order from the Korean group Daewoo. In the public housing sector, "partnership housing" is currently enjoying strong growth.

In engineering services, Rosser and Russell posted a decrease in activity, particularly in new work for the services sector. Its largest projects in 1995 were at Heathrow airport, the Smith Kline Beecham laboratories in Harlow (Essex) and the University of Manchester. The maintenance and upkeep business, restructured in 1994, developed in satisfactory fashion.

In the industrial sector, Capper Engineering Services won a large order in Belgium to outfit the BASF refinery in Antwerp. In manufacturing of flooring materials, Conren expanded its business, particularly in export markets.

In 1995 Norwest Holst continued the process of restructuring and reorganizing started three years ago. The steel fabricator George Depledge was closed during the year, following several years of heavy losses, as was the cable installation business of the Control and Applications company, which was merged into Capper Pipe. Norwest Holst's shareholding in General Water Processes, a water treatment specialist, was sold to OTV. SGE's British subsidiaries as a whole were able to reduce their losses significantly to -FF150 million (against -FF221 million in 1994).



Norwest Holst remodeled an old television studio in London's West End to serve as the BBC's new head office.

Freyssinet

The group of companies managed by Freyssinet realized net sales of FF1.5 billion in 1995, an increase of 6% over the previous year at comparable scope of consolidation and constant exchange rates. At comparable structure, consolidated net sales posted an increase of the same order to FF1.3 billion.

Activity was brisk in international markets, where Freyssinet did 60% of its business in 1995. There was strong demand for all of the firm's specialties: prestressed concrete work and related products, stay-cabling, hoisting and handling, and specialized engineering. The split between new work and repairs to existing structures shifted slightly in favor of the latter, which now account for close to half its activity, in line with changes in the markets.

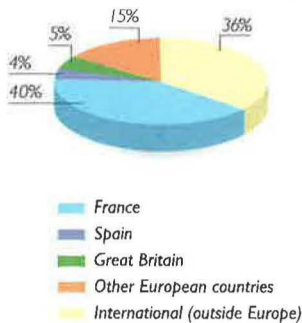
In new work, activity continued at a sustained pace. In Europe, 1995 saw completion of the new bridge over the Severn in Great Britain, the Zaltbommel bridge in the Netherlands, and the Loures viaduct in Portugal; continuation of work on the Arbre

viaduct for the Lille-Brussels TGV line in Belgium and the new buildings for the European Parliament in Strasbourg, France; and commencement of work on the Vasco da Gama bridge in Lisbon, Portugal.

In Southeast Asia, the year's more notable accomplishments included delivery of the Mindef tower in Singapore, completion of the West Kowloon expressway in Hong Kong, and construction of the Kuala Lumpur metro in Malaysia and the Gianh bridge in Vietnam. In America, work continued on the Hibernia offshore platform, the Prince Edward Island bridge in Canada and the Otates bridge in Mexico. In the United States, Freyssinet signed a partnership agreement with a prestressed concrete specialist that has just been awarded the contract to extend the Washington DC metro.

In the area of repairs to complex civil engineering structures, the main projects were the replacement of stay cables on the General Belgrano bridge in Argentina, reinforcement of the Bubiyan bridge in Kuwait and work on a cement plant in Vietnam.

Net sales
by geographic area





The heavy material handling business expanded in 1995 with a number of significant hoisting operations, notably at the Milan Fair in Italy, at refineries in Tula (Mexico) and Rotterdam (Netherlands), and on the roof of the baseball stadium in Osaka (Japan).

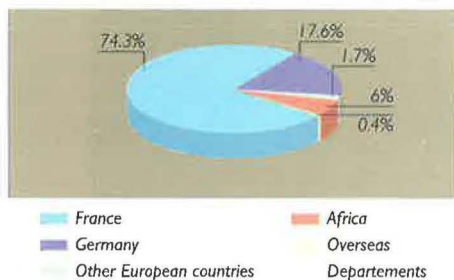
In all, Freyssinet's order book was up sharply (26%) at year-end, but the firm posted a loss of FF20 million owing to the costs of restructuring its British, German and manufacturing subsidiaries and the impacts of the Mexican financial crisis.

Freysinet performed the design studies, the prestressed concrete work on the piers, and the sliding construction of the deck for the Otates bridge on the road from Tehuacan to Oaxaca in southern Mexico.

Roadwork

SGE is the second-largest roadwork group in Europe. Its business is centered on the French market (80% of net sales), where it operates through two of the most prominent firms in the sector, Cochery Bourdin Chaussé and Viafrance. SGE also does business in Germany, through SGE VBU, a former East German company acquired by SGE Deutsche Holding, and in Africa with Sogea subsidiaries. Consolidated net sales in this sector remained stable at FF11.6 billion in 1995.

Roadwork net sales by geographic area



In France, despite a strong start in 1995, the recovery in roadwork activity that had begun the year before was not confirmed. The political climate and budgetary constraints limited both maintenance spending and new investment by municipalities and departments. Work on the existing road system and investment by motorway companies did, however, help to limit the decline in business. In this context, Cochery Bourdin Chaussé and Viafrance proved quite resilient, posting aggregate net sales of FF9.5 billion, slightly more than in 1994.

In Germany, roadwork in the new Länder, where SGE VBU is based, was marked by intensified competition. Growth in that market had begun to taper off as a result of local authorities' financial difficulties, delays in implementing the government's infrastructure investment plan, and uncertainties clouding private real estate development. In this environment, SGE VBU realized net sales of FF2.1 billion, down 8% from 1994.

In all, the roadwork segment's contribution to SGE earnings deteriorated sharply in 1995. The French subsidiaries' profits (at FF141 million, satisfactory, although lower than in 1994) could not make up for the heavy losses (FF392 million) of the German subsidiary.



Viafrance paved the roadways of the new Nantua and Neyrolles viaducts on the A40 motorway (Mâcon to Geneva to Chamonix).

Cochery Bourdin Chaussé

1995 net sales for Cochery Bourdin Chaussé amounted to FF6.2 billion, down slightly (1.3%) from the previous year.

The pattern of activity—a dynamic first quarter, then a sharp downturn in the second half, especially in the southeast and the Greater Paris area—mirrored that in the national roadwork market. The strong performance of motorway construction and the company's diversification businesses (highway equipment and industrial flooring) made up for the drop in traditional roadwork business.

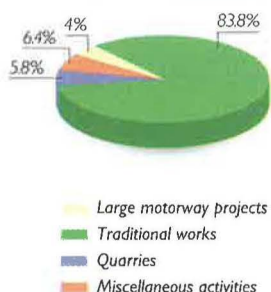
In the large scale projects area, the company maintained a strong level of activity. The foremost projects of the year were the renovation of the second section of the A6a motorway between Orly and Paris and the rebuilding of runway number 4 at Orly airport, in association with Viafrance. Other significant sites at which work was undertaken or continued in 1995 included the A64 motorway at the border between Haute-Garonne and Hautes-Pyrénées, the A28 in Somme, and the A837 in Charente-Maritime. In its main market, roadwork for local authorities, which involves over

10,000 work sites annually, the year was notable for a number of contracts: the completion of the Place des Fêtes in the 19th arrondissement of Paris; the street excavation and utility rerouting work performed in Tourcoing as a part of the tramway project; the doubling of the width of National Route 124 in the Landes; and the construction of parking facilities at the Lille-Lesquin airport. Substantial work was also done for private-sector clients, such as the exterior grounds of the Cité Internationale de Lyon and the renovation of the parking facility at the Forum des Halles in Paris.

Furthermore, Cochery Bourdin Chaussé continued its policy of diversification, particularly in materials recycling and clinker processing in association with Viafrance and the Générale des Eaux research center.

In the highway equipment area, the company set up a subsidiary specializing in installation of metal guardrails and developed a new business in building noise abatement walls. These activities are grouped in a diversification division overseen by TSS, a subsidiary specializing in concrete roadways.

Net sales
by line of business





During seven days and nights in August 1995, TSS, a Cochery Bourdin Chaussé subsidiary, resurfaced 10 km of roadway on the southbound direction of the A6 motorway south of Paris. The A6 is one of the most heavily traveled arteries in the Greater Paris area, carrying an average of 275,000 vehicles a day.

Other noteworthy actions during the year involved some twenty units of the company beginning the process of obtaining quality certification, and strengthening training and integration policies for young personnel. In all, over 500 new employees under age 20 were recruited between June and December 1995.

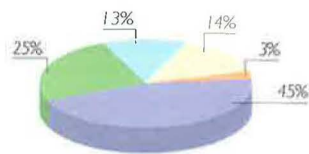
Despite the stagnation in activity, Cochery Bourdin Chaussé maintained earnings at a satisfactory level (FF86 million), albeit somewhat lower than in 1994 owing to the cost of restructuring in certain units.



The Paris Bercy grand prix for go-karts was held in December 1995 on a specially designed track installed and then removed by Cochery Bourdin Chaussé.

SGE VBU

Net sales
by line of business



- Highways and roads
- Demolition
- Earthmoving
- Pipework
- Others

In 1995 SGE VBU realized net sales of FF2.1 billion, a drop of 8% compared with 1994. The decline, which was particularly sharp after the second quarter, affected all subsidiaries of the company except the Berlin subsidiary, which specializes in demolition work. Demolition, which represents 25% of the business of SGE's German roadwork division and receives public subsidies, proved to be more resilient than earthmoving,

roadwork and pipework. In its core businesses, the company met with increased competition from large western German companies.

SGE VBU, once a privileged beneficiary of motorway contracts in the former East Germany, has only recently undertaken its redeployment into smaller-scale traditional roadwork, oriented mainly toward maintenance, and to expand its customer base in the private sector.

SGE VBU is building the streets and laying the utility lines for a residential development north of Berlin that extends over nearly 100 hectares and will accommodate over 5,000 housing units.





Construction by SGE VBU of an access ramp on the A2 motorway (Berlin-Bochum) at the town of Brandenburg.

As part of this effort, SGE VBU completed site work for a 100-hectare residential development north of Berlin and a works program in Berlin's Friedrichstrasse district.

In its other lines of business, the most notable jobs included the demolition by explosives of a gas storage tank weighing more than 1,500 tons in Magdeburg (Saxony-Anhalt) and the widening of the A4 motorway between Dresden and Eisenach.

The market slowdown and intensified competition caused a sharp decrease in margins.

SGE reacted to this situation in early 1995 by implementing an energetic restructuring of its roadwork activities in Germany with assistance from Cochery Bourdin Chaussée.

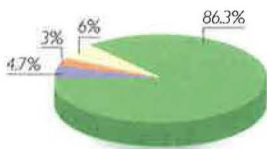
SGE VBU's size and organization are gradually being adapted to the new market conditions by a one-third reduction in personnel, a cut in the

number of branch offices but with a reinforcement of their role, and reorganization into two "trade" divisions (roadwork and construction, demolition and earthmoving).

With the costs of this restructuring and the operating loss for the year, SGE VBU's earnings dropped sharply to a net loss of FF392 million.

Viafrance

Net sales
by line of business



- Large motorway projects
- Traditional works
- Quarries
- Miscellaneous activities
(waterproofing, road marking, etc.)

Viafrance's consolidated net sales amounted to FF3.3 billion, a 7% increase over the previous year. The decrease in orders from local authorities, most evident after the second quarter, was offset by an upturn in private orders, a steady volume of motorway business, and strong growth in quarry sales.

The Chailloué quarry (Orne) posted a significant gain in sales generated by supplying aggregates for the construction of roadways on the A29 motorway in Haute-Normandie. The other quarries also maintained satisfactory production, with output increased by the contribution of the new quarry in Finistère Sud, in which Viafrance acquired a partnership interest in 1994.

The drop in new large scale motorway projects was counterbalanced by a number of sizeable maintenance contracts on the existing system, for the A6 between Auxerre and Joigny, the A31 between Dijon and Beaune, and the A7 between Valence and Tain-l'Hermitage. In addition, Viafrance paved the roadways for the second Chamoise tunnel and the new Nantua and Neyrolles viaducts on the A40. Other significant projects of the year were the resurfacing of the banks and floorbed of the Niffer Canal (Haut-Rhin), which was widened to form the first link in the Rhine-Rhône connection, and the renovation of runway number 4 at Orly airport, in association with Cochery Bourdin Chaussé.



Acquired by Viafrance in 1989, the Chailloué quarry in Orne doubled its output in order to supply aggregates for the A29 motorway, to be built between Le Havre and Yvetot.



Besides the usual roadwork activity, which in 1995 involved over 6,000 job sites, Viafrance's diversification businesses, which include water-proofing and road marking, turned in satisfactory performances.

In addition, the company continued efforts to upgrade its human resources. The training program for masons

specializing in roadwork that was set up by GIRF, a joint organization of Viafrance and Cochery Bourdin Chaussé, received accreditation as technological education.

Net income for the year was down slightly from 1994 but still satisfactory, at FF55 million.

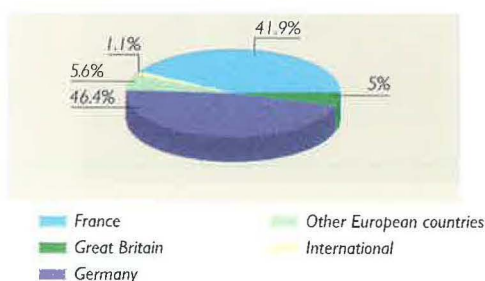


Viafrance renovated all of the roadways on the campus of Nestlé's new French headquarters, on the site of the former Menier chocolate factories in Noisel (Seine-et-Marne).

Industrial and Technical Installations

Installations of industrial equipment and building services make up over one-fourth of SGE's business. In France, these activities are conducted by SDEL (Saunier Duval Electricité) for electrical engineering and by Tunzini Wannier and Lefort Francheteau for thermal and climate-control engineering. In Germany, the sector is particularly well-developed, making up two-thirds of SGE's business. It consists mainly of G+H Montage, the European leader in thermal insulation, Heinrich Nickel (climate-control engineering) and Controlmatic (a joint subsidiary of SDEL and SGE Deutsche Holding). Rosser and Russell (Norwest Holst) is also active in these markets in Great Britain.

Industrial and Technical Installations
net sales by geographic area



In 1995 consolidated net sales of this sector amounted to FF11.6 billion, up slightly (1.7%) from the previous year. In France, electrical work was boosted by industrial capital spending and gained ground, while the other activities—air conditioning and insulation—fell off sharply, largely because of the recession in new office construction. In Germany, the year brought stagnation, or even a decline, in work for industry, except in the electrical specialties. This was made up for in part by strong activity in the building sector, especially in the new Länder.

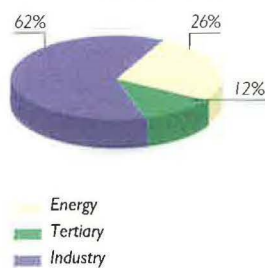
Although the French subsidiaries' contribution remained strongly positive in 1995, this sector in aggregate posted a significant loss (FF212 million) because of the serious difficulties of the German subsidiaries. Those difficulties were essentially attributable to the dramatic drop in margins and the cost of the restructurings undertaken during the year.



SDEL took part in renovating the main hall and the electrical systems of the Opéra Garnier, which reopened on 1 March 1996 after two years of work.

Saunier Duval Electricité (SDEL) Controlmatic

Net sales
by line of business



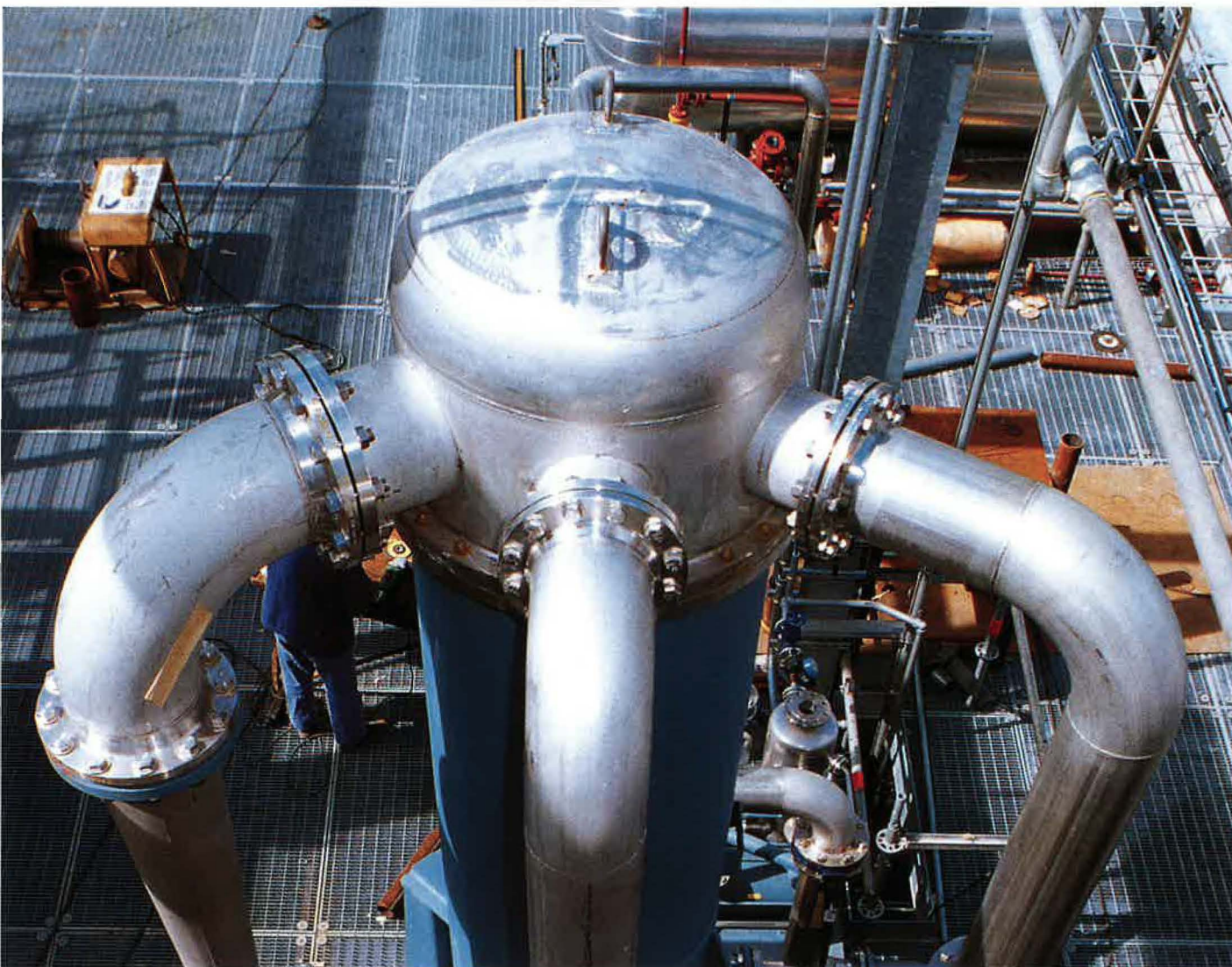
In 1995 net sales of Saunier Duval Electricité (SDEL) increased to FF3 billion (up 14%) with full-year consolidation of Controlmatic, which had been consolidated for only eight months in 1994. At comparable scope of consolidation, net sales were up 6%.

With an 8% rise, demand from **industry** (62% of total activity) led the way both in France—despite the slowdown in capital spending late in the year—and in Germany. In France, notable projects during the year included the Chooz and Civaux nuclear power plants, the N Kossa platform for Elf Congo, the Solvay chemical plant in Tavaux (Doubs) and, in export business, the Kalundborg refinery in Denmark. Other maintenance contracts that were awarded or renewed during the year included those for Elf in Donges and Solaize, Atochem in Gonfreville, and Giat Industries in Satory.

In the environmental sector in 1995, SDEL installed the operating control

systems for household waste incineration plants in Cergy-Pontoise and Ludres, near Nancy, as well as for a major water treatment plant in Rouen. In Germany, Controlmatic posted a 10% rise in business at comparable scope of consolidation following the major restructuring of 1994. It won significant instrumentation and control systems contracts from the paper industry and orders rose sharply (24%) in both eastern and western Germany. The company also formed two subsidiaries outside Germany, one in Poland and the other in the German-speaking part of Switzerland.

Activity in the **tertiary** sector fell again (down 3%) owing to the worsened situation of the real estate market and the completion of work during the year on two major projects, the Cité Internationale de Lyon and the Société Générale headquarters at La Défense. However, the company did win a substantial order for wiring up the trading rooms at Crédit Agricole.



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SDEL installed the instrumentation and automation systems in Dico's production plant for diester (a fuel made from canola oil) in Grand-Couronne, near Rouen.

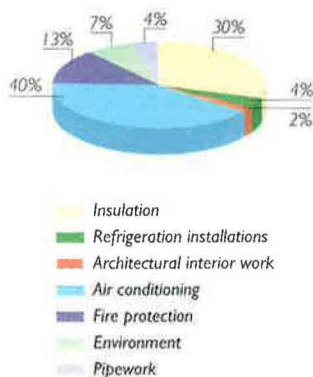
SDEL redeployed its three main activities –high-current, low-current, and pre-cabling–into the buoyant market for renovating and rehabilitating tertiary sector facilities (offices, hotels, and hospitals). Work began in 1995 on a large project to wire the future headquarters of Indosuez at La Défense, in the Paul Doumer Tower. Following a sharp downturn in 1994, activity in the **transport and energy distribution** sector held steady.

Business was sustained by rural electrification and control systems work and installations of networks along motorways. By contrast, work on high-voltage lines and transformer substations declined again in 1995 because of stagnant energy consumption and environmental constraints that hampered EDF's investment program.

SDEL and Controlmatic's aggregate contribution to SGE earnings amounted to FF40 million. This figure reflects a marked improvement in results in France and a sharp reduction in operating losses in Germany.

Tunzini Wanner

Net sales
by line of business



Tunzini Wanner realized net sales of FF2.3 billion in 1995, down 7% from the previous year. The company faced a contraction across all of its principal lines of business: climate-control engineering for the tertiary sector, owing to the situation in the real estate market, and heat shielding for industry, owing to the lack of significant capital spending.

TUNZINI

Alongside its core business in climate-control engineering, Tunzini has developed a portfolio of complementary activities in fire protection and waste treatment. In 1995 its net sales amounted to FF1.3 billion, down 8% from the previous year.

Demand for HVAC systems declined appreciably in 1995. The year nevertheless saw a number of significant projects: the Air France headquarters at Roissy, the Société Générale headquarters at La Défense, and the Roissy TGV station, all delivered in 1995,

while work began on the headquarters of Mutuelle Générale de l'Education Nationale in Paris and the court buildings in Grasse and Bordeaux. Tunzini also won a large contract for the air-conditioning of the Georges Pompidou hospital in Paris.

In fire protection systems, where the market is being sustained by insurance companies' incentive policies, Tunzini's business experienced strong growth (up 27%). Two major installations were completed during the year: the Seita plant in Riom (Puy-de-Dôme) and the Renault plant in Ruitz (Pas-de-Calais). A department specializing in shipboard fire protection systems was also set up.

In the environment sector (incineration of household and industrial solid waste, emissions treatment), sales were stable after three years of rapid growth. The firm received a large order to enlarge the household waste incinerator in Toulouse.

WANNER

Wanner realized net sales of FF850 million in 1995, a 15% decrease from the previous year.

Its main line of business, industrial heat shielding, experienced a marked slowdown as its principal clients in steel, chemicals and petrochemicals reduced or halted their capital spending programs. Wanner completed a big project for Daewoo's cathode ray tube production unit near Nancy.

In the nuclear industry, the firm carried out insulation work on the primary and auxiliary equipment at the Civaux (Vienne) generating plant as well as on the replacement of steam generators at the Dampierre and Saint-Laurent nuclear power plants.

In addition, Wanner expanded certain related activities, notably asbestos removal, where in 1995 it did work on the Lycée Louis Le Grand in Paris, the Brie-Comte-Robert agricultural school in Seine-et-Marne and the French Petroleum Institute in Reuil-Malmaison.

Business was stable in the narrow market for manufacturing and installing pre-insulated pipe for underground hot water and chilled water distribution systems.

Wanner sharply reduced its activity in architectural finishings (dropped ceilings, partitions, and raised floors) and construction of cold rooms



▼
Tunzini Protection Incendie put in the fire protection system at Seita's plant in Riom (Puy-de-Dôme), installing sprinklers throughout the building.

(temperature- and humidity-controlled environments for the food products industry) as those two businesses are subject to intense competition from small and mid-sized firms.

In view of the lasting deterioration in their markets, steps were taken at Wanner and at Tunzini's climate-control division to adapt their cost structures and production staffs.

These restructuring efforts were charged against the year's earnings and explain the decline in contribution (a loss of FF10 million) to the Group's consolidated net income.



Heinrich Nickel installed the air conditioning for the Japan Center tower, under construction in the business district of Frankfurt-on-Main (Hesse).

Heinrich Nickel

That reorganization led to the shut-down or sale of a number of non-strategic or loss-making subsidiaries, a reduction in fixed costs and a refocusing on the core businesses in industry (clean rooms, telecommunications) for both domestic and export markets.

Several major projects were completed in Germany, notably including the Stern Center shopping mall in Potsdam, the Lindencorso building in Berlin, the Health Insurance Fund in Saarbrücken, and Deutsche Telekom's regional center in Constance. Outside Germany, Heinrich Nickel won a large HVAC contract for a Skoda plant in the Czech Republic and completed work on the clean rooms at Schering's laboratories in Korea.

Already in deficit in 1994, Heinrich Nickel's results worsened considerably in 1995 to a loss of FF202 million, largely because of the FF125 million in restructuring charges.

Net sales per line of business



Heinrich Nickel, the German HVAC subsidiary, realized net sales of FF680 million in 1995, down 17% from 1994. The decrease resulted mainly from the reorganization undertaken at the start of the year under the direction of Tunzini.

Lefort Francheteau

Lefort Francheteau installed the air conditioning equipment for the new CEPME headquarters in Maisons-Alfort, outside Paris.

Lefort Francheteau realized net sales of FF473 million in 1995, an increase of 22% from the previous year.

The air-conditioning business was steady, despite the unfavorable environment in the office property sector, and two of the firm's other lines of business experienced significant growth. Activity was up 16% at Saga, its subsidiary in the rehabilitation and maintenance sector, and up 12% at Sonex, in the upkeep and operation sector.

During the year the firm completed out several large projects in the Paris area, including the air conditioning for the Library of France, the renovation of the Caisse Nationale de Prévoyance building above the Montparnasse railway station, and the plumbing and main chiller unit for the Société Générale towers in La Défense. Lefort Francheteau continued work on the CEPME headquarters in Maisons-Alfort, the Renault technical center in Guyancourt, the renovation of the UAP tower at La Défense, and the Chronopost head office in Issy-les-Moulineaux.



In addition, work began on large-scale projects in Saint-Denis, on the head office of EDF's Production and Transmission division, at La Défense, and in Paris, on the main gallery of the Louvre Museum's Denon wing.

Saga completed significant contracts for the Percy military hospital, the French embassy in Armenia, the city hall in Saint-Germain, and rehabilitation of nearly 4,000 units of social housing.

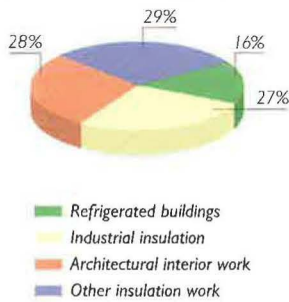
In 1995 Lefort Francheteau maintained its contribution to SGE earnings at a very satisfactory level of FF23 million.

Net sales by line of business



G+H Montage

Net sales
by line of business



G+H Montage, the SGE Group's principal operating subsidiary in Germany, realized net sales of FF5.2 billion in 1995, down 4% at comparable scope of consolidation. The leading European firm in insulation work, G+H Montage experienced contrasting developments in its different lines of business. Work for industry (industrial heat shielding and acoustic insulation) stagnated or declined, whereas in the building trades, activity increased faster in insulation of facades than in architec-

tural interior work. Activity in ship insulation dropped sharply. Notable projects during the year included the acoustic insulation work for Deutsche Post's new express parcel service centers—more than thirty of them throughout Germany—the turnkey delivery of a meat-processing plant in Leipzig, the facades of two telecommunications centers in Berlin, and work on the interior of the Costa Victoria cruise ship in Bremen.

G+H Montage installed acoustic insulation in more than thirty parcel sorting centers throughout Germany equipped with a new labeling system.





The interior finishings of the new Costa Victoria cruise ship, under construction at the Bremen shipyards, are being done in part by G+H Montage.

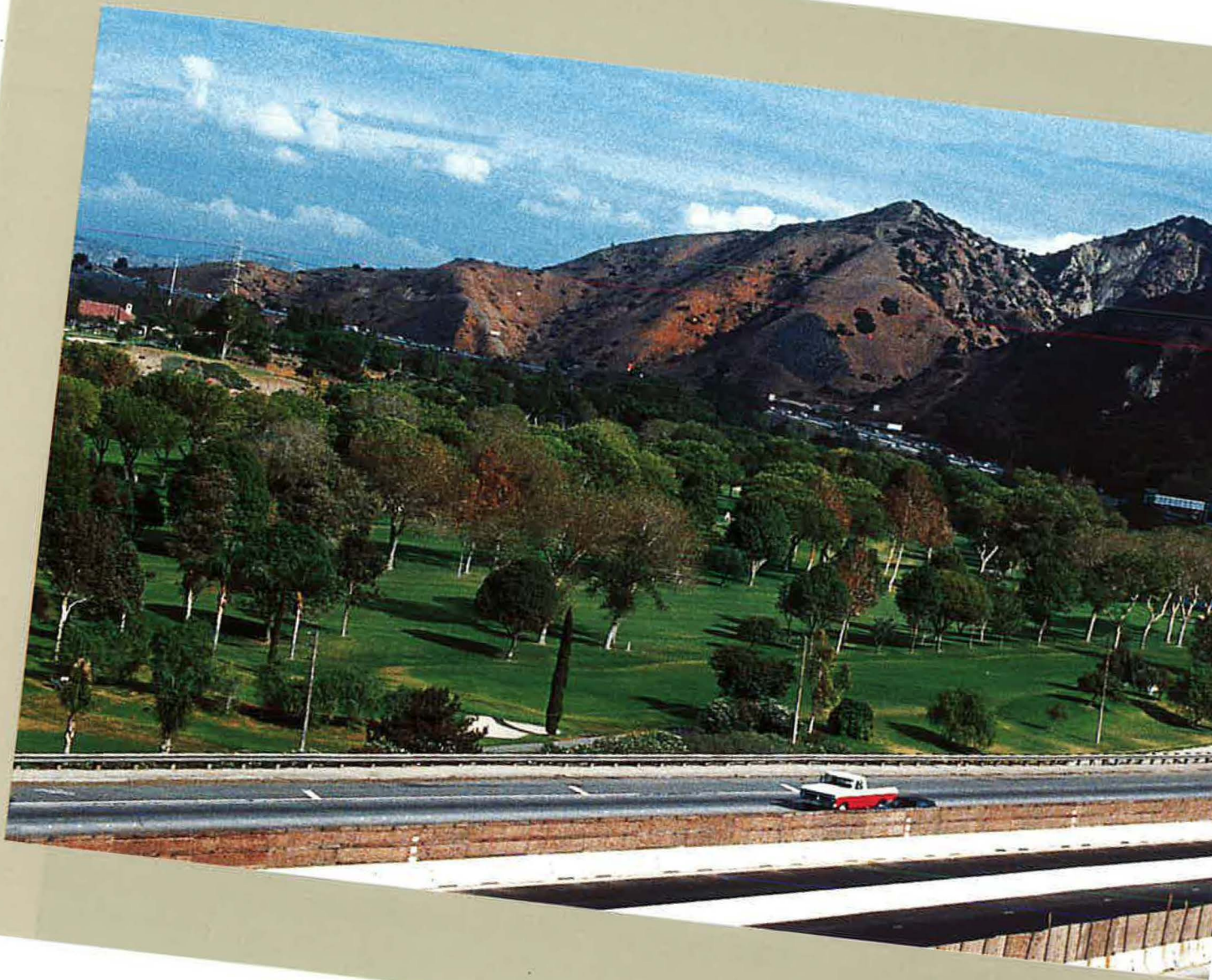
Outside Germany, G+H Montage experienced a sharp drop in activity in Great Britain, particularly in its off-shore drilling and industrial heat shielding lines.

G+H Montage's profitability in 1995 was heavily impacted by a rapid deterioration in levels of prices and margins in all of its various lines of business. That deterioration was

attributable to a conjunction of factors: increased competition in a stagnant market, changes in industry's purchasing behavior following the 1993-94 recession, and widespread use of low-paid foreign labor by certain firms. The firm's earnings were also affected by the cost of restructuring measures undertaken at the start of the year, which included shutdowns of loss-making activities and estab-

lishments, workforce reductions, and reorganizations of underperforming subsidiaries in Great Britain and Austria. In addition, the firm entered into negotiations with its workers with a view to curbing the growth of charges for its 25-year-old supplementary retirement plan.

G+H Montage posted a heavy loss of FF63 million in 1995.



Since late 1995 Cofiroute has been operating a 16 km toll road built along the median of the SR91 highway in southern California. The new road serves San Bernardino, Orange, and Riverside counties near Los Angeles and is available only to motorists using an electronic toll system.





Other activities

As a natural extension of its building activities, SGE is today an active partner of companies operating concessions for major infrastructure facilities in France and Portugal. SGE also participates as a partner in real estate complexes in Germany.

Concessions

COFIROUTE

SCE owns 30.88% of the shares of Cofiroute, the leading private holder of motorway concessions in Europe and operator of a network of some 750 km, mainly Paris-Le Mans and Paris-Tours. Traffic growth, given a strong boost late in the year by the rail strike, and the rate increases implemented in June raised net sales to FF3.7 billion, an increase of 8.7%. The year was notable for the government decree of 26 September 1995 approving the eighth amendment to the concession contract, followed by the first five-year-plan contract signed on 6 December 1995. This amendment sets forth the financing terms, including the rules for toll rates, and other conditions for the construction of the new motorway sections awarded to Cofiroute on the A85 between Tours and Vierzon, the A28 between Alençon and Tours, and two sections of the A86 between Rueil and Versailles and Rueil and the A12. This program represents an capital outlay of FF26 billion to be made over the next ten years.

The contract amendment is subject to adjustment based on actual traffic growth and changes in interest rates. In exchange, the term of the concession was lengthened by 15 years for the intercity network and set at 50 years (from the in-service date) for the A86 loop. Declarations of public utility were obtained in 1995 for several of these projects (the Tours-Vierzon section, the Langeais bypass on the A85, the A86 loop), allowing work to begin on a large scale.

The volume of new construction in 1995 was significant, with the entry into service of interchanges on the A10 near Tours and on the A11 west of Angers and the continuation of work on the A85 (Angers-Langeais). On the existing network, 52 km of roadways were widened and 14 rest areas were redone.

Cofiroute also continued its international development. The SR91 motorway in Los Angeles, with an automated toll collection system and time-of-day rates, was opened to traffic late in the year, and a contract for technical assistance was signed for restoration and operation of the Rio-Saõ Paulo motorway in Brazil.

Cofiroute's net income amounted to FF605 million, of which SCE's share, using the equity method of accounting, was FF186 million. At 31 December 1995 Cofiroute had debt of FF6.8 billion. In November 1995 the company made a FF1.6 billion bond issue that was well-received by the market.

OTHER CONCESSIONS

PRADO CARÉNAGE

SCE is the largest shareholder, with a 23% equity stake, in Société Marseillaise du Tunnel Prado Carénage, the concession-holder for the tunnel that has since 1993 enabled traffic to cross the centre of Marseille.

In 1995 traffic through the tunnel increased by 16.4% over 1994, to over 10 million users annually. The basic toll rate was raised on 1 October 1995 to FF12 and net revenues increased by 25.5% to FF111 million.

Prospectively lower interest charges in 1996, combined with the effects of the latest rate increase, should enable the company to improve its earnings, which were still heavily in deficit in 1995.



BRIDGE OVER THE TAGUS

The concession contract for the Tagus estuary crossings in Lisbon was signed on 24 March 1995. The new Vasco da Gama bridge, 12 km upstream from the existing 25 April bridge built in 1966, will be delivered in 1998. The concession was awarded to the Lusoponte company (24.8% owned by SGE) for a maximum term of 33 years and includes operation of the 25 April bridge. The transfer of the latter was effective on 1 January 1996 and staff were hired and trained specifically for that purpose. Despite difficulties and resulting delays due to environmental constraints, a change in the configuration of available worksites, and new, more demanding technical specifications imposed by the grantor of the concession in regard to corrosion resistance and seismic safety, work has begun all along the path of the new crossing. Two-thirds of the

dredging and earthmoving has been done, the structural foundations are 50% completed, and, on land, the necessary road detours and property expropriations are well advanced. The financing requirement amounts to FF6.3 billion, covered one-third by the shareholders and the Portuguese government, one-third by a subsidy from the European Union's Cohesion Fund, and one-third by a loan from the European Investment Bank guaranteed by the concessionaire company's banking syndicate.

STADE DE FRANCE

SGE owns 33.33% of the shares of the company holding the concession to build and operate, for a period of 30 years, the 80,000-seat stadium to be

erected in Saint-Denis. This facility, the first and largest of its kind in France, will be the home stadium for matches of the national soccer and rugby teams as well as, thanks to its variable configuration (with 26,000 moveable seats), a venue for international track and field events and possibly a future Olympic Games.

The extent of covered space—130,000 m², more than 30,000 m² of which is “habitable”—will make the stadium suitable for other kinds of sporting events, concerts, and shows. It will also serve as a gathering place for meetings, congresses, and exhibitions in the heart of the Greater Paris area.

Work began on 2 May 1995 and is proceeding on a very tight schedule. By late December 1995, the earthmoving



Cofroute, concessionaire of the A85 motorway between Angers and Tours, has built a 38-km stretch between Angers and Saumur that will enter service in January 1997.



The concession contract for the Stade de France was signed on 29 April 1995. Work began immediately and should be completed by November 1997, in time for the stadium to host the soccer World Cup in the summer of 1998.

was finished, the foundations were poured, and more than one-third of the rough work was done. The erection of the roof, a gigantic 9,000-ton ellipse suspended from 18 narrow pylons, will be the trickiest part of the job and will begin in the summer of 1996. The unexpected presence of numerous pollutants in the soil obliged the concessionaire to undertake large-scale decontamination work at the same time that pollution abatement measures had to be stepped up, significantly hampering the progress on the project. The extra costs imposed by this incident, especially the indirect costs, have not been absorbed in full by the government and a lawsuit has been brought to recover them. Construction should be finished by late November 1997 and the stadium

should be opened in February 1998, in time for the 1998 soccer World Cup. The financing for the project includes a government subsidy of FF1,267 million toward a total requirement of close to FF2,650 million.

MUSE

The concession for the first phase of this underground mixed-transport system (light vehicles and public transit), awarded to Muse SA (26%-owned by SGE) by the Hauts-de-Seine department, will cover two sections:

Gennevilliers-Paris in the north of the department and Clamart-Issy-les-Moulineaux in the south. The department has chosen to undertake consultations with the municipalities involved prior to the public utility hearings, which should take place in 1997.

REAL ESTATE PROJECTS

SGE is a partner in or operator of four property projects in Berlin that are nearing the completion or delivery phases.



Lindencorso. This project involves the construction of a seven-story building with nearly 27,000 m² of leasable space for offices, shops, housing and parking on a 4,900 m² site near the corner of Unter den Linden avenue and Friedrichstrasse, in Berlin Mitte. SGE owns a 50% share in partnership with three German developers. The building will be delivered in late summer 1996.

Friedrichstadt Passagen. This project involves the development of a 16,500 m² site abutting Friedrichstrasse, also in Berlin Mitte, that has been divided into three lots. SGE holds a 25% equity interest in lot 207 at the corner of Französische Strasse and Friedrichstrasse. The plan for this lot comprises a seven-story building of 33,400 m² with a Galeries Lafayette store, offices, shops, housing and parking. Delivery of the building had been scheduled for mid-1995 but was delayed by difficulties encountered by the builder, CBC, in the finish work. Galeries Lafayette was nevertheless able to open its store on 29 February 1996.

Anthropolis. This project, near the Tegel airport, is a complex of nearly 47,000 m², mainly offices (40% of which is renovated space). Leasing of the renovated part, delivered in early 1995, has been slow. The rest of the project will be delivered in the second half of 1996.

Wartberlin. The first phase of this project, in the Hohenschönhausen district in eastern Berlin, involves 10,000 m² of offices. SGE's interest was sold in 1995 on satisfactory terms to a German investment fund.

For the first three of these projects, levels of rents, projected occupancy rates, and resale values have been

affected by the deterioration of the Berlin property market. That deterioration reflects the generally lackluster economy and hesitancy provoked by uncertainty over the schedule for relocating federal government offices to the new capital.

Large additional provisions have been taken against these projects.

Galeries Lafayette opened its first store in Germany on 29 February 1996. The new store is in the heart of Berlin in the Friedrichstadt Passagen complex, 25%-owned by SGE.



Ordinary Shareholders' Meeting of June 25, 1996

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Board of Directors Report

at the Ordinary Shareholders' Meeting of June 25, 1996

1995 ACTIVITY

Consolidated net sales of Group SGE amounted to FF45,252 million in 1995, down by 1.2% in real terms compared with the previous year.

Overall, changes in the scope of consolidation and rate of exchange between 1994 and 1995 had a negligible impact on sales.

International sales amounted to FF18,497 million, virtually identical in value terms to the total in 1994. These figures represent 40.9% of the group's total sales in 1995, compared with 40.6% in 1994.

German subsidiaries accounted for 22.3% of sales in 1995 (compared to 21.8% in 1994). As in 1994, nearly 93% of the sales were generated in Europe, including France.

The table below shows the breakdown of net sales by business segment:

(in millions of French francs)

	1994	1995	Change
General Construction	22,714	21,981	-3.2%
Roadwork	11,680	11,631	-0.4%
Industrial and Technical Installations	11,452	11,642	+1.7%
Other	319	441	nm
Double Counts	-359	-443	
	45,806	45,252	-1.2%

The breakdown of net sales by lines of business remained relatively stable, with 18.5% for building, 27.2% for civil engineering (including hydraulic work), 24.5% for roadwork and 26.4% for industrial and technical installations. The remainder is mainly comprised of Sogea's service activities.

The descriptive section of this document, which precedes the present report, provides the relevant information concerning the Group's main subsidiaries.

1996 OUTLOOK

The way in which general business conditions in general are developing in European countries in 1996 makes a decline in sales of around 5% seem possible. This fall off could be particularly significant in Great Britain for Norwest Holst, in Germany for SGE VBU, whose sales could decline by more than a quarter, and in France for Tunzini and Wanner Isofi, whose core markets, air conditioning and industrial insulation, are both suffering.

Although the initial impact of the restructuring measures that have been carried out in Germany since the first half of 1995 can be counted on to boost earnings, the increase will not be reflected in a return to breakeven this year.

FINANCIAL STATEMENTS

For 1995, the consolidated statements of income show a total loss (Group share) of FF933 million against a profit of FF290 million in 1994.

Analysis of these results brings out the following data, classifying the major operating subsidiaries geographically:

French subsidiaries	FF377 million
German subsidiaries	-FF852 million
British subsidiaries	-FF150 million
Operating subsidiaries	-FF625 million
Cofiroute	FF187 million
SGE Holding Company	-FF118 million
Total excluding German property	-FF556 million
German property	-FF377 million
	-FF933 million

The French subsidiaries thus confirm their adequate resistance to the deterioration of trading conditions. However, the impact on the German subsidiaries of the deep-seated changes in their markets operate is clear.

Although the British subsidiaries are still posting substantial losses, a slow process of improvement can be seen. The target of operating breakeven in 1997 can now be considered to be within Norwest Holst's reach.

Where net income is concerned, the breakdown between operating income less net financial expense and net exceptional expense shows that the year's loss is mainly due to exceptional items, which account for a net charge of FF936 million (of which FF354 million for the German works subsidiaries and FF368 million for property operations in Germany).

Operating income declined by FF368 million compared with 1994, of which FF420 million for the German subsidiaries alone. This confirms the good overall performance of the French subsidiaries and Norwest Holst's continued improvement on the operating level.

Financial expense rose from FF81 million in 1994 to FF106 million in 1995 (after FF156 million in 1993 and FF184 million in 1992). This was mainly due to the increase in the financial expense tied to the carrying costs for completed buildings.

Among the most noteworthy items in the consolidated balance sheet and statements of change in financial position are the following:

- cash-flow from operations. Although cash-flow from operations was only FF977 million in 1995 against last year's FF1,665 million, it virtually covered net investment over the year (FF1,359 million in investments and FF345 million in disposals). This does not include the impact on the accounts of booking the Berlin property assets as fixed assets of FF1,023 million in 1995, which is offset by a corresponding reduction in the working capital requirement.

- under liabilities, provisions for liabilities and charges were maintained at a high level at FF5,642 million.

- Net financial indebtedness, which in particular includes nearly FF1,360 million related to Berlin property assets, increased by some FF900 million over the previous year, reflecting a certain increase in the operating subsidiaries' working capital requirements.

The corporate financial statements of the parent company, SGE, showed a FF852 million loss at end-1995. This included a risk of loss of value for both the debt held by SGE of its subsidiary SGE Deutsche Holding, which represents FF563.6 million, and part of the Berlin property assets, amounting to FF345 million.

Given these losses, SGE's parent company's net worth as of December 31, 1995 declined to FF3,293,092,369.84.

SGE now directly and indirectly has full ownership of Sogea, following Sogea's contribution of its shares in the Cochery Bourdin Chaussé and Viafrance SNCs (partnerships) and the minorities buyout followed by a forced buyout carried out by its fully-owned subsidiary, Socofreg.

PROPOSED ALLOCATION OF LOSSES

The following allocation of the FF851,994,738.10 in losses of 1995 is proposed for your approval. FF317,828,039.46 is to be written against the previously retained earnings for 1994, with the remainder - i.e. FF534,166,698.64 - written against the item "Additional paid-in capital".

As required by law, we hereby list the dividends distributed during the last three years.

Year	Number of Shares Receiving Dividend	Net Dividend	Tax Credit per share	Total Dividend
1992	23,974,657	FF5.00	FF2.50	FF7.50
1993	24,543,375	FF5.00	FF2.50	FF7.50
1994	29,197,859	FF5.00	FF2.50	FF7.50

Finally, the expenditures referred to in Article 39.4 of the French General Tax Code amounted to FF134,568 in 1995.

EQUITY OWNERSHIP - QUOTATIONS

As of December 31, 1995, the shareholders' equity of your company was divided into 30,197,084 shares with a par value of FF85 (representing total nominal capital of FF2,566,752,140). The increase of 999,225 shares over the previous year was due both to the exercise of stock options offered as dividend payments in shares by a group of shareholders representing some 85% of the shareholders' equity and to subscriptions to stock options on the part of Group employees as part of the Group savings plan implemented in February 1995.

2,075 additional shares stem from the exercise of options by some of the Group's employees for their own benefit.

As of December 31, 1995 Compagnie Générale des Eaux held 80.76% of your company.

In 1995 trading of the stock on the Paris Bourse fluctuated between a high of FF204 and a low of FF95, ending the year at FF107.5. After having moved substantially in line with the fluctuations of the CAC 40 and the market in general in the first quarter, the share price fell sharply until the end of the year.

The beginning of 1996 saw a slight improvement in the share's performance, despite continuation of the decline in traded volumes begun in 1994. This reduction of volumes led the Société des Bourses de Valeur to withdraw SGE from the SBF 120 index, where it had figured since the index was created.

PERSONNEL INFORMATION

In 1995 the Group's consolidated companies' average workforce amounted to 60,898 people, compared with 63,366 in 1994.

Of these, 52,137 employees were under European contracts, with 8,761 non-European based local employees.

The changes in the scope of consolidation in the year were reflected in a reduction of 550 employees, despite the hiring of some 480 people in Germany by previously unconsolidated companies. The impact of the restructuring measures is some 2,200 people, of which nearly 1,500 in Germany.

As indicated last year, under the authorization granted by the Shareholders' Meeting of March 7, 1994,

the Group savings plan created 242,455 new shares, which were frozen in accordance with the legal provisions in a mutual fund.

BOARD OF DIRECTORS

The mandates of eleven members of the Board of Directors expire at the current Shareholders' Meeting. We would like to propose that you renew the mandates for a period of six years (i.e. until the Shareholders' Meeting called to approve the accounts of the year 2001) of Messrs. CAMBOURNAC, DEJOUANY, ESPALIOUX, GIRAUDET, GUTONNEAU, MESSIER, MICHEL, RICHARD and ZACHARIAS and that you appoint Messrs. BAZY and LAMY as board members for the same length of time.

Consolidated Financial Statements

Past Three Years

In millions of French francs

	1995	1994	1993
Net Sales	45,252	45,807	43,271
Of which foreign net sales (1)	18,497	18,582	16,764
as a % of Total	40.9%	40.6%	38.7%
Group's share in income	(933)	290	306
Shareholders' equity	3,155	4,109	2,982
Provisions for liabilities and charges	5,642	5,271	5,249
Net financial debt	505	(394)	687
Cash flow from operations	977	1,665	1,268
Capital expenditure and acquisition of investments			
Capital expenditure net of divestments	1,139	1,659	911
Investment in real estate assets (2)	1,023		
Average number of employees	60,898	63,366	63,073

(1) Starting in 1995, net sales realized in the French Overseas Départements are included in the French sales. 1993 and 1994 figures have been restated to provide a comparable basis.

(2) Relates to the incorporation of the Group's real estate projects in Berlin into fixed assets (see Note 2.1).

Consolidated Balance Sheet

ASSETS	Notes	In millions of French francs	
		1995	1994
Intangible assets other than goodwill	3	301.1	251.6
Goodwill	4	1,151.9	1,237.8
Property, plant and equipment	5	5,900.6	4,658.2
Financial assets			
Unconsolidated investments	6	1,563.8	1,634.1
Investments accounted for by the equity method	7	855.5	796.3
Other financial assets	8	551.8	473.4
		2,971.1	2,903.8
Deferred charges	9	216.8	307.8
TOTAL FIXED ASSETS		10,541.5	9,359.2
Inventories	10	4,411.1	5,540.2
Accounts receivable		14,335.5	13,987.8
Other receivables		4,151.9	3,823.4
Marketable securities and financial short-term receivables	12-16	3,609.6	4,115.1
Cash	16	1,076.5	1,179.7
TOTAL CURRENT ASSETS		27,584.6	28,646.2
TOTAL ASSETS		38,126.1	38,005.4

In millions of French francs

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	1995	1994
Shareholders' equity	13		
Capital stock		2,566.8	2,481.8
Retained earnings, before net income for the year		1,521.0	1,337.1
Net income for the year		(932.9)	290.4
		3,154.9	4,109.3
Minority interest	14	66.4	80.2
Amortization of capital employed and investment grants		79.0	66.6
Provision for liabilities and charges	15	5,642.2	5,271.0
Long-term financial debt	16		
Subordinated debt, bonds and debentures		347.3	411.4
Other long-term debt		2,001.7	2,212.6
		2,349.0	2,624.0
TOTAL CAPITAL EMPLOYED		11,291.5	12,151.1
Down-payments from clients		5,551.5	5,421.2
Accounts payable		9,682.9	9,837.7
Other payables		8,758.3	8,318.6
Short-term financial debt	16	2,841.9	2,276.8
TOTAL CURRENT LIABILITIES		26,834.6	25,854.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		38,126.1	38,005.4

Consolidated Statements of Income

		In millions of French francs	
	Notes	1995	1994
NET SALES	17	45,251.7	45,806.6
Other revenue	18	1,872.3	2,170.7
Total revenues		47,124.0	47,977.3
Outside operating expenses		(45,562.0)	(45,660.2)
Gross operating income		1,562.0	2,317.1
Adjustment to amortization and provisions		(1,436.3)	(1,822.9)
OPERATING INCOME	19	125.7	494.2
Net financial expense before financial provisions		(44.2)	(70.0)
Financial provisions		(45.8)	(1.2)
NET FINANCIAL EXPENSE	20	(90.0)	(71.2)
OPERATING INCOME LESS NET FINANCIAL EXPENSE		35.7	423.0
Exceptional items		(665.6)	(492.4)
Adjustments to amortization and provisions		(270.9)	381.6
NET EXCEPTIONAL EXPENSE	21	(936.5)	(110.8)
Employee profit-sharing		(73.4)	(55.9)
Income taxes	22	(65.0)	(24.3)
Amortization of goodwill	4	(89.2)	(102.7)
NET INCOME FROM CONSOLIDATED COMPANIES (BEFORE EQUITY INTEREST AND MINORITY INTEREST)		(1,128.4)	129.3
Equity in net earnings of affiliated companies	7	188.8	184.1
Minority interest	14	6.7	(23.0)
NET INCOME		(932.9)	290.4

Consolidated Statements of Changes in Financial Position

In millions of French francs

	Notes	1995	1994
SOURCES			
Net income before equity interest and minority interest		(1,128.4)	129.3
Depreciation, amortization, and changes in provisions		2,044.4	1,454.6
Dividends from investments accounted for by the equity method		128.6	85.8
Cash flow		1,044.6	1,669.7
Less: net capital gains from disposals of fixed assets		(67.3)	(5.1)
Cash flow from operations		977.3	1,664.6
Proceeds from disposals and sales			
Disposals and sales of tangible and intangible fixed assets		165.6	225.5
Sales of securities		179.2	9.9
		344.8	235.4
Capital increases		158.5	964.0
Increase in other long-term liabilities		324.8	496.7
Net changes in other financial assets		(126.3)	(3.7)
I - TOTAL SOURCES		1,679.1	3,357.0
USES			
Capital expenditures and acquisition of investments	5	1,230.7	1,360.3
Financial investments	6	128.1	316.1
Expenses spread over several years	9	125.5	217.5
		1,484.3	1,893.9
Real estate assets (note 2.1)		1,023.0	
Repayment of long-term debt		526.2	257.4
Other uses			
Dividends paid			
Dividends paid by the Parent Company		146.0	122.7
Dividends paid by subsidiaries to minority interest		12.2	2.7
		158.2	125.4
II - TOTAL USES		3,191.7	2,276.7
I-II Uses in excess of sources (Sources in excess of uses)		(1,512.6)	1,080.3
III Effect of change in the scope of consolidation and of exchange rate fluctuation and other adjustments		(529.2)	239.5
I-II + III - Increase (decrease) in working capital		(2,041.8)	1,319.8
Decrease in working capital funding needs	11	(868.1)	(44.5)
Increase (decrease) in cash		(1,173.7)	1,364.3

Notes to the Accounts

1 - ACCOUNTING PRINCIPLES

► SGE is a fully consolidated subsidiary of Compagnie Générale des Eaux. Its consolidated financial statements have been drawn up in accordance with French accounting regulations as defined by the general accounting guidelines, the law of 3 January 1985, and the decree of 17 February 1986.

1.1 - Consolidation principles

► The consolidated financial statements include all subsidiaries with net sales of more than FF10 million as well as those subsidiaries with net sales below this figure that provide a significant contribution to consolidated income.

Companies over which SGE exercises majority control are fully consolidated. Companies over which SGE exercises significant influence are accounted for by the equity method. Jointly controlled entities and joint ventures which provide a significant contribution to Group net sales are consolidated using the proportional method. Other jointly controlled entities and joint ventures are consolidated using the semi-proportional method, with consolidation of income statement items only.

1.2 - Translation of financial statements of foreign companies

► For consolidation purposes, the financial statements of foreign companies are translated using exchange rates prevailing at year-end. Gains and losses resulting from this translation are reported under the "translation adjustment" heading in consolidated reserves

1.3 - Foreign-currency payables and receivables

► Balance-sheet payables and receivables in foreign currencies are translated using the exchange rate prevailing at year-end or, where applicable, the rate provided by a hedging instrument. For unrealized foreign-exchange losses only, provisions are set up and charged to income for the year.

1.4 - Goodwill

► Any excess of cost over net assets acquired from purchased subsidiaries is allocated to the appropriate balance-sheet items of the acquired subsidiaries. The remaining unallocated balance is reported as goodwill on the asset side of the consolidated balance sheet. Goodwill is amortized over a period not exceeding twenty years, except where accelerated amortization is considered justified. Goodwill arising from the acquisition of companies that operate quarries is amortized over the expected operating life of the quarry, up to a maximum of 40 years.

1.5 - Property, plant and equipment

► Land, buildings and equipment are generally carried at cost. For buildings held as investments, interest charges during construction are capitalized, and the balance-sheet value of such assets is subject to review in the light of market conditions.

Depreciation is calculated using the straight-line or declining-balance method over time periods that are normal in the trade. The time periods are the following:

Buildings held as investments	50 years
Buildings used in operations	from 15 to 30 years
Equipment for public works	from 2 to 10 years
Vehicles	from 3 to 5 years
Fixtures and finishings	from 8 to 10 years
Furniture and office equipment	from 3 to 10 years

The Group has not elected to capitalize property, plant, and equipment financed with long-term leases.

1.6 - Unconsolidated investments

► The gross book value of unconsolidated investments is the acquisition cost. If gross book value is higher than fair value, a provision equal to the difference is constituted and charged to income. The fair value corresponds to the proportionate share of the net assets of the company in question, adjusted as needed to reflect the market value of the securities, the company's significance to the Group, or its growth and earnings prospects.

1.7 - Pension obligations

► Pension obligations relating to active employees-benefits payable upon retirement or commitments under supplementary pension schemes-are carried as off-balance-sheet commitments.

Pension benefits owed by the Group to retired employees are provisioned on the balance sheet according to the projected benefit valuation method. The actuarial cost resulting from these pension obligations is charged to income.

1.8 - Revenue recognition

► Revenues from long-term contracts of companies in the General Contracting and Roadwork sectors are generally determined using the percentage-of-completion method.

In the Industrial and Technical Installations sector, on the other hand, contracting companies use the

completed-contract method. In case of losses, the carrying value of work in progress is reduced by an amount corresponding to the loss attributable to work completed at year-end.

If the contract is projected to end in deficit, then regardless of the method of accounting a provision is made for the anticipated loss upon completion. This provision takes into account a prudent estimate of amounts the group may reasonably expect to recover against claims.

1.9 - Income taxes

► Income tax expense for the year corresponds to taxes payable by consolidated companies, adjusted for changes in deferred taxes over the year. Deferred taxes arise primarily from timing differences between income for financial reporting purposes and income for tax purposes and are calculated using the liability method. No deferred tax has been recorded on losses carried forward or on items for which due dates were not known at year-end.

2 - CHANGES IN ASSET STRUCTURE

2.1 - Notable developments

► In 1995 the Group continued to rationalize its cost structures, notably in Germany, to take into account the sharp degradation in market conditions seen in that country. As part of this effort, sizeable provisions were constituted for restructurings.

Concerning the Group's property operations in Berlin, a decision was made to retain the buildings in question as portfolio investments. For the largest of them, delivery will take place during 1996. In 1995 these buildings, previously carried in inventory, were moved to long-term assets representing a net value on the balance sheet of approximately FF1.4 billion at year-end.

An appraisal of the value of these assets in the uncertain context of the current Berlin property market led the Group to increase provisions and write-downs on them to FF500 million (FF230 million in write-downs, FF270 million in provisions), of which FF345 million was charged to income in 1995.

2.2 - Scope of consolidation

► The scope of consolidation has increased to 451 companies at 31 December 1995 (compared to 444 companies at 31 December 1993), 34 of which are joint ventures or groupements d'intérêt économique (a form of partnership under French law).

The breakdown by method of consolidation is as follows:

			Total	Total
	France	Foreign	1995	1994
Full consolidation	178	206	384	368
Proportional consolidation	21	33	54	63
Equity method of accounting	5	8	13	13
TOTAL	204	247	451	444

The most significant changes during the year were the consolidation for the first time of Wrede & Niedecken by G + H Montage and the deconsolidation of General Water Processes (subsidiary of Norwest Holst) and Freyssinet Hong-Kong.

3 - INTANGIBLE ASSETS OTHER THAN GOODWILL

► The net change over the period can be analyzed as follows:

	(in millions of French francs)	
	1995	1994
Net book value at beginning of year	252	176
Investments	67	92
Amortization	(242)	(26)
Disposals, reclassifications and changes in scope of consolidation	224	10
Net book value at end of year	301	252

Reclassifications during the year concerned mainly the sums involved in the property transactions in Germany, which were written down in full in 1995 (see Note 2.1 above).

Intangible assets consist primarily of trademarks, going-concern value, and funds put into publicly owned utility networks operated by the Group. The latter represent the greater part of the year's expenditures for intangible assets.

4 - GOODWILL

► The changes during the period were as follows:

	(in millions of French francs)	
	1995	1994
Goodwill at beginning of year	1,238	1,191
Goodwill acquired during the year	49	162
Amortization	(89)	(103)
Removals from scope of consolidation and translation adjustments	(46)	(12)
Goodwill at end of year	1,152	1,238

The most significant elements of this line item are the goodwill relating to the British subsidiaries (FF450 million, or £59 million) and the Moter group of companies (FF142 million).

5 - PROPERTY, PLANT AND EQUIPMENT

► Net property, plant and equipment amounts are as follows:

	(in millions of French francs)			
	Gross	1995 Depn.	Net	1994 Net
Land	1,455	(69)	1,386	813
Buildings	1,803	(629)	1,174	977
Plant and equipment	4,922	(3,523)	1,399	1,444
Fixtures and other	2,790	(2,038)	752	855
Publicly owned utility property	547	(18)	529	462
Construction work in progress	661		661	107
Total	12,178	(6,277)	5,901	4,658

Breakdown by business segment

(in millions of French francs)

	Gross	1995 Depn.	Net	1994 Net
General Contracting	5,440	(2,983)	2,457	2,571
Roadwork	3,758	(2,285)	1,473	1,536
Industrial and Technical Installations	1,516	(983)	533	551
Germany property assets (see Note 2.1)	1,464	(26)	1,438	
Total	12,178	(6,277)	5,901	4,658

Investments during the period:

a) Current investments

(in millions of French francs)

	1995	1994
Land	20	26
Buildings	68	76
Plant and equipment	642	656
Fixtures and other	354	397
Publicly owned utility property	63	117
Construction work in progress	17	(4)
Subtotal	1,164	1,268
Intangible assets (see Note 3)	67	92
TOTAL	1,231	1,360

Current investments involved mainly replacement of operating equipment.

b) Capitalization of property assets

The transfer of the Berlin property assets to the long-term investment portfolio resulted in a use of FF1,023 million on the statement of changes in financial position.

6 - UNCONSOLIDATED INVESTMENTS

► Unconsolidated investments include mainly SGE's holding of shares in Compagnie de Saint-

Gobain, carried at FF1,043 million. The stockmarket value of that holding on 31 December 1995 was FF1,264 million.

Financial investments for the year represented a total of FF128 million. Besides reinvestment of Saint-Gobain dividends in shares of that company, these investments consisted mainly of SGE's subscribing to capital increases of infrastructure concession companies.

In 1995 SGE ceded its interest in GTIE to Compagnie Générale des Eaux for FF129 million.

7 - INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

► The principal financial figures for the companies accounted for by the equity method are:

(in millions of French francs)

	1995		1994	
	Total	of which Cofiroute	Total	of which Cofiroute
Net sales* (100%)	4,215	3,653	4,101	3,359
Shareholders' equity (100%)	2,896	2,843	2,604	2,514
Group share of shareholders' equity	855	822	796	754
Net income (100%)	593	605	584	552
Group share of net income	189	187	184	171

*Not included in Group net sales.

The change in the value of equity-method investments was as follows:

(in millions of French francs)

Value at 1 January 1995	796
Group equity in net earnings	189
Dividends paid out	(129)
Value at 31 December 1995	856

8 - OTHER FINANCIAL ASSETS

► This line item can be broken down as follows:

	(in millions of French francs)	
	1995	1994
Net long-term loans	391	310
Deposits and guarantees	114	113
Other net long-term financial items	47	50
Total	552	473

The loans involve mainly loans to unconsolidated affiliates and include advances made during the year to infrastructure concession companies in which the Group holds an equity interest.

9 - DEFERRED CHARGES

► Deferred charges consist primarily of:

- costs of site preparation work, which are charged to income over the duration of the contract;
- prepaid expenses on long-term leases arranged to finance the head office in Rueil 2000. These prepayments are amortized over the life of the contracts.

10 - INVENTORIES AND WORK IN PROGRESS

► This line item concerns mainly contracts in the Industrial and Technical Installations segment to which the Group applies the completed-contract method. As indicated in Note 2.1, the property assets under construction in Germany were transferred from inventories to long-term investments.

Inventories and work in progress include:

	(in millions of French francs)	
	1995	1994
Construction work in progress - property		1,169
Other work in progress	3,845	3,751
Other operating inventories	708	773
Provisions for loss of value	(142)	(153)
Total	4,411	5,540

11 - WORKING CAPITAL REQUIREMENT

	(in millions of French francs)		
	1995	1994	Change
Inventories and work in progress	4,411	5,540	(1,129)
Trade notes and accounts receivable	14,336	13,988	348
Other receivables	4,152	3,823	329
(I)	22,899	23,351	(452)
Advances and down-payments received	5,552	5,421	131
Trade notes and accounts payable	9,683	9,838	(155)
Other payables	8,758	8,318	440
(II)	23,993	23,577	416
Working capital requirement (I-II)	(1,094)	(226)	(868)
Excluding Berlin property	(1,094)	(1,395)	301
Berlin property		1,169	(1,169)

12 - MARKETABLE SECURITIES AND OTHER SHORT-TERM FINANCIAL ASSETS

► Marketable securities and other short-term financial assets can be broken down as follows:

	(in millions of French francs)	
	1995	1994
Short-term investments and marketable securities	2,662	3,162
Other short-term financial receivables	948	953
	3,610	4,115

Short-term investments consist of the Group's portfolio of Compagnie Générale des Eaux shares, the stock market value of which totaled FF430 million at year-end 1995. Marketable securities consist essentially of negotiable debt securities and mutual fund shares.

The market value of listed securities as of 31 December 1995 was not significantly different from their carrying value on the balance sheet.

13 - CHANGE IN SHAREHOLDERS' EQUITY

(in millions of French francs)

Shareholders' equity at	Capital	Reserves	Earnings	Total
31 December 1993	2,086	590	306	2,982
Capital increase	396	568		964
Allocation of earnings and dividends paid out		183	(306)	(123)
Currency translation differences and various		(4)		(4)
Group share of earnings during the period			290	290
Shareholders' equity at 31 December 1994	2,482	1,337	290	4,109
Capital increase	85	70		155
Allocation of earnings and dividends paid out		144	(290)	(146)
Currency translation differences and various		(31)		(31)
Group share of earnings during the period			(933)	(933)
Shareholders' equity at 31 December 1995	2,567	1,521	(933)	3,155

14 - MINORITY INTERESTS

► The change in minority interests during the year was as follows:

(in millions of French francs)

	1995	1994
Balance at beginning of year	80	39
Minority interests' share of earnings during the year	(7)	23
Changes in scope of consolidation, dividends paid out and other changes	(7)	18
Balance at end of year	66	80

For companies whose net assets, including the current year's earnings, were negative at year-end, the Group has assumed the minority interests' share of negative net worth.

15 - CONTINGENT LIABILITIES AND LOSS PROVISIONS

► Changes during the year in contingent liabilities and loss provisions were as follows:

(in millions of French francs)

	Beginning balance	Accruals	Recoveries	Other changes	Ending balance
Operating risks	3,768	1,703	(1,577)	47	3,941
of which:					
Supplementary pension schemes	623	20	(26)	11	628
After-sale service	926	373	(399)	142	1,042
Anticipated losses on contracts	403	452	(397)	125	583
Other project risks	1,816	858	(755)	(231)	1,688
Financial risks	101	47	(34)	21	135
Other loss provisions	1,402	778	(602)	(12)	1,566
Total	5,271	2,528	(2,213)	56	5,642

The line item "other risks" consists of provisions set up to cover exceptional and non-recurring risks, notably restructuring costs, unwarranted calling of guarantees, and risks involving impairment of goodwill. These provisions also cover the possibility that favorable events may not be realized as assumed by certain subsidiaries in determining anticipated future losses on major projects.

In addition, this line item includes loss provisions set aside against write-downs of property assets (see Note 2.1).

16 - GROUP FINANCIAL POSITION

► Having generated a cash surplus of FF394 million at year-end 1994, the SGE Group ended 1995 with net debt of FF505 million, including FF1,357 million associated with the Berlin property transactions. The breakdown is as follows:

	(in millions of French francs)	
	1995	1994
Long-term portion of long-term debt:		
Subordinated debt	300	300
Bonds and debentures	47	111
Other long-term debt	2,002	2,213
Total long-term	2,349	2,624
Short-term portion of long-term debt	951	794
Gross financial debt (I)	3,300	3,418
Bank overdrafts and other short-term borrowings	1,891	1,483
Marketable securities and other short-term receivables	(3,610)	(4,115)
Cash and equivalents	(1,076)	(1,180)
Net cash (II)	(2,795)	(3,812)
Net financial debt (I-II)	505	(394)
of which: other than Berlin properties	(852)	(1,419)
Berlin properties	1,357	1,025

Excluding property, the Group had a cash surplus of FF852 million at 31 December 1995.

Within gross financial debt, borrowings on which interest rates are either fixed or capped by means of hedging instruments (swaps and similar instruments) amounted to about FF1.6 billion. The average interest rate was approximately 7.1% in 1995, compared with 7.3% in 1994. Interest rates on the floating-rate portion are in general indexed to market rates.

The line item "Bank overdrafts and other short-term borrowings" includes commercial paper issued by the SGE parent company in the amount of FF300 million at 31 December 1995.

Foreign-currency indebtedness

Indebtedness in foreign currencies at year-end 1995 consisted of FF1,157 million of debt denominated in deutschemarks and FF396 million of debt denominated in pounds sterling. For the most part, these debts arise from borrowing by foreign subsidiaries in their local currency.

Maturity structure of long-term debt

	(in millions of French francs)	
	1995	1994
More than one year and up to 2 years		517
More than 2 years and up to 5 years		1,088
More than 5 years		695
Indeterminate maturity		49
Total - debt maturing in more than one year		2,349

Secured debt

At 31 December 1995, borrowings secured by assets were as follows:

	(in millions of French francs)	
	1995	1994
Bonded debt	31	91
Borrowings from credit institutions	940	758
Other borrowings	12	11
Total	983	860

17 - NET SALES

► Consolidated net sales exclude certain incidental income items reclassified in other revenue (see Note 18) as well as services provided to unconsolidated joint ventures.

In addition, as a result of the "semi-proportional" consolidation method described in Note 1, consolidated net sales include the Group share of net sales of joint ventures.

Furthermore, the net sales figure takes into account the effects of changes in scope of consolidation and changes in exchange rates. At comparable scope of consolidation and after correction for changes in exchange rates, net sales decreased by 1.3%, as shown below:

	(in millions of French francs)	
	1995	1994
Net sales	45,252	45,807
of which:		
Net sales of newly consolidated companies (693)		
Net sales of companies no longer consolidated		(331)
Impact of exchange-rate changes		(314)
Net sales at comparable structure and exchange rates	44,559	45,162

Breakdown of net sales by business segment and geographic area

(in millions of French francs)

	France*	Other Europe	Other	Total	%
General Contracting and miscellaneous	12,688	6,582	3,152	22,422	50%
Roadwork	9,257	2,363	11	11,631	26%
Industrial and Technical Installations	5,020	6,484	137	11,641	25%
Intra-Group sales	(210)	(213)	(19)	(442)	-1%
Total	26,755	15,216	3,281	45,252	100%
	59%	34%	7%	100%	

* Net sales for France include FF1.3 billion of sales realized in French overseas departments.

The share of net sales realized abroad was stable at 41% of the total. Such sales amounted to FF18.5 billion, more than FF10 billion of which was realized in Germany.

18 - OTHER REVENUE

(in millions of French francs)

	1995	1994
Share in net earnings of unconsolidated joint ventures	79	141
Transfers of operating expenses	122	215
Other income and miscellaneous services	1,618	1,766
Income from property management	53	49
Total	1,872	2,171

► The heading "miscellaneous services" refers to income not directly related to the business, such as from equipment rentals, merchandise sales, engineering services, project management fees, etc.

The expense transfers relate solely to costs incurred during the year but treated as deferred charges (see Note 9).

19 - OPERATING EXPENSES

(in millions of French francs)

	1995	1994
Purchases	12,806	12,995
Outside services	17,289	17,060
Wages, salaries and benefits	13,217	13,190
Other expenses	2,250	2,415
Total	45,562	45,660

Allowance for depreciation, amortization and provisions

(in millions of French francs)

	1995	1994
Allowance for depreciation and amortization:		
Intangible assets	29	26
Tangible fixed assets	1,092	1,173
Deferred charges	210	249
Write-downs due to obsolescence	12	11
Total	1,343	1,459
Allowance for provisions:		
Asset write-downs	(33)	147
Operating liabilities and charges	126	217
Total	93	364
Total	1,436	1,823

20 - FINANCIAL INCOME AND EXPENSE

(in millions of French francs)

	1995	1994
Net interest income or (expense)	(106)	(81)
Dividends received	84	82
Net foreign-exchange gain or (loss)	(17)	(8)
Change in financial provisions	(55)	(50)
Other	5	(14)
Net financial income or (expense)	(90)	(71)

► The change in interest expenses over the period is essentially attributable to the increase in financing costs on the Berlin property assets.

21 - EXCEPTIONAL ITEMS

	(in millions of French francs)	
	1995	1994
Net gain on asset disposals	34	3
Net restructuring costs	(484)	(151)
Other exceptional gains or losses net of provisions	(486)	37
Net exceptional items	(936)	(111)

► The exceptional losses of the period result mainly from charges associated with restructuring measures implemented during the year and additional provisions set aside on property assets in Germany (see Note 2.1).

Net exceptional items also include FF85 million (compared with FF59 million in 1994) of income receivable from other companies of the Compagnie Générale des Eaux group under the tax consolidation scheme implemented in Great Britain.

22 - INCOME TAX

	(in millions of French francs)	
	1995	1994
Current tax expense	(60)	(53)
Deferred taxes	(5)	29
	(65)	(24)

► The "current tax expense" line item relates essentially to the Group's foreign subsidiaries and branch offices.

23 - OFF-BALANCE-SHEET COMMITMENTS

	(in millions of French francs)	
	1995	1994
Guarantees	14,549	14,446
Supplementary pension schemes	637	586
Pension obligations	275	252
Joint and several guarantees provided in unconsolidated partnerships	1,022	1,017
Other commitments	176	237
	16,659	16,538

The large size of commitments for guarantees is due mainly to guarantees given on major contracts, essentially for advance payments and performance obligations.

The pension obligations involve mainly supplementary retirement schemes of certain German subsidiaries.

The Group has also received commitments, consisting essentially of personal sureties, amounting to FF1,663 million at 31 December 1995 (FF1,417 million at 31 December 1994).

24 - LEASE OBLIGATIONS

► The gross value of property, plant and equipment financed by non-capitalized finance leases amounted to FF1,152 million at 31 December 1995. Theoretical accumulated depreciation amounted to FF235 million.

Future payments under the various lease contracts amount to FF1,302 million, of which FF916 million represent the principal portion.

The payment schedule is as follows:

	(in millions of French francs)
- due in less than one year	149
- due between 2 and 5 years	452
- due in more than 5 years	701
	1,302

Lease payments during the year amounted to FF164 million.

25- MANAGEMENT OF DEBT AND LEASE OBLIGATIONS

► As part of its financing and interest-rate risk management policy, the Group makes use of financial instruments such as swap and interest-rate insurance contracts. Outstanding swap agreements covering

debt and lease obligations amounted at year-end to about FF2 billion with maturities ranging between 2 and 10 years.

26 - NUMBER OF EMPLOYEES

► The average number of employees at the consolidated companies breaks down as follows:

	1995	1994
Managerial	5,153	4,999
Supervisory	5,542	5,588
Clerical and Technical	9,610	10,067
Workers	40,593	42,712
Total	60,898	63,366

The decrease is attributable to restructuring measures implemented during the year.

Personnel costs are addressed in Note 18.

The Group's Main Consolidated Companies 1995

Consolidation % owned by method the Group			Consolidation % owned by method the Group		
1/ General Contracting			URBAN BTP		
SOGEA	FC	100.00		FC	100.00
SICRA	FC	100.00	BOTTE BTP	FC	100.00
SOGEA Normandie	FC	100.00	CAMPENON BERNARD Bâtiment	FC	100.00
SOBEA Ile-de-France	FC	100.00	OLYMPIA BAU GmbH and its subsidiaries (Germany)	FC	100.00
SOGEA Sud-Ouest	FC	100.00	OSTSÄCHSISCHE BAU GmbH (Germany)	FC	100.00
SOGEA Est	FC	100.00	SGE HOCH-UND INGENIEURBAU (Germany)	FC	100.00
SOGEA Sud-Est	FC	100.00	HAGEN (Portugal)	FC	99.95
SOGEA Est	FC	100.00	KLEE (Germany)	FC	63.92
SOGEA Atlantique	FC	100.00	FREYSSINET	FC	100.00
T P I	FC	100.00	FREYSSINET FRANCE	FC	100.00
SOGEA Bretagne	FC	100.00	EUROPE ETUDES GECTI	FC	99.95
DODIN Sud	FC	100.00	PSC FREYSSINET (Great Britain)	FC	100.00
LAMY	FC	100.00	FREYSSINET SPAIN	FC	60.00
SOGEA Centre	FC	100.00	2/ Roadwork		
SATOM and its subsidiaries	FC	98.74	COCHERY BOURDIN CHAUSSE	FC	100.00
SBTPC (La Réunion)	FC	85.57	GERCIF-EMULITHE	FC	100.00
SOGEA Guadeloupe	FC	100.00	ROL LISTER	FC	100.00
SOGEA Réunion	FC	100.00	TSS	FC	100.00
SOGEA Martinique	FC	100.00	MOTER	FC	99.44
DENYS and its subsidiaries (Belgium)	FC	100.00	SOCIÉTÉ ALSACIENNE ENT. CANALISATION	FC	100.00
BRITISH SUBSIDIARIES	FC	100.00	ROUTIERE DU MIDI	FC	100.00
NORWEST HOLST LTD and its subsidiaries	FC	100.00	ROY	PC	50.00
ROSSER and RUSSELL and its subsidiaries	FC	100.00	LALITTE TP.	FC	100.00
CAMPENON BERNARD SGE	FC	100.00	STP L'ESSOR	FC	100.00
DESCHIRON	FC	100.00	ROL Normandie	FC	100.00
SOCASO	PC	66.67	ROUTIERE BOURDARIOS	FC	99.42
CAMPENON BERNARD Sud	FC	100.00			
EMCC	FC	100.00			
CAMPENON BERNARD Régions	FC	100.00			
PARENCE	FC	100.00			
EDIF	FC	100.00			

	Consolidation method	% owned by the Group
GRIZACO (Belgium)	FC	90.17
SGE VERKEHRSBAU UNION (Germany)		
STRASSENBAU WEIMAR	FC	100.00
M L T U	FC	100.00
STRASSENBAU POTSDAM	FC	100.00
ERD-, TIEF- UND WASSERBAU	FC	100.00
VIAFRANCE		
VALENTIN	FC	99.99
CARRIERES DE CHAILLOUE	FC	97.89
ROUSSEY	FC	99.99
LES PAVEURS DE MONTRouGE	FC	99.95
TRACYL	FC	99.99
SEC TP	FC	99.99
PAILHES TP	FC	99.99
COFIROUTE	EM	30.88

3/ Industrial and Technical Installations

SAUNIER DUVAL ÉLECTRICITÉ	FC	100.00
CONTROLMATIC (Germany)	FC	100.00
ELECTRO NAVALE	FC	100.00
SELT	FC	100.00
CEPECA SUD-OUEST	FC	99.99
TOUTE LA TELEPHONIE MODERNE	FC	99.70
TUNZINI	FC	100.00
WANNER	FC	100.00
TUNZINI PROTECTION INCENDIE	FC	100.00
TUNZINI THERMIQUE ENVIRONNEMENT	FC	100.00
ITASA (Spain)	FC	92.94

	Consolidation method	% owned by the Group
FROMONT	FC	100.00
SGBC (La Réunion)	FC	95.50
H. NICKEL (Germany)		
DECHOW	FC	100.00
REINARTZ	FC	100.00
G + H Montage (Germany)		
SCHUH	FC	100.00
ISOLIERUNGEN LEIPZIG	FC	100.00
KITSON'S INSULATION (Great Britain)	FC	100.00
L + V ISOLATIE (Netherlands)	FC	100.00
WREDE & NIEDECKEN	FC	100.00
LEFORT FRANCHETEAU		
SAGA ENTREPRISE	FC	94.99
SONEX	FC	99.97

4/ Real Estate Companies

LINDENCORSO GRUNDSTÜCK	PC	50.00
ANTHROPOLIS	PC	50.00
WARTBERLIN	FC	100.00
SGE IMMOBILIEN	FC	100.00
EPE (FRIEDRICHSTADTPASSAGEN)	EM	25.00

FC: Fully consolidated
PC: Consolidated proportionally
EM: Equity method

Report of the Auditors on the Consolidated Financial Statements

for the year ended December 31, 1995

Gentlemen,

In accordance with the terms of our appointment by your Shareholders' Meeting, we have audited the consolidated financial statements of Société Générale d'Entreprises for the year ended December 31, 1995, as attached to the present report.

The consolidated accounts were closed by your Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we take due care to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit consists of examining, on a test basis, evidence supporting the information contained in the financial statements. It also consists of assessing the accounting principles used and significant estimates made by management and assessing the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed below.

We certify that the information in the consolidated

financial statements is consistent and sincere and presents a fair view of the overall results of the consolidated companies for the 1995 financial year and of the Group's net worth and financial situation at the end of the year.

Without calling into question the opinion expressed above, we would like to direct your attention to the following point, documented in note 2.1 of the appendix concerning the key events of 1995: the deterioration of German sales led to a substantial increase in the provisions related to the property programs and restructuring costs. Where the property sector is concerned, the provisions were determined on the basis of assumptions taking into account the risks of current business conditions in a market whose short and medium-term developments are still uncertain.

We have also audited the information given in the report on the group's management. With the exception of the possible impact of the facts detailed above, we have no observations to make on their sincerity and consistency with the consolidated financial statements.

Paris, May 17, 1996

Bernard MONTAGNE et Associés

SALUSTRO REYDEL

DELOITTE TOUCHE TOHMATSU

Bernard MONTAGNE

Michel BOUSQUET

Bernard CATTENOZ

Benoît LEBRUN



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SGE Communication Department

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