1998 Annual Report

SGE
GROUPE

Contents

COB

The present reference document, in the form of the 1998 annual report, was registered with the COB (the French stock exchange commission) on March 26, 1999 under the number R.99-058. It may not be used in support of a financial transaction unless accompanied by an operation note certified by the COB.

1998 Annual Report

Editorial

SGE's net income for 1998 was €92.3m, the highest ever in the company's history. This performance, achieved through a three-fold increase in operating income, is the product of three years of far-reaching restructuring. All our divisions made a return to profit, in a clear demonstration of the new impetus generated by organising the SGE group around lines of business activity.

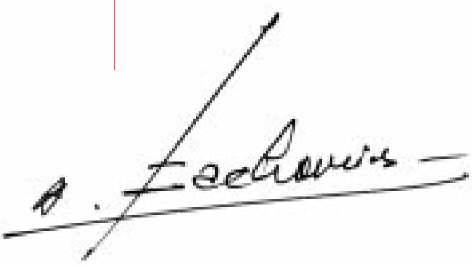
Net sales fell slightly in comparison with the previous year, although the market started to show growth in some sectors in 1998. This decrease is the sign of our commitment to optimising margins rather than increasing business volumes, and of the ability of SGE companies to implement a policy of highly selective order intake.

Combined with sound financial health, this situation leaves SGE poised to take initiatives. In Europe, which will remain our primary field of operations, we will target expanding market segments and high value added businesses and proceed with external growth when it has the potential to complement and consolidate our existing positions. We will do so in our own way, without excessive haste, but with ambition and determination. Already in 1998, we acquired Terre Armée Internationale, raising Freyssinet to the level of uncontested world leader in specialist civil engineering, and Calanbau, strengthening Sophiane's position among the major players in fire protection. These operations are excellent illustrations of the way we intend to root our growth firmly in the principles that have made us strong.

Another event in 1998 was the start of concessions to operate the Stade de France and the Tagus river crossings. These 30-year agreements demonstrate that SGE's strategy is to look to the long term. Our 1998 performance will be confirmed by results in the years to come.

ANTOINE ZACHARIAS

CHAIRMAN AND CEO



SGE group organisation

Board of Directors

Chairman

Antoine Zacharias

Directors

Dominique Bazy
Daniel Caille
Alain Dinin
Patrick Faure
Roland Génin
Philippe Germond
Guillaume Hannezo
Pascal Lamy
Jean-Marie Messier
Serge Michel
Henri Proglio
Pierre Trotot
Vivendi
(represented by Guy Dejouany)

New Directors
(subject to the adoption of the seventh, eighth and sixteenth resolutions by the Shareholders' Meeting of May 10, 1999):

Quentin Davies
Ernst Moritz Lipp

Executive Committee

Chairman and Chief Executive Officer

Antoine Zacharias

General Manager

Bernard Huvelin

Deputy General Managers

Xavier Huillard
Alain Leclerc
Roger Martin
Christian Péguet
Henri Stouff

Managers

Pierre Linden,
Concessions Manager.

Frédéric Gauchet,
Senior Manager.

Christian Labeyrie,
Chief Financial Officer and Secretary of the Board of Directors.

Statutory Auditors

Deloitte Touche Tohmatsu-BMA
Salustro Reydel

1 - Roger Martin
2 - Christian Labeyrie
3 - Christian Péguet
4 - Xavier Huillard
5 - Alain Leclerc
6 - Pierre Linden
7 - Frédéric Gauchet
8 - Antoine Zacharias
9 - Bernard Huvelin
10 - Henri Stouff

Société Générale d'Entreprises

Concessions
- Cofiroute 31%
- Stade de France 33%
- Tagus River bridges 25%
- Prado-Carénage tunnel 28%

Building and civil engineering
- Campenon Bernard SGE
- Freyssinet
- Sogea
- Norwest Holst

Roadworks
- Eurovia
- SGE VBU

Electrical engineering and works
- GTIE group
- SDEL
- Santerne
- Garczynski Traploir
- Fournié-Grospaud

Thermal and mechanical activities
- Sophiane
- Lefort Francheteau
- SGE Environnement

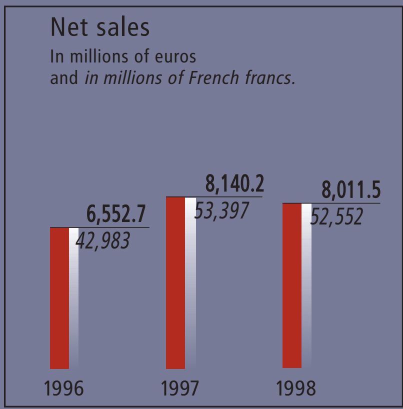
The above-mentioned companies, with the exception of the concession operators, are generally wholly-owned subsidiaries of SGE (see on page 88-89).

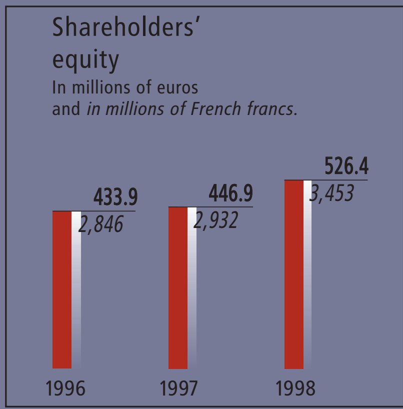
Key figures for 1998

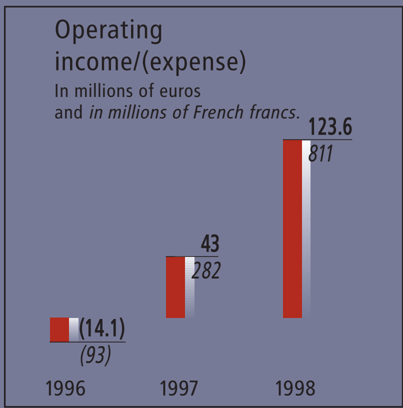
Notice

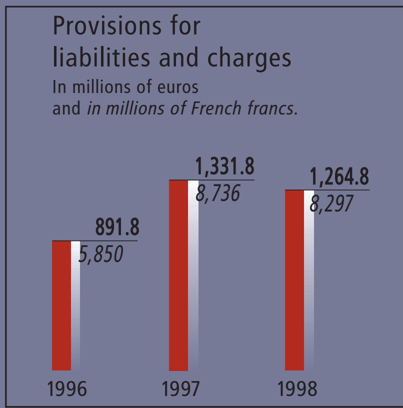
Throughout this document, the financial elements are shown as follows:

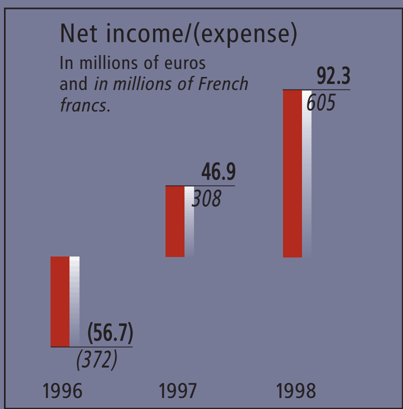
- ***Euros** are in upright characters*
  Example: 8,011.5
- ***French francs** are in italics*
  Example: *52,552*

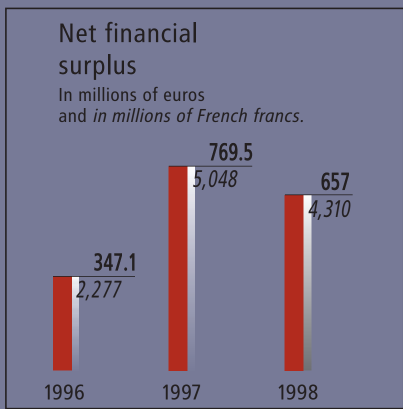


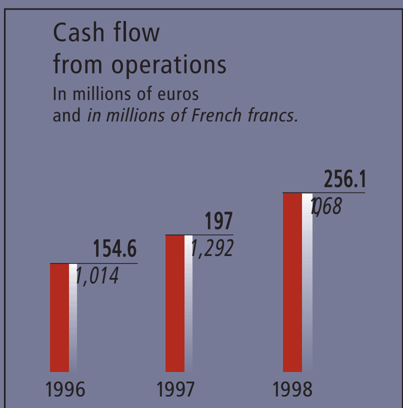


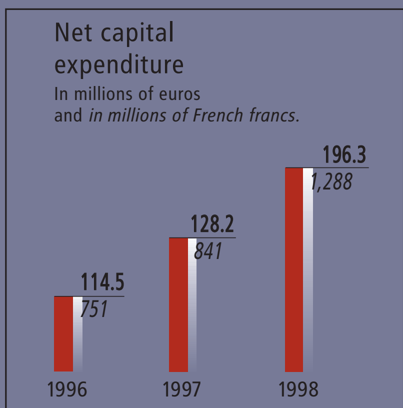




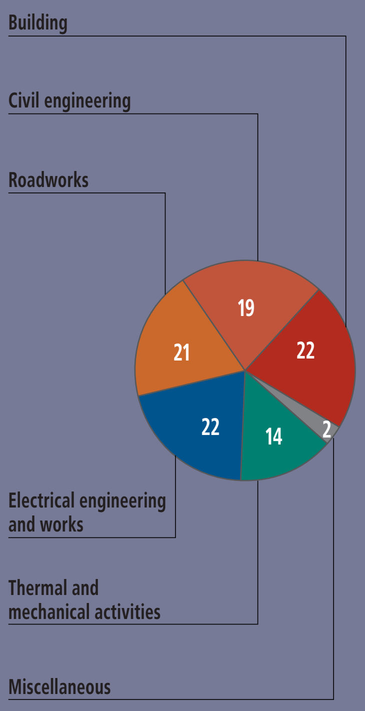








Breakdown of net sales by line of business (as a percentage)

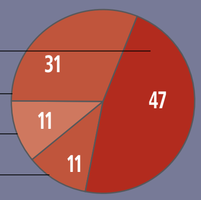


Net sales by division and by line of business*

Building and civil engineering

as a percentage and in millions of euros

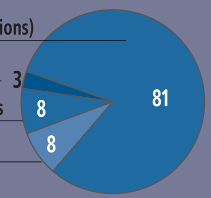
1,765.2	Building
1,146.7	Civil engineering
400.1	Hydraulic works
391.4	Miscellaneous
3,703.4	Total



Roadworks

as a percentage and in millions of euros

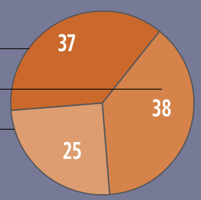
1,253.2	Roadworks (other than motorway operations)
44.0	Motorway operations
122.0	Demolition and miscellaneous
128.0	Quarries and other industries
1,547.2	Total



Electrical engineering and works

as a percentage and in millions of euros

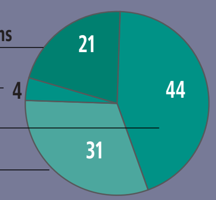
642.6	Industry
648.0	Infrastructure
434.0	Services
1,724.6	Total



Thermal and mechanical activities

as a percentage and in millions of euros

218.2	Power and ventilation systems
41.0	Fire protection
455.3	Insulation
321.7	Building
1,036.2	Total



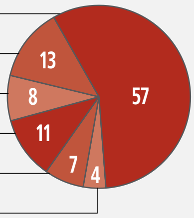
* *as contribution after internal double counts*

SGE's worldwide operations

Net sales by division and geographic area*

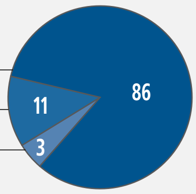
Building and civil engineering
as a percentage and in millions of euros

2,097.8	France
485.1	UK
293.4	Germany
394.3	Rest of Europe
273.0	Africa
159.8	Rest of world
3,703.4	Total



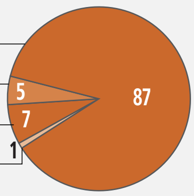
Roadworks
as a percentage and in millions of euros

1,323.1	France
171.0	Germany
53.1	Rest of world
1,547.2	Total



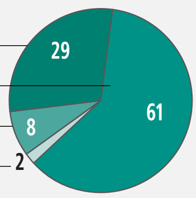
Electrical engineering and works
as a percentage and in millions of euros

1,494.0	France
82.7	Germany
128.6	Rest of Europe
19.4	Rest of world
1,724.6	Total



Thermal and mechanical activities
as a percentage and in millions of euros

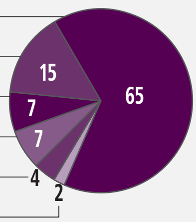
300.6	France
633.0	Germany
84.6	Rest of Europe
18.0	Rest of world
1,036.2	Total

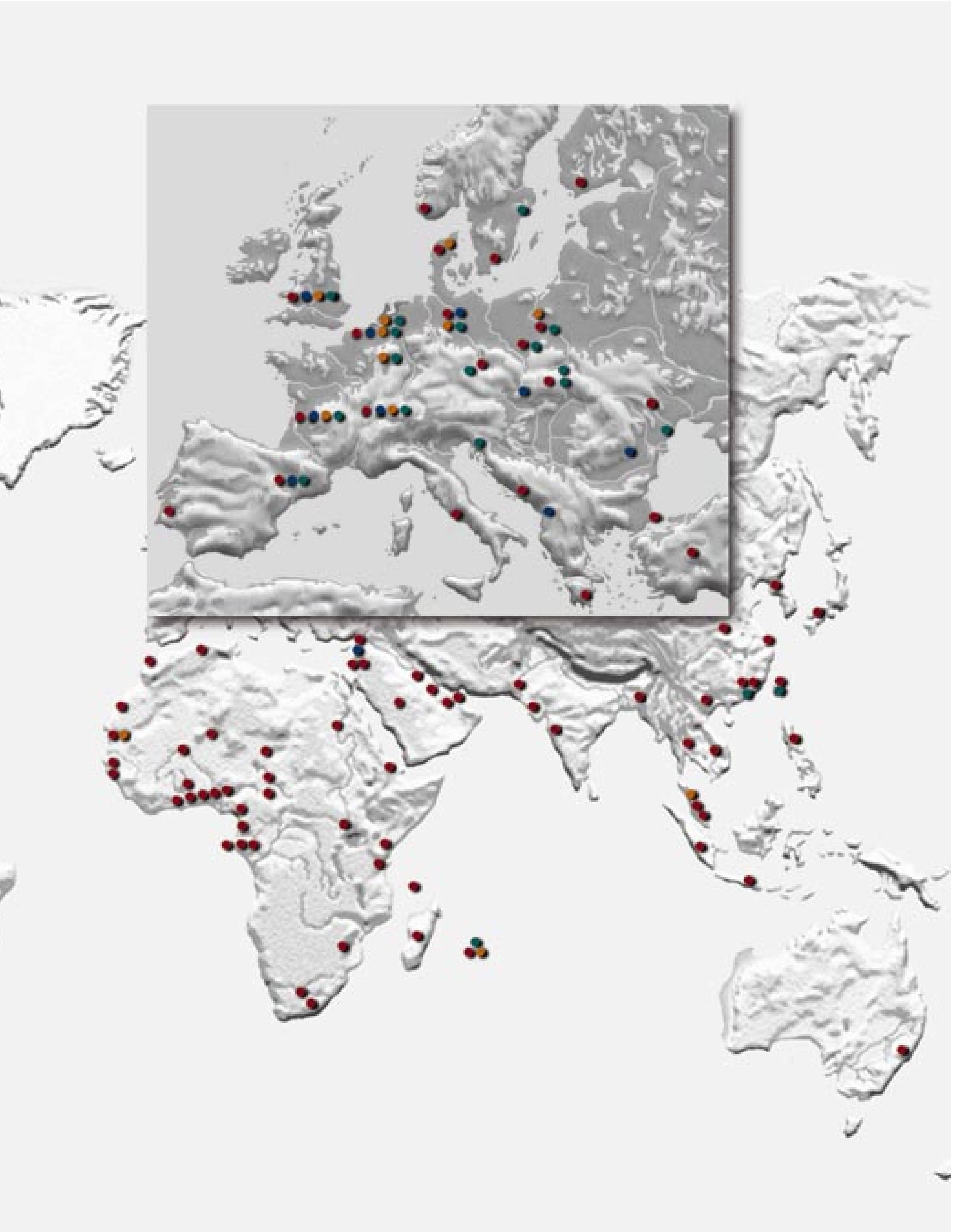


as contribution after internal double counts

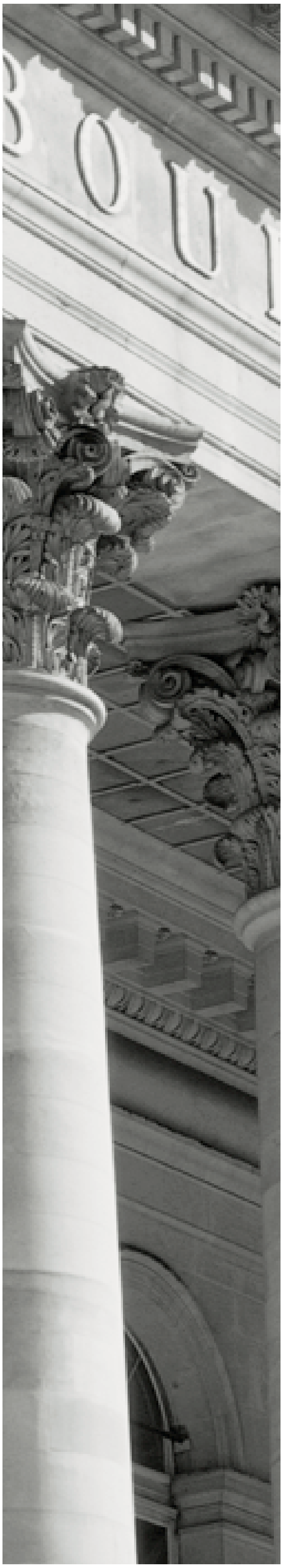
Breakdown of net sales by geographic area (as a percentage)

France
Germany
UK
Rest of Europe
Africa
Asie and rest of world





Report of the Board of Directors



THE MARKETPLACE

For several years prior to 1998, the French construction sector was in recession. However, there were a number of signs of improvement in most market segments in 1998.

In the building sector, the number of building permits increased and the volume of maintenance and renovation work remained strong. Price levels seem to have stabilised overall, while still remaining at an unsatisfactory level. The expected downturn in social housing was confirmed, but other housing sales benefited from the effect of tax measures designed to stimulate investment in rental housing. In the non-residential segment, the construction of public buildings picked up at a very slow pace, but the upturn in the office building market was more pronounced. This was particularly the case in the Paris region, where stocks are now insufficient to meet the demand for large surface areas. In the industrial sector, demand was generally more sustained due to increased capital expenditure. This benefited SGE companies involved in electrical, thermal and mechanical works.

In the civil engineering sector, there was an increase in orders from local authorities, especially in the roadworks sector. The market for major projects, however, stagnated after the completion at the end of 1997 and the beginning of 1998 of several large contracts (TGV Méditerranée, Eole and Météor). In addition, the Conseil d'État, France's supreme judicial authority, announced the interruption on February 20, 1998 of the construction of the last section of the A86 motorway to the west of Paris.

In Germany, there was no improvement in the difficult markets of the new eastern *Länder*, characterised by declining volumes and mediocre price levels. This situation contrasted with that in the western part of the country, where the non-residential and industrial building sectors were especially promising.

In the UK, marketplace trends seemed to be moving in the right direction at the beginning of the year, but the situation deteriorated later on. This was particularly the case in industry, where there was a marked decrease in capital expenditure. However, forecasters believe that the British economy should suffer no more than a slow down rather than outright recession. The building sector continues to be strong, and opportunities remain in the area of private financing of public infrastructure.

SGE IN 1998

SGE met its 1998 targets in the generally more favourable market environment, albeit marked by several difficulties.

Following three financial years of major restructuring and substantial changes in its scope of business activities, 1998 confirmed the SGE group's return to profit. Efforts also continued to focus on those lines of business and geographic areas holding the most promise for the future.

The commitments made to shareholders were also met. The payment of dividends resumed in July 1998, after an interruption of two years. At the 1999 Shareholders' General Meeting, to which the 1998 financial statements will be submitted for approval, a considerable increase in the amount of the dividend will be proposed, representing a pay-out of more than 60% of net income. It should be added that, in October 1998, a programme was launched to purchase shares involving 10% of the capital stock.

SGE has consolidated its financial position and now has the resources to continue its growth on a solid, restructured basis.

NET SALES

The priority given to margins over volume, made possible by the policy of reducing fixed costs, is reflected in the change in consolidated net sales.
Net sales were €8 billion for 1998, a decrease of 1.6% compared with the 1997 sum of €8.1 billion. On a like-to-like basis and applying consistent accounting policies, the fall is about 2%. This is below the projection given at the beginning of the year, when a reduction in net sales of the order of 5% was envisaged.
The overall change in net sales is a reflection of:
– the restructuring of the German subsidiaries;
– the continued adjustment of the business portfolio, with growth focused on electrical works and roadworks, which offer more regular and profitable business;
– the expansion of building and civil engineering outside France, through SGE's permanent operations, and the decline of this business in France;
– the emphasis in all divisions on increasing business with private sector customers and in industrial services.
In France, without adjusting for changes in the scope of consolidation, business was down 3%. Electrical works and roadworks represented almost 55% of the total. Outside France there was a 1.3% increase to €2.8 billion, representing 35% of the total. Excluding Germany, where net sales were reduced as part of the effort to return to profitability, net sales outside France rose 7%.
Overall, with 94% of its net sales in Europe, the SGE group still has very little exposure to emerging market risk.

Net sales (in millions of euros)	1997	1998	Change
Building and civil engineering	3,791	3,654	– 3.6%
Roadworks	1,557	1,559	0.1%
Electrical engineering and works	1,703	1,735	1.9%
Thermal and mechanical activities	1,080	1,031	– 4.5%
Miscellaneous and double counts	9	33	not sig.
Total	**8,140**	**8,012**	**– 1.6%**
Total (in millions of French francs)	*53,397*	*52,552*	

The main movements in net sales by line of business and on a non-adjusted basis can be described as follows:

• Building and civil engineering: –3.6%

Norwest Holst in the UK increased business by 8% in constant sterling terms to €0.5 billion. Business was also strong in the Benelux countries, where growth was 15% to reach €0.17 billion. Sogea's branches in Africa had growth of 10% to reach €0.27 billion. In Germany, the growth of the maintenance and turnkey project management businesses compensated for the downturn in traditional building.
Business was down 8% in France on a non-adjusted basis and 5% on a like-to-like basis. There was a slump in the major civil engineering projects of Campenon Bernard SGE, despite sustained demand for earth works, and recovery in some parts of the building sector, which is benefiting from a more favourable economic environment.

• Roadworks: stable

Eurovia's net sales in France rose 1.7%. Despite strong growth in work for the private sector, the increase was modest due to the unfavourable weather conditions that occured at the end of the year.
In Germany, where the roadworks market is stabilising, VBU reduced its business in line with targets. Net sales increased in the other European countries as a result of several external growth operations.

• Electrical engineering and works: +2%

The business of the GTIE group increased by 1% in France, taking into account the impact of introducing the percentage of completion method. Outside France, the rise was 8.5%. Subsidiaries benefited from the growing strength of activities related to information processing and communications, and from increased business with industry.
In Germany, Controlmatic confirmed its recovery.

• Thermal and mechanical activities: -4.5%

In accordance with targets, Sophiane's net sales fell 4% as it continued to restructure the German service sector businesses.
Conversely, its various lines of industrial business were strengthened. In particular, fire protection grew through the acquisition of the German company, Calanbau, that took place at the end of 1998.

STATEMENT OF INCOME

The consolidated statement of income shows 1998 net income of €92.3m, the highest ever reached by the SGE group. This performance compares with 1997 net income of €46.9m, which included almost €150m of capital gains from disposals relating to the transfers of activities carried out within the Vivendi group.
Operating income plus net financial income totalled over €143.4m, virtually double the 1997 sum of €71.5m. In comparison with 1996, the improvement is of more than €150m. This increase is mainly due to an improvement in operating income, which amounted to €123.6m, or 1.5% of net sales.
Operating income takes into account a net amount of €24.7m resulting from the positive impact of changes in accounting policies for 1998 and the negative impact of items of a non-recurring nature. The changes in accounting policy involve the restatement of capital leases and application of the percentage of completion method to GTIE and Sophiane, the details of which are presented in the notes to the consolidated financial statements under "key events" (of the total, €21.8m concerns the electrical engineering and works division).
Non-recurring items relate to additional costs for after-sales service and to the unfavourable development of certain geopolitical risks in Africa.
Apart from these items, the improvement in operating income is the result of good performances from the operating divisions, all of which recorded a profit.

Operating income (in millions of euros)	1997		1998	
Building and civil engineering	6.2	0.2% of net sales	18.3	0.5% of net sales
Roadworks	13.1	0.8% of net sales	31.8	2.0% of net sales
Electrical engineering and works	56.3	3.3% of net sales	72.0	4.1% of net sales
Thermal and mechanical activities	(26.9)	– 2.5% of net sales	5.4	0.5% of net sales
Holding and miscellaneous	(5.7)		(3.9)	
Total	**43.0**	0.5% of net sales	**123.6**	1.5% of net sales
Total (in millions of French francs)	*282.0*		*811.0*	

The main feature of 1998 was the sharp decrease in operating expense recorded by German subsidiaries in their various lines of business. Conversely, the net income of the building and civil engineering division was affected by the deteriorating market for major civil engineering projects, which mainly concerned Campenon Bernard SGE, and by the impact of having to adapt to the integration of CBC's building subsidiaries, especially in the Paris region.

The decrease in net financial income to €19.8m in 1998 (against €28.5m in 1997) is the consequence of the restatement of financial expenses related to capital lease operations. Excluding this effect, the net balance of the financial income and expense accounts remained stable from one year to the next, showing that SGE's overall financial position remains good.

Net exceptional expense of €41.1m, compared with €8.1m in 1997, again includes substantial restructuring charges (€64.3m). These were due in large part to the need to adapt Campenon Bernard SGE to the unfavourable trends mentioned earlier in some of its markets. It also includes income from the disposal of assets and the settlement of several long-standing disputes.

Income taxes of €2.6m includes the reassessment of the SGE group's deferred tax position on the basis of a durable return to profitability, which justified recording deferred tax income of €17.4m, under the conditions described in the notes to the consolidated financial statements (key events).

Conversely, amortisation of goodwill of €36.3m includes an exceptional provision of €14.6m for the restructuring of certain subsidiaries.

Equity in earnings of companies accounted for by the equity method totalled €40.3m. This sum includes a contribution from Cofiroute of €42.4m, a 14% increase over the previous year, and the slightly negative impact of the first consolidation of new concession operators (Lusoponte, Stade de France, Prado-Carénage Tunnel).

BALANCE SHEET AND FINANCIAL ELEMENTS

In the balance sheet, the restatement of capital leases resulted in an increase in fixed assets of around €135m, and an increase in debt of about €124m. Provisions for liabilities and charges were €1.26 billion on December 31, 1998, against €1.33 billion on December 31, 1997. The reduction was due to amounts utilised during the year from the provision established in previous years for anticipated losses on contracts.

The overall outcome is a net financial surplus of €657m on December 31, 1998, including the impact of the capital lease restatement. When calculated using consistent accounting policies, the amount was very similar to the 1997 total.

This position was reached despite a substantially higher level of capital expenditure and acquisitions, the purchase of shares at the end of 1998 for a total of €39.6m, and cash outlays of more than €150m for commitments related to sales operations on a future completion basis (the Hilton Hotel in Frankfurt and various operations in Paris). It is the result of the continued strict management of the working capital requirement in most of the operating subsidiaries.

STOCK EXCHANGE INFORMATION

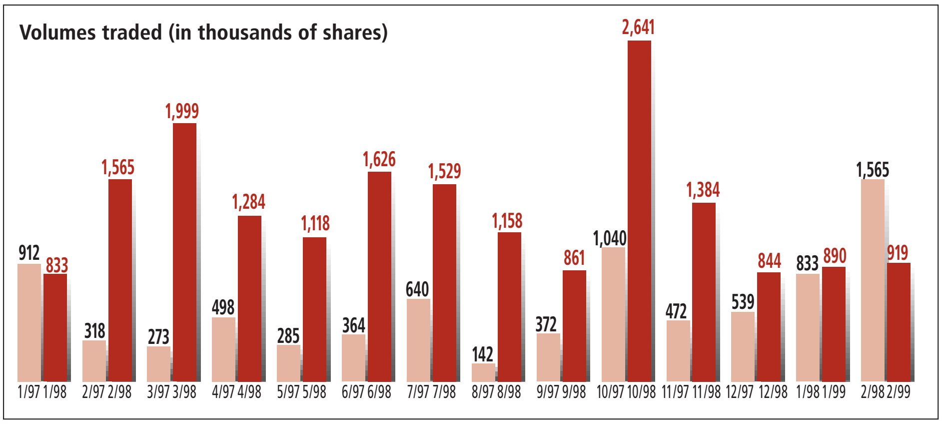
● Trading in the SGE share

In May 1998, the Scientific Board of the French Stock Exchange (SBF) decided to bring the SGE share back into the SBF 120 index, which includes the 120 main securities traded on the Paris stock exchange. The SGE share had left the SBF 120 index on November 14, 1995, and had been included in the SBF 250 index since that date.

This decision was motivated, among other criteria, by the increase in the share's liquidity following the sale by Vivendi of 35% of the capital stock through a private placement in October 1997. This change is reflected in the rise in volumes traded.

● Volumes traded

In comparison with 1997, volumes traded almost tripled, rising from an average monthly volume of 524,000 shares (not including the private placement of October 1997) to 1,403,000 shares traded on a monthly average basis in 1998.

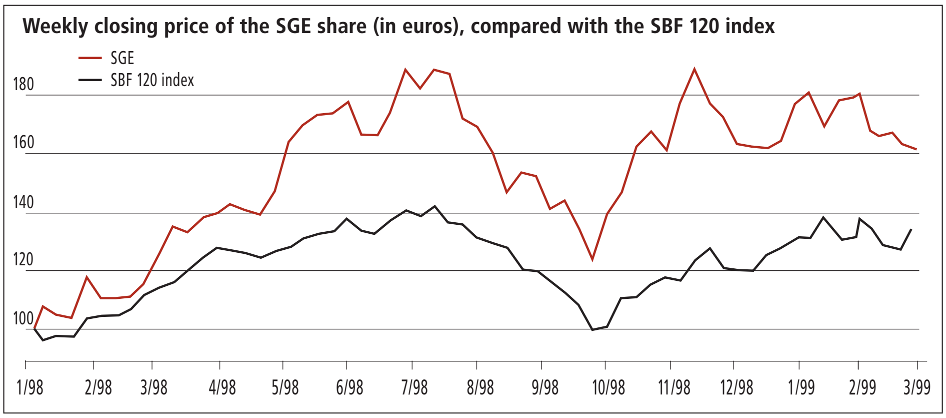


● Changes in the share price

The increase in the float and SGE's return to profitability, together with a favourable stock market, resulted in a strong increase in the SGE share price in the first half of 1998. The price reached €46.95 on July 16, 1998.

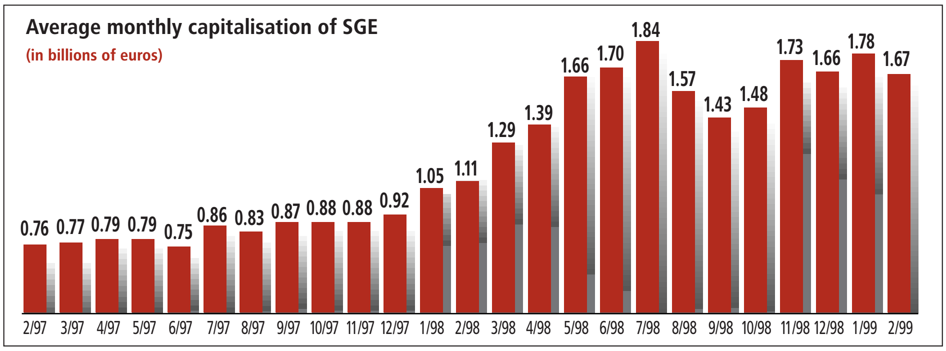
Like most other market securities, the SGE share was then affected by the general decline in the market. It recovered towards the end of the year, when it rose to a price close to record levels. The share price closed at €39.94 at the end of December 1998, an overall increase of 68% on the price at the end of December 1997.

Over the year as a whole, the SGE share out-performed the CAC 40 index by 23% and the SBF 120 by almost 29%.



● Market capitalisation

Between February 1, 1998 and January 31, 1999, the average monthly market capitalisation, calculated on the basis of monthly closing prices, amounted to €1.55 billion against €847m in the course of the previous 12 months (February 1997 to January 1998).



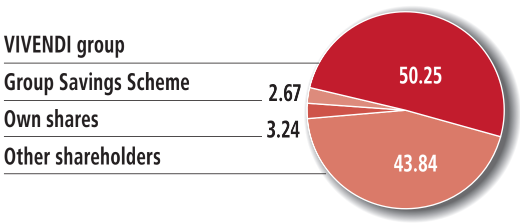
● Dividends

The dividends paid out for the last six financial years are as follows:

	Number of shares (1)	Net dividend (in euros)	Tax credit (in euros)	Total income (in euros)	Net amount distributed (in euros)
1992	23,974,657	0.762	0.381	1.143	18,274,564
1993	24,543,375	0.762	0.381	1.143	18,708,067
1994	29,197,859	0.762	0.381	1.143	22,255,925
1995	-	-	-	-	-
1996	-	-	-	-	-
1997	40,323,352	0.610	0.305	0.915	24,589,022
1998 (proposal)	40,145,148	1.40	0.63 or 0.70 (2)	2.03 or 2.10 (2)	56,203,207

(1) Not including shares held by SGE.
(2) Depending on the status of the beneficiary and in accordance with prevailing regulations.

● Breakdown of the capital stock on March 1, 1999 (as a percentage)



● Purchase of own shares

Under the authorisation given by the Ordinary and Extraordinary Shareholders' Meeting of May 25, 1998 in its ordinary part, in 1998 SGE purchased 1,030,553 of its own shares for a total cost price of €39,632,334, representing an average purchase price of €38.46 per share. As a result, at the end of December 1998, shares held by SGE represented 2.56% of the reference capital stock of May 25, 1998, and 2.48% of the capital stock at December 31, 1998. The allocation of own shares acquired under this programme is detailed in Note 2.3 to the individual financial statements.

INDIVIDUAL FINANCIAL STATEMENTS

The financial statements of the SGE parent company show net income of €50,851,567, against net expense of €18,154,471 in 1997. The main reasons for this improvement are the very sharp fall in provisions for the liabilities of German subsidiaries (€5.6m in 1998 against €59.5m in 1997), together with the increase in revenue received from subsidiaries under tax consolidation.

The overall improvement in parent company income and the level of available reserves have made it possible, in accordance with commitments made last year to SGE's shareholders, to propose a significant increase in the dividend to the Shareholders' Meeting.
It is proposed to distribute a dividend of €1.40 for each of the 40,145,148 shares not held directly by the company, out of the 41,487,757 shares making up the capital stock at December 31, 1998. To this amount is added a tax credit of €0.63 or €0.70 per share, depending on the status of the beneficiary and on prevailing regulations. The various items corresponding to this dividend distribution break down as follows:

Total net income in euros	50,851,567
Allocation to the legal reserve	2,542,578
Dividends drawn on profits	48,308,989
Dividends drawn on "Additional paid-in capital"	7,894,218

Should the company, on the day the dividend becomes payable, hold more than 1,342,609 of its own shares, the sum corresponding to the dividends not paid on these additional shares will be added to "Additional paid-in capital".

Expenditure covered by article 39.4 of France's General Tax Code totalled FF 133,294 (€ 20, 320).

HUMAN RESOURCES

The SGE group's average number of employees in 1998 came to 64,451, a decrease of 5.6% in comparison with the previous year. This change results mainly from the restructuring in building and civil engineering and in electrical works, following the changes to the scope of consolidation in 1997, and the redeployment of Sophiane, especially in Germany.
However, young people continued to be recruited, in line with the policy decided and implemented in previous years. Under the Global Solidarity Agreement signed between Vivendi and the French public authorities, since September 1, 1997 more than 1,500 young people have been taken on by the SGE group, in all categories. Three-quarters of these new recruits are less than 26 years old, and most are in vocational skill improvement programmes under a variety of different types of contract.

Average consolidated number of employees	1997	1998	Change
by business sector			
Building and civil engineering	28,844	27,110	– 6%
Roadworks	11,820	11,562	– 2.2%
Electrical engineering and works	18,363	17,385	– 5.3%
Thermal and mechanical activities	8,951	8,205	– 8.4%
Holding and miscellaneous	273	189	– 30.7%
Total	**68,251**	**64,451**	**– 5.6%**

RESEARCH, DEVELOPMENT AND INNOVATION

In all the SGE group's lines of business, innovation and technical excellence are key success factors that make it possible to meet customers' needs and therefore remain competitive. In 1998, work in research, development and innovation covered materials, products and construction techniques.

In the area of materials, Eurovia continued its work to improve bituminous emulsion surfacing techniques, asphalt concrete mixes (anti-rutting and anti-stamping, with high levels of stiffness and porousness), and water storage pavements. In addition, the merger of Cochery Bourdin Chaussé and Viafrance led to a simplification of the range of polymer-enhanced asphalt mixes.

Research on recycling clinker and ash from the incineration of wastewater treatment plant sludge for use in roadworks was also continued. Campenon Bernard SGE pursued its research into high-performance concrete mixes, and also into the monitoring and laying of concrete (development of self-levelling or self-laying concrete formulae). Dedicated and simplified computation software was developed for the analysis of the dynamic behaviour of structures (reinforced or prestressed concrete). Research was also carried out into the durability of concrete, in order to improve understanding of the ageing of major structures.

In the area of products, Freyssinet conducted research into stay cables (ageing of sheaths, fire protection, and combating vibrations and fatigue) and on cables for suspension bridges (coherent strands and collar systems). Improvements were made in prestressed sheaths and in the quality of injection compounds. Sophiane continued research into cold ceilings, high-temperature insulation (development of materials based on ceramic fibres), and on air conditioning and ultra-high air filtration (with applications in clean rooms, for example). At GTIE, programmes were launched for the development of complete self-contained engine test benches for the automotive industry. In software, GTIE started a major programme to update its various products in order to adapt them to intranet and Internet environments. In addition, GTIE and Freyssinet are cooperating on the development of remote monitoring systems for civil engineering works. The system combines sensors, a local station and radio- or cable-based transmission of data to a PC. Lastly, a variety of work was carried out in noise reduction. Eurovia continued its development of silent asphalt concrete mixes, Freyssinet began research into anti-noise road joints, and Sophiane is developing active acoustic attenuation techniques (by generating an "anti-noise" in phase opposition with the noise to be reduced).

The work started by Campenon Bernard SGE in the recovery and recycling of work-site materials and waste will be pursued actively and extended to other branches of SGE in association with Eurovia and CGEA.

QUALITY

Many subsidiaries of SGE have established quality programmes that cover all services from design to completion. The aim of the programmes is to raise the awareness and motivation of employees and, above all, to ensure good quality management on work sites. These actions are extended to include the SGE group's main suppliers and subcontractors, which are equally part of the process. They involve detailed preparation of the different phases of works, followed by the definition and institution of an internal organisation and monitoring system (implemented by line management). This system is strengthened on larger work sites by external controls. The quality policies implemented within SGE for several years, in liaison with competent bodies, continued to bring results in 1998. Many affiliates and subsidiaries obtained ISO 9001 or Qualibat certification. In several lines of business, SGE subsidiaries played a pioneering role by receiving – or even renewing – certification well in advance of competitors.

PREPARATION FOR THE YEAR 2000

In 1996, the SGE group instituted action programmes in each of its divisions to eliminate any operational problems that might be caused by the year 2000 issue. In particular, the central data processing units have been upgraded and are currently in the test phase. Any technical data processing components that represent a risk for the smooth functioning of the company, or for the quality of services or goods sold, have been analysed and corrected. In particular, GTIE, as a supplier of computer-based systems (centralised technical management, control and command, automation systems, etc.), has had a precise and detailed action plan in place for two years.
In addition, the SGE group has ensured that its suppliers commit themselves to delivering products and services that will function in the year 2000. In the case of products and services already delivered by SGE, the attention of customers has been drawn to the need for specialists to carry out checks, and to the advisability of taking precautionary measures.
SGE took on the services of an outside consultant at the beginning of 1999 in order to validate the quality of the work carried out, and to ensure good tracking of programmes already implemented.
The costs that SGE may be liable for, under guarantees extended to its customers to cover the possible failure of computerised systems installed by certain subsidiaries, were provided for during the year.
The impact on net income amounted to €7m. The cost of upgrading hardware and software used in-house was written off as incurred in the year.

BOARD OF DIRECTORS

With a view to opening the Board to non-French nationals and to strengthening the European dimension of SGE, you are being asked to approve the appointments of Mr Quentin Davies and Mr Ernst Moritz Lipp as Directors. Mr Davies is British, a UK Member of Parliament and a consultant with Natwest Securities. Mr Moritz Lipp is German, a member of the Board of Trustees of Dresdner Bank and an honorary professor at the University of Frankfurt.
With these two appointments, the number of directors rises to 16, which is above the statutory maximum of 15. It is therefore planned to amend the corresponding article of the corporate statutes, to increase the maximum number of members of the Board of Directors from 15 to 20. A resolution along these lines will be submitted for your approval.

CORPORATE GOVERNANCE

Since 1990 SGE has had a Remuneration Committee, presently made up of Mr Jean-Marie Messier, Mr Serge Michel and Mr Patrick Faure, which makes recommendations to the Board of Directors on the remuneration of Directors and, by extension, of the SGE group's senior managers.
Two other committees were set up in 1997: the Audit Committee and the Transactions Committee.
The Audit Committee, consisting of Mr Dominique Bazy, Mr Jean-Marie Messier and Mr Guillaume Hannezo, is charged with:
– examining the annual and half-yearly individual financial statements and consolidated financial statements before they are submitted to the Board of Directors;
– examining the consistency of the SGE group's internal control arrangements;
– examining the work programme of the external and internal auditors, and the conclusions of their audits;
– examining the accounting policies and principles;
– formulating an opinion as to the appointment or renewal of the term of office of statutory auditors;

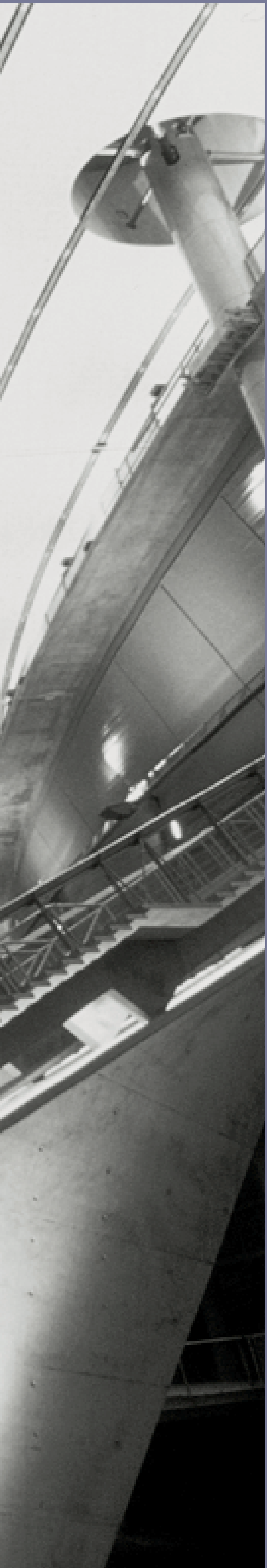
– examining any specific operation that may have a significant impact on the financial statements of the SGE group.
The Transactions Committee, made up of Mr Pascal Lamy, Mr Roland Génin and Mr Serge Michel, is charged with assessing and formulating an opinion on joint operations between Vivendi and SGE, whether of a recurring, current or exceptional nature.

SPECIAL OPERATIONS

On the occasion of the present Shareholders' Meeting, you are being asked to renew certain authorisations to issue:
– new shares with loss of preferential subscription rights;
– shares with share subscription warrants;
– composite marketable securities.
All the corresponding resolutions require that the quorum and voting conditions of an Extraordinary Shareholders' Meeting be met.
Furthermore, you are being asked again to authorise SGE to purchase its own shares in accordance with prevailing legal provisions. The shares purchased by the company may be used, in particular, for allocation to employees under stock option plans, stabilisation of the share price by intervention in the stock market, as a form of payment or exchange in connection with external growth operations, or for the issuance of composite marketable securities. The total amount of such share purchases may not exceed €250m, and purchases already made as of the date of the Meeting are to be included within this limit. As the shares purchased under this authorisation may also be cancelled, you are asked to authorise the Board of Directors to reduce the capital stock.
Lastly, you are being asked to convert the capital stock into euros by conversion of the nominal value. This conversion will require a capital increase charged against "additional paid-in capital".

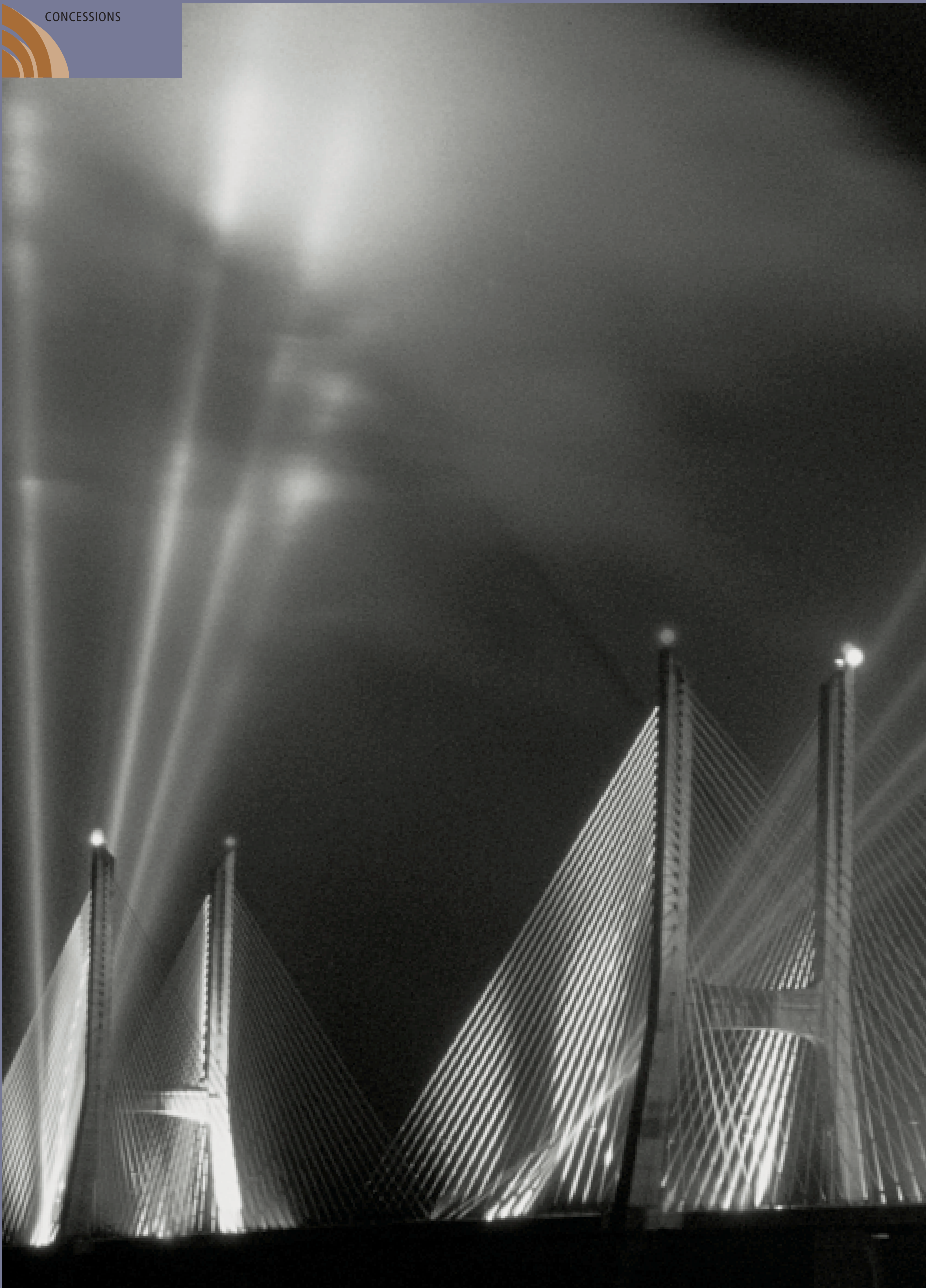
THE OUTLOOK FOR 1999

The outlook for 1999 is based on two main elements:
– the SGE group's operating divisions will take advantage of productivity improvements made over the last few years to continue to focus on optimising their income, while accepting, if necessary, occasional reductions in business;
– at the same time, available margins of manoeuvre will be used to strengthen external growth in SGE's various lines of business. Priority will be given to European markets for concessions, electrical engineering and works, and roadworks; and to certain niche markets in building and civil engineering, and thermal and mechanical activities.
With these conditions in place, consolidated net sales may again fall slightly on a like-to-like basis, especially in building and civil engineering. However, the impact of a number of external growth operations should lead to a substantial increase in overall business, on a non-adjusted basis.
This strategy is expected to lead to increases in operating and net income.



Business in 1998

All the subsidiaries of the SGE group participed in the construction of the Stade de France, which is now managed under a concession arrangement.



Concessions

SGE holds a leading position in the infrastructure concession market. ▌ Its expansion strategy for this business draws on the skills of its building and civil engineering subsidiaries in the design and construction of transportation infrastructure, bridges, tunnels and other major facilities, and also on their expertise in urban development, accurate forecasting of revenues and traffic (or utilisation), project financing and concession operation. ▌ In a construction market set to be affected long term by cut-backs in public sector spending, SGE's know-how in infrastructure concessions gives it a competitive edge as it can offer customers integrated solutions that include private financing and operation. SGE's portfolio of infrastructure concessions has included a 31% stake in Cofiroute for several years. ▌ It was increased in 1998 by the start of operation of the Stade de France (the stadium built in Paris for the football World Cup), and of the new Tagus river bridge in Lisbon. ▌ This business is a source of recurring income for SGE. ▌

Net sales (on 100% basis*)
in millions of euros and *in millions of French francs*

	1996	1997	1998	
Cofiroute (SGE share 31%)	598.2	647.5	710.0	*4,657.0*
Tagus bridges (SGE share 24.8%)	-	-	39.5	*259.0*
Prado-Carénage tunnel (SGE share 28%)	-	-	21.5	*141.0*
Stade de France (SGE share 33.33%)	-	-	41.8	*274.0*

** not integrated into SGE net sales*

Contribution to consolidated net income
in millions of euros and *in millions of French Francs*

1996	1997	1998	
32.8	37.2	39.2	*257.0*

The Vasco da Gama bridge, opened in March 1998 by the Portuguese president, Jorge Sampaio, is the longest bridge in southern Europe.

SGE's original activity

SGE started out at the turn of the century by managing rail lines and power generation facilities. The company is therefore predisposed to play a leading role in the market for concessions. In 1970, SGE became involved in building the motorway network in western France, through Cofiroute. What started as a bold entrepreneurial venture has become, 20 years later, a source of recurring income for SGE, which holds 31% of Cofiroute's capital stock. Cofiroute is now the largest private motorway concession operator in Europe, with a network totalling more than 800 kilometres. Its network links the Paris region to the west, south-west and centre of France via the A10 (from Paris via Orléans and Tours to Poitiers, continuing on to Bordeaux), the A11 (from Paris via Chartres to Le Mans, Angers and Nantes), the A71 (from Orléans via Vierzon to Bourges, continuing on to Clermont-Ferrand), and the A81 (from Le Mans via Laval to Vitré, continuing on to Rennes and Brittany).

The Stade de France has a seating capacity of 80,000 places, and was built to host the 1998 football World Cup.

Based on this success, combined with its comprehensive expertise in all areas of construction and top-level experience in managing major projects, SGE has been working to build up its portfolio of infrastructure and parking concessions for some years, both in France and abroad.

SGE is the main shareholder, with a 28% stake, in the Prado-Carénage tunnel that enables vehicles to cross Marseilles. Less than five years after the tunnel opened in September 1993, the operation broke even.

For the Tagus river crossing in Lisbon, a concession contract was signed on March 24, 1995 by the Portuguese government and Lusoponte, which is 25% owned by SGE. The concession covers the operation of the Ponte de 25 Abril, opened in 1966, plus the design, construction and operation of the new Vasco da Gama bridge that opened on March 29, 1998.

SGE also operates the Stade de France stadium through a consortium in which it holds a one-third interest.

Through its building and civil engineering subsidiaries, SGE is also the concession company for a yachting marina at Trébeurden in Brittany, and a large number of car parks in Paris and the rest of France. In total, SGE operates 40,000 spaces, making it the third largest operator in the country.

Whenever SGE has taken part in major infrastructure concessions, it has provided full project management services, from design and financing through to construction and operation, under long-term concession agreements. SGE's expertise in the field of traffic management systems has been recognised by the European Commission, which has decided to support the Marta project

(Motorway Applications for Road Traffic Advisor) that Cofiroute and Lusoponte are participating in. Through the use of an electronic badge mounted on the vehicle, the system keeps motorway operators and users informed of traffic conditions, thus providing motorists with real-time information that makes their journey easier and safer.

Developments in 1998 were mixed for concession activities. On the positive side, the Stade de France and the Vasco da Gama bridge came into service. However, the Conseil d'Etat, France's supreme judicial authority, cancelled Cofiroute's concession for the last section of the A86 motorway to the west of Paris between Rueil-Malmaison and Versailles. Another setback during the year was the cancellation by the government of its plan to grant a concession for the A63 (upgrading the RN10 between Bordeaux and Bayonne to motorway standards). Lastly, the Lyons regional authorities dropped the project for a ring road to the west of the city (the Conseil d'Etat had previously cancelled the concession for the northern section of the Lyons ring road). SGE was a participant in all three projects, and was lead contractor for the last two.

Cofiroute

At the time when the concession for the A86 was cancelled in February 1998, the design had been finalised, the tunnel boring machine built and work was well under way. Given the advanced status of the project, Cofiroute has filed for substantial compensation from the government. Following a new invitation to tender issued in April 1998, the French ministry with responsibility for transportation took the decision on January 28, 1999 to begin negotiations with Cofiroute with a view to resuming the A86 project. Cofiroute continued its capital investment programme, building new motorway sections in rural areas: 69 kilometres from Alençon to Tours on the A28, and 22 kilometres from Vierzon to Villefranche on the A85. In addition, the A11 was widened to two three-lane carriageways on a 50 kilometre section to cope with increased traffic. Altogether, these operations amounted to €213.43m in 1998.

On the network under operation in western France, traffic increased by an average of 3.3%, with heavy goods traffic up 6.1%. Net sales reached €710m, an increase of 9.6%. Net income rose 16% to €136.1m.

Cofiroute's sound financial situation enabled it to maintain its AA rating from Standard & Poor's, despite the unexpected set back to the A86 project due to the decision by the Conseil d'Etat. Capitalising on its strong image, Cofiroute did not make a bond issue in 1998 but instead offered treasury bills, which were received well by the market.

Cofiroute, the world's leading private motorway concession company, operates some 800 kilometres of motorway in France.

Lusoponte

The five structures that form the new 17 kilometre long Tagus river crossing were completed to a very tight schedule so that the bridge could open on March 29, two months before the start of the Lisbon World Expo. The Vasco da Gama bridge, the work of architects Lee and Charles Lavigne, was an immediate success, with utilisation outstripping initial forecasts by more than 50%.

Located further seaward on the estuary, the 25 April bridge is included in the concession. Compared with 1997, traffic also increased on this crossing, even though 35,000 vehicles a day have been using the new bridge since April. The high traffic figures justified the opening of a sixth lane on the 25 April bridge in November 1998. In total, traffic on the two bridges amounted to 59.6 million crossings in 1998, 15% more than initial projections.

In 1999, traffic figures for the two bridges are expected to reach 63 million vehicles, indicating net sales of around €53m. In light of this success, the concession granting authority has asked Lusoponte to undertake preliminary studies with a view to selecting a site for a third crossing over the estuary.

Stade de France

The Stade de France opened on January 28, 1998, just after completion of works lasting 30 months, with a France v. Spain friendly football match. The stadium designed by French architects Michel Macary, Aymeric Zublena, Claude Costantini and Michel Regembal is widely acknowledged as being an exceptional facility. It is particularly memorable for having been the venue for France's win in the World Cup Final in July 1998. All seats were sold for the 24 events held at the stadium in 1998, which included rugby and soccer matches, plus various other sporting and cultural events. This success upholds the decision to build the stadium under a concession arrangement, even though the problem of finding a resident club has not yet been solved.

Net sales from the Stade de France were €41.80m in 1998, and the concession came close to breaking even.

Prado-Carénage tunnel

Net sales from the Prado-Carénage tunnel rose by almost 6.2% to €21.5m (inclusive of taxes), due to the combined effect of 4% growth in traffic and an increase in tolls in July. In order to cope with the increase in the number of vehicles and keep traffic flowing at the tunnel exits, the Marseilles municipal authorities intend to improve tunnel access and exit conditions. Net sales in 1999 are expected to increase again. To signal its confidence in the concession's prospects, SGE increased its stake in Société Marseillaise du Tunnel du Prado-Carénage from 23% to 28%. The concession company broke even in 1998.

The Prado-Carénage tunnel has provided an underground crossing for Marseilles since 1993.

Car parks

Sogea manages 40,000 parking spaces in France. The main event of 1998 was the start of a service contract for the Stade de France car park, with 6,000 spaces. Operation of the Méridien Etoile Hotel car park in Paris, a project finalised at the end of 1997, brought satisfactory results. This success has enhanced SGE's credibility as an operator with private sector customers and led to the signing of two new contracts: one with the Bouchard clinic in Marseilles, and the other with the Lenval clinic in Nice. Lastly, in Béziers, SGE's operating contract for the Jean-Jaurès car park was extended until 2014.

New projects and development

Intense negotiations continued throughout 1998 with the Israeli authorities in charge of the concession for the 86 kilometre long central section of the motorway that will eventually link Haifa to Eilat. The concession had been awarded to a consortium in which SGE had a 20% stake. It became clear that it would be impossible to secure the financial and contractual conditions initially envisaged. SGE therefore preferred to pull out of this venture, in line with its policy of ensuring that risks are under control when accepting new business.

Following the cancellation of several concession projects in 1998, the government's decision to award the concession for the A86 West motorway to Cofiroute is an encouraging sign for the development of this market in France. It is possible that the Millau viaduct in southern France will be declared a public utility project, also to be financed by a user toll, at the conclusion of the inquiry that started at the end of 1997.

Apart from these two projects, the market for major infrastructure seems likely to remain very depressed in France. Only the renewal of existing concession contracts and the creation of car parks offer any real prospects of business as an operator.

SGE manages 40,000 parking spaces in France.

Outside France, as the markets of Eastern Europe become more solvent, there will be opportunities in coming years for infrastructure projects. Infrastructure requirements have been clearly defined, but there remains a shortage of public sector funding. SGE's positioning, in particular in Poland, the Czech Republic and Romania, will allow it to capitalise on its expertise.

Through its UK subsidiary, Norwest Holst, SGE intends to participate in the private finance initiative (PFI) market, especially in facilities management. Several projects for which the Group has been short-listed as concession operator should go through in 1999. These include the boulevard scheme linking Cardiff city with its waterfront, and the renovation of various buildings for the Dorset Police Authority.

Lastly, the scale of investment in airports required as a result of the worldwide increase in air traffic has led SGE, which has considerable experience in airport construction, to move into the field of airport operations, building partnerships and entering alliances.

Building and civil engineering

SGE is a major player in building, civil engineering, hydraulic engineering and specialist civil engineering. The company operates in France and around the world through a network of subsidiaries that are strongly rooted in local economies. █ Campenon Bernard SGE is well positioned in major building and infrastructure projects. Sogea operates in mainland France, the French overseas departments and territories, Africa and the Benelux countries, and in the United Kingdom through Norwest Holst. Freyssinet, a specialist in prestressing, cable staying, structural repairs and geotechnics, carries out three-quarters of its business outside France. █ Recent developments in building and civil engineering markets have led SGE contractors to adopt a more selective policy towards order intake and to focus on high value added projects, integrated offers – in particular for industrial customers – and privately financed business. █ The main events of 1998 reflect this trend: the handover of the Frankfurt Hilton hotel built under a turnkey contract, completion of the Ting Kau cable-stayed bridge in Hong Kong, and the start of work on the PB6 tower block at La Défense for the Texan property developer, Hines.█

Consolidated data*
in millions of euros and *in millions of French francs*

	1996	1997	1998	
Net sales	3,357.4	3,809.0	3,703.4	*24,293.0*
Gross operating surplus	108.4	97.0	97.7	*641.0*
Operating income/(expense)	(28.9)	6.4	12.6	*83.0*
Capital expenditure	97.0	93.7	130.3	*855.0*
Average workforce	28,946	28,960	27,146	-

** as contribution after internal double counts*

The new European Union Parliament building in Strasbourg, opened in December 1998, is the monthly venue for 626 MEPs.

Campenon Bernard SGE

Campenon Bernard SGE is the lead contractor for all SGE's major building and civil engineering projects in France and the rest of the world. Its expertise in high-tech civil engineering and skills in project management, real estate project financing and infrastructure BOT operations enable it to offer integrated solutions to both public and private sector customers. Campenon Bernard SGE consolidated its capability as a general building contractor when it absorbed a substantial part of CBC's French and international business in 1997.

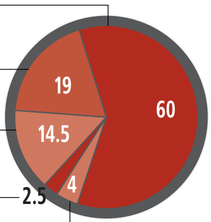
In response to the recession that has affected the building and civil engineering market in France in recent years, the company has reorganised into three area branches covering the Paris area, the South East, and a third area comprising the Rhône-Alpes, Burgundy, Auvergne and Franche-Comté regions. Campenon Bernard SGE has been implementing a very selective order-taking policy for several years in regard to major infrastructure projects.

This activity has been affected by a lasting recession around the world as a result of a lack of funding, the emergence of new competitors, and the unreliability of financial and contractual conditions. Net sales in 1998 were €1.5 billion, down 7% compared with 1997.

As a consequence of this situation, Campenon Bernard SGE has modified its structure with the aim of safeguarding its world renowned technical expertise. The new organisation has been designed to give greater independence to the operating entities, whether regional subsidiaries in France and Germany or those in charge of major international projects. This restructuring programme, accompanied by the streamlining of support services at corporate head office, has not in any way diminished the company's technical capabilities.

Campenon Bernard SGE
Net sales by geographic area*
as a percentage and in millions of euros

France	905.8
Germany	286.7
Rest of Europe	218.2
Asia	40.2
Rest of world	59.9
Total	**1,510.8**



** as contribution before internal double counts*

One of the many projects completed in Poland is the **Atrium building** for Swedish construction firm Skanska.

MAJOR PROJECTS

With net sales down from €561m in 1995 to €378.7m in 1998, Campenon Bernard SGE's major project business underwent a further reduction in 1998 and continued its process of change. The company now has proportionately more major building and earth-moving projects, and fewer major civil engineering projects.

In France, many projects that had given the business a boost in recent years reached completion in 1998. Structures completed and handed over included those on the South East TGV line (the Marseilles tunnel, the Ventabren viaduct designed by architect Charles Lavigne, and the Mornas and Mondragon viaducts by architect Jean-Pierre Duval), along with the Orelle tunnel on the A43 motorway in the Maurienne valley, and the viaducts in the Avre valley on the A29. Final handover of the Stade de France and the Colombes wastewater treatment plant (designed by architect Jean-Robert Mazaud) took place at the beginning of the year.

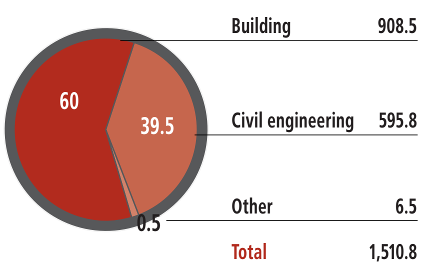
The decision announced on February 20 by France's supreme judicial authority, the Conseil d'Etat, to cancel Cofiroute's concession for the last section of the A86 from Rueil-Malmaison to Versailles,

The 5,414 metre long **Marseilles tunnel** on the future TGV Méditerranée line, which in 2001 will connect Paris with Marseilles in just three hours.

including the junction with the A12 at Rocquencourt, brought this project to a halt. Campenon Bernard SGE had completed the design work, and a specially-designed tunnel boring machine was in the process of being delivered and installed. The stoppage has wasted both human and financial resources.
Major projects in France were largely restricted to earthworks for motorway construction by Deschiron and Valerian, the start of work on the Barrails viaduct (designed by architects Berdj Mikaelian & Fils) on the A89 near Libourne, and further progress with the tunnels for the VAL automatic light rail system in Rennes.
Bateg was selected at the end of 1998 to build a new tower block (called PB6) at La Défense for the Texan property developer, Hines. The project will be a new challenge for Bateg, which has built the highest number of very high rise towers at La Défense. The building, to be designed by architects Pei, Cobb, Freed & Partners, will comprise 57,000 square metres of space and be 155 metres high. The design and construction operation has a completion time of 29 months.

In international markets, the high point of the year was the handing over of the Vasco da Gama bridge in Lisbon on March 29. Building the bridge and managing the international works consortium required the full range of expertise of Campenon Bernard SGE for two years.
In 1998, the Athens metro project progressed in line with contractors' commitments, against the background of continuing negotiations concerning financial compensation for design changes and geological contingencies. On line 2, the tunnel advanced on four inter-station sections, and the electrical and mechanical contractors started the installation operations which should allow a partial service to begin by the end of 1999.
The construction of the Frankfurt Hilton (designed by architects John Seifert and Alberto Priolo) was continued and completed. The 350 room hotel opened on January 26, 1999, following a three month test phase.
In Eastern Europe, Campenon Bernard SGE began construction work on the 5-star Four Seasons Hotel in Prague (designed by architects Loxia – Franck Nicholson). Another feature of the year was the excellent performance by Warbud, Campenon Bernard SGE's Polish subsidiary. The company consolidated its growth, which is expected to continue in 1999. A large number of other projects are currently being considered in this region, in particular a shopping centre in Bratislava, Slovakia.

Campenon Bernard SGE
Net sales by line of business*
as a percentage and in millions of euros



*as contribution before internal double counts

In Vietnam, the hotel in Haiphong, by architect Guillaume Cochin, was handed over in June, while construction of the Hanoi Hilton, with Art'ur as architect, moved on towards handover in the first quarter of 1999. Campenon Saigon Builders handed over the Phu My power plant in Vietnam. Here, as in the rest of Asia, investment in infrastructure has slowed. In Hong Kong, an arbitrator was appointed in January to handle the procedure initiated by Campenon Bernard SGE for compensation for the cancellation of the sewage tunnel project (SSDS). On the Istanbul Olympic stadium project, by architects Michel Macary, Aymeric Zublena and Mehmet Pamir, work involved closing the financing, setting up the design group and finalising the design. On the site, initial earth-moving and external works were begun.

In Cairo, the extension of metro line 2 towards Giza continued with viaduct construction. In Qatar, the construction of a third liquefied natural gas storage tank in partnership with a Japanese contractor, continued to the customer's satisfaction. The tank has a capacity of 140,000 cubic metres.

The Hanoi Hilton Hotel, whose architecture was inspired by the Palais Garnier Opera House in Paris.

As the market for major structures remains extremely difficult, Campenon Bernard SGE has remained extremely selective in its choice of projects and focused its commercial efforts on offering integrated solutions that capitalise on its experience in design and build, financing and operations. In addition to securing the PB6 tower at La Défense, this approach has led to signing a contract worth €126.6m with a private customer for the design and build of the Abu Dhabi trade centre (architectural design by Hellmuth, Obata and Kassabaum). In Egypt, the National Authority for Tunnels selected a consortium led by Campenon Bernard SGE to drive two road tunnels under the historic district containing the Khan El Khalili souks and the Al Azhar mosque in a contract worth €106.7m. At the end of the year, after the design work had been completed and validated, tunnel boring operations were able to begin using the boring machines from the metro project. In addition, Campenon Bernard SGE's acknowledged technical expertise in underground works secured a contract towards the end of the year to drive a tunnel for the St Petersburg metro.

At the end of 1998, the order book for major projects amounted to €461.3m, down 22%.

REGIONAL SUBSIDIARIES

Regional subsidiary business in 1998 amounted to €1.13 billion, down 3%. The reduction was mainly attributable to France and Germany. In order to operate more efficiently in the particularly difficult markets in the Paris and south eastern regions of France, SGE decided to bring together within Campenon Bernard SGE all its civil engineering business in the Paris region along with its building and civil engineering subsidiaries in the south east of the country. For its part, Campenon Bernard SGE sold Urban, its building and civil engineering subsidiary in Alsace, to Sogea.

Net sales for the building subsidiaries operating in and around Paris, Campenon Bernard Construction and Bateg, were €224.7m. The bulk of their business came from the T2 tower construction project (designed by M.

Andrault, N. Ayoub – Cabinet Conceptua) in the Danton district of La Défense, the UGC Bercy cinema complex (by architects Cattani & Chican, Valode & Pistre) and the extension and renovation of a building on quai Anatole France in Paris for the Caisse des Dépôts et Consignations (architects: Cabinet Jougleux – Di Fiore). With prices in the Paris region remaining at abnormally low levels, it was difficult to sustain the volume of business and orders (€160.2m, down 23%).
In the Rhône-Alpes, Burgundy, Auvergne and Franche-Comté regions in central and eastern France, as well as in the south east, there was a further decline in the civil engineering market. No new orders came in to replace the Crozet viaduct project (designed by Jourda et Peraudin Architectes) on the A51, the Avignon bypass or the extension of the South East TGV.

When completed, **the Monaco cultural and exhibition centre** will be the venue for trade fairs and cultural events in the Principality.

In building elsewhere in France, however, the overall situation was better. The highlights of the year were the Hilton Hotel project at the Cité Internationale in Lyons (the work of architect Renzo Piano), and the construction of the Monaco Congress and Exhibition Centre, by F. Notari and F. Genin. With the market remaining highly competitive in the public sector, and the resulting tendency towards low value-added offerings, the process of focusing on private non-residential and industrial building operations continued. Net sales from the provincial building and civil engineering subsidiaries amounted to €243.5m, up 11%.

In Belgium, there was a slow-down in orders for office buildings, the market in which BPC and Abeb have traditionally carried out most of their business. These companies therefore focused on other market segments. The new approach has not yet had an influence on the decline in net sales, which amounted to €51.2m in 1998, down 31% compared with 1997.

In Germany, the main event of the year was the completion of the Frankfurt Hilton hotel, a project managed by the company from start to finish under a sell and build contract for a German institutional investor. Following the final completion in 1998 of the closure of the Berlin subsidiaries – OBG and SGE Hoch- und Ingenieurbau – business in Germany is run by four regional subsidiaries: Klee in Mannheim, Brüggemann in Duisburg, OBAG in Bautzen and UBG in Schwedt. The €182.9m facility management contract that Klee SKE was awarded by the US Army for a period of several years, is a good illustration of SGE's policy of focusing on business that offers good recurring volume and profits. By focusing on their regional markets and implementing a policy of selective order-taking, Campenon Bernard SGE's German subsidiaries recorded 1998 net sales of €248.3m, a 12% fall that was in line with projections.
Towards the end of the year, Campenon Bernard SGE's specialist business activities were reinforced by Botte, the special foundation subsidiary, merging with Sade Fondations. The new entity will occupy a leading position in the French market for special foundations.

Campenon Bernard SGE made an operating loss of a4m in 1998, as a result of the continuing difficulties in building.

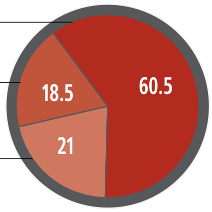
Freyssinet

With operations in more than 50 countries and represented by a network of subsidiaries, agencies and licensees, Freyssinet is one of the global leaders in specialist civil engineering, its main area of activity. The company's 1998 consolidated net sales grew 4% to €225.8m, generated by business in cabled structures (prestressing and cable staying), equipment and fittings, structural repairs and geotechnical engineering.Freyssinet ended the year in profit, as its niche technologies enabled it to withstand problems in European and Asian markets. To consolidate its leadership in high-tech civil engineering, Freyssinet acquired Terre Armée Internationale (TAI) in November, an internationally renowned specialist contractor in such areas as reinforcement techniques, earth-retaining structures, bracing and soil nailing. Operating in more than 22 countries, in particular in North and South America, more than 90% of TAI's net sales are generated outside France. The company's activities and geographic locations complement those of Freyssinet. Its net sales, which are around €91.5m, will be consolidated in Freyssinet's accounts in 1999.

In the field of cabled structures, Freyssinet completed the Ting Kau bridge in Hong Kong. The Ting Kau is one of the longest cable-stayed bridges in the world, with its three towers straddling the Rambler Channel. At 3,060 tonnes, the total weight of the cable stays fitted on the bridge is a world record.
Two other bridge projects were also completed in 1998: the River Dee in the UK, and Val Benoît in Belgium.
Work started on the Øresund viaduct (designed by architect Georg Rotne) linking Denmark to Sweden, involving the delivery and installation of 2,300 tonnes of cable stays. In Vietnam, the My Thuan bridge project got under way. Freyssinet will carry out the prestressing operations on the My Thuan, which is

Freyssinet
Net sales by geographic area*
as a percentage and in millions of euros

Europe	136.8
Asia	41.6
Rest of world	47.4
Total	225.8



* as contribution before internal double counts

Earth retaining walls are often used to support roads on inclined terrain, as seen here on the A43 motorway near Saint-Michel de Maurienne.

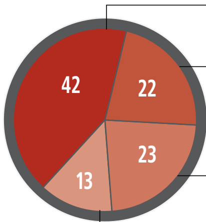
the country's first cable-stayed bridge. Cable-staying operations for the new Millennium Stadium in Cardiff, and the Seohae cable-stayed bridge project in South Korea, helped maintain the volume of business in this specialist area. In prestressing, many projects were completed in 1998, including the Gianh bridge in Vietnam – whose central spans have set a new record in the country – and the Yarra river viaduct in Australia. Other operations were still in progress at the end of the year, including the Vianen bridge in the Netherlands and the Sungai Din Ding bridge in Malaysia. In France, several structures on the South East TGV line were nearing completion.

The 16 kilometre Øresund, link between Sweden and Denmark will come into service in 2000.

Business increased in prestressing for buildings. Contracts came from France (with the works for the European Parliament in Strasbourg, designed by Architecture Studio Europe), Australia (the 52 storey Park Plaza apartment and office building), Argentina (the La Rural congress centre car park in Buenos Aires), and Turkey (the Atatürk airport).
Business in equipment and fittings was satisfactory in 1998. One of the main projects was the installation of anti-seismic devices on the Vernègues viaduct for the South East TGV. However, the greatest increase in business came from structural repairs. Due to increased road traffic, a market is opening up for alterations and repairs to structures that were often not originally designed to withstand heavy loads. In Argentina, after having replaced all the cable stays on the General Belgrano bridge over the Paranà, Freyssinet carried out partial replacement of the suspension rods on the Zarate and Brazo Largo bridges. The company also won orders for the renovation of the Saint-Georges footbridge in Lyons and the Saigon bridge in Vietnam.

In all, 1998 was a very busy year for Freyssinet, with the acquisition of TAI and the expansion of its international operations, in particular in major markets in Latin America, the Mediterranean, and South East Asia. To preserve its competitiveness, Freyssinet has internationalised its production and design structure by opening a design and engineering office in Malaysia, and has sustained a major research effort in suspension bridges, seismic resistance of structures and new materials.
Freyssinet had 1998 operating income of €8.7m, representing 3.9% of net sales.

Freyssinet
Net sales by line of business*
as a percentage and in millions of euros



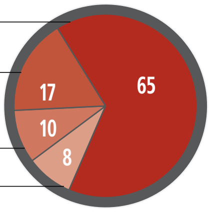
Cable staying and prestressing	94.9
Structural repairs	49.8
Fitting out and deck construction	51.7
Geotechnical engineering and miscellaneous	29.4
Total	**225.8**

** as contribution before internal double counts*

Sogea

Sogea
Net sales by geographic area*
as a percentage and in millions of euros

France	940.6
Africa	243.8
French overseas departments and territories	135.6
Rest of Europe	119.2
Total	**1,439.1**



* as contribution before internal double counts

Sogea occupies leading positions in building, and in civil and hydraulic engineering. The company had net sales from managed projects of close to €1.9 billion (including €478.2m from Norwest Holst), generated by a network of contractors located in mainland France, French overseas departments and territories, the Benelux countries (through Denys), the UK (through Norwest Holst) and Africa. In addition to its expertise as a general contractor, which makes it one of the foremost French construction companies, Sogea is a major operator of car parks, managing a total of more than 40,000 spaces. It also owns one subsidiary specialising in the restoration of historical monuments (Chanzy Pardoux) and another in marine and river works (Dodin).

In the UK, Norwest Holst generates one-third of net sales in building and industrial services, through its subsidiaries Rosser & Russell and Norwest Holst Engineering Services. It is also well positioned in the earthworks market through John Jones. In Africa, 50% of Sogea's net sales come from its roadworks subsidiary, Satom.

Structured as a decentralised network of subsidiaries with strong ties to local markets and each able to satisfy most construction needs, Sogea is involved from the design stage through to operation and maintenance, where its experience in services stands it in particularly good stead.

Sogea, as general contractor for the Caisse d'Epargne property group, built the **56 studio apartments of the Universalis 2 students' residence** in Perpignan, in the south-west of France.

MAINLAND FRANCE

In mainland France, where Sogea carries out more than half its business, the company's markets remained largely stable. Volumes were steady after the sharp decreases of previous years.

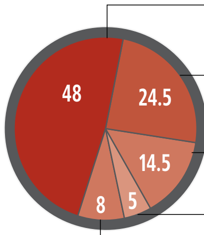
The French building market was relatively buoyant in 1998, in spite of the slump in social housing and building projects dependent on public sector funding. Tax incentives designed to stimulate investment in housing for rent (the Périssol scheme), further investment in school buildings and a renewal of capital investment in the industrial and service sectors all contributed to business volumes. Towards the end of the year, there was even a faster recovery than expected in office construction.

Given these developments, Sicra, which previously specialised in public building and social housing projects, began to restructure in order to shift its focus towards private customers and renovation work, and reduce the proportion of its original line of business where margins remain very low. Various projects in 1998 reflected this trend: an office building with Meunier Promotion in Montrouge (with architects Sopha Architectes and Arte Charpentier); the T2 tower block at La Défense, with Campenon Bernard Construction; the Anatole-France school in Puteaux (designed by Cabinet Guidicelli) and the Baudelaire secondary school in Evry (by architect Luc Martel) under an METP public procurement contract (involving pre-financing linked with a maintenance obligation). At the end of the year Sicra was awarded the contract for the Serris shopping centre near Marne-la-Vallée, to the east of Paris (with Chapman-Taylor Partner as architects). Renovation works account for one-third of Sicra's business. The main events of 1998 were an order for 480 housing units at Egly, south of Paris (architects Appia Pettitperrin), and the handover of the Alcatel head office (designed by Arte Charpentier).

In northern France, school building operations were given a boost with the signing early in the year of two METP contracts for the Guicard school and the Avesnes-sur-Helpe secondary school (with, as architects, M. F. Maniere and H. Gillard – L. Simoens, respectively). Business remained at a satisfactory level with orders early in the second half of the year for two more schools, one at Caudry (designed by Kroll, Nicol and Thélot) and the other at Fiegnies (designed by J. Corbeau).

In the west of France, Sogea finalised its restructuring programme, involving the consolidation of the subsidiaries transferred from CBC and Campenon Bernard SGE in 1997. In building, new contracts signed in 1998 included the Saint-Nazaire school complex project (architecture by Cabinet Aya).

Sogea
Net sales by line of business*
as a percentage and in millions of euros



Building	693.4
Hydraulic engineering	350.4
Civil engineering	206.5
Environment and services	70.2
Roadworks	118.6
Total	**1,439.1**

** as contribution before internal double counts*

In eastern France, Chanzy Pardoux completed renovation work at the Château de Meinsberg in Lorraine (designed by architect firm Cabinet Michel Goutal), and continued construction of the European School in Luxembourg, designed by Cabinet Bauer. Near the end of the year, Sogea Est was awarded the contract for the construction of facilities at the Basel-Mulhouse and Vatry airports, with 3F Architecture and Roubert/Arsène – Henry respectively as architects.

In the south west of France, however, where the building market remained very slow, Sogea had to close a number of its locations.

Civil engineering has been hit by the slump in major projects and competitive conditions affecting prices in all market segments, including Sogea's traditional areas of business, such as tunnels and bridges, car parks and wastewater treatment plants. Sogea's strong local connections, however, have helped it to withstand these pressures successfully.

Sogea Sud-Ouest's net sales in civil engineering grew mainly as a result of participation in the Montpellier tramway project. In the west of France, business was buoyed

The 280 metre long Bergères viaduct, whose highest pier rises 31 metres, will be part of the A89 motorway that will link Bordeaux to Clermont-Ferrand as of 1999.

Some 250 metres of 1,800mm diameter cast iron pipe being installed as part of the Avre aqueduct in Auteuil-le-Roi, near Paris.

by major projects such as the VAL automatic light rail system in Rennes. Dodin completed works on the Vernègues viaduct for the South East TGV, and on the Tanus viaduct designed by architect Fraleu for the RN88 main road. The Tanus has a record span length of 190 metres over the Viaur river between Rodez and Albi. The year was highly satisfactory in terms of orders, which included the Verrières viaduct (by architect Mascarelli) on the A75 near Millau, various structures on the A89 that will link Bordeaux with Clermont-Ferrand (in particular, the Ussel bypass, the Bergères viaduct designed by the J.-P. Loupiac firm of architects, and three bridges over the Isle river designed by Lavigne and Montois), a series of locks at Villeneuve-sur-Lot, and a pile-mounted quay at the Toulon arsenal, where the *Charles-de-Gaulle* aircraft carrier will berth.

Business in hydraulic engineering was good in 1998. This market consists essentially of small contracts generating steady, recurring volumes. Sogea Sud-Ouest won a three year contract for wastewater treatment from the Bordeaux municipal authorities. Sobea Ile-de-France, whose main activity is hydraulic engineering, had all its certifications renewed.
Car park operations continued to grow. A number of new contracts were concluded, in particular in Béziers, and in Paris, with the contract for the Stade de France car parks. During the year, Sogea transferred TPI, its subsidiary in the Paris region specialising in civil engineering, to Campenon Bernard SGE, which in turn sold Urban, its subsidiary in Alsace, to Sogea. Following similar restructuring in the Rhône-Alpes region in 1997, Sogea transferred its building and civil engineering activities in the South East to Campenon Bernard SGE, while retaining its hydraulic engineering and service operations. This completed the restructuring of SGE's building and civil engineering business in France.

AFRICA

In Africa, business was brisk in 1998, especially in the field of water supply and irrigation systems. In Morocco, Sogea Maroc and its subsidiaries had a very satisfactory year, in particular with the supply of concrete pipes and the works for the Doukkala irrigation scheme. The largest projects in 1998 were the Ziga dam in Burkina Faso and the Dapaong dam in Togo, the Porto-Novo to Cotonou road in

Benin, and the Kayes to Yélimane road in Mali, indicating that business is improving in West Africa where Sogea has traditionally had strong ties. The Mille-Assab road project, between Ethiopia and Eritrea, was cancelled by the Ethiopian government because of the exceptional circumstances caused by the border conflict between these two countries. An arbitrage procedure has been initiated under which Sogea will file a claim. For the most part, however, Sogea now has little business in East Africa.

In Central Africa, the major Bangui-Damarat-Sibut road project (173 kilometres in the Central African Republic) continued at a good pace. In contrast, the road and storage facility project for Esso between Chad and Cameroon, which was started in 1998, was suspended at the customer's request following several interruptions. The continuing fall of oil prices led to many petroleum-related projects being postponed and is creating growing economic problems in Gabon. Sogea is therefore gradually cutting back its business in this country, where a number of operations were being funded locally.

Building the Ziga dam of compacted rolled concrete in Burkina Faso.

FRENCH OVERSEAS DEPARTMENTS AND TERRITORIES

On Reunion Island, the downturn in building was offset by a number of large civil engineering operations, in particular three structures to be built by SBTPC in partnership with Dodin, designed by architect Lavigne. Working out of its base on Reunion, Sogea continued to expand on Mayotte, where a sea water desalination plant was opened in 1998. The company also established a foothold on Madagascar with an order for an earth embankment. In the French Antilles, after transferring its water distribution business to Générale des Eaux, Sogea continued to expand in building, especially social housing, through Dodin Guadeloupe, and in hydraulic engineering (pipe systems and wastewater treatment plants) through Sogea Martinique. Towards the end of the year, Sogea Martinique, in a consortium formed with SGE Environnement, bid successfully for the construction and operation of the household waste treatment plant for a syndicate of municipal authorities on the island (Sicem).

BENELUX

In Belgium, 1998 – during which Denys celebrated its seventy-fifth birthday – was a highly satisfactory year. The main projects were in civil engineering, such as the Brussels to Antwerp TGV line, and in pipe works for industrial customers. Exploiting synergies between Denys and Socea, the leading manufacturer of concrete pipes, has enabled Sogea to maintain its position in a market that remains very buoyant. Investment in environmental protection in Belgium, in particular the burial of various cable networks, places Denys in a strong position to capitalise on its specialist civil engineering skills, particularly with the use of micro-tunnelling machines.

After recording a small loss in 1997, Sogea made an operating profit in 1998, with income of €10.8m.

Norwest Holst

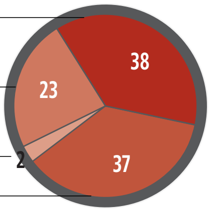
Norwest Holst is managed by Sogea and its parent company is owned by SGE. The UK company confirmed its recovery in 1998, with net sales of €478.2m, up 8% compared with 1997 at a constant exchange rate, and a return to operating income. Norwest Holst improved its performance both in terms of volume and margins.

Norwest Holst's organisation, ability to adapt to market variations, and its management's high level of responsiveness produced a satisfactory year in 1998. The company was able to consolidate its position among the leading players in the UK construction business. Norwest Holst occupies a special position in the Sogea group, in particular as regards financial engineering. Creative financing arrangements are now appearing in the UK, such as Private Finance Initiatives, or PFIs. Under these schemes, the public sector can use the private sector to finance and construct transport infrastructure or administrative buildings. For a company like Norwest Holst, PFIs have the double advantage of involving it as general contractor during the construction phase, and generating recurring profits through maintenance at a later stage.

A downturn took place in the industrial building sector, following a period of favourable market conditions. However, this was largely offset by the market for housing and commercial buildings, which remained buoyant. Norwest Holst's strong positions in these markets enabled it to have a satisfactory year, with a 25% increase in volume, and it expects to have an improved order book in 1999. The company is nonetheless anticipating a drop in demand soon. Norwest Holst has now terminated its home building operations, which were not generating sufficient profit margins.

Norwest Holst
Net sales by line of business *
as a percentage and in millions of euros

Building	180.3
Thermal and mechanical activities	113.2
Other	8.6
Civil engineering	176.0
Total	**478.2**



** as contribution before internal double counts*

Among the major completions in building in 1998, the Tudor Court Hotel project (designed by architect Llewelyn Davies) in London confirmed Norwest Holst's penetration of the promising redevelopment market, following the prestigious Harrod's renovation project in 1997.

The company has established itself as a major player in the London construction market. Other projects of note were the Nuffield Hospital (architects: Genesis), the Crescent Theatre in Birmingham (architects: Temple Cox Nicholls), the Synthetic Chemistry Building at Southampton University (architects: Hampshire County Council), and student accommodation at Manchester University (architects: Cruickshank Seward). A number of new contracts were also signed: a shopping centre in Preston, Lancashire (architects: Bradshaw Rowse & Harker); a design and build multi-storey car park project; a leisure complex with multiplex cinema and restaurant in Reading (architects: Haskoll & Co.); and in London, the construction of a new wing of the National Portrait Gallery on Trafalgar Square (architects: Jeremy Dixon and Edward Jones).

The Cambridge Business Park, consisting of 2,450 square metres of office space and a car park, was completed in 1998.

Civil engineering work on the **A12-M11 link road** east of London.

In civil engineering, prospects in the UK are similar to those in France: this area of business will continue to be affected by cut-backs in public sector spending, especially in motorway construction. Environmentally-friendly waste disposal operations and projects financed by the private sector, however, remain strong. Against this mixed background, Norwest Holst achieved satisfactory growth in 1998, with volume up 10%. The highlight of the year was the official opening by the Queen in March of the Dee River bridge (designed by architects Percy Thomas Partnership) in North Wales. Norwest Holst also continued its civil engineering operations on a number of road and rail links, such as the A12–M11 link road near London.
Several new contracts were signed in 1998 – a sludge digestion programme for Severn Trent Water's wastewater treatment plant, a major sewer network in Birkenhead (with OTVB), the construction of a viaduct in Yorkshire (with consultant engineers Charles Haswell & Partners), and a design and build contract for a service station and car park at Luton Airport.
Rosser & Russell, the subsidiary specialising in building services, broke even for the first time in five years. This recovery has been made possible by a strategic shift into maintenance operations, which are less subject to market fluctuations than major construction projects. The company is also developing partnering schemes with some of its customers, in particular in the pharmaceuticals industry. Lastly, Rosser & Russell consolidated its position in the London building services market in 1998. Contracts included fitting-out operations for two banks, the Daiwa Bank head office (with consultant engineers Ove Arup & Partners), and the new Rabobank offices.

In the field of industrial services, Norwest Holst's plumbing, industrial engineering and insulation activities have been restructured and brought together under one name: Norwest Holst Engineering Services. This new entity can now offer a full range of services, including process control, mechanical and electrical instrumentation, telemetry, telecommunications, acoustic engineering, thermal insulation and offshore equipment. Norwest Holst Engineering Services can also guarantee long-term maintenance of these services.

Norwest Holst has been working towards recovery, and has met its projections for the last seven years. The company has improved its performance every year and returned to operating profit in 1998, with income of €2.8m.

Roadworks

Eurovia was formed when Cochery Bourdin Chaussé merged with Viafrance. ■ Together with VBU, its German subsidiary, Eurovia occupies a leading position in the European market. ■ The scaling back of public sector financing and the completion of major road and motorway programmes have led Eurovia to implement an expansion strategy in European markets that offer more promising prospects. In 1998, Eurovia strengthened operations in Belgium and Switzerland. ■ Eurovia has laid the foundations for sustainable development by acquiring local contractors or shareholdings and entering into industrial partnerships in Slovakia, Poland and Albania. ■ Towards the end of 1998, Eurovia won the international competitive tender for the rehabilitation of highway 13 between Brasov and Bogota Hill in Romania, a contract worth €10.9m. ■ In South America, Eurovia has established a presence in Mexico through a new subsidiary, Bitunova, set up in 1998. ■ In the French market, Eurovia has opted to focus on private sector customers and is strengthening its positions in dynamic market sectors, such as urban development. ■ The company is also expanding its industrial and materials production capacity, thus fully integrating all parts of the production process. ■

Consolidated data*
in millions of euros and *in millions of French francs*

	1996	1997	1998	
Net sales	1,501.3	1,545.1	1,547.2	*10,149.0*
Gross operating surplus	41.2	65.6	86.4	*567.0*
Operating income/(expense)	(2.3)	13.1	31.8	*209.0*
Capital expenditure	30.7	33.7	39.9	*262.0*
Average workforce	13,120	11,820	11,562	

** as contribution after internal double counts*

Maintenance and strengthening of road networks, as here in the Yvelines department just outside Paris, forms almost three-quarters of Eurovia's business in France.

Eurovia

With net sales of €1.6 billion in 1998, Eurovia is one of the foremost roadworks contractors in the European market. It holds close to one-fifth of the French market, where it ranks as the second largest contractor.

Eurovia was created by the merger of Cochery Bourdin Chaussé and Viafrance, and strengthened by the addition of the German subsidiary, SGE Verkehrsbau Union. Eurovia's differentiation lies in its control of the total process, from materials production facilities through a comprehensive range of road construction technologies to maintenance.

The 143 coating plants, 37 binder plants and 56 quarries that Eurovia owns, either wholly or partly, make the company a leading player in materials supply. Its production facilities are supported by the expertise of a central laboratory and regional technical departments. Output in 1998 was 25 million tonnes of aggregate, 475,000 tonnes of road binder and 17 million tonnes of bituminous mix. Eurovia was therefore able to consolidate the position of its 120 decentralised operating centres and build up regular business with recurring income that is less affected by changes in the marketplace than are roadworks.

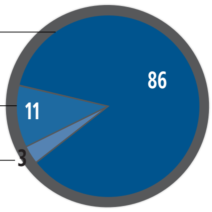
A quality assurance approach that started in 1997, the year of its restructuring, has resulted in Eurovia being fully ISO 9002 certified. Through its network of subsidiaries firmly embedded in local and regional economies, it is well placed to capitalise on growth potential in their markets, both in France and abroad.

Eurovia and VBU

Net sales by geographic area*

as a percentage and in millions of euros

France	1,336
Germany	171
Rest of world	52
Total	**1,559**



* as contribution before internal double counts

Eurovia's 143 fixed and mobile coating plants produce 17 million tonnes of bituminous mix a year

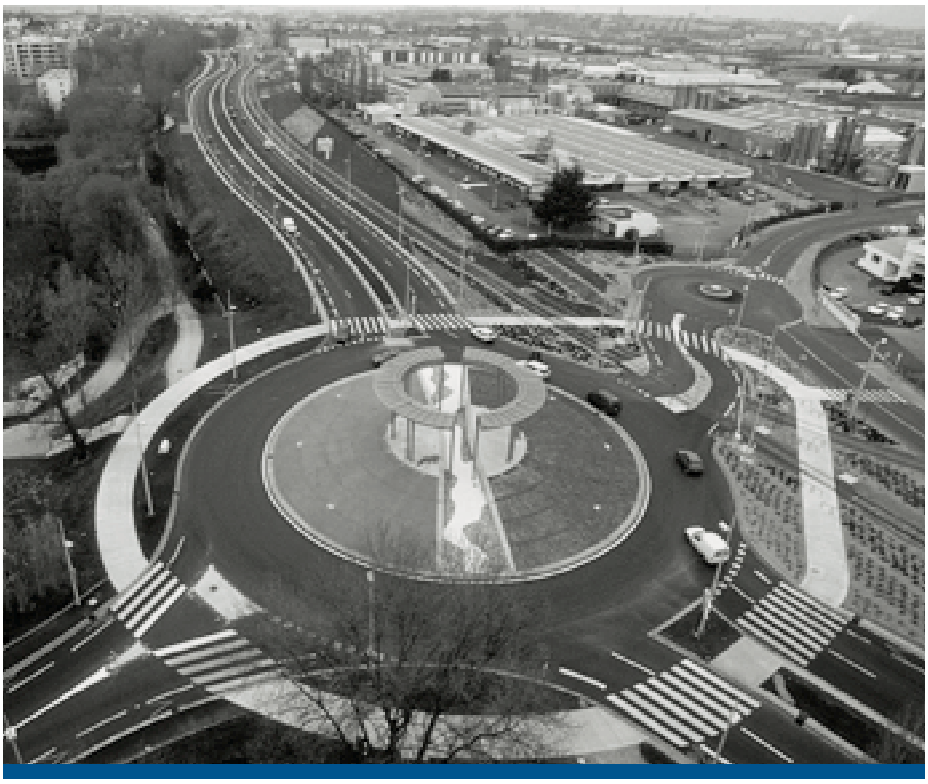
FRANCE

Eurovia recorded 1998 net sales in France of €1.3 billion. This represented an increase of almost 2% compared with 1997 when the increase over the previous year was 4%, turning around a three year series of reductions in net sales. Business was considerably affected by seasonal variations. The favourable conditions in the first half of the year contrasted with a poorer situation in the second half, which was affected by bad weather conditions.

Most of Eurovia's business is carried out by local agencies, under small contracts for private sector customers or local authorities. Consequently, efforts focused mainly on securing long-term contracts for the upkeep of local or regional road networks, adapting offerings to the needs of local authorities, and on building up private sector and industrial business, where capital investments are less sensitive to variations in levels of public spending.

A number of the year's projects illustrate this choice: the construction of service stations for Elf on the A75, for example at Sévérac-le-Château in southern France; construction of Macdonald's restaurants; laying industrial flooring in the new Shiseido plant in Orléans; road and external works in the new vehicle loading zone of Peugeot's Sochaux plant; car parks for the Carrefour hypermarkets at Rennes and Saint-Brieuc; and fitting out a production facility for the Japanese company, Akebono, and the Smart automobile plant at Hambach, in Lorraine (designed by architects Sexer – Loyrette). Other projects included the construction of a small stadium next to the Stade de France and the extension of Hall A at the Villepinte exhibition centre.

Eurovia builds roads, roundabouts and urbans thoroughfares in large and small towns.



In motorway construction, Eurovia completed the Montauban to Caussade and the Donzenac to Puy-de-Grâce sections of the A20 (commissioned by Autoroutes du Sud de la France), the A84 section from Ille-et-Vilaine to Avranches, and the widening to six lanes of the A51 between Aix-en-Provence and Marseilles. Towards the end of the year Eurovia began work on the Villedieu-les-Poèles bypass on the A84 (autoroute des Estuaires) and the Grenoble to Coynelle section of the A51.

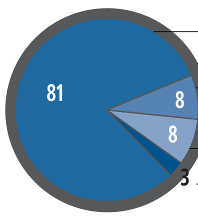
In airport operations, which require special organisational measures and safety standards, Eurovia was selected for the runways and taxiways for the Basel-Mulhouse airport, runway 4 and the renovation of K loop at Paris-Charles de Gaulle, the relocation of the northern runway at Nice, the new airport at Angers, and the reinforcement and extension of the runway at Vatry airport in the Marne region.

Eurovia was also involved in a large number of roadworks projects – widening the 957 secondary road between Epuisay and Vendôme in the Loire region to three lanes, a viaduct on the eastern section of the ring road around Bourges

Eurovia and VBU

Net sales by line of business*

as a percentage and in millions of euros



Roadworks	1,265
Demolition/ miscellaneous	122
Quarries and other industries	128
Motorway operations	44
Total	1,559

** as contribution before internal double counts*

(central France), the bypass to the south-west of Marmande (near Toulouse), and a two-level junction just outside Nancy, in the east.

The development of public transport infrastructure has opened up considerable opportunities for Eurovia. Projects in 1998 included formation level works for the tramways at Montpellier, Orléans and Nantes, the re-routing of mains pipes in preparation for the second tram line in Strasbourg, and a large number of bus lane construction projects.

In road components, the Eurovia subsidiary TSS specialises in concrete lane dividers, metal fencing, signalling and safety equipment. The company has been extensively involved in developing cycle lanes in Paris.

The need for environmental protection has provided Eurovia with considerable potential for operations – such as, in 1998, the construction of waste drop-off centres and landfill sites in Normandy – and an important field of research. The company continued its work on the recycling of worksite materials, clinker from household waste incineration and ash from the incineration of wastewater treatment plant sludge. Eurovia's R&D effort also enabled it to develop an anti-rutting binder and test a new generation of porous asphalts on motorway pavements. In addition to continued involvement in the European CIRC research project into machine position determination, much work was also carried out in the area of water-storage pavements.

GERMANY AND EASTERN EUROPE

VBU operates in the highly competitive markets of the new German *Länder*. The company continued its process of restructuring, modernisation and integration within Eurovia. At €171m, its net sales were again down sharply on the previous year, due to the company's strictly selective policy on order-taking. In its specialist field of motorway operations, VBU refurbished the Dreieck Spreeau A10-A12 junction south of Berlin. During this project, the one thousandth kilometre of renovated Brandenburg motorway was celebrated, VBU having carried out one-quarter of the work. Other major operations in 1998 included the refurbishment of the south runway of Tegel airport in Berlin, the construction of 33 kilometres of cycle path along the River Oder, and laying the concrete wearing course in the longest German motorway tunnel, on the A4 from Dresden to Görlitz in Saxony.

Eurovia, one of **France's leading motorway builders**, is exporting its expertise to Eastern Europe.

The company's traditional demolition business has declined sharply due to a natural slowdown of the market. Nonetheless, VBU completed the demolition of three bridges at the Schönefelder Kreuz motorway junction in 1998. Despite the lack of public sector funding, VBU signed its first pre-financed construction contract, as a member of a consortium. The contract is for the Gardelegen bypass in Sachsen-Anhalt.

Now that it has been completely restructured and operationally integrated into Eurovia, VBU is in a position to make a recovery in a German market that is beginning to stabilise. At the close of 1998, VBU's order book amounted to €73.2m, 35% up on the same period in 1997.

Renovation of the south runway at Berlin's Tegel airport, where 4,000 aircraft take off and land every day.

Eurovia's operations in the new *Länder* are a base for its expansion in Eastern Europe. A major step was taken in 1998 with the organisation of international structures, the conclusion of partnerships and the acquisition of various companies. In Poland, Eurovia acquired PBK, which generates net sales of €4.3m in the south of Katowice and in Silesia, and is now studying other ventures.

In Romania, Slovakia and Albania, Eurovia has been developing businesses that by the end of 1998 had built up a substantial order book. One of the most significant of these orders is for the rehabilitation of Romania's highway 13, from Brasov to Bogota Hill, for €11.1m.

Outside Eastern Europe, Eurovia reinforced its position in Belgium by acquiring Boucher, a Brussels-based company, thus increasing its net sales in the country to €36.6m.

A number of key industrial partnerships were also concluded. One in Switzerland involves a new road binder production unit, which generated net sales of €10.1m in 1998. The other is in Mexico with local contractor Tribasa. A joint company, Bitunova, was started, whose binder output should reach 40,000 tonnes as of 1999.

Eurovia's prospects include increased business volumes, the full benefit of the restructuring of the last two years, focused external growth, expansion of the potential for industrial production, and globalisation. The company now has the means to boost its contribution to SGE's net sales and income. Eurovia's operating income was €31.8m in 1998, up 143%.

Electrical engineering and works

GTIE is the French leader, and one of the leading European companies, in electrical engineering and works. ■ Its contractors operate in infrastructure for power generation, transmission and distribution, as well as industrial works such as automatic monitoring and control systems. ■ The GTIE group is gradually expanding into the fields of information processing and communications, which are currently booming as a result of the spread of mobile phones and the deregulation of telecommunications in Europe. ■ GTIE has, for example, fitted out the Cèdre tower block at La Défense with 3,200 workstations connected by a 1.2 gigabit per second network. ■ GTIE's ability to provide both the design and execution of engineering projects is a major competitive advantage in markets that are permanently impacted by technological change. ■ GTIE's organisation in a network of 450 contractors has enabled it to anticipate these developments. ■ GTIE has begun a strategy of international expansion in Eastern Europe, which involves targeted external growth and working in close cooperation with industrial customers. ■ This strategy is supported by an active R&D policy. ■

Consolidated data*
in millions of euros and *in millions of French francs*

	1996	1997	1998	
Net sales				
	458.5	1,692.0	1,724.6	*11,313.0*
Gross operating surplus				
	18.0	102.5	121.5	*797.0*
Operating income				
	7.4	56.3	72.0	*472.0*
Capital expenditure				
	8.7	37.9	52.4	*344.0*
Average workforce				
	5,403	18,363	17,385	

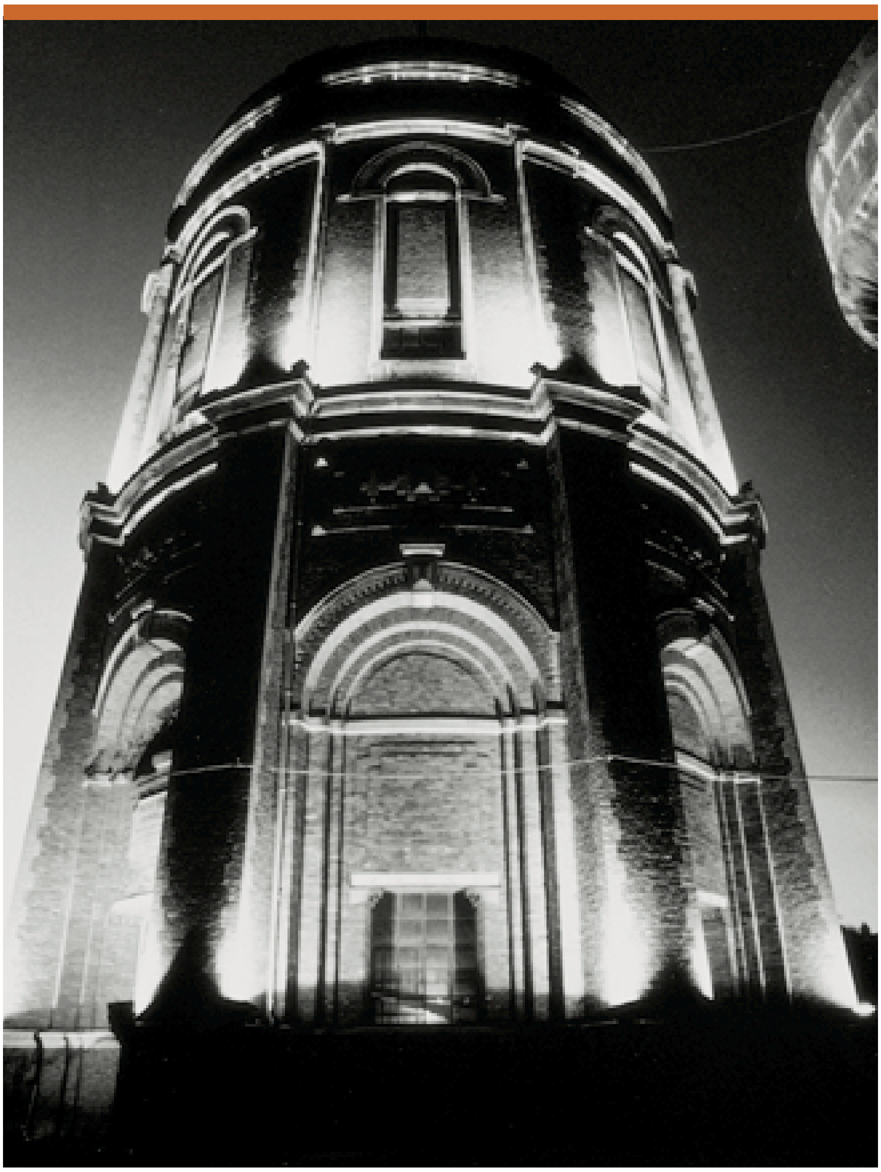
** as contribution after internal double counts*

Radiocommunication mast in Haute-Garonne in southern France built for the mobile phone operator, SFR, to provide coverage over a ten kilometre radius.

GTIE Group

The GTIE group has been built up gradually over the years by absorbing various companies, in particular SDEL and Santerne in 1997. GTIE now offers a unique range of expertise in electrical engineering and works that it applies in the field of electrical power (generation and transmission), industrial works, information processing and communications. It is French leader in its sector.

Two factors differentiate GTIE's approach: its ability to combine engineering design with engineering works in integrated offerings, and its organisation into a very dense network of 450 contractors well rooted in their local markets.



Showing off France's national heritage: illumination of the exterior of Société des Eaux de Cambrai.

This approach has been tailored to a market undergoing radical change. As a result, GTIE's four management groups – SDEL for the Paris region, international markets and major projects; Garczynski Traploir for western France and the French overseas departments and territories; Santerne for the north and east of France, and Fournié-Grospaud for the south – have managed to create sustainable growth while at the same time shifting the focus of their business. They have succeeded in doing so against the background of a shrinking energy market, in contrast with a booming information processing and communications market. Business in this relatively new market already accounts for more than 40% of GTIE's total net sales.

In addition to the integration of design and execution, GTIE's companies have developed considerable expertise in operation and maintenance, which offers the advantage of regular business that is not highly cyclical.

GTIE's 18,000 employees work for a clientele consisting mainly of private sector industrial and service companies, but also of public sector customers that are essentially local authorities.

GTIE has also embarked upon a policy of international growth by partnering customers in their development in Europe, in particular the UK, the Netherlands and Germany, but also some 60 countries around the world. In 1998, 12.5% of GTIE's net sales were generated outside France.

In 1998, GTIE had net sales of €1.7 billion, an incease of 1.9% compared with 1997 in a market of contrasting trends.

Business from operations upstream of power generation, essentially from nuclear sources, was affected by the completion of extensions to the La Hague recycling plant and EDF's decision to call almost a total halt to its building programme.

Net sales of €39.8m from very high voltage (VHV) line installation were down 25% compared with 1997. This was not fully offset by the slow increase in underground VHV lines. Despite undertaking a number of major projects, such as the double 400,000 volt line from Tavel to Réalton in southern France, GTIE took restructuring measures to meet the long-term decline in this business. All the companies operating in this field were brought together within the Enerlignes grouping. Similarly, the GTIE contractors operating in electrical substations were brought together as Enerpôle. This decision was taken because, although business remained satisfactory in 1998, a downturn was foreseeable in 1999.

In distribution networks, EDF's investment has also been severely curtailed. In rural electrification, although there are regional differences, the common feature of all markets is tough competition. Conversely, investment by local authorities picked up in 1998, in particular due to the fall in interest rates. GTIE's business in urban development, environmental services, illumination of historical monuments and public lighting systems benefited from this trend.

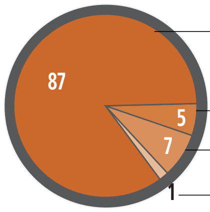
As a result of the underlying long-term market trends, GTIE's four management groups took steps to adapt and regroup their contractors, and to reposition them in the more buoyant investment markets for information processing and communications.

Coming between these two markets, projects in telecommunications infrastructure are generating considerable investments as operators compete in open markets. GTIE contractors have positioned themselves in the markets for mobile phone networks, design and installation of local loops, development of terrestrial technologies, installation and maintenance of fibre optic systems, traffic regulation and parking facilities, and road and motorway equipment.

GTIE Group

Net sales by geographic area*

as a percentage and in millions of euros



France	1,504
Germany	83
Rest of Europe	129
Rest of world	19
Total	1,735

** as contribution before internal double counts*

GTIE installed all the electrical engineering, automatic control and monitoring systems in the OGC Cacao cocoa bean processing plant near Rouen.

In this last area, five GTIE contractors handed over to the authorities of Hauts-de-Seine, just outside Paris, the first phase of the Siter project. Siter is a centrally-controlled traffic management system for 550 kilometres of road, with video-surveillance, information display panels and computerised data processing.
In March, SDEL completed the fitting out of the Vasco da Gama bridge in Lisbon with lighting, information display panels, an emergency call-box system, and remote monitoring and traffic control systems. Substantial orders were taken at the end of the year involving similar expertise, such as the automation and supervision of two bridges connecting Basse-Terre and Grande-Terre on Guadeloupe, and fitting out a gantry crane for the port of Pointe-à-Pitre. Elsewhere, Santerne took an order for electrical equipment for Strasbourg's second tram line.
During the same period, GTIE was awarded the contract for maintenance of Télécom Développement's nationwide fibre optic network. This contract will involve the participation of 21 contractors in the group working throughout France.

In industry in France, the level of investment in 1998 was again very mixed. Business with the automotive sector was highly satisfactory, but was disappointing with the chemical and petrochemical sectors. Capital investment is clearly being driven by the IT requirements of the millennium change. Among the many projects of 1998 were the complete overhaul of the 20,000 volt supply system for the Corbeilles-en-Gâtinais sugar refinery and distillery, and the delivery by Garczynski Traploir of electrical and pneumatic systems. The company also provided computerised monitoring for the new OCG Cacao plant at Petit-Quevilly in Normandy.

In the service sector, business activity grew in 1998 due to high demand in areas such as health, education and the retail food trade. GTIE's offering in corporate communication networks started to develop, with a number of promising contracts. In the Cèdre tower block at La Défense, designed by architects M. Andrault and Cabinet Conceptua, SDEL installed 3,200 workstations connected by a 1.2 gigabit per second network in a world first. Ten GTIE companies working in partnership fitted out 660 GAN insurance company branch offices and 83 Auchan supermarkets with information and communication systems.

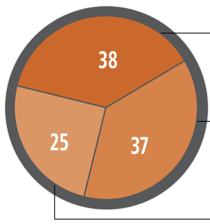
The first phase of Siter, the centralised traffic management system in the Hauts-de-Seine area just outside Paris, went into service in September 1998.

Engineering, electrical installation and instrumentation in the Boehringer pharmaceuticals laboratory at Prenzberg in Bavaria.

Santerne handed over the central technical control system for the European Parliament in Strasbourg, with 22,000 control points, and SDEL completed installation of the electrical and information systems for the new Vivendi head office in Paris (architectural design by F1 Développement). For many of these innovative projects, in addition to designing, managing and carrying out the works, GTIE also often trains the users and provides system maintenance once installed.

GTIE's net sales outside France were generated mainly in other European countries and amounted to €213.4m in 1998. This represents an increase of 8%, in line with the company's strategic choices.
The UK and Dutch subsidiaries improved both net sales and income. In the UK, Lee Beesley Deritend benefited in particular from large-scale investment programmes decided on by Peugeot and Ford in Britain. A new company was set up in the Netherlands to work with Dutchphone (France Télécom group) on the deployment of mobile phone sites. GTIE also entered the mobile phone market in Austria. In Germany, Controlmatic returned to profit, though affected by restructuring.
The generally healthy performance achieved by all GTIE's foreign subsidiaries underpins its objectives for international expansion.
Despite continued restructuring as a result of the changes in the scope of consolidation in 1997 and its shift of focus towards more profitable areas than its traditional activities, GTIE increased its contribution to SGE's income in 1998. GTIE had operating income of €72m, up 28%, including the impact of the application for the first time of the percentage of completion method, as required by standard SGE practice.

GTIE Group
Net sales by line of business*
as a percentage and in millions of euros



Industry	653
Infrastructure	648
Services	434
Total	1,735

** as contribution before internal double counts*

Thermal and mechanical activities

SGE's thermal and mechanical activities bring together contractors specialising in areas such as insulation, power and ventilation systems, fire protection, and building services. ▮ They operate mainly in Germany and France. ▮ In 1998, the decision was taken to give the division its own name – Sophiane. ▮ The companies in Sophiane are major players in their markets and work mainly with industrial customers, which represent 70% of business against 30% for building. Power systems, both conventional and nuclear, are a core sector in Sophiane's growth strategy. ▮ The division holds leadership positions in this sector, whether in traditional lines of business or specific maintenance operations in the presence of radiation. ▮ Other sectors are electronics – for which Sophiane builds clean rooms – petroleum, chemicals, automobiles and aeronautics. ▮ In building, the division is focusing on high-tech operations. ▮ The Reichstag in Berlin is an example, for which Sophiane was lead contractor in 1998 for all HVAC and fire protection systems. In line with its growth strategy in the fire protection market, Sophiane acquired Calanbau, a German company, in 1998. ▮

Consolidated data*

in millions of euros and *in millions of French francs*

	1996	1997	1998	
Net sales	1,193.7	1,094.2	1,036.2	*6,797.0*
Gross operating surplus/(deficit)	27.4	2.7	(3.2)	*(21.0)*
Operating income/(expense)	6.1	(31.6)	2.8	*18.0*
Capital expenditure	6.5	7.0	8.8	*58.0*
Average workforce	9,725	9,016	8,261	

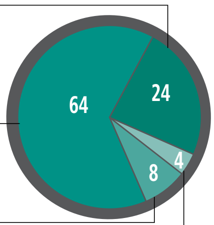
** as contribution after internal double counts*

Nickel installed all HVAC and fire protection systems at the Reichstag in Berlin, where the German Parliament will return in May 1999.

Sophiane

Sophiane
Net sales by geographic area*
as a percentage and in millions of euros

France	228.0
Germany	620.8
Eastern Europe	82.2
Rest of world	30.3
Total	**961.3**



* as contribution after internal double counts

SGE's thermal and mechanical activities include all companies operating in insulation (both thermal and acoustic), power and ventilation systems (industrial air conditioning, fluid supply systems, co-generation, and residential air conditioning), fire protection, and building services (architectural work, façades and refrigerated facilities). Tunzini and Wanner in France, and Nickel and G+H Montage in Germany are all companies that have been in business for more than one hundred years. They are major players in their respective markets, which are all more than three-quarters made up of private sector and industrial customers. Outside the French and German markets, these companies generate some 10% of their net sales in the Benelux countries, the Czech Republic and Slovakia, where they have had a presence for some time, but also in Poland and Hungary and occasionally outside Europe, to partner customers.

Following the completion of a process of integrating the French and German companies to promote synergies, the division was renamed Sophiane. In 1998 it had net sales of €1 billion and operating income of €3.4m, compared with an operating loss of €28.9m in 1997.

Wanner participated in the dismantling of some installations at the Chinon nuclear power station in France and carries out maintenance work there every year.

SOPHIANE INSULATION

Insulation operations are carried out mainly in such sectors as energy, petroleum, chemicals, iron and steel, automobiles, aeronautics and electronics. This business generated net sales of €457.4m in 1998. Industrial and nuclear insulation markets remained generally quiet in France and Germany. In contrast, in Georgia and Slovakia, G+H Montage was involved in several thermal power station projects.

G+H Montage and its main subsidiary operating in the eastern German *Länder*, Isolierungen Leipzig, were affected by sluggish demand, coupled with keen competition from small contractors using low-cost labour. These conditions called for considerable adaptation in order to preserve the competitiveness of the companies and enable them to remain in profit.

Schuh, a company also working in the field of asbestos removal, was in the same position. Its performance, though loss-making, was substantially improved through the implementation of a selective order intake policy and the reduction of net sales by one-fifth to €54m.

In France, the rapidly contracting nuclear market and excessive competition in the market for asbestos removal had a very negative impact on Wanner's accounts. The company again made losses, after having returned to profit in 1997.

Efforts to reposition industrial acoustic operations in more profitable sectors, such as power generation – gas turbines in particular – produced a number of major contracts won mainly outside France. They included the Faridabad power plant in India, Peterhead in Scotland and Cottbus in Ireland. Industrial acoustic operations generated a volume of business of €53.4m, stable compared with 1997. The activity returned to operating profit and growth prospects were favourable.

Business in ship fitting was satisfactory in 1998 due to the healthy situation of the market for cruise liners and fuel tankers. This activity had total business of €18.3m and made an operating profit. The main operations were the fitting out of the *Star*, *Leo* and *Virgo* cruise ships, completed in 1998, as well as of the *Norwegian Sky* and two series of LNG tankers for China and Malaysia.

The pre-insulated pipe sector benefited from a more buoyant market than in 1997, and was awarded a major contract for the Le Havre co-generation plant. This niche market activity contributed €9.2m to operating income.

G+H Montage provided the façade and roof surfacing for the new Tatou building, designed by architect Nicholas Grimshaw, where the Berlin stock market will be housed.

SOPHIANE POWER AND VENTILATION SYSTEMS

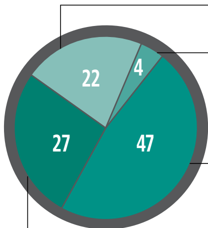
This business covers dynamic thermal technologies used in buildings with sophisticated technical systems, such as hospitals, auditoriums and multimedia centres, as well as in industry and the power generation sector.

In France, Tunzini Industrie's main markets were generally stable compared with 1997. Tunzini continued to shift its focus on to industry and power generation, completing a number of major projects: the Thomson SGS plant, near Aix-en-Provence; Hewlett Packard in Lyons; Sanofi, at Sisteron in the southern Alps, and at Aramon, in central southern France; and CEA and a co-generation unit in Bordeaux. The result was net sales of e91.47m and an operating profit.

In Germany, Nickel was confronted with a serious deterioration of the building services market, but managed to consolidate its recovery thanks to very satisfactory contributions from its Czech and Luxembourg entities and from its facility management subsidiaries, whose activities complement those in new works. In addition to the ZDF television studios (architects: Prof. Gerber & Partner) and the Borsig tower (architect: Deubzer + König, Vasconi) in Berlin, Nickel supplied the interior fittings and fire protection system for the Reichstag (architect: Sir Norman Foster & Partner), due for handover in March 1999, and for Düsseldorf airport (architect: IGK / IGR Ingenieur GmbH).

In partnership with Tunzini Industrie, Nickel set up a subsidiary specialising in clean rooms, which is to promote the concept developed for pharmaceuticals and microelectronics.

Sophiane
Net sales by line of business*
as a percentage and in millions of euros



Power and ventilation systems	207.0
Fire protection	41.0
Insulation	455.3
Building	258.0
Total	**961.3**

** as contribution after internal double counts*

Lefort Francheteau supplied the air conditioning for several buildings – including the Arte television channel headquarters – in Issy-les-Moulineaux, just outside Paris.

SOPHIANE FIRE PROTECTION

The fire protection sector was confirmed as a very promising growth area. Sophiane's German subsidiaries were able to capitalise on the expertise of Tunzini Protection Incendie (TPI) to establish themselves in their domestic market. The total volume of business from this activity was €40.7m in 1998. Towards the end of the year, the acquisition of Calanbau (net sales of €38.1m), furthered Sophiane's growth strategy in this buoyant market. Calanbau is number three in Germany for active fire protection.

SOPHIANE BUILDING

This activity includes architectural finishings, refrigerated facilities and façades, and is mainly focused on the German market.

Net sales in architectural finishings fell 10% as a result of the implementation of in-depth restructuring and a policy of highly selective order taking. This low-tech business, exposed to very keen competition, will continue to decline in 1999 following the closure of the Ausbau Gotha subsidiary. In contrast, G+H Montage succeeded in shifting its focus to clean rooms, in particular for pharmaceuticals firms, in conjunction with Sophiane's power and ventilation system activities.

Exposed to the same pressure of competition, business in refrigerated facility construction continued to contract due to the policy of selective order intake. Business recovered in façade installations, on the other hand, subsequent to in-depth restructuring. Net sales, down 13%, amounted to €22.9m, and this activity broke even.

LEFORT FRANCHETEAU

The Lefort Francheteau group operates mainly in the Paris region. Its Saga subsidiary works in air conditioning for large service sector buildings, plumbing and renovation, and Sonex works in the operation and maintenance of HVAC systems. Lefort Francheteau had 1998 net sales of €63.7m, down 12%.

During the year, major completions by Lefort Francheteau included the head office of France Television (architect: Cabinet Viguier) and Arte, another TV channel (with the firm of architects Atelier 2M), near Paris; and the T4 tower at la Défense (architects: M. Andrault and Cabinet Conceptua). Work also began on the renovation of the hôtel de Lassay (architect: Cabinet Gatier), the residence of the Speaker of the French Parliament.

The company made an operating profit for the tenth year in succession, with income of €2m, and order intake points to a further increase in net sales in 1999.

SGE ENVIRONNEMENT

SGE Environnement specialises in the design and construction of household and industrial waste treatment facilities. It offers innovative processes for incineration and biological waste treatment. In 1998, new processes were added: a water-cooled incineration grid to process high calorific coefficient household and industrial waste; and a methanisation process to produce biogas from fermentable waste. In addition to the application technology, SGE Environnement delivers various types of turnkey treatment facilities.

During 1998, work started on the extension to the plant at Annecy, in the Alps, for €13.1m, while incineration plants were handed over in Bellegarde, Chambéry, Toulouse and Bourg-d'Oisans. The Bapaume composting plant in northern France was opened in August. SGE Environnement was also selected for the composting line in the region of Oporto, Portugal, for €17.5m, and the incineration plant at Fort-de-France, on Martinique, for €49.9m. Work will begin in 1999.

Net sales for the year were €16.3m, down 17%, and operating expense was €2.6m. The order book at year end represented more than €60m.

The composting plant at Bapaume in northern France was opened by Dominique Voynet, Minister for the Environment.

Financial report

Consolidated financial statements

The last three years

(in millions of euros)	1998	1997	1996
Net sales	**8,011.5**	**8,140.2**	**6,552.7**
Of which net sales outside France	2,796.0	2,760.8	2,672.2
Gross operating surplus	310.5	268.0	202.4
Operating income/(expense)	123.6	43.0	(14.1)
Operating income/(expense) plus net financial income	**143.4**	**71.5**	**68.4** (2)
Net income/(expense) before amortisation of goodwill	128.6	68.2	(41.5)
Net income/(expense)	**92.3**	**46.9**	**(56.7)**
Earnings/(loss) per share (in euros)	2.3	1.2	(1.9)
Dividend per share (in euros)	1.4 *	0.8	-
Shareholders' equity	526.4	446.9 (1)	433.9
Provisions for liabilities and charges	1,264.8	1,331.8 (1)	891.8
Net financial surplus	657.0 (3)	769.5 (3)	347.1 (3)
Cash flow from operations	**256.1**	**197.0**	**154.6**
Net capital expenditure	196.3	128.2	114.5
Net financial investments	52.3	99.6	151.0
Average number of employees	**64,451**	**68,251**	**57,289**

* To be proposed to the Shareholders' Meeting.

The impact of the changes in accounting policies implemented in 1998 (the change to the percentage of completion method and the restatement of capital leases) is described in the "Key events" section in the notes to the consolidated financial statements.

(1) Provisions for liabilities and charges at December 31, 1997 include a provision for pension commitments of €173m, accounted for as a charge against shareholders' equity for the first time.

(2) Including capital gains from the disposal of Saint-Gobain shares for €79m.

(3) Excluding the impact of sales of trade accounts receivable (see note 14).

(in millions of French francs)	1998	1997	1996
Net sales	***52,552***	***53,397***	***42,983***
Of which net sales outside France	*18,340*	*18,110*	*17,530*
Gross operating surplus	*2,037*	*1,758*	*1,327*
Operating income/(expense)	*811*	*282*	*(93)*
Operating income/(expense) plus net financial income	***941***	***469***	***448*** (2)
Net income/(expense) before amortisation of goodwill	*843*	*448*	*(272)*
Net income/(expense)	***605***	***308***	***(372)***
Earnings/(loss) per share (in French francs)	*14.8*	*7.7*	*(12.3)*
Dividend per share (in French francs)	*9.2**	*5*	-
Shareholders' equity	*3,453*	*2,932* (1)	*2,846*
Provisions for liabilities and charges	*8,297*	*8,736* (1)	*5,850*
Net financial surplus	*4,310* (3)	*5,048* (3)	*2,277* (3)
Cash flow from operations	***1,680***	***1,292***	***1,014***
Net capital expenditure	*1,288*	*841*	*751*
Net financial investments	*343*	*654*	*(990)*
Average number of employees	**64,451**	**68,251**	**57,289**

* To be proposed to the Shareholders' Meeting.

The impact of the changes in accounting policies implemented in 1998 (the change to the percentage of completion method and the restatement of capital leases) is described in the "Key events" section in the notes to the consolidated financial statements.

(1) Provisions for liabilities and charges at December 31, 1997 include a provision for pension commitments of FF1,136m, accounted for as a charge against shareholders' equity for the first time.

(2) Including capital gains from the disposal of Saint-Gobain shares for FF520m.

(3) Excluding the impact of sales of trade accounts receivable (see note 14).

Consolidated statement of income

(in millions of euros)	Notes	1998	1997	1996
Net sales	16	**8,011.5**	**8,140.2**	**6,552.7**
Other revenue	17	403.6	392.9	308.0
Total revenue		**8,415.1**	**8,533.1**	**6,860.7**
Operating expense		(8,104.6)	(8,265.1)	(6,658.3)
Gross operating surplus		**310.5**	**268.0**	**202.4**
Depreciation and provisions		(186.9)	(225.0)	(216.5)
Operating income/(expense)	18	**123.6**	**43.0**	**(14.1)**
Financial income		24.9	25.3	84.2 (1)
Financial provisions		(5.1)	3.2	(1.7)
Net financial income	19	**19.8**	**28.5**	**82.5 (1)**
Operating income/(expense) plus net financial income		**143.4**	**71.5**	**68.4 (1)**
Exceptional items		(115.3)	50.5	(125.8)
Depreciation and provisions		74.3	(58.5)	(4.5)
Net exceptional expense	20	**(41.1)**	**(8.1)**	**(130.3)**
Employee profit-sharing		(12.7)	(11.5)	(4.8)
Income taxes	21	2.6	(18.4)	(8.6)
Amortisation of goodwill	2	(36.3)	(21.3)	(15.2)
Net income/(expense) before equity interest and minority interest		**55.9**	**12.3**	**(90.5)**
Equity in net earnings of companies accounted for by the equity method	5	40.3	37.2	35.5
Minority interest		(3.9)	(2.5)	(1.6)
Net income/(expense)		**92.3**	**46.9**	**(56.7)**
Weighted average number of shares		40,970,443	40,057,959	30,304,652
Earnings/(loss) per share (in euros)		2.3	1.2	(1.9)

(1) Including capital gains from the disposal of Saint-Gobain shares for €79m.

The impact of the changes in accounting policies implemented in 1998 (the change to the percentage of completion method and the restatement of capital leases) is described in the "Key events" section in the notes to the consolidated financial statements.

Consolidated balance sheet

Assets

(in millions of euros)	Notes	1998	1997	1996
Intangible assets other than goodwill	1	45.4	47.4	46.3
Goodwill	2	201.8	226.9	184.0
Tangible assets	3	827.7	685.3	781.4
Financial assets				
Investments in subsidiaries and affiliates	4	82.9	105.0	78.3
Investments accounted for by the equity method	5	200.3	166.0	147.9
Other financial assets	6	67.9	70.9	67.3
		351.1	**341.9**	**293.6**
Deferred charges	7	31.7	24.2	22.5
Total fixed assets		**1,457.8**	**1,325.8**	**1,327.8**
Inventories and work in process	8 . 15	302.7	1,636.8	604.4
Trade accounts receivable and related accounts	15	3,367.6	3,523.8	2,540.6
Marketable securities and short-term financial receivables	9 . 14	1,181.8	1,275.6	1,147.9
Cash	14	279.2	347.1	153.0
Total current assets		**5,131.3**	**6,783.4**	**4,445.8**
Total assets		**6,589.1**	**8,109.1**	**5,773.6**

The impact of the changes in accounting policies implemented in 1998 (the change to the percentage of completion method and the restatement of capital leases) is described in the "Key events" section in the notes to the consolidated financial statements.

Shareholders' equity and liabilities

(in millions of euros)	Notes	1998	1997	1996
Shareholders' equity	10			
Capital stock		537.6	522.5	394.1
Retained earnings/(losses) before net income/(expense) for the year		(103.5)	(122.5)	96.5
Net income/(expense) for the year		92.3	46.9	(56.7)
		526.4	**446.9**	**433.9**
Minority interest	11	25.2	22.7	11.8
Grants and deferred income	12	0.7	0.8	99.8
Provisions for liabilities and charges	13	1,264.8	1,331.8	891.8
Long-term debt	14			
Subordinated debt, bonds and debentures		51.0	50.6	47.8
Other long-term debt		171.7	128.8	244.7
		222.7	**179.4**	**292.6**
Total capital employed		**2,039.8**	**1,981.6**	**1,729.8**
Accounts payable and similar accounts	15	4,072.1	5,606.7	3,536.7
Short-term debt	14	477.2	520.8	507.1
Total current liabilities		**4,549.3**	**6,127.5**	**4,043.8**
Total shareholders' equity and liabilities		**6,589.1**	**8,109.1**	**5,773.6**

The impact of the changes in accounting policies implemented in 1998 (the change to the percentage of completion method and the restatement of capital leases) is described in the "Key events" section in the notes to the consolidated financial statements.

Cash flow statement

(in millions of euros)	Notes	1998	1997	1996
Operating transactions				
Gross operating surplus		310.5	268.0	202.4
Financial and exceptional transactions		(66.8)	(59.4)	(53.3)
Taxes and contributions		(10.0)	(29.9)	(13.4)
Operating cash flow (excluding dividends received from companies accounted for by the equity method)	22	**233.7**	**178.8**	**135.6**
Net change in working capital requirements (*)	15	(7.6)	18.4	57.5
(I)		**226.1**	**197.2**	**193.1**
Investment transactions				
Capital expenditure		(231.7)	(172.5)	(143.1)
Disposals of fixed assets		35.4	44.3	28.5
Net capital expenditure		**(196.3)**	**(128.2)**	**(114.5)**
Acquisition of investments		(81.6)	(318.7)	(31.0)
Proceeds from the disposal of securities		29.2	219.1	182.1
Net financial investments		**(52.3)**	**(99.6)**	**151.0**
Net change in financial fixed assets		(1.1)	(1.4)	(0.8)
(II)		**(249.7)**	**(229.2)**	**35.7**
Financing operations				
Issues of parent company stock		22.7	237.4	3.0
Minority interest in capital increases of subsidiaries		-	1.2	10.1
Dividends paid by the parent company		(24.6)		
Dividends paid to minority interest in subsidiaries		(3.1)	(1.7)	-
Dividends received from companies accounted for by the equity method		22.4	18.2	19.0
Other long-term liabilities		-	-	99.2
(III)		**18.6**	**263.9**	**121.2**
Cash flows for the financial year (I+II+III)		**(5.1)**	**231.9**	**350.0**
Net financial surplus/(deficit) on January 1 (*)		**769.5**	**347.1**	**(77.0)**
Impact of exchange rates, scope of consolidation and other		26.1	190.5	74.1
Change of accounting policy relating to capital leases		(133.5)		
Net financial surplus/(deficit) on December 31 (*)	14	**657.0**	**769.5**	**347.1**
(*) Excluding the impact of sales of trade accounts receivable		76.2	153.1	154.1

The impact of the changes in accounting policies implemented in 1998 (the change to the percentage of completion method and the restatement of capital leases) is described in the "Key events" section in the notes to the consolidated financial statements.

Notes to the consolidated financial statements

A • KEY EVENTS

Changes in accounting policies

Capital leases

In accordance with the provisions of the Act on consolidated financial statements, the SGE group has opted to account for fixed assets financed by capital leases in the balance sheet with effect from January 1, 1998.

This led to an increase, at January 1, 1998, in net tangible fixed assets of €141m (including €96m in respect of SGE's registered office) and an increase in debt of €134m (see note 3.4).

This change in accounting policy had a positive impact of €7.6m on shareholders' equity at the beginning of the year and of €2.7m on net income (see notes 18 and 19).

The change to the percentage of completion method

At the end of 1998, the SGE group extended the percentage of completion method to the subsidiaries operating in electrical engineering and works and in thermal and mechanical activities. These subsidiaries, which had previously used the completed contract method, were brought into line with the SGE group's other business sectors which were already using the percentage of completion method.

Given the restructuring of the SGE group's business sectors and the way contracts are monitored, this change in accounting policy has been applied to contracts that were ongoing at the end of 1998. Only the margins of those contracts for which the profit can be measured with sufficient reliability have been accounted for.

In addition, provisions for end-of-contract losses have been made for certain projects as part of the same exercise.

The overall impact on net income after taxes amounted to an increase of €18m.

The impact of these changes in accounting policy for the most significant items of the statement of income and the balance sheet can be summarised as follows:

(in millions of euros)	1998	1998 (*)	1997	1996
Net sales	8,011.5	7,979.5	8,140.2	6,552.7
Net income/(expense)	92.3	71.5	46.9	(56.7)
Tangible fixed assets	827.7	693.1	685.3	781.4
Inventories and work in process	302.7	1,565.3	1,636.8	604.4
Trade accounts receivable	3,367.6	3,453.8	3,523.8	2,540.6
Shareholders' equity	526.4	498.0	446.9	433.9
Accounts payable	4,072.1	5,472.3	5,606.7	3,536.7
Net financial surplus	733.2	857.4	922.5	501.3

(*) Applying consistent accounting policies

Costs relating to the introduction of the euro and the year 2000 issue

The costs associated with the introduction of the euro were not of great significance at group level. This expenditure was written off as incurred during the year.

Regarding the year 2000 issue, the operating costs to which the group is committed under guarantees extended to its customers to cover possible breakdowns of computerised systems installed by certain subsidiaries were provided for in 1998. They had an impact of €7m on net income for the year.

The costs for upgrading internal infrastructure and software were recorded as operating expenses during the year.

Changes in the SGE group's structure

The SGE group did not undergo significant changes to its structure in 1998.
In concessions, SGE accounted for three concession operators by the equity method for the first time. These were Consortium Stade de France and Lusoponte (bridges over the Tagus), which came into operation in 1998, as well as SMTPC (the Prado Carénage Tunnel in Marseilles), in which SGE increased its equity holding to 28% during the year.
Regarding Consortium Stade de France, the concession agreement provides for the French State to terminate the concession contract, under certain circumstances, up to June 2000. The financial statements of Consortium Stade de France will therefore be consolidated in the financial statements of the SGE group by the equity method up to that date.
SGE's share in the losses of these three companies is approximately €3m (see note 5).

Presentation of the consolidated financial statements

The euro

In compliance with current regulatory provisions and following the recommendation of the French stock exchange commission ("Commission des Opérations de Bourse"), the SGE group has chosen to present its 1998 consolidated financial statements in euros. Previous years' figures have also been converted into euros, using the official exchange rate at January 1, 1999.

Cash flow statement

Cash flows for the year are now presented in the form of a cash flow statement, which replaces the "Statement of changes in financial position". This change is in line with the recommendations of the National Accounting Board ("Conseil National de la Comptabilité").

An additional key event

Application of the CBC sellers' guarantee granted by Vivendi

The application in 1998 of guarantees entered into when SGE took control of CBC gave rise to an indemnification payment by Vivendi amounting to €32m, in respect of the application of these guarantees and of clauses concerning a return to financial health.
In addition, SGE received an indemnification from Vivendi of €9m to cover additional losses relating to a number of projects undertaken by CBC and its subsidiaries.

B • ACCOUNTING POLICIES

General principles

The consolidated financial statements of SGE, which are included in the consolidated financial statements of Vivendi, are prepared in accordance with French accounting standards as defined by the general chart of accounts ("Plan comptable général"), by the Act of January 3, 1985 and the Decree of February 17, 1986.
These standards have been adapted to take into consideration the accounting treatment recommended by the National Accounting Board in its opinion of June 18, 1997.

1. Consolidation methods

Scope of consolidation

The consolidated financial statements include the financial statements of all companies with net sales greater than €1.5m, as well as those of subsidiaries whose net sales are below this figure but whose impact on the SGE group's financial statements is significant.
Companies over which SGE exercises majority control are fully consolidated. Those over which SGE exercises substantial control are consolidated by the equity method. Jointly controlled entities and joint ventures with a substantial contribution to net sales and a balance sheet of significance to the group are proportionately consolidated.

The breakdown by method of consolidation is as follows:

	1998		1997	
	France	Other	France	Other
Fully consolidated companies	420	154	365	152
Proportionately consolidated companies	29	30	28	33
Equity method	10	6	7	8
	459	**190**	**400**	**193**
Total	649		593	

The broader scope of consolidation is mainly due to the legal reorganisation of the SGE group's structure, principally concerning GTIE.

Translation of foreign subsidiaries' financial statements

The financial statements of consolidated foreign subsidiaries are translated at year-end exchange rates.
Gains or losses arising from foreign currency translation are recorded in consolidated reserves.
Gains or losses of companies in euro zone countries remain in consolidated shareholders' equity, in accordance with applicable rules.

Items denominated in foreign currencies

Consolidated balance sheet items denominated in foreign currencies are translated at year-end exchange rates or at the rate of any hedging instrument used. Only unrealised foreign currency translation losses are provided for in the year.

Goodwill

The principle is to allocate goodwill (which represents the difference between the cost of acquiring shares in a consolidated company and the corresponding proportion of shareholders' equity at the date of acquisition) to the appropriate balance sheet assets and liabilities of the acquired company.
The unallocated balance is recorded in "Goodwill" on the assets side of the consolidated balance sheet and amortised over a period not exceeding 20 years. Goodwill arising from the acquisition of companies that operate quarries is amortised over the expected operating life of the quarry, up to a maximum of 40 years.
When justified by specific circumstances, goodwill may be subject to accelerated amortisation or to a provision.
Goodwill may also be subject to accelerated amortisation or to a write-down when justified by the development of profitability projections or of the structure of the companies concerned.

Deferred taxes

Deferred taxes result from timing differences occurring between the taxable and accounting income of consolidated entities and from restatements relating to changes in the method of consolidation. They are calculated by the liability method.
Any deductible timing differences giving rise to deferred tax assets are recognised in relation to their probability of being utilised against future taxable profits.
This probability is assessed at the year-end using tax forecasts.

2 • Valuation rules and policies

Tangible fixed assets

Land, buildings and equipment are generally valued at their acquisition or production cost. For buildings held for their investment potential, financial costs associated with the construction period are capitalised.
Depreciation is calculated using the straight-line or reducing-balance method over the estimated useful economic lives of assets usually applied in the industry.

These economic lives are as follows:

Buildings held for their investment potential	50 years
Buildings in operation	from 15 to 30 years
Civil engineering equipment	from 2 to 10 years
Vehicles	from 3 to 5 years
Fixtures and furnishings	from 8 to 10 years
Office furniture and equipment	from 3 to 10 years

Investments in subsidiaries and affiliates

The gross book value of unconsolidated investments in subsidiaries and affiliates is equal to their acquisition cost. If this value is greater than the fair value, a provision for depreciation is made to cover the difference.
The fair value is determined from the proportional share of shareholders' equity represented by the investment. This share is adjusted, as appropriate, to take account of its stock exchange value, its strategic interest to the SGE group and the growth and income prospects of the companies concerned.
Any disposals agreed to at the year-end, and whose provisional conditions are fulfilled as at the date of the Board of Directors meeting called to approve the financial statements, are recorded as of the date of signature of the agreement.

Pension commitments

Pension commitments (which relate to both lump sum payments on retirement and supplementary pension benefits) are covered by balance-sheet provisions, for both current and retired employees.
These commitments are assessed by means of an actuarial forecasting method used internationally (the projected unit credit method).

Income recognition

Income from long-term construction contracts is determined by the percentage of completion method.
If a contract is expected to result in a loss, a provision for anticipated losses on completion is made on a reasonable basis, on the basis of the most probable estimate of forecast losses, including, as appropriate, any rights to supplementary revenue or claims.

Operating income plus net financial income

This item reflects the activities of entities within the scope of consolidation, as well as the cost of financing these activities.

It does not take account of items of a non-recurring nature, or not directly related to operations. These include restructuring costs, costs and provisions associated with the disposal of non-operating assets, the cost of closing companies or industrial sites, debt waivers and the impact of guarantees when they are exercised.

C • NOTES TO THE BALANCE SHEET

1 • Intangible assets other than goodwill

The movements during the year were as follows:

(in millions of euros)	Gross book value on 31/12/98	Amortisation as of 31/12/98	Net book value on 31/12/98	Net book value on 31/12/97
Investments relating to concessions	27.9	(4.6)	23.3	24.2
Other intangible assets	62.3	(40.3)	22.1	23.2
	90.2	**(44.8)**	**45.4**	**47.4**

Investments relating to concessions covers the acquisition of intangible rights associated with the award of outsourced management contracts, and comes under Sogea's services business. They are amortised over the term of the contracts.

Other intangible assets consisted mainly of goodwill at the year-end and to software.

2 • Goodwill

The year's movements were as follows:

(in millions of euros)	Gross book value	Amortisation	Net value
At December 31, 1997	**433.9**	**(207.0)**	**226.9**
Goodwill acquired during the year	16.9	-	16.9
Amortisation	-	(36.3)	(36.3)
Foreign currency translation differences	(9.0)	4.3	(4.7)
Scope of consolidation changes and miscellaneous	(5.0)	4.1	(0.9)
At December 31, 1998	**436.8**	**(234.9)**	**201.8**

The principal elements of goodwill acquired during the year relate to the acquisition of holdings in Entreprise d'Electricité et d'Equipement from the GTIE group for €7.5m (acquisition of a further 50% during the year) and in Cofiroute for €2.6m (acquisition of a further 0.247% during the year).

Goodwill relating to certain subsidiaries undergoing restructuring (Moter and CBC) was the subject of exceptional amortisation amounting to €14.6m.

This item includes the goodwill of UK subsidiaries (€65m or £45.5m) and of Moter (€14m), with the other significant contributors being certain subsidiaries in the GTIE group (€46m).

3 • Tangible fixed assets

3.1. Movements in the year

(in millions of euros)	Gross book value	Amortisation	Net value
At December 31, 1997	**1,841.3**	**(1,156.0)**	**685.3**
Acquisitions	198.3	-	198.3
Disposals	(177.6)	158.1	(19.5)
Depreciation and provisions in the year	-	(170.3)	(170.3)
Change of accounting policy [1]	174.3	(33.1)	141.2
Foreign currency translation adjustments	(14.0)	7.9	(6.1)
Scope of consolidation changes and miscellaneous	(9.9)	8.7	(1.2)
Values as of December 31, 1998	**2,012.4**	**(1,184.7)**	**827.7**

(1) Inclusion in the balance sheet of assets financed by capital leases (see note 3.4).

3.2. Breakdown by type of asset

(in millions of euros)	Gross book value on 31/12/1998	Amortisation as of 31/12/1998	Net book value on 31/12/98	Net book value on 31/12/97
Land	159.9	(14.2)	145.6	122.9
Buildings	433.5	(169.2)	264.3	161.4
Plant and equipment	842.2	(637.3)	204.9	183.6
Fixtures and other	471.2	(359.3)	111.9	115.6
Concessions	83.7	(4.7)	79.1	80.8
Assets under construction	21.9	(0.1)	21.8	21.0
	2,012.4	**(1,184.7)**	**827.7**	**685.3**

3.3. Breakdown by business sector

	1998			1997		
(in millions of euros)	Gross book value	Depreciation	**Net book value**	Gross book value	Depreciation	**Net book value**
Building and civil engineering	847.9	(483.1)	**364.8**	814.9	(466.4)	**348.5**
Roadworks	538.6	(351.0)	**187.5**	526.1	(349.1)	**177.0**
Electrical engineering and works	363.6	(230.6)	**133.0**	348.7	(233.7)	**115.0**
Thermal and mechanical activities	143.7	(104.1)	**39.6**	137.9	(100.2)	**37.7**
Holdings and miscellaneous	118.7	(15.9)	**102.7**	13.8	(6.6)	**7.2**
	2,012.4	(1,184.7)	**827.7**	1,841.3	(1,156.0)	**685.3**

3.4. Tangible fixed assets financed by capital leases

Fixed assets purchased by capital leases are recorded in the balance sheet with effect from January 1, 1998.

By business sector, they break down as follows:

	1998			1997		
(in millions of euros)	Gross book value	Depreciation	**Net book value**	Gross book value	Depreciation	**Net book value**
Building and civil engineering	28.6	(14.5)	**14.1**	34.2	(16.4)	**17.9**
Roadworks	16.5	(3.6)	**12.9**	16.5	(3.3)	**13.2**
Electrical engineering and works	10.9	(3.5)	**7.4**	10.9	(2.7)	**8.2**
Thermal and mechanical activities	7.8	(2.4)	**5.5**	7.5	(2.0)	**5.5**
Holdings and miscellaneous	105.1	(10.4)	**94.7**	105.1	(8.7)	**96.4**
	168.9	(34.3)	**134.6**	174.3	(33.0)	**141.2**

They consist mainly of property (including SGE's registered office, with a net book value at the end of 1998 of €95m).

4 • Investments in subsidiaries and affiliates

This item includes the shares of companies whose size is not significant in relation to the threshold adopted for the scope of consolidation.
It also includes (as a temporary measure) shares in Terre Armée Internationale and Calanbau (fire protection in Germany) acquired at the end of December by Freyssinet and Sophiane respectively. These two companies will be consolidated in 1999.

5 • Investments accounted for by the equity method

Movements in the year

(in millions of euros)	1998	1997	1996
Value at the beginning of the year	**166.0**	**147.9**	**130.3**
Group share of net income for the year	40.3	37.2	35.5
Of which for concessions	39.2	37.2	32.8
Dividends paid and miscellaneous	(22.4)	(19.1)	(18.0)
Scope of consolidation changes and miscellaneous	16.5	-	-
Value at the end of the year	**200.3**	**166.0**	**147.9**
Of which for concessions	195.1	160.1	140.6

The dividends paid by Cofiroute amounted to €21m in 1998 (against €17.7m in 1997).

Financial details of concessions

Investments in companies accounted for by the equity method consist mainly of concession operators in which the SGE group has substantial influence (Cofiroute, Stade de France, Lusoponte and SMTPC).
The key financial figures of these companies for 1998 are as follows (on a 100% basis):

(in millions of euros)	Cofiroute	Stade de France	Lusoponte	SMTPC
Net sales	710.0	41.8	39.5	21.5
Operating income	378.2	7.6	11.0	16.2
Operating income less net financial expense	242.6	(1.3)	(20.9)	0.3
Net income/(expense)	136.1	(1.3)	(11.4)	0.0
Group share of net income/(expense)	**42.4**	**(0.3)**	**(2.9)**	**0.0**
Shareholders' equity	636.2	21.8	13.6	7.2
Group share of shareholders' equity	**198.0**	**7.3**	**3.4**	**2.0**
Net debt	1,465.5	118.6	398.1	164.5
Non-recourse financing	1,465.5	111.8	335.4	140.9
Shareholder advances and other	-	6.9	62.7	23.6

The financial statements of concession operators accounted for by the equity method have not been restated in the group financial statements.

6 • Other financial assets

This item breaks down as follows:

(in millions of euros)	1998	1997	1996
Long-term financial receivables	61.3	63.7	60.3
Other net financial assets	6.6	7.2	7.0
	67.9	70.9	67.3

Financial receivables consist mainly of loans granted to unconsolidated subsidiaries, as well as shareholder advances to concession operators consolidated by the equity method (Stade de France and Lusoponte).

Other net financial assets include, in particular, convertible subordinated securities in SMTPC (Prado Carénage Tunnel in Marseilles) held by the group.

7 • Deferred charges

Charges deferred to future financial periods mainly consist of:
- project preparation costs, whose amortisation is spread over the duration of the work;
- rental pre-payments connected with the capital lease financing of the registered office at Rueil 2000, which are amortised over the duration of the leasing contracts.

8 • Inventories and work in process

This item now consists mainly of building work in process by the Sorif-Sorinvest group, and of several specific international projects (including the Hilton Hotel in Frankfurt for €89m).

Breakdown by business sector

(in millions of euros)	1998	1997	1996
Electrical engineering and works	18.7	1,078.6	179.1
Thermal and mechanical activities	12.7	318.0	320.3
Property	81.0	46.2	5.0
Other	190.4	194.1	99.9
	302.7	1,636.8	604.4

Since the business sectors operating in electrical engineering and works and in thermal and mechanical activities now account for income using the percentage of completion method, the work in process by their entities is presented as accounts receivable.

9 • Marketable securities and short-term financial receivables

Marketable securities and short-term financial receivables can be broken down as follows:

(in millions of euros)	1998	1997	1996
Marketable securities	918.0	522.1	545.2
Short-term financial receivables	236.0	753.4	602.8
Sub-total(1)	1,154.0	1,275.6	1,147.9
Other marketable securities	27.9	-	-
	1,181.8	1,275.6	1,147.9

(1) This item constitutes a financial asset that is included in SGE's net debt (see note 14).

Marketable securities consist primarily of negotiable debt instruments and cash instruments (mutual funds). There is no significant difference between their market value at December 31, 1998 and their net book value on the same date.

Short-term financial receivables include the current accounts of several unconsolidated companies as well as the current cash account with Vivendi.

Other marketable securities correspond to SGE's own shares purchased under a scheme introduced in 1998 and approved by the French stock exchange commission ("Commission des Opérations de Bourse").

In 1998 this operation included 1,030,553 shares (2.5% of SGE's capital stock) at an average price of €38.4. Of these shares, 811,919 are being held with a view to allocation to employees under various stock option schemes.

10 • Movements in shareholders' equity

(in millions of euros)

Shareholders' equity	Capital	Reserves	Income/ (expense)	Total
At December 31, 1996	**394.1**	**96.5**	**(56.7)**	**433.9**
Capital increases	128.5	108.9	-	237.4
Goodwill charged against additional paid-in capital (*)	-	(103.4)	-	(103.4)
Allocation of income/(expense) and dividends paid	-	(56.7)	56.7	-
Impact of change in accounting for pensions	-	(171.7)	-	(171.7)
Foreign currency translation differences and other	-	3.8	-	3.8
Group share of net income for the year	-	-	46.9	46.9
At December 31, 1997	**522.5**	**(122.5)**	**46.9**	**446.9**
Capital increases	15.1	7.6	-	22.7
Allocation of income/(expense) and dividends paid	-	22.4	(46.9)	(24.5)
Purchase of own shares	-	(10.1)	-	(10.1)
Impact of changes in accounting policies	-	7.6	-	7.6
Foreign currency translation differences and other	-	(8.5)	-	(8.5)
Group share of net income for the year	-		92.3	92.3
At December 31, 1998	**537.6**	**(103.5)**	**92.3**	**526.4**

(*) Goodwill charged against SGE's shareholders' equity in 1997 represents theoretical amortisation of € 5.2m per annum.

Capital increases during the year correspond to shares issued under SGE's savings scheme or to exercised options.
At the end of 1998 the capital stock consisted of 41,487,757 shares of €13 (FF85) each. The number of shares which could be purchased at the end of 1998 by the exercise of options was 1,613,917.
SGE bought back 218,634 of its own shares under the share purchase scheme introduced in 1998. These shares are earmarked for cancellation and were charged against consolidated shareholders' equity, in accordance with new provisions.
In addition, in accordance with current accounting regulations, the impact at the beginning of the year of the change in accounting policy relating to the treatment of fixed assets financed by capital leases was charged to consolidated shareholders' equity.
Foreign currency translation differences are recorded in consolidated reserves for €10.6m at the end of December 1998. This amount includes €3.5m relating to subsidiaries in the euro zone and €4m relating to the british subsidiaries.

11 • Minority interest

The movement of minority interest during the year is as follows:

(in millions of euros)	1998	1997	1996
Beginning of the year	**22.7**	**11.8**	**10.1**
Capital increases subscribed by third parties	1.2	10.1	-
Minority interest share in the year's net income	3.9	2.4	1.7
Impact of changes in accounting policies	-	(1.7)	-
Dividends paid	(2.9)	(0.6)	1.2
Foreign currency translation differences	(0.6)	(0.3)	0.2
Scope of consolidation changes and miscellaneous	0.9	1.1	(1.4)
End of the year	**25.2**	**22.7**	**11.8**

For subsidiaries whose shareholders' equity (including the current year's net income) was negative, the group assumed the minority interest share of shareholders' equity.

12 • Grants and deferred revenue

At the end of 1996, this item consisted primarily of the advance payment of €99m received from the purchaser of the Lindencorso project in Berlin, under the lease extended to that purchaser for a period of 50 years. Lindencorso was sold to the CGIS group on January 1, 1997.

13 • Provisions for liabilities and charges

Movements in provisions for liabilities and charges over the year were as follows:

(in millions of euros)	31/12/1997	Allocations	Reversals	Scope and other changes	31/12/1998
Operating risk	954.9	352.2	(349.0)	8.3	966.5
Financial risk	39.6	3.3	(7.4)	(18.9)	16.6
Exceptional risk	337.2	121.9	(169.9)	(7.5)	281.7
	1,331.8	**477.4**	**(526.3)**	**(18.1)**	**1,264.8**

Breakdown by business sector

(in millions of euros)	Operating	Financial	Exceptional	Total
Building and civil engineering	467.1	5.6	129.3	602.0
Roadworks	125.8	0.3	39.8	165.9
Electrical engineering and works	88.4	5.8	41.9	136.1
Thermal and mechanical activities	245.1	-	34.0	279.1
Holding and miscellaneous	40.1	4.9	36.7	81.7
	966.5	**16.6**	**281.7**	**1,264.8**

Operating risk provisions break down as follows:

(in millions of euros)	1998	1997	1996
Amortisation of assets under concession	15.3	14.3	13.6
Replacement of installations and full warranty	16.0	21.3	26.7
Pension commitments	283.3	279.9	102.6
After-sales service	159.6	122.3	88.1
Anticipated losses on contracts	103.4	161.4	107.9
Other operating risks	389.0	355.7	302.8
	966.5	**954.9**	**641.7**

Pension commitments provided for at December 31, 1998 are detailed in note 24.
Other operating risks consist principally of provisions for litigation.

"Provision for exceptional risk" comprises provisions covering risks of a non-recurring nature. These include in particular restructuring costs (€102m at the end of 1998, of which €49m for the building and civil engineering business sector, €21m for electrical engineering and works and €25m for thermal and mechanical activities) and exceptional disputed claims.

14 • Net financial surplus

At the end of 1998, the SGE group had a surplus cash position of €733m (€923m at the end of 1997), which includes the impact of the restatement of capital leases (€124m).
It breaks down as follows:

(in millions of euros)	1998	1998 (*)	1997	1996
Subordinated debt (▸ 1 year)	(45.7)	(45.7)	(45.7)	(45.7)
Bond issues (▸ 1 year)	(5.3)	(5.3)	(4.9)	(2.1)
Debt relating to capital leases (▸ 1 year)	(114.6)	-	-	-
Other borrowing and debt (▸ 1 year)	(57.2)	(57.2)	(128.8)	(244.7)
Total debt (▸ 1 year)	**(222.7)**	**(108.2)**	**(179.4)**	**(292.6)**
Debt relating to capital leases (◂ 1 year)	(9.7)	-	-	-
Other long-term debt (◂ 1 year)	(10.5)	(10.5)	(75.9)	(195.3)
I - Total long-term debt	**(242.8)**	**(118.8)**	**(255.4)**	**(487.9)**
Bank overdrafts and other short-term borrowing	(457.1)	(457.0)	(444.9)	(311.8)
Marketable securities and other short-term receivables (**)	1,154.0	1,154.0	1,275.6	1,147.9
Cash	279.2	279.1	347.1	153.0
II - Net cash position	**976.1**	**976.1**	**1,177.9**	**989.1**
Net financial surplus [II-I]	**733.2**	**857.4**	**922.5**	**501.3**
(**) Of which, sales of trade accounts receivable	76.2	76.2	153.1	154.1
Net financial surplus excluding sales of notes receivable	657.0	781.2	769.5	347.2

(*) Excluding the impact of capital leases (restated as from January 1, 1998).

The reduction in long-term debt in 1998 is the result of amortisation over the borrowing period, including €9m relating to outstanding capital lease payments.

Breakdown of long-term debt into fixed and variable rates

(in millions of euros)	Capital leases		Borrowing		Total	
1998	**Share**	**Rate**	**Share**	**Rate**	**Share**	**Rate**
Fixed rate (*)	26.1	7.15%	87.2	6.53%	113.3	6.67%
Variable rate	98.0	4.55%	31.6	4.03%	129.6	4.42%
Total	124.1	5.10%	118.8	5.87%	242.9	5.47%

(in millions of euros)	Capital leases		Borrowing		Total	
1997	**Share**	**Rate**	**Share**	**Rate**	**Share**	**Rate**
Fixed rate (*)	24.7	7.44%	126.8	6.83%	151.5	6.93%
Variable rate	108.7	5.24%	128.5	4.21%	237.2	4.66%
Total	133.4	5.65%	255.4	5.54%	388.7	5.56%

(*) Including hedged variable rates.

Long-term debt in foreign currencies

Debt denominated in foreign currencies amounted to €13m, evenly divided between capital leases and borrowing, including two-thirds denominated in deutschemarks.

Maturity of debt > 1 year

(in millions of euros)	Borrowing	Leases	Total
Maturity between one and two years	8.4	9.6	18.0
Maturity between two and five years	61.3	30.0	91.3
Maturity ▸ five years	26.2	73.5	99.7
Undetermined maturity	12.3	1.4	13.7
Debt ▸ 1 year	**108.2**	**114.6**	**222.7**

"Bank overdrafts and other short-term borrowing" includes treasury bills issued by the SGE parent company for €40m at December 31, 1998 (compared with €81m at the end of 1997), of which about one-third is denominated in foreign currencies (£7m).

15 • Working capital requirement

(in millions of euros)	1998	1997	Consolidation changes	Changes in accounting (*)	Net variation
Inventories and work in process (net value)	302.7	1,636.8	12.1	(1,262.6)	(83.6)
Trade accounts receivable	3,535.7	3,671.2	18.0	(86.2)	(67.4)
Provision for accounts receivable	(168.1)	(147.4)	9.0		(29.7)
Other marketable securities	27.9				27.9
Inventories and accounts receivable (I)	**3,698.1**	**5,160.7**	**39.1**	**(1,348.8)**	**(152.8)**
Trade and other accounts payable	4,072.1	5,606.7	51.4	(1,398.4)	(187.6)
Accounts payable (II)	**4,072.1**	**5,606.7**	**51.4**	**(1,398.4)**	**(187.6)**
Working capital requirement (I-II)	**(373.9)**	**(446.0)**	**(12.3)**	**49.6**	**34.8**
Of which, sales of trade accounts receivable	76.2	153.1			(76.8)
Working capital requirement (excluding sales of trade accounts receivable)	(297.7)	(292.9)	(12.3)	49.6	(42.0)

(*) Impact of the change to the percentage of completion method.

Excluding changes in the scope of consolidation and sales of trade receivables, the net variation in working capital requirement amounts to an increase of €7.6m.

Breakdown by business sector

(in millions of euros)	1998	1997	Consolidation changes	Changes in accounting	Other variations
Building and civil engineering	(4.3)	86.9	(12.7)	-	(78.5)
Roadworks	(57.5)	(115.0)	7.5	-	50.0
Electrical engineering and works	(188.3)	(192.4)	(1.2)	36.0	(30.6)
Thermal and mechanical activities	(7.5)	(69.2)	42.2	13.6	5.9
Holding and miscellaneous	(40.2)	(3.2)	(48.2)	-	11.2
Sales of trade receivables	(76.2)	(153.1)	-	-	76.8
	(373.9)	**(446.0)**	**(12.3)**	**49.6**	**34.8**

D • NOTES TO THE STATEMENT OF INCOME

16 • Net sales

The consolidated net sales figure excludes incidental goods and services, as well as services to unconsolidated joint ventures, which are reclassified as other revenue (see note 17).
The movement in net sales includes the effects of changes in the scope of consolidation, foreign currency rates and the change to the percentage of completion method.
It breaks down as follows:

(in millions of euros)	1998	1997
Net sales in the year	**8,011.5**	**8,140.2**
Of which:		
• Net sales of newly consolidated companies	(105.0)	-
• Net sales of companies no longer consolidated	-	(83.3)
• Impact of foreign currency differences	-	(27.0)
• Impact of the percentage of completion method	(32.0)	-
Net sales on a like-to-like consolidation basis, at consistent exchange rates and applying consistent accounting policies	**7,874.5**	**8,030.0**

On a like-to-like consolidation basis, at constant exchange rates and applying consistent accounting policies, net sales fell 1.9% compared with 1997.

Breakdown of net sales by business sector and by geographical area

(in millions of euros)	France	Europe	Rest of world	Total	%
Building and civil engineering	2,047.6	1,173.3	432.8	3,653.8	45.6%
Roadworks	1,335.2	223.9	0.1	1,559.3	19.5%
Electrical engineering and works	1,504.7	211.3	19.4	1,735.4	21.7%
Thermal and mechanical activities	294.2	718.6	18.0	1,030.8	12.9%
Elimination and miscellaneous	33.7	(1.5)	-	32.2	0.3%
	5,215.5	2,325.6	470.3	8,011.5	
%	65.1%	29.0%	5.9%		100.0%

Breakdown of net sales by business sector over the last three years

	1998	1997	1996	Variation 1998/1997	
(in millions of euros)				actual consolidation	like-to-like consolidation
Building and civil engineering	3,653.8	3,790.8	3,392.1	-3.6%	-1.9%
Roadworks	1,559.3	1,557.3	1,518.2	+0.1%	-1.3%
Electrical engineering and works	1,735.4	1,702.7	459.3	+1.9%	+1.5%
Thermal and mechanical activities	1,030.9	1,079.6	1,220.7	-4.5%	-5.1%
Elimination and miscellaneous	32.2	9.9	(37.8)		
	8,011.5	8,140.2	6,552.7	-1.6%	-1.5%

Breakdown of net sales by geographical area

(in millions of euros)	1998	1997	1996	% net sales	Variation 1998/1997
France	**5,215.5**	**5,379.4**	**3,880.5**	**+65.1%**	**-3.0%**
Germany	1,180.0	1,252.2	1,362.6	+14.7%	-5.8%
UK	541.3	544.6	433.1	+6.8%	-0.6%
Benelux countries	296.2	252.7	137.5	+3.7%	+17.2%
Portugal	84.1	132.7	108.1	+1.0%	-36.7%
Eastern Europe	103.2	98.4	37.8	+1.3%	+4.9%
Spain	19.8	12.8	18.1	+0.2%	+54.5%
Other European countries	101.1	70.9	76.2	+1.3%	+42.5%
Europe excluding France	**2,325.6**	**2,364.4**	**2,173.5**	**+29.0%**	**-1.6%**
EUROPE	**7,541.2**	**7,743.8**	**6,054.0**	**+94.1%**	**-2.6%**
Africa	286.1	254.1	273.8	+3.6%	+12.6%
Asia	100.5	93.8	195.6	+1.3%	+7.2%
Middle East	41.1	26.7	18.0	+0.5%	+53.8%
Americas	15.7	19.6	10.1	+0.2%	-19.9%
Pacific	26.9	2.2	1.2	+0.3%	-
REST OF WORLD	**470.3**	**396.5**	**498.7**	**+5.9%**	**+18.6%**
	8,011.5	**8,140.2**	**6,552.7**	**+100.0%**	**-1.6%**

17 • Other revenue

(in millions of euros)	1998	1997	1996
Share in net income of unconsolidated joint ventures	21.5	19.2	12.0
Transferred to assets as deferred expenses	15.4	9.0	9.4
Miscellaneous services	350.7	352.9	277.0
Revenue from property management	16.0	11.7	9.6
	403.6	**392.9**	**308.0**

"Miscellaneous services" refers to revenue not directly related to business operations, such as equipment rental, merchandise sales, engineering and design services, project management fees, and so on.

Costs transferred to assets include only deferred expenses incurred during the year (see note 7).

18 • Operating income

18.1. Breakdown by business sector

(in millions of euros)	1998	1997	1996
Building and civil engineering	18.3	6.1	(29.0)
Roadworks	31.7	13.1	(2.4)
Electrical engineering and works	72.0	56.3	7.5
Thermal and mechanical engineering	5.5	(27.0)	6.1
Holding and miscellaneous	(3.8)	(5.5)	3.8
	123.6	**43.0**	**(14.1)**

Operating income reflects the impact of the restatement of capital leases and the change to the percentage of completion method on the incomes of electrical engineering and works and thermal and mechanical activities. Thermal and mechanical activities included additional charges for anticipated end-of-contract losses.

Operating income also includes additional provisions of a non-recurring nature, to cover after-sales service and geopolitical risks.

The impact of these various factors on operating income was an increase of approximately €24m.

18.2. Breakdown of operating expenses by type

Operating expenses

(in millions of euros)	1998	1997	1996
Purchases	2,314.8	2,273.3	1,885.0
Outside services	3,099.9	3,252.2	2,545.4
Wages, salaries and benefits	2,326.7	2,389.6	1,900.4
Other expenses	363.2	350.0	327.4
	8,104.6	8,265.1	6,658.3

Depreciation, amortisation and provisions

(in millions of euros)	1998	1997	1996
Depreciation and amortisation			
Intangible assets	8.8	7.2	4.4
Tangible assets	167.5	169.5	161.1
Deferred expenses	11.0	7.6	20.3
	187.4	184.3	185.8
Net allocations to provisions			
Write-down of assets	(3.6)	1.8	3.5
Operating liabilities and charges	3.2	38.9	27.1
	(0.5)	40.7	30.7
Total depreciation, amortisation and provisions	186.9	225.0	216.5

19 • Net financial income

(in millions of euros)	1998	1998 (*)	1997	1996
Net interest income/(expense)	11.6	17.7	12.2	(9.5)
Dividends received	8.2	8.2	10.5	3.4
Gains from disposals of shares	-	-	-	84.6
Financial provisions	(5.1)	(5.1)	3.2	(1.7)
Foreign currency translation and other gains	5.1	5.4	2.6	5.6
	19.8	26.2	28.5	82.5

(*) Using consistent accounting policies (excluding financial costs of capital leases).

20 • Net exceptional expense

(in millions of euros)	1998	1997	1996
Net gain from disposals of assets	13.9	136.4	2.1
Net restructuring costs	(64.3)	(90.4)	(66.3)
Other exceptional gains and losses (net of provisions)	9.4	(54.1)	(66.1)
	(41.1)	(8.1)	(130.3)

"Other exceptional gains and losses" include a gain of €1.7m (€32m in 1997) from the tax consolidation introduced by Vivendi in the UK.
In addition, it includes various gains and losses resulting from the clarification of certain risks and from the settlement of several disputed claims at SGE holding company level. Their net impact is an increase of approximately €13m.

21 • Income taxes

(in millions of euros)	1998	1997	1996
Current taxes	(14.8)	(18.5)	(8.6)
Deferred taxes	17.4	0.1	-
	2.6	(18.4)	(8.6)

"Current taxes" refers principally to subsidiaries and entities not consolidated for tax purposes, including certain subsidiaries of the GTIE group.
On the basis of a projected return to lasting profitability, an evaluation has been made of deferred tax assets which could, with reasonable probability, be recovered.
In this respect, and in accordance with the prudence concept, only the net deferred tax revenue resulting from all the timing differences of the SGE tax group expected to reverse during 1999 were credited in net income for the year. The impact of this treatment is a net tax credit of €17m.

For the SGE tax group in France, tax deficits that may be carried forward and that have not been included in deferred tax assets amounted to €150m at December 31, 1998.

E • ADDITIONAL INFORMATION

22 • Cash flow from operations

The reconciliation of net income of consolidated companies to cash flow from operations is as follows:

(in millions of euros)	1998	1997	1996
Net income/(expense) of consolidated companies	**55.9**	**12.2**	**(90.5)**
Net amortisation/depreciation allocations	223.3	207.6	207.4
Net allocations to provisions	(31.6)	95.4	20.9
Gross cash flow from operations	**247.6**	**315.3**	**137.8**
Losses from disposals of assets	(13.9)	(136.4)	(2.2)
Cash flow (excluding dividends received from companies accounted for by the equity method)	**233.7**	**178.8**	**135.6**
Dividends from companies accounted for by the equity method	22.4	18.1	19.0
Cash flow from operations	**256.1**	**197.0**	**154.6**

Breakdown by business sector

(in millions of euros)	1998	1997	1996
Building and civil engineering	30.2	78.4	79.7
Roadworks	75.2	51.2	25.6
Electrical engineering and works	130.3	85.7	16.0
Thermal and mechanical activities	10.2	(13.3)	10.2
Property in Berlin	-	-	(65.9)
Holding and miscellaneous	10.2	(5.0)	88.9 (1)
	256.1	197.0	154.6

(1) Including capital gains from the sale of Saint-Gobain shares for €79m.

23 • Commitments and contingencies

Commitments given

They break down as follows:

(in millions of euros)	1998	1997	1996
Performance bonds and guarantees	2,136.4	2,355.3	2,093.9
Lump sum payments on retirement (1)	-	-	35.7
Additional pension commitments (1)	-	-	80.8
Guarantees given to unconsolidated partnerships	232.6	237.2	144.5
Other commitments	79.1	49.2	45.6
	2,448.2	2,641.8	2,400.5

(1) These pension commitments are described in detail in note 24.

The majority of commitments given are accounted for by guarantees granted in respect of major contracts, which represent the majority of "Performance bonds and guarantees" and essentially cover advance payments received and end-of-contract performance guarantees.

Commitments received

Commitments received, consisting essentially of personal sureties (performance bonds and guarantees) amounted to €357m at December 31, 1998 compared with €344m at December 31, 1997. In connection with its 90% controlling share of CBC, SGE received an assets and liabilities guarantee from Vivendi effective up to December 31, 2003.

24 • Commitments relating to retirement

(in millions of euros)	1998	1997	1996
Commitments undertaken in France			
Lump sum payments on retirement	68.7	66.3	67.2
Pension and other retirement commitments	27.0	28.3	27.0
Of which – for current employees	11.8	13.3	13.0
– for retired employees	15.2	15.1	14.0
Total	**95.7**	**94.7**	**94.2**
Of which – covered by insurance schemes	3.0	1.7	1.7
– covered by provisions	92.7	93.0	17.8
– included in "Commitments and contingencies"	-	-	74.7
Commitments undertaken outside France			
Pension and other commitments	347.7	291.2	268.8
Of which – for current employees	180.5	152.9	140.6
– for retired employees	167.3	138.3	128.2
Total	**347.7**	**291.2**	**268.8**
Of which – covered by provisions	190.6	186.9	84.9
– covered by pension funds	146.4	104.3	85.5
– included in "Commitments and contingencies"	10.9	-	98.3
Total commitments	**443.4**	**385.8**	**363.0**

Commitments covered by pension funds relate to the UK subsidiary, Norwest Holst. The financial assets managed by this pension fund have a value exceeding the commitments by approximately €27m.
The actuarial assumptions applied depend on the prevailing conditions in each of the countries concerned. They have been adjusted to take account of changing interest rates and changing mortality statistics.

25 • Management of the interest rate risk associated with long-term debt

The majority of the management of debt interest rate risk relates to capital lease transactions. In order to take advantage of falling interest rates in Europe, the debt relating to SGE's capital leases covering the Rueil 2000 buildings (€85m outstanding at December 31, 1998), which had initially been swapped to a fixed rate, was swapped again to variable rates between June 1994 and June 1995. At present these swap and re-swap transactions cover €72m each, with maturity dates in 2000 for the most part and 2007 for the remainder (€12m).
Other hedging operations cover €4m of capital leases and €11m of long-term borrowings. Swaps and interest rate insurance instruments are used in equal amounts for these transactions, with maturity dates extending to 2002.

26 • Number of employees

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

	1998	1997	1996
Engineers and managers	7,899	7,176	5,015
Other	56,552	61,075	52,274
	64,451	68,251	57,289

Related wages, salaries and benefits amounted to €2.3 billion in 1998 (against €2.4 billion in 1997).

27 • Remuneration of senior management and Board members

The total remuneration paid to members of the SGE group's Executive Committee amounted to €3.8m in 1998. In addition, fees paid to Board members amounted to €122,000.
Stock options held by Executive Committee members and not exercised at the end of 1998 totalled 874,040 shares, at an average exercise price of €33.32 per share.

28 • Other information

Litigation and arbitration

To the company's knowledge, there is no exceptional fact or litigation likely to affect substantially the business, financial performance, assets and liabilities or the financial situation of the SGE group or parent company.

The claim lodged by Nersa against SGE resulted in an award against SGE jointly with an Italian entrepreneur, who is now bankrupt. EDF, having been implicated by SGE, was ordered to guarantee SGE up to 40%, which reduces the principal amount of SGE's liability to €8.8m (€13.6m including interest). Given the circumstances of the case, SGE will be lodging an appeal against this decision.

In another development, the claim lodged by SNCF against a group of companies having participated in the construction of the TGV Nord rail line resulted in a decision by the Administrative Court of Paris at the beginning of February 1999. The decision entrusted a financial expert with an examination of possible damages suffered by SNCF, with respect to some of the work batches covered by its petition. The SGE group maintains its position, which is to challenge the existence of any such damages.

In addition, no negative consequences are expected at the time of writing from the ongoing arbitration in the SSDS case, and from the procedure initiated by Compagnie du BTP, following the Paris Court of Appeal's order, which was favourable to SGE.

Lastly, some of the group's subsidiaries are being investigated under fair competition legislation. In addition, a number of senior management are subject, on a personal basis, to judicial inquiry procedures, which aim to determine whether they may have made inappropriate use of corporate assets to the direct or indirect benefit of political figures or parties. SGE does not expect these investigations or procedures, even in the event of an unfavourable outcome, to affect its financial situation substantially.

The SGE group's principal consolidated companies at December 31, 1998

	Consolidation method	% group
1. Concessions		
Cofiroute	EM	31.13
Lusoponte (bridges on the Tagus)	EM	24.80
Stade de France	EM	33.33
SMTPC (Prado Carénage tunnel)	EM	27.91
2. Building and civil engineering		
Sogea	**FC**	**100.00**
Sicra	FC	100.00
Sogea Nord-Ouest	FC	100.00
Sogea Sud-Est	FC	100.00
Sogea Sud-Ouest	FC	100.00
Sogea Est	FC	100.00
Sogea Atlantique	FC	100.00
Caroni Construction	FC	100.00
Sobea Île-de-France	FC	100.00
Dodin Sud	FC	100.00
Chanzy-Pardoux	FC	100.00
Sogea Rhône-Alpes	FC	100.00
Sogea Bretagne	FC	100.00
Campenon Bernard Ouest	FC	100.00
Satom and its subsidiaries	FC	100.00
SBTPC (Reunion)	FC	100.00
Sogea Reunion	FC	100.00
Sogea Martinique	FC	100.00
Denys (Belgium)	FC	100.00
Norwest Holst (UK)	**FC**	**100.00**
Rosser & Russell	FC	100.00
Campenon Bernard SGE	**FC**	**100.00**
Bateg	FC	100.00
Valerian	FC	100.00
Deschiron	FC	100.00
Campenon Bernard Construction	FC	99.99
Brüggemann (Germany)	FC	95.66
Bâtiments et Ponts Construction	FC	94.99
Campenon Bernard SGE Bau and its subsidiaries (Germany)	FC	100.00
Klee (Germany)	FC	63.92
Socaso	PC	66.67
Hagen (Portugal)	FC	99.95
Campenon Bernard Régions	FC	100.00
EMCC	FC	100.00
Méridionale Construction et Bâtiment	FC	100.00
Warbud (Poland)	FC	70.02
Sogea Méditerranée	FC	100.00
Algemeen Bouw En Betonbedrijf (Netherlands)	FC	94.73
First Czech Construction Company (Czech Republic)	FC	100.00
Lamy	FC	100.00
C3B	FC	100.00
TPI Île-de-France	FC	100.00
Compagnie générale de bâtiment et construction (CBC)	**FC**	**90.00**
Freyssinet	**FC**	**100.00**
Freyssinet France Nord	FC	100.00
Armol Freyssinet (Portugal)	FC	60.00
PSC Freyssinet (UK)	FC	100.00
Freyssinet France Sud	FC	100.00
Freyssinet Total Technology (Indonesia)	FC	100.00
Freyssinet Espagne (Spain)	FC	60.00

	Consolidation method	% group
3. Roadworks		
Eurovia (formely Cochery Bourdin Chaussé)	**FC**	**100.00**
Viafrance	**FC**	**100.00**
Eurovia Champagne-Ardenne Lorraine	FC	100.00
Eurovia Alsace Franche-Comté	FC	100.00
Gercif-Emulithe	FC	100.00
Rol Lister	FC	100.00
Moter	FC	99.46
Valentin	FC	100.00
TSS	FC	100.00
Eurovia Méditerranée	FC	100.00
Carrières de Chailloué	FC	100.00
Les Paveurs de Montrouge	FC	100.00
SGE Verkehrsbau Union (Germany)	**FC**	**100.00**
4. Electrical engineering and works		
Compagnie Générale de Travaux & Ingénierie Électrique (GTIE)	**FC**	**96.24**
Saunier Duval Électricité	FC	96.24
Santerne	FC	96.23
Garczynski Traploir	FC	96.24
Controlmatic (Germany)	FC	97.37
Lee Beesley Deritend (UK)	FC	96.24
Graniou	FC	96.14
Fournié-Grospaud	FC	95.75
Masselin	FC	95.65
Lesens Électricité	FC	96.06
SDEL Réseaux	FC	96.24
Starren (Netherlands)	FC	96.24
SDEL Travaux Extérieurs	FC	96.24
Getelec Guadeloupe	FC	96.09
Entreprise Demouselle	FC	96.23
5. Thermal and mechanical activities		
Sophiane (formely Tunzini)	**FC**	**100.00**
Wanner Industrie	FC	100.00
Tunzini Protection Incendie	FC	100.00
SBGC (Reunion)	FC	100.00
Nickel (Germany)	**FC**	**100.00**
G+H Montage (Germany)	**FC**	**100.00**
G+H Montage Energie und Umweltschutz	FC	100.00
G+H Montage Innenausbau	FC	100.00
G+H Montage Fassadentechnik	FC	100.00
G+H Montage Kühllagertechnik, Industrie und Gewerbebau	FC	100.00
G+H Montage Schallschutz	FC	100.00
Schuh	FC	100.00
Isolierungen Leipzig	FC	100.00
L & V Isolatie (Netherlands)	FC	100.00
Wrede & Niedecken	FC	100.00
Lefort Francheteau	**FC**	**100.00**
Saga entreprise	FC	100.00

FC: fully consolidated.
PC: proportionately consolidated companies.
EM: companies accounted for by the equity method.

Individual financial statements

Balance sheet

Assets

(in thousands of euros)	Notes	1998	1997	1996
Intangible fixed assets	3	143.0	6,227.8	6,251.6
Tangible fixed assets	3	4,159.1	7,056.0	11,083.8
Financial assets	4 . 9 . 10	1,155,528.8	1,212,076.4	1,068,399.5
Deferred charges	5	-	3,260.0	3,594.3
Total fixed assets		**1,159,830.9**	**1,228,620.2**	**1,089,329.2**
Trade accounts receivable and related accounts	9 . 10	3,800.4	3,275.8	3,623.0
Other accounts receivable	9 . 10	38,552.1	54,542.3	67,193.1
Marketable securities	8	785,043.7	399,263.7	446,810.7
Cash	8	167,979.8	649,043.0	159,918.7
Prepaid expenses	9	422.1	887.1	510.1
Total current assets		**995,798.1**	**1,107,011.9**	**678,055.6**
Foreign currency translation losses		1,259.2	6,909.7	6,058.0
Total assets		**2,156,888.2**	**2,342,541.8**	**1,773,442.8**

Shareholders' equity and liabilities

(in thousands of euros)	Notes	1998	1997	1996
Capital stock		537,605.4	522,516.7	394,112.0
Additional paid-in capital		135,443.0	162,143.9	53,186.4
Legal reserve		26,672.0	26,672.0	26,229.4
Regulated reserves		30,887.3	30,887.3	30,887.3
Retained earnings		-	8,407.7	-
Net income/(expense) for the year		50,851.5	(18,154.5)	8,850.3
Regulated provisions		0.9	930.2	752.9
Shareholders' equity	6	**781,460.1**	**733,403.3**	**514,018.3**
Provisions for liabilities and charges	7	**22,063.6**	**41,455.3**	**67,181.4**
Debt	8 . 9 . 10	1,267,655.0	1,510,075.4	1,158,926.9
Other liabilities	9 . 10	85,343.4	51,372.4	27,994.2
Deferred income	9	133.6	61.7	340.6
Total liabilities		**1,353,132.0**	**1,561,509.5**	**1,187,261.7**
Foreign currency translation gains		232.5	6,173.7	4,981.4
Total shareholders' equity and liabilities		**2,156,888.2**	**2,342,541.8**	**1,773,442.8**

Statement of income

(in thousands of euros)	Notes	1998	1997	1996
Operating revenue				
Net sales	13	16,758.1	17,661.1	18,174.1
Provision reversals and deferred expenses transferred to assets		5,485.4	2,714.7	1,275.2
Other operating revenue		21,626.4	20,739.9	28,260.8
		43,869.9	**41,115.7**	**47,710.1**
Operating expenses				
Other purchases and external expenses		(21,557.8)	(18,379.4)	(18,297.5)
Taxes		(1,336.5)	(1,611.7)	(1,596.0)
Salaries, wages and payroll taxes		(12,138.0)	(11,054.5)	(9,709.3)
Depreciation		(4,129.2)	(1,377.7)	(1,677.7)
Provisions		(128.8)	(652.2)	(133.2)
Other operating expenses		(8,664.8)	(8,131.6)	(10,040.6)
		(47,955.1)	**(41,207.1)**	**(41,454.3)**
Share in expense of joint ventures		**(679.9)**	**(1,733.3)**	**(614.4)**
Operating (expense)/income		**(4,765.1)**	**(1,824.7)**	**5,641.4**

(in thousands of euros)	Notes	1998	1997	1996
Financial income				
Income from investments in subsidiaries and affiliated companies		64,345.7	77,330.5	49,345.2
Net gains from disposals of portfolio investments held as fixed assets		-	-	52,274.3
Income from other securities and loans		1,456.7	3,427.5	3,790.3
Interest and similar income		18,375.4	22,904.4	9,512.2
Net gains on disposal of marketable securities		13,176.5	8,136.1	4,866.8
Foreign currency translation gains		1,592.6	357.0	1,469.2
Provision reversals and deferred expenses transferred to assets		1,984.7	425.9	5,919.3
		100,931.6	**112,581.4**	**127,177.3**
Financial expense				
Expenses associated with investments in subsidiaries and affiliated companies		(37,716.1)	(33,938.7)	(2,474.4)
Interest and similar expenses		(39,507.3)	(44,486.3)	(29,660.2)
Net loss on disposal of marketable securities		-	-	(32.6)
Foreign currency translation losses		(2,149.8)	(444.5)	(268.8)
Depreciation and provisions		(2,569.8)	(2,697.0)	(7,133.1)
		(81,943.0)	**(81,566.5)**	**(39,569.1)**
Net financial income	14	**18,988.6**	**31,014.9**	**87,608.2**
Operating (expense)/income plus net financial income		**14,223.5**	**29,190.2**	**93,249.6**
Exceptional income				
From operating transactions		6,678.9	133.5	1,763.8
From capital transactions		12,079.0	120,942.7	1,418.1
Provision reversals and deferred expenses transferred to assets		60,953.8	31,930.3	160,498.3
		70,711.7	**153,006.5**	**163,680.2**
Exceptional expenses				
On operating transactions		(57,497.1)	(14,738.5)	(181,694.5)
On capital transactions		(16,680.4)	(138,449.6)	(812.0)
Depreciation and provisions		(13,465.5)	(67,879.4)	(76,023.4)
		(87,643.0)	**(221,067.5)**	**(258,529.9)**
Net exceptional expense	15	**(7,931.3)**	**(68,061.0)**	**(94,849.7)**
Income tax	16	**44,559.4**	**20,716.3**	**10,450.4**
Net income/(expense)		**50,851.4**	**(18,154.5)**	**8,850.3**

Cash flow statement

(in millions of euros)	1998	1997	1996
Operating transactions			
Gross operating (deficit)/surplus	(2.3)	(2.3)	6.7
Financial and exceptional transactions	(31.3)	18.8	(143.5)
Taxes	44.5	20.7	10.5
Operating cash flow	**10.9**	**37.2**	**(126.3)**
Net change in working capital requirements	55.6	34.6	(51.7)
Total (I)	**66.5**	**71.8**	**(178.0)**
Investment transactions			
Capital expenditure	(0.3)	(0.3)	(0.8)
Disposals of fixed assets	11.9	4.0	0.9
Net capital expenditure	**11.6**	**3.7**	**0.1**
Acquisition of investments	(34.8)	(461.6)	(35.8)
Proceeds from the disposal of securities	0.2	116.8	238.7
Net acquisition of investments	**(34.6)**	**(344.8)**	**202.9**
Change in financial fixed assets	14.5	(4.4)	92.7
Total (II)	**(8.5)**	**(345.5)**	**295.7**
Financing transactions			
Capital increases	22.7	237.4	3.0
Dividends paid	(24.6)	-	-
Other long-term liabilities	(88.6)	18.9	29.7
Total (III)	**(90.5)**	**256.3**	**32.7**
Cash flows for the financial year (I+II+III)	**(32.5)**	**(17.4)**	**150.4**
Net debt on January 1	**(149.4)**	**(131.9)**	**(282.3)**
Net debt on December 31	**(181.9)**	**(149.3)**	**(131.9)**

Notes to the individual financial statements

1 • ACCOUNTING POLICIES

The individual financial statements have been prepared in accordance with French legal and regulatory requirements.

1.1. Intangible fixed assets

Computer software included under the heading "Concessions, patents and licenses" is amortised over two years, except in particular circumstances.

1.2. Tangible fixed assets

Tangible fixed assets are carried at their acquisition cost.
Depreciation is calculated using the straight-line or reducing-balance method over the depreciable life, as estimated for each category of fixed assets:

– Buildings	30 years
– Other tangible fixed assets	from 3 to 10 years

1.3. Investments in subsidiaries and affiliated companies

Investments in subsidiaries and affiliated companies are recorded on the balance sheet at their acquisition cost. If this value is greater than the fair value, a provision for depreciation is made to cover the difference. The fair value is determined from the proportional share of shareholders' equity represented by the investment, this proportional share being adjusted, if appropriate, to take account of the growth and income prospects of the companies concerned, or of their strategic interest to the SGE group.

1.4. Joint ventures

SGE, the group's holding company, is the manager of a joint venture, for which it fully consolidates all balance sheet and statement of income items. The share of income/expense relating to associates is entered under the heading "share in income/expense of joint ventures".

1.5. Trade accounts receivable and related accounts

Customer accounts receivable are entered on the balance sheet at their nominal value. Receivables are provided for if there is any risk of their non-recovery.

1.6. Accounts receivable and liabilities denominated in foreign currencies

Within the euro zone:

Liabilities and receivables in the currencies of the euro zone have been converted to euros. Corresponding losses and gains are recorded as expenses and income respectively.

Outside the euro zone:

Liabilities and receivables denominated in non-euro foreign currencies are valued at the year-end exchange rate or at the rate of any hedging instrument used. Any differences resulting from such conversions are accounted for in the balance sheet under "foreign currency translation losses/gains". Unrealised losses are covered by provisions, except when the special conditions set out in the national chart of accounts are applied.

1.7. Marketable securities

These securities are recorded at acquisition cost and depreciated, if necessary, as a result of their year-end value.
SGE shares acquired on the open market, under the stock option provisions agreed by the Board on March 4, 1998, have been depreciated in relation to their exercise value.

1.8. Provisions for liabilities and charges

SGE provides for risks of an exceptional nature, especially risks in relation to subsidiaries and litigation risk.

1.9. Pension commitments

SGE's commitment to pay supplementary pension benefits to certain employees is covered by a balance-sheet provision for the element of this commitment in respect of retired employees and by a commitment for the element that relates to current employees.
Lump sum payments on retirement due to current employees, as determined by the rules of the Public Works Collective Agreement, appear under "Commitments and contingencies".

2 • KEY EVENTS IN THE YEAR

2.1. Recapitalisation of SGE Deutsche Holding (a wholly-owned subsidiary of SGE)

At the end of 1998, SGE recapitalised SGE Deutsche Holding for €5m to re-establish the net worth of this subsidiary, which had been affected by the SGE group's loss of business in Germany.
This transaction gave rise to a provision for depreciation.

2.2. Sale of the "Immeuble B2" capital leasing contract to SNC Somag

SGE sold the capital leasing contract covering its registered office in Rueil Malmaison (Immeuble B2) to its subsidiary, Somag, in December 1998.
The sale was agreed at €10.1m, including the leasing rights and the rights in connection with the acquisition of the capital leasing contract.
In addition, SGE sold the related fixtures, equipment and office furniture to Somag for €1.8m.

2.3. Purchase of SGE shares

In its last resolution, the Ordinary and Extraordinary Meeting of SGE Shareholders of May 25, 1998 authorised the Board of Directors to buy the company's own shares up to a limit of 10% of its capital stock.
In application of Articles 2 and 3 of the COB (French stock exchange commission) Regulation 98.02 dated September 6, 1998, SGE published an information note describing the procedure for buying back its own shares, for which it received the COB's approval on October 2, 1998.
During 1998, this procedure was applied to buy 1,030,553 SGE shares at a cost of €39.6m.
These shares were allocated as follows:
- 811,919 shares held as marketable securities for €29.6m, to be re-sold as part of the stock options granted in March 1998. A provision of €1,783,515.8 was made for the difference between the cost of the shares and the exercise price of the options;
- 218,634 shares held as fixed assets amounting to €10m.

2.4. Capital increase of Freyssinet International (STUP) for €11.9m

In November 1998, Freyssinet International acquired the Terre Armée Internationale (TAI) group, which specialises in geotechnics.
SGE contributed to the financing of this transaction by means of an €11.9m capital increase in Freyssinet International.

2.5. Liquidation of Amery International

Amery International was liquidated on January 26, 1998. There was no impact on the year's financial statements as the shares (€8.2m) and the current account (€26.7m) were covered by provisions in previous years.

3 • INTANGIBLE AND TANGIBLE FIXED ASSETS

Gross values

(in millions of euros)	1997	Acquisitions	Diposals	1998
Intangible fixed assets				
Concessions, patents and licences	0.2	0.2	(0.2)	0.2
Intangible rights	6.3	-	(6.3)	-
	6.5	**0.2**	**(6.5)**	**0.2**
Tangible fixed assets				
Land	2.9	-	(0.5)	2.4
Buildings	4.6	-	(0.6)	4.0
Other tangible fixed assets and assets under construction	5.8	0.2	(4.7)	1.3
	13.3	**0.2**	**(5.8)**	**7.7**

The intangible rights result from the purchase in 1991 of the capital leasing contract from Sogea which financed SGE's registered office (Immeuble B2). These rights were sold to Somag (a wholly-owned subsidiary of SGE) at the end of the year.
Disposals of other tangible fixed assets in 1998 relate to fixtures, equipment and office furniture included in this building, also sold to SNC Somag.

Depreciation

(in millions of euros)	1997	Allocations	Reversals	1998
Intangible fixed assets				
Concessions, patents and licences	0.2	-	-	0.2
	0.2	**-**	**-**	**0.2**
Tangible fixed assets				
Land	0.3	-	-	0.3
Buildings	2.6	0.2	(0.3)	2.5
Other tangible fixed assets and assets under construction	3.4	0.6	(3.0)*	1.0
	6.3	**0.8**	**(3.3)**	**3.8**

(*) Depreciation reversals under other tangible fixed assets relate to the fixtures, equipment and office furniture sold to SNC Somag.

4 • FINANCIAL ASSETS

Gross values

(in millions of euros)	1997	Increase	Decrease	1998
Investments in subsidiaries and affiliated companies	1,144.0	24.7	(8.2)	1,160.5
Receivables relating to subsidiaries and affiliated companies	194.1	22.9	(133.7)	83.3
Other investments held as fixed assets	9.6	10.1		19.7
Loans and other financial assets	4.4	0.2	(0.6)	4.0
	1,352.1	**57.9**	**(142.5)**	**1,267.5**

The movements reported under “investments in subsidiaries and affiliated companies” concern:
• Increases:
– the acquisition of 9,899 shares in Cofiroute, representing 0.2% of its capital stock, for €3.9m;
– a capital increase in Freyssinet International for €11.9m (see note 2.4);
– a capital increase in SGE Deutsche Holding for €5m (see note 2.1);
– a capital increase in Re-Ascop for €3.8m.
• Decreases:
– the liquidation of Amery International for €8.2m.
“Receivables relating to subsidiaries and affiliated companies” includes capital advances and loans granted by SGE to its subsidiaries.

Provisions (in millions of euros)	1997	Allocations	Reversals	1998
Investments in subsidiaries and affiliated companies	97.1	7.2	(8.4)	95.9
Receivables relating to subsidiaries and affiliated companies	33.7	-	(27.1)	6.6
Other investments held as fixed assets	9.3	-	-	9.3
Loans and other financial assets	0.2	-	(0.2)	-
	140.3	**7.2**	**(35.7)**	**111.8**

A provision for depreciation of SGE Deutsche Holding shares amounting to €5.6m was made in the year, bringing the total accumulated depreciation at the end of 1998 to €80.5m.
The liquidation of Amery International resulted in a reversal of €34.9m of provisions for depreciation of investments in, and receivables relating to, subsidiaries and affiliated companies.

5 • DEFERRED CHARGES

Deferred charges relating to rental pre-payments on the capital leasing contract for the registered office were written down in the year, following the sale of the corresponding rights to Somag.

6 • SHAREHOLDERS’ EQUITY

(in millions of euros)

	1997	Capital increases, additional paid-in capital, and allocations to regulated provisions	Appropriation of 1997 net income	Net income for 1998	1998
Capital stock	522.4	15.2	-	-	537.6
Additional paid-in capital	162.2	7.6	(34.4)	-	135.4
Legal reserve	26.7	-	-	-	26.7
Regulated reserves	30.9	-	-	-	30.9
Retained earnings	8.4	-	(8.4)	-	-
Net income/(expense) for the year	(18.1)	-	18.1	50.9	50.9
Regulated provisions	0.9	(0.9)	-	-	-
	733.4	**21.9**	**(24.7)**	**50.9**	**781.5**

The capital increases subscribed in cash, under the SGE group’s stock options and savings schemes, amounted to €15,088,553.8 for 1,164,405 shares. This amount was increased by additional paid-in capital of €7,634,951.5.
At December 31, 1998, the capital stock consisted of 41,487,757 shares of €13 each.
The special reserve for long-term capital gains, amounting to €52.6m, is divided between two items:
– the legal reserve, of which €21.7m were allocated to the special reserve for long-term capital gains at December 31, 1998;

By rate of taxation, this breaks down as follows:

(in millions of euros)	
Taxed at 15%	13.6
Taxed at 18%	5.5
Taxed at 19%	2.4
Taxed at 25%	0.2
	21.7

– regulated reserves, the balance of which at December 31, 1998 breaks down, by rate of taxation, as follows:

(in millions of euros)	
Taxed at 10%	3.5
Taxed at 15%	3.4
Taxed at 18%	17.2
Taxed at 19%	6.2
Taxed at 25%	0.6
	30.9

7 • PROVISIONS FOR LIABILITIES AND CHARGES

(in millions of euros)	1997	Allocations	Reversal	1998
Pension commitments	4.3	-	(0.3)	4.0
Risks relating to subsidiaries	16.9	-	(12.5)	4.4
Other liabilities and charges	20.3	7.0	(13.7)	13.6
	41.5	**7.0**	**(26.5)**	**22.0**

Provision reversals under “Risks relating to subsidiaries” relate principally to UK subsidiaries. “Other liabilities and charges” includes provision reversals for litigation, property risks and miscellaneous risks.

8 • NET DEBT

(in millions of euros)	1998	1997	1996
Accounts receivable, loans and other financial assets	(11.4)	(9.1)	-
Subordinated borrowings	45.7	45.7	45.7
Bonds and debentures	-	-	0.6
Borrowing from credit institutions	-	66.0	106.4
Long-term portion of financial receivables and debt (▸1 year)	**34.3**	**102.6**	**152.7**
Loans	(34.3)	(131.1)	(256.6)
Marketable securities	(785.1) *	(399.3)	(446.8)
Cash	(167.8) (1)	(641.8)	(155.2)
Bonds and debentures	-	0.6	0.6
Borrowing from credit institutions	-	63.3	48.6
Bank overdrafts and treasury notes	57.8	111.3	83.4
Current cash accounts of subsidiaries	1,111.2	1,146.4	857.8
Net cash position	**181.8**	**149.4**	**131.8**
Net debt	**216.1**	**252.0**	**284.5**

(*) Including SGE shares for €27.9m.

(1) Including Somag's current cash account amounting to €15.8m.

Treasury notes issued by SGE amounted to €40.4m at December 31, 1998, compared with €81.2m at December 31, 1997.

"Cash" includes SGE's current account with Vivendi for €75.6m at the end of 1998, against €496.2m at the end of 1997.

Marketable securities are primarily made up of unit trusts (Sicav), certificates of deposit and mutual funds. Their market value at the year-end approximated to their cost price.

9 • STATEMENT OF ACCOUNTS RECEIVABLE AND LIABILITIES

(in millions of euros)

		of which	
ACCOUNTS RECEIVABLE at December 31, 1998	**Gross amount**	**◂ 1 year**	**▸ 1 year**
Fixed assets			
Receivables relating to subsidiaries and affiliated companies	83.2	39.0	44.2
Loans and other financial assets	4.0	0.2	3.8
Current assets			
Trade accounts receivable and related accounts	4.3	4.3	-
Other accounts receivable	44.4	38.0	6.4
Pre-paid expenses	0.5	0.5	-
	136.4	**82.0**	**54.4**

Receivables relating to subsidiaries and affiliated companies include, in particular, advances extended to UK subsidiaries (€34m) and to Freyssinet et Cie (€11.4m).

Provisions on accounts receivable

Movements in provisions on financial fixed assets are detailed in note 4.

Movements in provisions on current assets are as follows:

(in millions of euros)	1997	Allocations	Reversals	1998
Trade accounts receivable	0.3	0.2	-	0.5
Other accounts receivable	5.9	-	(0.2)	5.7
	6.2	**0.2**	**(0.2)**	**6.2**

(in millions of euros)

		of which	
LIABILITIES at December 31, 1998	**Gross amount**	**◂ 1 year**	**▸ 1 year**
Debt			
Subordinated borrowings (1)	45.7	-	45.7
Other bonds and debentures	-	-	-
Borrowing and debt with credit institutions	17.5	17.5	-
Miscellaneous borrowing and debt	1,204.5	1,152.8	51.7
Other liabilities			
Accounts payable and related accounts	2.0	2.0	-
Tax and social security	4.6	4.6	-
Liabilities on fixed assets and related accounts	0.2	0.2	-
Other liabilities	78.5	78.5	-
Deferred income	0.2	0.2	-
	1,353.2	**1,255.8**	**97.4**

(1) Subordinated borrowings from the Saint-Gobain group to mature in 2003, with a fixed interest rate of 5% and repayable early, under certain conditions, at the lender's request.

10 • SUBSIDIARIES AND AFFILIATED COMPANIES (AT DECEMBER 31, 1998)

(in millions of euros)

	Consolidated companies	Other SGE group companies
Assets		
Fixed assets		
Investments in subsidiaries and affiliated companies	1,138.8	21.6
Receivables relating to subsidiaries and affiliated companies	70.7	12.5
Current assets		
Trade accounts receivable and related accounts	2.7	0.2
Other accounts receivable	30.5	4.4
Liabilities		
Borrowings and various other debt	51.7	-
Other liabilities relating to subsidiaries and affiliated companies	1,102.4	10.1
Accounts payable		
Liabilities on fixed assets and related accounts	-	-
Trade accounts payable and related accounts	0.8	-
Other liabilities	50.3	0.9

11 • COMMITMENTS AND CONTINGENCIES

(in millions of euros)	1998	1997
Guarantees and sureties	437.4	603.4
Lump sum payments on retirement	2.0	0.9
Commitments relating to the liability of general partnership members	508.6	551.7
	948.0	**1,156.0**

“Guarantees and sureties” principally relates to guarantees granted by SGE to financial institutions or to customers on behalf of its subsidiaries.

12 • COMMITMENTS RELATING TO CAPITAL LEASES

The fees paid during the year, amounting to €8.7m (against €8.2m in 1997), relate to the capital lease financing SGE’s registered office (Immeuble B2), which was transferred to its subsidiary Somag at the end of the year.

Commitments relating to the use of financial instruments

The majority of the management of debt interest rate risk relates to capital lease transactions. In order to take advantage of falling interest rates in Europe, SGE’s capital leases covering the Rueil 2000 buildings (€85.4m outstanding at December 31), which had initially been swapped to a fixed rate, were swapped again to a variable rate between June 1994 and June 1995. At present, these swap and re-swap transactions cover €71.8m each, with maturity dates in 2000 for the most part and 2007 for the remainder (€12.2m).

13 • NET SALES

Net sales amounted to €16.7m in 1998, a decrease of 5.1% compared with the previous year. They include the billing of services provided to the SGE group’s subsidiaries.

14 • NET FINANCIAL INCOME

(in millions of euros)	1998	1997	1996
Portfolio income	56.4	56.1	27.7
(Expense)/income of subsidiaries constituted as general partnerships	(29.7)	(12.8)	19.1
Net financial expenses	(6.6)	(9.9)	(11.4)
Foreign currency (loss)/gain	(0.5)	(0.2)	1.2
Financial provisions	(0.6)	(2.2)	(1.2)
Income from disposal of securities	-	-	52.3
Net financial income	**19.0**	**31.0**	**87.7**

Portfolio income includes dividends received from the following companies:
– Cofiroute for €21.3m (against €17.6m in 1997);
– Socofreg for €0.0m (against €15.8m in 1997);
– Sogea for €17.3m (against €12.9m in 1997);
– GTIE for €16.7m (against €8.9m in 1997).
The share of the 1998 income of subsidiaries constituted as general partnerships includes a loss by Campenon Bernard SGE of €36.1m (compared with a loss of €33.2m in 1997).
The capital gains from the disposal of securities recorded in 1996 is the result of the sale of the portfolio of Saint-Gobain shares to Vivendi.

15 • NET EXCEPTIONAL EXPENSE

(in millions of euros)	1998	1997	1996
Income/(expense) from capital transactions			
- Disposal of tangible and intangible fixed assets	3.5	0.8	0.4
- Disposal of securities	(8.1)	(18.3)	0.2
Expense from operating transactions	(50.8)	(14.5)	(179.9)
Exceptional provisions	47.4	(36.0)	84.5
Net exceptional expense	**(8.0)**	**(68.0)**	**(94.8)**

1998

The liquidation of Amery International had an impact on the various net exceptional expense headings (capital loss on disposal of shares of €8.2m; current account loss of €26.7m included in expense from operating transactions; depreciation provision reversals of €34.9m). However, it had no overall impact on the year's financial statements.
The expense from operating transactions includes an indemnity payable to Nersa of €13.5m and a €9.1m grant to Campenon Bernard SGE.
Movements in exceptional provisions include a €12.2m reversal in respect of the provision covering the UK subsidiaries.

1997

Income/(expense) from the disposal of securities includes a capital loss of €28.9m resulting from the sale of SGE Immobilien to CGIS, and a capital gain of €10.5m from the transfer to GTIE of SDEL shares.
The expense from operating transactions includes the payment of grants to subsidiaries Santerne (€9.1m) and SGE Environnement (€2.2m).
Movements in exceptional provisions include, in particular, the depreciation of SGE Deutsche Holding shares for €59.4m and, conversely, the reversal of €28.9m in respect of provisions relating to property commitments.

16 • INCOME TAX

At December 31, 1998, SGE had an ordinary operating loss carry-forward and a deferred amortisation balance amounting to approximately €0.15 billion.
The taxation credit included in the 1998 statement of income represents taxes paid to SGE by its subsidiaries under the tax consolidation.

17 • REMUNERATION AND NUMBER OF EMPLOYEES

Remuneration of senior management and Board members

The share of the remuneration of the SGE group's Executive Committee members borne by the parent company amounted to €1.8m in 1998. In addition, fees paid to Board members amounted to €0.12m.

Average number of employees of the company

The average number of employees of the company increased from 80 (including 56 engineers and managers) in 1997 to 85 (including 61 engineers and managers) in 1998.

18 • COMPANY CONSOLIDATING THE FINANCIAL STATEMENTS OF SGE

Vivendi
French Public Limited Company (Société Anonyme) with a capital stock of €2,431,002,429
Registered office: 42 Avenue de Friedland, 75380 Paris Cedex 08, France
Registration number (RCS): PARIS 780 129 961
Full consolidation
(percentage holding at December 31, 1998 = 50.27%)

19 • INFORMATION ABOUT SUBSIDIARIES AND AFFILIATED COMPANIES AT DECEMBER 31, 1998

The information in the following table reflects only the individual financial statements of subsidiaries.

(in thousands of euros)

	Capital stock	Reserves and retained earnings before net income appropriation	Percentage share of capital stock held	Book value of shares held		Loans and advances granted by SGE	Sureties and guarantees given by SGE	Net sales before tax in the last financial year	Profit or loss in the last financial year	Dividends received by SGE
				Gross	Net					
A - Detailed information by entity										
1 - Subsidiaries (at least 50% of capital held by SGE)										
a- French holdings										
Campenon Bernard SGE	77,101.1	5,998.7	88.0	67,839.8	67,839.8	-	-	402,745.1	(41,109.7)	-
CBC	41,702.7	(36,079.7)	90.0	17,013.3	17,013.3	-	29,303.9	72,776.1	(1,524.2)	-
Freyssinet International	15,244.9	3,563.5	100.0	20,450.0	20,450.0	-	-	4,160.3	595.5	-
GTIE	94,814.8	110,896.8	95.4	295,546.5	295,546.5	-	-	211,257.1	16,579.0	16,740.6
Lefort Francheteau	9,595.0	-	100.0	10,278.0	10,278.0	4,332.4	-	36,574.0	2,180.0	-
Ornem	3,260.9	(1,382.7)	100.0	14,221.8	359.6	-	-	-	(1,518.8)	-
Socofreg	291,675.4	49,326.1	95.0	324,875.7	324,875.7	-	-	-	11,991.0	-
Sogea	248,970.7	4,242.4	56.9	174,585.7	174,585.7	-	-	186,924.4	35,617.0	17,347.3
Sophiane	22,714.9	322.0	100.0	22,714.9	22,714.9	10,116.7	-	4,314.0	5,134.5	-
Sorif Investissement	4,840.3	(4,908.9)	100.0	-	-	26,491.5	36,773.0	30,719.5	1,254.2	-
b- Foreign holdings										
SGE Deutsche Holding	16,105.6	(8,931.2)	100.0	128,702.6	48,189.3	-	-	3,712.4	(5,837.7)	-
2 - Affiliated companies (10 - 50% of capital held by SGE)										
Consortium Stade de France	22,867.4	220.7	33.3	7,622.5	7,622.5	2,286.7	-	45,277.4	(1,494.0)	-
Cofiroute	154,679.2	345,401.9	31.1	61,374.1	61,374.1	-	-	709,988.0	136,122.9	21,357.6
Wanner Industrie	15,244.9	(917.7)	30.6	4,668.8	4,668.8	-	-	81,331.6	(1,478.0)	-
RE-Ascop	16,769.4	835.7	18.2	3,811.1	3,811.1	-	-	8,726.2	63.0	-
B - Information by groups of entities										
1 - Subsidiaries not included in paragraph A above (50% of capital held by SGE)										
a- French subsidiaries (together)	-	-	-	5,141.3	4,768.0	-	-	-	-	-
b- Foreign subsidiaries (together)	-	-	-	957.8	-	-	-	-	-	-
2 - Affiliated subsidiaries not included in paragraph A above (10 - 50% of capital held by SGE)										
a- French subsidiaries (together)	-	-	-	10,131.5	813.5	-	-	-	-	-
b- Foreign subsidiaries (together)	-	-	-	185.1	-	-	-	-	-	-
3 - Own shares	-	-	-	9,999.1	9,999.1	-	-	-	-	-

Five year financial summary

	1994	1995	1996	1997	1998
I - Capital stock at the end of the year					
a - Capital stock (in thousands of euros)	378,350.7	391,298.8	394,112.0	522,516.7	537,605.2
b - Number of ordinary shares issued [1]	29,197,859	30,197,084	30,414,182	40,323,352	41,487,757
c - Maximum number of shares to be issued through conversion of bonds [2]	-	-	-	-	-
II - Operations and net income/(expense) for the year (in thousands of euros)					
a - Net sales before tax	19,611.7	20,210.9	18,174.1	17,661.2	16,758.1
b - Income/(expense) before tax, employee profit sharing, depreciation and provisions	23,948.5	6,266.0	(83,056.4)	(4,067.6)	(37,491.8)
c - Income tax	18.0	7.6	(10,450.4) [4]	(20,716.3) [4]	(44,559.2) [4]
d - Income/(expense) before tax, employee profit sharing, depreciation and provisions	48,026.8	(129,885.8)	8,850.3	(18,154.5)	50,851.5
e - Dividends paid [3]	22,255.9	-	-	24,589.0	56,203.2
III - Earnings/(loss) per share (in euros)					
a - Income/(expense) after tax and employee profit sharing, and before depreciation and provisions	0.8	0.2	(2.4)	0.4	0.2
b - Income/(expense) after tax, employee profit sharing, depreciation and provisions	1.6	(4.3)	0.3	(0.4)	1.2
c - Net dividend paid per share	0.8	-	-	0.6	1.4
IV - Employees					
a - Average number of employees in the year	74	89	74	80	85
b - Salaries and wages for the year (in thousands of euros)	5,703.3	6,521.8	6,345.4	6,908.2	7,673.8
c - Social security costs and other social expenses for the year (in thousands of euros)	2,076.5	2,494.2	2,406.6	2,613.6	2,961.2

(1) There were no preferred shares during the five-year period.

(2) Of the stock options granted under the share subscription plans authorised by the Extraordinary Shareholders' Meeting of June 30, 1988, and the Ordinary and Extraordinary Shareholders' Meeting of June 18, 1993, and implemented by the meetings of the Board of Directors of December 5, 1991, November 6, 1992, November 4, 1993, November 4, 1994 and March 4, 1998, a total of 801,998 shares had not been exercised at December 31, 1998.

(3) Calculated on the basis of the number of shares in issue at the end of the year.

(4) Tax income received from subsidiaries in connection with tax consolidation.

List of securities held in portfolio at December 31, 1998

Company	Number of shares	Net book value (in millions of euros)
Socofreg	17,312,444	324.9
GTIE	5,935,823	295.5
Sogea	1,896,521	174.6
Campenon Bernard SGE	4,450,000	67.8
Cofiroute	1,263,276	61.4
SGE Deutsche Holding	1	48.2
Sophiane	1,489,999	22.7
Freyssinet International	624,970	20.4
CBC	6,154,920	17.0
Lefort Francheteau	629,385	10.3
Consortium Stade de France	499,998	7.6
Wanner Industrie	306,250	4.7
RE-Ascop	199,996	3.8
SNEL	689,794	2.7
Ascop	15,000	1.3
Ornem	356,494	0.4
Thinet Sud	67,999	0.3
Selt	20,250	0.3
Tunzini Thermique Environnement	8,000	0.1
Parking Place Vendôme	1,114	0.1
Sorinvest	317,494	-
SGE (own shares purchased)	218,634	10.0
Other securities (not itemised)	-	0.8
Total of shares in subsidiaries and affiliated companies and other investments	**-**	**1,074.9**

Reports of the statutory auditors

Report of the statutory auditors on the consolidated financial statements

In accordance with our appointment by your Shareholders' General Meeting, we have audited the accompanying consolidated financial statements of Société Générale d'Entreprises, prepared in euros, for the year ended December 31, 1998.

The management of the Société Générale d'Entreprises group is responsible for the preparation of the consolidated financial statements. It is our responsibility to express an opinion based on our audit on these consolidated financial statements.

We conducted our audit in accordance with French professional standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above give a true and fair view of the Société Générale d'Entreprises group's financial position, and its assets and liabilities at December 31, 1998 and of the results of operations of the companies included in the consolidation for the year then ended.

Without qualifying the above opinion, we draw your attention to note A to the consolidated financial statements, relating to key events, which describes:

- the change in accounting policy relating to leasing contracts;
- the change in accounting policy relating to the use of the percentage of completion method by the subsidiaries in two divisions: electrical engineering and works, and thermal and mechanical activities.

We have also carried out the verification of the information given on the management of the Société Générale d'Entreprises group. We have no comment to make as to its fair presentation and its conformity with the consolidated financial statements.

Neuilly, Paris, March 25, 1999
The Statutory Auditors

Deloitte Touche Tohmatsu-BMA
Michel Bousquet Dominique Descours

Salustro Reydel
Bernard Cattenoz Bertrand Vialatte

Report of the statutory auditors on the financial statements

In accordance with our appointment by your Shareholders' General Meeting, we hereby report to you, for the year ended December 31, 1998, on:

• the audit of the accompanying financial statements of Société Générale d'Entreprises, prepared in euros; and

• the specific verifications and information required by law.

These financial statements are the responsibility of the management of Société Générale d'Entreprises. Our responsibility is to express an opinion on these annual financial statements based on our audit.

1• Opinion on the annual financial statements

We have audited the annual financial statements in accordance with French professional standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above give a true and fair view of the financial position of Société Générale d'Entreprises, and its assets and liabilities at December 31, 1998 and of the results of its operations for the year then ended.

2• Specific verifications and information

We have also carried out the specific verifications required by law in accordance with French professional standards.

We have no comment to make as to the fair presentation and the conformity with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders, with respect to the financial position and the annual financial statements.

In accordance with the law, we verified that the appropriate disclosures as to the acquisition of shares and controlling interests, and the identity of shareholders and of holders of voting rights, were communicated.

Neuilly, Paris, March 25, 1999
The Statutory Auditors

Deloitte Touche Tohmatsu-BMA
Michel Bousquet   Dominique Descours

Salustro Reydel
Bernard Cattenoz   Bertrand Vialatte

Report of the statutory auditors on regulated contracts

As the statutory auditors of your company, we hereby present to you our report on regulated contracts.
In accordance with Article 103 of the Act of July 24, 1966, we have been advised of the agreements previously authorised by your Board of Directors.
We are not required to investigate the possible existence of additional agreements but to communicate to you, on the basis of the information provided to us, the essential terms and conditions of those agreements of which we have been advised; nor are we required to comment on their appropriateness and validity. Under the terms of Article 92, it is for you to form a view as to the purpose and benefits of the agreements entered into with a view to approving them.
Our work has been performed in accordance with French professional standards. Those standards require that we plan and perform our work in a way that enables us to verify that the information provided to us is in conformity with the source documentation from which it is derived.

Agreement with SOMAG

Director concerned: Mr Bernard Huvelin SGE sold to SOMAG the capital lease relating to the B2 building in Rueil Malmaison, SGE's registered office.
This disposal was transacted at the total price of €10.1m, including the leasing rights and the sale price set in the undertaking to sell.
The disposal was made subject to the following conditions:
• the maintenance by SGE of its equity holding in the capital stock of SOMAG throughout the term of the capital lease, namely until December 31, 2007;
• the continuation throughout the same period of SOMAG's legal status as a general partnership ('SNC');
• the undertaking by SGE to take back the capital lease in the event of default by the lease transferee.
In addition, in accordance with the decree dated March 23, 1967, we have been informed that the following agreements, concluded during past years, continued during 1998.

Agreement with Vivendi

On December 30, 1998, your company, Vivendi and Compagnie Générale de Bâtiment et de la Construction (CBC) made a variation to the agreement signed on June 30, 1997, relating to the acquisition of CBC shares, in addition to the guarantees and clauses concerning a return to financial health.
Under the terms of this variation, in 1998 your company paid to Vivendi an indemnification of €32m in respect of the guarantees and the application of the clauses concerning a return to financial health. In addition, Vivendi assumed responsibility for an investment commitment made by CBC to the Czech authorities, for a total amount of €15m, and reimbursed your company for the investments already made by CBC in this respect, namely €3m.
In addition, your company received an indemnification from Vivendi of €9m to cover supplementary losses resulting from various operations of CBC and its subsidiaries.

Neuilly, Paris, March 25, 1999
The Statutory Auditors

Deloitte Touche Tohmatsu-BMA
Michel Bousquet   Dominique Descours

Salustro Reydel
Bernard Cattenoz   Bertrand Vialatte

Special report of the statutory auditors regarding authorisation to issue marketable securities

As your Statutory Auditors, and in accordance with the provisions of Articles 180-1, 186, 194-1 and 339-2 of the Act dated July 24, 1966, we hereby submit our report on the renewal of certain authorisations requested by your Board of Directors to issue, on one or several occasions:

• new shares up to a maximum nominal capital amount of 1,500 million French francs, or the equivalent amount in euros, with cancellation of preferential subscription rights (twelfth resolution);

• shares with subscription warrants (thirteenth resolution); and composite marketable securities giving the right, by conversion, exchange, reimbursement, presentation of a warrant or any other means, to the allocation of shares (fourteenth resolution) up to a maximum nominal capital amount of 1,500 million French francs, or the equivalent amount in euros, with maintenance or with cancellation of preferential subscription rights at the choice of your Board of Directors.

The conditions for issuing such marketable securities are described in the appendix.

Your Board of Directors proposes that you delegate to it the responsibility for determining the terms and conditions of these operations, and requests you, in the case of some of them, to waive your preferential subscription rights.

Such waiver relates, in the first place, to the right to subscribe for shares upon their issue (twelfth resolution). Moreover, it could also result from the thirteenth and fourteenth resolutions submitted for your approval, should your Board of Directors choose to cancel preferential subscription rights, as is their right under these resolutions. In the event of your agreement to the waiver, your Board of Directors may still, pursuant to the above-mentioned resolutions, offer you a priority subscription period, the duration and conditions of which would be determined by the Board.

The waiver relates also to the right to subscribe for shares to be created at a later date:

• upon the exercise of subscription warrants attached to shares (thirteenth resolution);

• upon the allocation of shares to holders of composite marketable securities (fourteenth resolution).

Conclusions

We have examined the planned operations proposed to you, performing the work we considered necessary in accordance with French professional standards.

As the detailed conditions of these operations have not been decided, we are not currently in a position to express an opinion either about the calculation method used to set the issue and subscription prices, or about the request submitted to you to waive your preferential subscription rights, although the principle of that request is nevertheless consistent with the rationale of the operations submitted for your approval.

Similarly, the impact of the planned issues on your position as shareholder, and in particular, their impact on the market value of the shares and on your proportion of the shareholders' equity of Société Générale d'Entreprises, cannot be given to you, at the present time. When their terms and conditions have been determined, these operations will give rise to the drafting of supplementary reports by ourselves, in accordance with prevailing regulatory provisions.

Neuilly, Paris, March 25, 1999
The Statutory Auditors

Deloitte Touche Tohmatsu-BMA
Michel Bousquet Dominique Descours

Salustro Reydel
Bernard Cattenoz Bertrand Vialatte

SUMMARY OF THE FINANCIAL OPERATIONS SUBMITTED TO THE EXTRAORDINARY PART OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 10, 1999

1 - With cancellation of preferential subscription rights

(in millions of French francs)

Type of operation	Resolution	Term of the authorisation	Maximum nominal capital increase remaining to be utilised	Minimum share issue price
Issue of new shares	12	3 years	1,500 or the equivalent amount in euros	Average chosen from among the 20 last market trading days preceding the issue, after adjustement of this average, as appropriate, to account for any difference in the effective date

2 - With maintenance or cancellation of preferential subscription rights, at the choice of the Board of Directors, at the time of the initial issue

(in millions of French francs)

Type of operation	Resolution	Term of the authorisation	Maximum initial issue amount remaining to be utilised	Maximum nominal capital increase remaining to be utilised	Minimum share issue price
Issue of shares with subscription warrants	13	3 years	1,500 or the equivalent amount in euros	1,500 or the equivalent amount in euros	In accordance with prevailing legal and regulatory provisions
Issue of composite marketable securities	14	1 year	-	1,500 or the equivalent amount in euros	In accordance with prevailing legal and regulatory provisions

Special report of the statutory auditors regarding authorisation to reduce the capital stock by cancellation of shares

As Statutory Auditors of Société Générale d'Entreprises, and in accordance with the assignment set out in Article 217-2 of the Act dated July 24, 1966 for the case of a capital reduction, we hereby submit our report on the authorisation requested by your Board of Directors to reduce the capital stock through cancellation of shares.

We have examined the request for authorisation to reduce the capital stock by cancellation of shares, performing the work we considered necessary in accordance with French professional standards.

Your Board of Directors proposes that you delegate to it, for a period of 24 months as from the date of the present Shareholders' Meeting, the responsibility for implementation of this operation.

The conditions of the operation provide for the Board of Directors to be authorised to cancel, on its own decision, on one or several occasions, and within the limit of ten per cent of the capital stock as of the date of this Meeting, shares acquired under the authorisations granted to the Board, and subsequently to reduce the capital stock accordingly.

In our opinion, the proposed reduction relating to a maximum of 10% of the capital stock will not reduce the amount of capital to a level lower than the legal minimum. We have no comment to make on the causes and conditions of the proposed reduction in capital.

Neuilly, Paris, March 25, 1999
The Statutory Auditors

Deloitte Touche Tohmatsu-BMA	Salustro Reydel
Michel Bousquet Dominique Descours	Bernard Cattenoz Bertrand Vialatte

Draft resolutions

Ordinary part

FIRST RESOLUTION

Approval of the 1998 financial statements

The Shareholders' Meeting, after having taken note of the Report of the Board of Directors and the Report of the Statutory Auditors, hereby approves the operations of and the financial statements for the year ended December 31, 1998, as submitted to it. In particular, it approves the amount of non-deductible charges (Article 39.4 of the General Tax Code) mentioned in the Report of the Board of Directors.

SECOND RESOLUTION

Appropriation of net income for the 1998 financial year

The Shareholders' Meeting, noting that the net income for 1998 amounts to €50,851,567.14 (FF333,564,414.25), hereby approves the net income appropriation proposed by the Board of Directors and decides:

– to allocate the sum of €2,542,578.36 (FF16,678,220.73) to the legal reserve;

– to distribute the balance, namely €48,308,988.78 (FF316,886,193.52), to shareholders.

On the proposal of the Board of Directors, the Shareholders' Meeting further decides to draw an additional amount of €7,894,218.42 (FF51,782,678.33) from "Additional paid-in capital" which, when added to the €48,308,988.78 (FF316,886,193.52), provides a total amount of €56,203,207.20 (FF368,668,871.85) to be divided among shareholders.

Consequently, the net dividend to be paid in respect of each of the 40,145,148 shares not held by the company itself (out of the 41,487,757 shares making up the capital stock as of December 31, 1998) and hence excluding the 1,342,609 shares held in treasury by the company on February 19, 1999, amounts to €1.40. A tax credit of €0.70, representing tax paid to the French Treasury, is to be added to this dividend to give total income per share of €2.10.

On the basis of prevailing legislation, the tax credit may be reduced, depending on the status of the shareholder, to €0.63, to give total income per share of €2.03.

Should the company, on the day the dividend becomes payable, hold more than 1,342,609 of its own shares, the sum corresponding to the dividends not paid on these additional shares will be added to "Additional paid-in capital".

The dividend will be payable as of June 14, 1999.

In accordance with legal provisions, it is noted that no dividends were paid in 1995 and 1996, and that the dividends for 1997 and 1998, if you approve the latter, are as follows:

Year	Number of qualifying shares	Net dividend	Tax credit	Total income
1997	40,323,352	FF4.00 (€0.61)	FF2.00 (€0.30)	FF6.00 (€0.91)
1998 (proposal)	40,145,148	€1.40 (FF9.18)	€0.70 or €0.63* (FF4.59 or FF4.13)	€2.10 or €2.03* (FF13.77 or FF13.31)

(*) Depending on the shareholder's status and subject to prevailing legislation.

THIRD RESOLUTION

Approval of the Special Report of the Statutory Auditors on agreements covered by Article 101 and subsequent articles of the Law of July 24, 1966

The Shareholders' Meeting, after having taken note of the Special Report of the Statutory Auditors on agreements covered by Article 101 and subsequent articles of the Law of July 24, 1966, hereby approves the agreements mentioned therein.

FOURTH RESOLUTION

Discharge of the Board of Directors' liability

Following its approval of the financial statements for the year ended December 31, 1998, the Shareholders' Meeting hereby gives final discharge to the Board of Directors for their management actions taken up to the end of the said year.

FIFTH RESOLUTION

Change in corporate name of the Statutory Auditors

The Shareholders' Meeting, following the Report of the Board of Directors, hereby takes note of the change in corporate name of Bernard Montagne, André Amic et Associés, Statutory Auditors, which has now become Deloitte Touche Tohmatsu – BMA.

SIXTH RESOLUTION

Re-election of a Director

The Shareholders' Meeting, following the Report of the Board of Directors, hereby re-elects as a Director Mr Patrick Faure, whose term of office expires as of the date of the present Meeting.
Mr Patrick Faure will continue as a Director, in accordance with legal and statutory provisions, for a period of six years, namely until the Shareholders' Meeting that will approve the financial statements for 2004.

SEVENTH RESOLUTION

Election of a Director

The Shareholders' Meeting, following the Report of the Board of Directors, hereby elects as a Director Mr Quentin Davies, with immediate effect.
Mr Quentin Davies's term in office will continue, in accordance with legal and statutory provisions, for a period of six years, namely until the Shareholders' Meeting that will approve the financial statements for 2004.

EIGHTH RESOLUTION

Election of a Director

The Shareholders' Meeting, following the Report of the Board of Directors, and subject to approval of the sixteenth resolution relating to the maximum number of Directors making up the Board, hereby elects as a Director Mr Ernst Moritz Lipp with immediate effect.
Mr Ernst Moritz Lipp's term in office will continue, in accordance with legal and statutory provisions, for a period of six years, namely until the Shareholders' Meeting that will approve the financial statements for 2004.

NINTH RESOLUTION

Authorisation for the company to purchase its own shares

The Shareholders' Meeting, having taken note of the Report of the Board of Directors and of the Information Note approved by the French Stock Exchange Commission (Commission des Opérations de Bourse), hereby authorises the Board of Directors, in accordance with the provisions of amended Article 217-2 of the Law of July 24, 1966 on commercial companies, to purchase its own shares, up to a maximum of 10% of the capital stock in issue as of the date of the present Meeting.
The shares already held by the company as of today are to be included within this limit.

The Shareholders' Meeting hereby decides that the shares purchased under this authorisation may be used, in particular, for the purposes of:

– allocation to employees under stock option plans;
– stabilisation of the share price by intervention in the stock market;
– reissue, by way of consideration or in exchange, in connection with acquisitions;
– reissue, upon the exercise of rights linked with marketable securities entitling the holder, by way of reimbursement, conversion, exchange, presentation of a warrant or any other means, to receive shares in the company.

The maximum amount of such purchases authorised by the Shareholders' Meeting is set at €250m, including purchases already made as of today's date.

The acquisition, sale or transfer of these shares may be carried out by any means, and in particular through the use of derivatives.

The Shareholders' Meeting further authorises the Board of Directors to cancel any shares acquired pursuant to the present resolution, subject to approval of the fifteenth resolution.

The Shareholders' Meeting delegates full authority to the Board of Directors, with the option of sub-delegating such authority, to give any stock exchange instructions, to sign any sale or transfer documents, to enter into any agreements, to make any declarations and to carry out any formalities necessary.

The present authorisation, granted for a period of 18 months as from today, expires on November 9, 2000. It cancels and replaces that given by the Ordinary and Extraordinary Shareholders' Meeting of May 25, 1998 in its twelfth resolution.

Extraordinary part

TENTH RESOLUTION

Conversion of the capital stock into euros and related capital increase

The Extraordinary Shareholders' Meeting, held in accordance with legal requirements as to quorum and majority, and having taken note of the Report of the Board of Directors, hereby decides to convert the capital stock, amounting to FF3,526,459,345 made up of 41,487,757 shares each with a nominal value of FF85, into euros, by conversion of the nominal value of each of the shares making up the capital stock.

It hereby decides to round up the nominal value obtained by applying the conversion rate (namely FF6.55957 per euro) to the nearest euro.

The Shareholders' Meeting notes that:

– the nominal value of each share of FF85 becomes, by applying the conversion rate, €12.958;

– rounding up to the next full euro requires that the capital stock be increased by the amount corresponding to the sum of the rounding up differences on the 41,487,757 shares making up the capital stock, and that this should be effected by way of a charge against "Additional paid-in capital".

Accordingly, the Shareholders' Meeting hereby decides:

– to round up to €13 the nominal value of the 41,487,757 shares constituting the capital stock;

– to increase the capital stock by FF11,384,655.39, corresponding to the sum of the rounding up differences, by drawing this amount on "Additional paid-in capital";

– that the capital stock of Société Générale d'Entreprises (SGE) is converted into euros, and now stands at €539,340,841, divided into 41,487,757 shares each with a nominal value of €13.

ELEVENTH RESOLUTION

Amendment to Article 6 of the Corporate Statutes

As a consequence of the adoption of the above resolution, the Shareholders' Meeting hereby decides to amend Article 6, "Capital stock", of the Corporate Statutes, which shall now read as follows:

Article 6: Capital stock

The capital stock is set at €539,340,841. It is divided into 41,487,757 shares each with a nominal value of €13, all paid in full and all of the same class.

TWELFTH RESOLUTION

Authorisation given to the Board of Directors to issue new shares in the company by any means, with cancellation of preferential subscription rights

The Shareholders' Meeting, held in accordance with the legal requirements as to quorum and majority in respect of Extraordinary Shareholders' Meetings, and having heard the Report of the Board of Directors and the Special Report of the Statutory Auditors, hereby renews the authorisation given to the Board of Directors to make capital increases for cash, while cancelling the preferential subscription right of shareholders, up to a maximum nominal amount of one billion five hundred million French francs, or the equivalent amount in euros, on the understanding that this amount will count against any capital increase or increases that may be decided under the authorisation given to the Board of Directors by the Ordinary and Extraordinary General Meeting of May 25, 1998 in its thirteenth resolution to issue new shares in the company by any means.

These issues of new shares will be paid in full in cash or by way of set-off against debts, except in the case of new share issues effected through the capitalisation of reserves, provisions or of additional paid-in capital.

Should the Board of Directors make use of this authority, the issue price of the shares, which shall confer on their holders the same rights as those of existing shares, will be at least equal to the average of the stock exchange prices listed during ten consecutive days selected from among the last twenty days of trading prior to the issue, after adjusting this average, if appropriate, in order to take into account any difference in the effective dates of the shares.

If it so wishes, the Board of Directors may give shareholders a subscription priority for a period and subject to conditions as decided by the Board.

The Shareholders' Meeting hereby gives full authority to the Board of Directors, with the ability to sub-delegate this authority to the Chairman, to effect such a capital increase or increases within the limits set out above, on such dates, with such deadlines and under such terms and conditions as it may decide, in conformity with statutory and legal requirements.

This authorisation is valid for a period of three years from the date of the present Meeting.

THIRTEENTH RESOLUTION

Authorisation given to the Board of Directors to issue shares with share subscription warrants

The Shareholders' Meeting, held in accordance with the legal requirements as to quorum and majority in respect of Extraordinary Shareholders' Meetings, having taken note of the Report of the Board of Directors and of the Special Report of the Statutory Auditors, hereby renews the authorisation given to the Board of Directors to issue, on one or several occasions, whether in France or abroad, up to a maximum nominal amount of one billion five hundred million French francs, or the equivalent amount in euros, shares with warrants giving the right to subscribe for shares in the company.

The Shareholders' Meeting hereby determines that it will be for the Board of Directors to decide whether to retain or to cancel the preferential subscription rights of existing shareholders in respect of any shares that may be issued under the present authorisation.

In the second case, this resolution constitutes an express waiver by shareholders of their preferential subscription rights.

In the event of any cancellation of preferential subscription rights, the Board of Directors may decide to grant shareholders, for such period of time and under such conditions as may be set by the Board, a priority right to subscribe for these shares with share subscription warrants, in proportion to the number of shares owned by each shareholder, without creating any negotiable rights; any shares with share subscription warrants not subscribed by shareholders will be offered to the public.

In the event of retaining the preferential subscription rights, the Shareholders' Meeting hereby gives full authority to the Board of Directors to institute, for the benefit of shareholders, a system of reducible subscription rights, to be exercised in proportion to their rights and up to the amounts requested.

The share issue price, both initially and when the subscription warrants are to be exercised, will be set in accordance with prevailing laws and regulations.

The capital increase resulting from the exercise of subscription warrants may not, with the exception of adjustments that may be made in accordance with the law, have the effect of increasing the nominal capital by an amount greater than one billion five hundred million French francs, or the equivalent amount in euros, on the understanding that any such increase is to be counted against the capital increase or increases that may be decided under the authorisation given to the Board of Directors by the Ordinary and Extraordinary Shareholders' Meeting of May 25, 1998 in its thirteenth resolution to issue new shares in the company by any means.

Since the present decision amounts to an express waiver, for the benefit of holders of share subscription warrants, by shareholders of their preferential subscription rights, or of their priority subscription period, the Board of Directors may suspend the exercise of any subscription rights for a period of up to three months.

The Shareholders' Meeting gives full authority to the Board of Directors, with power to sub-delegate such authority to the Chairman, to set the dates and amounts of any issues, to determine their conditions, to make any required adjustments in accordance with legal provisions, and, more generally, to take any appropriate measures and enter into any agreements leading to the success of the share issues envisaged, to the listing of the new shares, and to their inclusion in SICOVAM. It also gives the Board full authority to make any necessary amendments to the statutes, in connection with their exercise of the authority given above.
This authorisation is valid for a period of three years from the date of the present Meeting.

FOURTEENTH RESOLUTION

Renewal of the authorisation granted to the Board of Directors to issue composite marketable securities

The Shareholders' Meeting, held in accordance with the legal requirements as to quorum and majority in respect of Extraordinary Shareholders' Meetings, and having taken note of the Report of the Board of Directors and of the Special Report of the Statutory Auditors, hereby renews the authorisation granted to the Board of Directors to issue, on one or several occasions, either in France or abroad, in French francs or in euros or in foreign currencies, marketable securities giving the right, by conversion, exchange, reimbursement, presentation of a warrant or by any other means, to the allocation, at any time or on fixed dates, of shares to be issued for that purpose.
The Shareholders' Meeting further decides that issues of such marketable securities may be associated, subject to conditions to be determined by the Board of Directors, with bond issues, within the authorisation available to the Board for the issuing of bonds.
The Shareholders' Meeting decides that it will be for the Board of Directors to decide whether to retain or to cancel the preferential subscription rights of shareholders in respect of the above-mentioned marketable securities.
In the second case, this resolution constitutes an express waiver by shareholders of their preferential subscription rights.
In the event of any cancellation of preferential subscription rights, the Shareholders' Meeting hereby decides that the Board of Directors may grant shareholders the opportunity to subscribe on a priority basis during the first fifteen days following the issue of the composite marketable securities. The Board of Directors will set the other terms and conditions for exercising this non-negotiable priority right, which will be exercised in proportion to the number of shares owned by each shareholder. Any subordinated securities or marketable securities not subscribed by shareholders will be offered to the public.
In the event of retaining the preferential subscription rights, the Shareholders' Meeting hereby gives full authority to the Board of Directors to institute, for the benefit of shareholders, a system of reducible subscription rights, to be exercised in proportion to their rights and up to the amounts requested.
The allocation of shares issued as representing the capital stock of the company, following operations pursuant to the present resolution, may not, under any circumstances and with the exception of any adjustments that may be made, have the effect of increasing the nominal capital by an amount greater than one billion five hundred million French francs, or the equivalent amount in euros, on the understanding that any such increase is to be counted against any capital increase or increases that may be decided under the renewed authorisation granted to the Board of Directors by the Ordinary and Extraordinary Shareholders' Meeting of May 25, 1998 in its thirteenth resolution to issue new shares in the company by any means.

In the case of an issue of marketable securities giving the right to allocation of shares in the capital stock upon presentation of a warrant, the Board of Directors will have full authority to determine the conditions subject to which the company will have the option of purchasing the subscription warrants on the stock exchange, at any time during predetermined periods, with a view to cancelling them.

The present authorisation constitutes an express waiver by shareholders, for the benefit of holders of any marketable securities that may be issued, of their preferential subscription rights in respect of shares to which such marketable securities give entitlement.

The Shareholders' Meeting hereby decides that, should the Board of Directors make use of the power granted by the present resolution, the issue price of any shares that may be created will be set in accordance with prevailing laws and regulations.

In the event of a capital increase, a merger or a demerger, as in the case of other financial operations involving preferential subscription rights or the setting of a preferential subscription period for shareholders, the Board of Directors may suspend the exercise of subscription rights for a period of up to three months.

The Shareholders' Meeting gives full authority to the Board of Directors, with power to subdelegate such authority to the Chairman, to set the dates and amounts of any issues, to determine their conditions, as well as the form of any marketable securities to be created and the terms of their redemption, to make any required adjustments in accordance with legal provisions, and, more generally, to take any appropriate measures and to enter into any agreements leading to the success of the issues envisaged, subject to regulations and laws in force at the time, to the listing of the new shares, and to their inclusion in SICOVAM.

The Shareholders' Meeting also hereby gives the Board full authority to make any necessary amendments to the statutes in connection with the exercise of the authority granted above.

Any issues decided in accordance with the present authorisation must be implemented by the Board of Directors within a period of one year from the date of the present Meeting.

FIFTEENTH RESOLUTION

Authorisation granted to the Board of Directors to reduce the capital stock by cancellation of own shares held by the company

The Shareholders' Meeting, held in accordance with the legal requirements as to quorum and majority in respect of Extraordinary Shareholders' Meetings, having taken note of the Report of the Board of Directors and of the Special Report of the Statutory Auditors, and subject to adoption of its ninth resolution, authorises the Board of Directors to cancel, on its own decision, on one or more occasions, and up to a maximum of 10% of the capital stock as of the date of the present Meeting, any shares acquired pursuant to authorisations granted by the twelfth resolution of the Ordinary and Extraordinary Shareholders' Meeting of May 25, 1998, and by the ninth resolution of the present Meeting, and then to reduce the capital stock accordingly.

The Shareholders' Meeting hereby sets the term of validity of the present authorisation at twenty-four months as from the date of the present Meeting, and gives full authority to the Board of Directors, with power to sub-delegate this authority to the Chairman, to settle the issue of any possible challenges, to charge the difference between the purchase price of the shares and their nominal value against any reserve, to carry out all actions, formalities or declarations required to implement any capital reductions that may result from the present authorisation, and to amend the statutes of the company accordingly.

SIXTEENTH RESOLUTION

Amendment to Article 11, "Board of Directors", of the Corporate Statutes

The Shareholders' Meeting, held in accordance with the legal requirements as to quorum and majority in respect of Extraordinary Shareholders' Meetings and having taken note of the Report of the Board of Directors, hereby decides to increase the maximum number of directors on the Board from fifteen to twenty.

In consequence, it hereby decides to amend Article 11 of the corporate statutes as follows:

Article 11 – Board of Directors

"The company is administered by a Board of Directors consisting of at least three members and at most twenty members, appointed by the Shareholders' Meeting, their terms of office being renewable and revocable by the Shareholders' Meeting".

The rest remains unchanged.

SEVENTEENTH RESOLUTION

Authority to carry out formalities

Full authority is given to the bearer of a copy or of an extract of the present minutes to make all registrations and publications required by law.

General information

General information about the company

1 • GENERAL INFORMATION ABOUT THE COMPANY

1.1. Name and registered office

Société Générale d'Entreprises (SGE), 1 cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison Cedex, France.

1.2. Presentation of the company and the SGE group

SGE is the holding company of a group consolidating almost 650 subsidiaries that operate in five main business sectors, each representing about 20% of net sales: building, civil engineering, electrical engineering and works, roadworks, and thermal and mechanical activities (insulation, power and ventilation systems and fire protection). The SGE group also has some infrastructure concessions (motorways, civil engineering works and car parks).
With consolidated net sales in 1998 of €8 billion (FF52.6 billion) and close to 65,000 employees, the SGE group leads the European construction market.
In 1998, SGE generated 94.1% of its net sales in Europe, of which 65.1% in France, 14.7% in Germany, 6.8% in the UK and 3.7% in the Benelux countries.

A brief history of the SGE group

SGE's recent past has been marked by substantial external growth operations, the most significant of which have been associated with changes in the company's shareholder structure, and also by disposals of businesses. In conjunction with the internal growth of the SGE group's existing companies, these operations have led to a sharp increase in net sales (which rose from €1.98 billion in 1984 to €8.08 billion in 1997) and to a change in the profile of its business sectors.
In 1966, SGE became a subsidiary of Compagnie Générale d'Electricité. Then in 1983, Compagnie de Saint-Gobain became a shareholder in SGE. Saint-Gobain became the majority shareholder in 1984 following the gradual integration into SGE of the main entities comprising Saint-Gobain's enterprise branch: Sobea, Entreprise Saunier Duval, Tunzini and Wanner Isofi. This relationship was strengthened, in particular by the merger of Sobea and SGE-BTP in 1985 to create Sogea, which has become the SGE group's leading building and civil engineering subsidiary.
SGE's entry into the Générale des Eaux group in 1988 contributed further to its expansion, through:

– the purchase from Compagnie de Saint-Gobain of the German company, G+H Montage, which specialises in insulation and, through its subsidiary, H. Nickel, in HVAC;
– the transfer by Compagnie Générale des Eaux of its subsidiaries Campenon Bernard, Viafrance and Freyssinet.

In the next few years, several additional external growth operations contributed to giving the SGE group a truly European dimension.
The most significant of these were as follows:

– the acquisition in 1989 of a 55% holding (increased to 100% in 1991) in the capital stock of the UK company, Norwest Holst, whose scope of consolidation broadened in 1990 with the acquisition of Rosser & Russell, a company specialising in air conditioning, electrical works and technical maintenance;
– taking control in 1990 and 1991 of OBG (building) and VBU (roadworks) in the former German Democratic Republic, as part of the privatisation programme set up in the wake of German reunification. This operation was supplemented in 1992 by the acquisition of two other companies in the new German *Länder*, namely MLTU (piping and ducts) and OBAG (building in Saxony);
– the purchase in 1992 by Cochery Bourdin Chaussé of the roadworks company Moter, which operates mainly in the south-west of France;

– the acquisition in 1994 by SDEL (formerly Entreprise Saunier Duval) of the German company, Controlmatic, which specialises in electrical engineering and automated systems, and of a 64% controlling interest of the building company, Klee, based in the south-west of Germany.

Later, 1997 was marked by substantial joint operations between SGE and its majority shareholder, as part of the effort to focus SGE on its core businesses and of the restructuring of the Compagnie Générale des Eaux group into activity-based divisions.

In particular, SGE transferred the following to Compagnie Générale des Eaux:

– all its operating businesses in the waste sector;
– two large water distribution subsidiaries, Sogea Guadeloupe and Avignonnaise des Eaux;
– the majority of its property development business in France and Germany (with SGE keeping its real estate financial engineering business through Sorif and Sorinvest).

In January 1997, Compagnie Générale des Eaux and its Sahide and CGC subsidiaries transferred their holdings in the GTIE and Santerne electrical works companies to SGE. This measure was taken as part of the creation within SGE of an electrical engineering and works division, which also included SDEL (already an SGE subsidiary). This operation resulted in an increase of the Générale des Eaux group's share in SGE's capital stock from 80% to 85%.

In June 1997, SGE acquired 90% of CBC, which had until then been controlled directly by Compagnie Générale des Eaux. The French and European subsidiaries of CBC were then integrated into Sogea and Campenon Bernard SGE, as part of the overall restructuring of SGE's building and civil engineering business sector.

These operations completed the restructuring of SGE into five business sectors: building and civil engineering (sub-divided into the two activities led by Sogea and Campenon Bernard SGE), electrical engineering and works (the GTIE group), roadworks (Eurovia), and thermal and mechanical activities.

In October 1997, Compagnie Générale des Eaux sold 35% of SGE's capital stock to French and foreign (mainly American and UK) investors in a privately negotiated transaction, thereby reducing its holding to slightly more than 50%.

The operating structures put in place in 1996 and 1997 were strengthened in 1998.

The thermal and mechanical activities business sector, which groups SGE's French and German subsidiaries operating in the fields of insulation, power and ventilation systems and fire protection, was renamed Sophiane.

In November 1998, Freyssinet took control of Terre Armée Internationale, which specialises in reinforcement techniques, earth-retaining structures, bracing and soil nailing.

1.3. Type of company

SGE is a French Public Limited Company ("Société Anonyme") subject to the provisions of Law 66-537 of July 24, 1966 and of Decree 67-236 of March 23, 1967 relating to commercial companies.

1.4. Legal provisions

French legislation.

1.5. Legal term of existence – dates of formation and expiry

SGE was formed on June 30, 1910, with its initial duration set at 99 years. It was extended by the Extraordinary Shareholders' Meeting of December 21, 1979. SGE will thus come to an end on December 21, 2078, unless its term is extended once again or it is liquidated at an earlier date.

1.6. Corporate purposes (Article 2 of the corporate statutes)

The company has the purpose of:

– undertaking all forms of civil engineering: in particular, development of the goodwill originally

contributed by Sainrapt et Brice, and continuation of the business of that company, specialising in all types of underground works, foundations, hydraulics and reinforced concrete;
– and, more generally, all industrial, commercial, financial, securities and property operations, directly or indirectly related to the purposes specified above.

The company may carry out these operations in mainland France, in overseas French departments and territories as well as outside France, either alone, or in partnership, on a trading basis, or in any other form whatsoever, either directly, on assignment, under leasing arrangements or under licence, either on a brokerage basis or on commission.

In addition, it may implement any measures, either alone or by any other means with no exceptions, create any partnerships or companies, make any contributions in kind to existing companies, merge or enter into alliances with them, subscribe, purchase and re-sell any shares or other corporate rights, take all orders and extend any loans, credits and advances.

1.7. Registration number

RCS: 552 037 806 Nanterre – NAF Code: 47.1J

1.8. Inspection of documents

Legal documents relating to the company are available for inspection at SGE's registered office and at the Nanterre Commercial Court Clerk's Office.

1.9. Financial period

The financial period lasts for one year, from January 1 to December 31 inclusive.

1.10. Statutory appropriation of income (Article 19 of the corporate statutes)

A legal reserve fund is constituted at the end of each financial year, on the basis of at least 5% of the income for that year, after deduction of any previous years' losses. This ceases to be obligatory when the reserve funds reach an amount equal to 10% of the capital stock. This process is to resume when the reserve falls below this 10% level. The income available for distribution consists of the income for the year (after deduction of previous years' losses as well as any amounts set aside in reserves in application of the law or corporate statutes) and retained earnings. The Shareholders' Meeting allocates the following from this distributable income:

– any amounts considered by the Board of Directors as appropriate for constituting or supplementing any ordinary or special reserves, or for carrying over to the next year as retained earnings;
– the amount required for distribution to shareholders, by way of a first dividend, equal to 5% of the amounts of their fully paid and acquired shares. Shareholders cannot, however, claim this dividend against the income of subsequent years, should the income of a given year be insufficient for the dividend payment.

The balance available after these allocations is distributed for all shares, in proportion to the amount of the capital stock they represent.

Following a proposal from the Board of Directors, the Shareholders' Meeting may decide to distribute amounts allocated from available reserves. In such a case, the decision must indicate the specific reserves from which the amounts are allocated.

Except in the case of a capital decrease, a distribution to shareholders cannot be made if shareholders' equity is (or would be following such a distribution) less than the amount of the capital stock plus any reserves whose distribution is not permitted under the law or corporate statutes. The conditions for payment of dividends agreed by the Shareholders' Meeting are determined by the Shareholders' Meeting or, failing that, by the Board of Directors. The payment of dividends must occur within nine months of the year-end, unless this deadline is extended by a Court decision.

The Shareholders' Meeting may offer each shareholder, for all or for part of the distributed dividend or interim dividend, the choice between payment in cash and payment in shares.

1.11. General Meetings of shareholders (Articles 8 and 17 of the corporate statutes)

Shareholders' Meetings are called and take place under the conditions set out in prevailing legislation and regulations. The meetings are held either at the registered office or at another location specified in the notice of the meeting.

All shareholders may, regardless of the number of shares they own, participate in meetings personally or by proxy, on evidence of their identity and shareholding, in the form of either:

– personal registration of the shares in their own name; or

– an authorised intermediary certificate, as provided for in Decree 83-359 of May 2, 1983, declaring the unavailability before the date of the meeting of shares registered on account.

These formalities must be completed at least five days before the meeting. However, the Board of Directors may shorten or remove this deadline, provided any such decision applies to all shareholders. Postal votes are treated under the terms and conditions set out in legislative and regulatory provisions.

Each share gives the right to one vote. Apart from the voting rights attached to it under the law, each share also gives the right to a proportion (on the basis of the number and nominal value of outstanding shares), of the company's assets, income and dividends on liquidation. The corporate statutes do not provide for any double voting rights. The voting rights attached to each share belong to the bare-owner, in person or by proxy, at any Ordinary or Extraordinary Shareholders' Meeting.

1.12. Statutory threshold provisions (Article 10 bis of the corporate statutes, amendment following the decision by the fourth resolution of the Extraordinary Shareholders' Meeting of June 23, 1989)

In addition to the obligations set out in Paragraph 1 of Article 356-1 of the Act relating to Commercial Companies, any individual or legal entity accumulating a proportion of the capital stock equal to or greater than 2% must inform the company, within 15 days of reaching this threshold, of the total number of shares held. Failure to do so, and at the specific request of one or several shareholders holding at least 5% of the capital stock, results in the shares exceeding the proportion that should have been declared being deprived of voting rights at any Shareholders' Meeting held within three months of the date of due notification.

2 • GENERAL INFORMATION CONCERNING THE CAPITAL STOCK OF SGE

Under the corporate statutes, neither changes in the capital stock nor rights associated with shares are subject to conditions more restrictive than those provided by the law.

2.1. Subscribed capital

On December 31, 1998, the capital stock of SGE amounted to FF3,526,459,345 divided into 41,487,757 shares, all of the same type and each with a nominal value of FF85. All shares were fully paid-up and were listed on the monthly settlement market of the Paris stock exchange. On March 1, 1999, the capital stock of SGE was made up of 41,507,502 shares and amounted to FF3,528,137,670.

All shares are ordinary or bearer shares and can be traded freely. Shareholders will be asked to agree to a new authorisation to redeem shares at the next Shareholders' Meeting, scheduled for May 1999.

2.2. Capital authorised but not issued

The Board of Directors currently has the following authorisations:

- authorisation to issue new shares by all appropriate means without the loss of preferential subscription rights (valid until May 25, 2003);
- authorisation to issue new shares by all appropriate means with the loss of preferential subscription rights (valid until January 30, 2000);
- authorisation to issue shares with share subscription warrants, with or without the loss of prefential subscription rights (valid until January 30, 2000);
- authorisation to issue convertible bonds, with or without share subscription warrants, and bonds with share subscription warrants, with or without preferential subscription rights, up to maximum amount of FF2 billion, or €304.9m (valid until May 25, 2000);
- authorisation to issue, over a one-year period, investment securities giving the right to the allocation of shares in the company.

The total nominal value of increases in capital resulting from the above authorisations may not exceed FF1.5 billion (€228.6m).

The board of Directors currently has two further authorisations:

- authorisation to initiate capital increases reserved for employees of the company and of the SGE group's subsidiaries by means of savings schemes, up to a limit of 5% of the company's capital stock (valid until May 25, 2003);
- authorisation to provide share subscription options or purchase options for employees, in accordance with the provisions of Articles 208-1 and following the Act of July 24, 1996. The number of shares created in this way must never exceed 10% of the capital stock (valid until May 25, 2003).

Subscription options or purchase options

From 1991 to 1999, SGE subscription option schemes or purchase option schemes were made available to Board members and senior management of the company and the SGE group. Each scheme lasts for ten years from the date of the Board of Directors meeting at which it was granted.

Option plans	1991 Plan	1992 Plan	1993 Plan	1994 Plan	1st 1998 Plan	2nd 1998 Plan	Total
Date of Shareholders' Meeting	30/06/88	30/06/88	18/06/93	18/06/93	18/06/93	18/06/93	
Date of Board Meeting	05/12/91	06/11/92	04/11/93	04/11/94	04/03/98	04/03/98	
Number of beneficiaries	87	116	117	119	66	8	220 (1)
Total number of shares which may be purchased	269,500	334,500	282,000	305,000	240,500	800,000	2,231,500
Date from which options can be exercised	01/01/93	01/01/94	01/01/95	01/01/96	01/01/99	05/03/2003	
Expiry date	05/12/2001	06/11/2002	04/11/2003	04/11/2004	04/03/2008	05/03/2005	
Adjusted purchase price (in euros)	25.98	16.84	31.03	25.09	25.69	33.80	
Number of shares purchased at December 31, 1998	137,496	221,911	36,246	46,887	-	-	442,540
Number of shares purchased between 01/01/99 and 01/03/99	3,686	6,722	5,792	500	3,045	-	19,745
Number of shares which may be purchased at 01/03/99	71,739	57,294	201,000	211,181	241,039	811,919	1,594 ,172 (2)
Number of shares which may be purchased by the Management Committee at 01/03/99	2,700	4,212	27,906	33,495	11,165	710,430	789,908
Number of shares which may be purchased (as a percentage of the capital stock)	0.17%	0.14%	0.48%	0.51%	0.58%	1.96%	3.84%

(1) The total number of beneficiaries is less than the sum of the beneficiaries of all the schemes, as some individuals are involved in several schemes.

(2) The number of shares which may be purchased at January 31, 1999 is not equal to the difference between the total number of shares which could be purchased originally and the number of shares actually purchased at January 31, 1999, because of adjustments made since the schemes were put in place.

2.3. Existence of shares not representative of the capital stock, or of bonds convertible, exchangeable or redeemable for securities giving access to capital stock, through warrants or other means

None.

2.4. Table of movements in capital stock over five years

Description of operation	Date of Board of Directors' decision	Capital increase (in FF)	Additional paid-in capital (in FF)	Number of shares created	Numberof shares in capital stock	Amount of capital stock (in FF)
Position at December 31, 1993					24,539,875	*2,085,889,375*
Stock options exercised	28/1/94	*297,500*	*109,550*	3,500	24,543,375	*2,086,186,875*
Stock options exercised	7/3/94	*1,096,500*	*561,520*	12,900	24,556,275	*2,087,283,375*
Capital increase in cash	3/5/94	*347,880,520*	*511,589,000*	4,092,712	28,648,987	*2,435,163,895*
Payment of 1993 dividend in shares and stock options exercised	4/11/94	*46,654,375*	*64,322,330*	548,875	29,197,859	*2,481,818,015*
Group Savings Scheme and stock options exercised	29/5/95	*7,997,225*	*7,601,052*	94,085	29,291,944	*2,489,815,240*
Payment of 1994 dividend in shares	11/8/95	*64,149,075*	*56,602,125*	754,695	30,046,639	*2,553,964,315*
Group Savings Scheme	27/9/95	*8,528,220*	*4,615,272*	100,332	30,146,971	*2,562,492,535*
Group Savings Scheme	26/1/96	*4,259,605*	*1,327,994*	50,113	30,197,084	*2,566,752,140*
Group Savings Scheme	28/5/96	*12,027,500*	*311,300*	141,500	30,338,584	*2,578,779,640*
Group Savings Scheme	25/9/96	*3,025,320*	*665,570*	35,592	30,374,176	*2,581,804,960*
Capital increase following contribution of GTIE and Santerne shares	30/1/97	*806,772,400*	*711,858,000*	9,491,440	39,865,616	*3,388,577,360*
Group Savings Scheme	3/2/97	*3,400,510*	-	40,006	39,905,622	*3,391,977,870*
Group Savings Scheme	27/5/97	*17,079,985*	-	200,941	40,106,563	*3,409,057,855*
Group Savings Scheme and stock options exercised	24/9/97	*3,626,865*	*713,855*	42,669	40,149,232	*3,427,484,920*
Group Savings Scheme and stock options exercised	27/1/98	*14,800,200*	*3,067,220*	174,120	40,323,352	*3,491,717,975*
Group Savings Scheme and stock options exercised	2/6/98	*64,233,055*	*21,944,431*	755,683	41,079,035	*3,516,900,755*
Group Savings Scheme and stock options exercised	28/9/98	*25,182,780*	*13,687,760*	296,268	41,375,303	*3,429,504,095*
Group Savings Scheme and stock options exercised	26/1/99	*9,558,590*	*10,221,325*	112,454	41,487,757	*3,526,459,345*
Position at December 31, 1998					41,487,757	*3,526,459,345*
Stock options exercised at March 1, 1999		*1,678,325*	*1,466,636*	19,745	41,507,502	*3,528,137,670*
Position at March 1, 1999					41,507,502	*3,528,137,670*

On December 31, 1998, the value of the capital stock amounted to €537,605,261.

3 • PRESENT BREAKDOWN OF THE CAPITAL STOCK AND VOTING RIGHTS

3.1. Voting rights

There are no shares with double voting rights. At December 31, 1998, the total number of voting rights amounted to 40,457,204 on 41,487,757 shares. No voting rights were associated with shares owned by SGE amounting to 1,030,553.

At December 31, 1998, there were 809 direct shareholders and 91 administered shareholders owning ordinary shares. The number of shareholders with bearer shares is not known to the company.

At March 15, 1999 and to the company's knowledge, the main shareholders of SGE were as follows:

	1/3/99		31/12/98		31/12/97	31/12/96
	Number of shares	as %	Number of shares	as %	as %	as %
Vivendi	19,303,590	46.51	19,303,590	46.53	47.4	80.2
Compagnie Générale de Chauffe	1,552,305	3.74	1,552,305	3.74	3.8	-
Vivendi Group	20,855,895	50.25	20,855,895	50.27	51.2	80.2
FCP SGE (Group Savings Scheme)	1,110,933	2.67	1,058,783	2.55	1.6	1.2
SGPF (wholly-owned SGE subsidiary)	-	-		-	-	0.7
Own shares	1,342,609	3.24	1,030,553	2.48	-	-
Other shareholders (1)	18,198,065	43.84	18,542,526	44.7	41.4	14.3
TOTAL	41,507,502	100.0	41,487,757	100.0	100.0	100.0

(1) At December 31, 1998, the ten leading minority shareholders of SGE jointly held 21.8% of the company's capital stock.

To the company's knowledge, no shareholder other than the Vivendi group directly or indirectly held 5% or more of the capital stock on December 31, 1998.
At March 10, 1999, SGE held 1,342,609 of its own shares (3.24% of the capital stock). At December 31, 1998, individual directors directly owned 972 ordinary shares in the company. To the knowledge of the company, there is no shareholders' agreement.

3.2. Changes in shareholding over the last three years

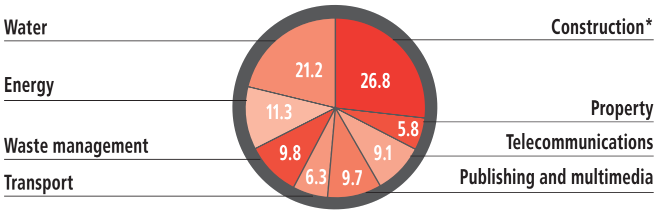
In January 1997, Vivendi (formerly Compagnie Générale des Eaux) and its subsidiaries Sahide and Compagnie Générale de Chauffe, transferred the shares they held in GTIE and Santerne to SGE as part of the creation within SGE of an electrical engineering and works business sector. As a result, the proportion of SGE's capital stock held by Vivendi and its subsidiaries increased from 80.2% to 84.9%.
In October 1997, following a private placement with French and foreign institutional investors, Vivendi sold 13,225,000 SGE shares, thereby reducing the SGE capital stock held by Vivendi and its subsidiaries to 51.2%.
In December 1997, Vivendi took direct control of the 2,040,255 SGE shares held by its subsidiary Sahide.

3.3. Control exercised over SGE

At December 31, 1998, the Vivendi group held 50.27% of the capital stock and 51.55% of the voting rights of SGE.

3.4. Position occupied by SGE within the Vivendi group

Breakdown in percentages of the Vivendi group activities in 1998:



** of which SGE 24.7%*

3.5. Market in SGE shares

The SGE share is listed on the primary monthly settlement market of the Paris stock exchange, and is included in the SBF 120 index, which groups the 120 leading share values.

Changes in SGE share prices and transaction volumes on the Paris stock exchange over the last 18 months*.

		Average (in euros)	High (in euros)	Low (in euros)	Transactions in number of shares	Transactions in value (in thousands of euros)
1997	August	20.76	22.03	19.82	142,559	2,957
	September	21.64	22.79	19.83	372,421	8,114
	October	22.04	23.93	19.67	1,044,097**	23,068
	November	21.91	22.71	20.58	472,826	10,318
	December	22.82	24.38	21.83	539,115	12,350
1998	January	26.09	29.88	23.63	833,059	22,256
	February	27.43	28.66	26.07	1,580,614	43,080
	March	32.12	34.76	28.43	1,565,201	42,666
	April	34.37	35.78	33.34	1,999,269	62,907
	May	41.11	44.52	36.69	1,283,817	44,219
	June	41.41	43.60	38.57	1,118,085	46,922
	July	44.72	46.95	40.70	1,626,070	67,628
	August	38.33	41.77	31.71	1,529,047	67,979
	September	34.93	37.96	31.10	1,155,802	43,076
	October	35.71	42.08	28.20	861,405	30,673
	November	41.81	46.47	38.26	2,640,586	95,560
	December	40.05	42.69	38.22	1,384,047	57,809
1999	January	42.88	45.25	38.50	889,670	38,082
	February	40.28	44.67	38.76	919,295	37,150

* Arithmetic average of the closing prices. Source: SBF-Bourse de Paris.

** These figures do not include the impact of the private placement, whereby Vivendi sold 13,225,000 shares on October 16, 1997, for €20.89 each, to French and foreign institutional investors.

See also the “stock exchange information” section on page 14.

4 • POSSIBLE DEPENDENCE OF THE COMPANY ON PATENTS AND LICENCES

None.

5 • AVERAGE CONSOLIDATED NUMBER OF EMPLOYEES

See the Report of the Board of Directors on page 16.

6 • LITIGATION AND ARBITRATION

See notes to the consolidated financial statements on page 87.

7 • INVESTMENT POLICY

7.1. Research

See the Report of the Board of Directors on page 17.

7.2. Capital expenditure and acquisition of investments

Capital expenditure and acquisition of investments amounted to €313.3m in 1998, against €259.7m in 1997, excluding the impact of the transfer of GTIE and Santerne from Vivendi (€231.5m), which was paid for by an increase in capital. The financing of all investment transactions is given in the cash flow statement on page 68.

Board of Directors, senior management and supervisory bodies

1 • BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

1.1. Board of Directors of SGE

Director's name	Date of first appointment	Date of renewal	Date of expiry of term	Main positions held outside the group and main directorships at March 1, 1999
Antoine Zacharias (Chairman and CEO since 18/6/97)	17/12/90	25/6/96	2002	Member of Vivendi's Executive Committee. CEO of CBC and Socofreg. Chairman of the Supervisory Board of SGE Deutsche Holding. Member of the Supervisory Board of G+H Montage. Director of Sogea, General Utilities Holdings, Norwest Holst, Tunzini G+H Industrie, Prodith, SECR, SLEC and Société Martiniquaise des Eaux.
Dominique Bazy	25/6/96		2002	Chief Executive Officer of AGF, Director and Chief Executive Officer of Allianz Holding France, Allianz Assurances, Allianz Vie, Chairman of RHIMO Holding, Rhin et Moselle Assurances Françaises, Les Assurances Fédérales. Member of the Supervisory Board of ATOS. Director of La Rurale, Grand Vision, PFA Tiard, PFA Vie and Athena.
Daniel Caille	18/6/97		2002	Executive Director and member of the Executive Committee of Vivendi. Manager of Compagnie Générale des Eaux-Sahide. Chairman and Chief Executive Officer of Compagnie Générale de Services Gabon. Director of General Utilities Plc, Société Monégasque des Eaux, Anjou Recherche, Compagnie du Guano de Poisson-Angibaud, CGEM, OTV, CGC Holding, SIDEM, Sade-CGTH, Medifutur, Vivendi UK Limited and AWT Corporation. Member of the Supervisory Boards of Bonna-Sabla and SARP.
Guy Dejouany (representing Vivendi)	25/6/96		2002	Honorary President of Vivendi. Deputy Chairman of Société Monégasque des Eaux. Member of the Supervisory Board of Axa-UAP, Dalkia, Société des Eaux de Cambrai, Compagnie des Eaux et de l'Ozone and Société Française de Distribution d'Eau. Director of Vivendi, Alcatel, Société Générale, Canal+, Havas and Electrafina. Vivendi's permanent representative on the Board of Directors of UGC, and on the Supervisory Board of ABN-AMRO France.
Alain Dinin	18/6/97		2002	Chief Executive Officer of CGIS. Manager of Compagnie Générale d'Immobilier George V and Anjou Services. Vice Chairman of the Supervisory Board of COPRIM. Director of CGIS, SA Penez, Constructa, CGIS Entreprises, Féréal, George V Habitat, George V Industries, George V Gestion, Groupe SEERI and Crédit Financier Lillois.
Patrick Faure	18/6/93		1999	Assistant Managing Director of Groupe Renault. Chairman of Renault Sport. Director of Renault Véhicules Industriels, Renault Sport, Mack Trucks, Compagnie Financière Renault, Compagnie d'Affrètement et de Transport, Elf Antar France, Renault Véhicules Industriels Espagne and Fondation Marius Berlet.
Roland Genin	16/6/95		2001	Former Deputy Chairman of Schlumberger.

Director's name	Date of first appointment	Date of renewal	Date of expiry of term	Main positions held outside the group and main directorships at March 1, 1999
Philippe Germond	18/6/97		2002	Senior Executive Vice President and member of the Executive Committee of Vivendi. Chairman and Chief Executive Officer of SFR, TDR and Cegetel SI. Chief Executive Officer of Cegetel and Compagnie Financière pour le Radiotéléphone (Cofira). Director of Cegetel, Cofira, CGSAT, SOFIEE and Transtel. Member of the Supervisory Board of Viventures Partners.
Guillaume Hannezo	1/4/97		2002	Executive Vice President, Finance and member of the Executive Committee of Vivendi. Director of Havas, CGEA Transport, CGEA, UGC, SOFIEE, Compagnie Générale de Chauffe. Vice Chairman of the Supervisory Board of Viventures Partners.
Pascal Lamy	25/6/96		2002	Member of the Executive Committee of Crédit Lyonnais. Chairman of CL Capital Markets. Member of the Supervisory Board of ATOS. Director of Crédit du Maroc, Moulinex and CL Investment Limited.
Jean-Marie Messier	4/11/94	25/6/96	2002	Chairman and Chief Executive Officer of Vivendi and of Cegetel. Chairman of Fondation d'Entreprise Vivendi. Director of Compagnie de Saint-Gobain, LVMH Moët Hennessy Louis Vuitton, Strafor Facom, Havas, Canal+, UGC, Daimler Benz (Germany) and of several companies controlled by the Vivendi group.
Serge Michel	17/12/90	25/6/96	2002	Chairman and Chief Executive Officer of Soficot, Ciam Segex. Member of the Supervisory Boards of G+H Montage, Compagnie des Eaux de Paris and CGE-Sahide. Director of Sogea, Eiffage, Argyra, Société des Eaux de Deauville, CIAM and STBB.
Henri Proglio	18/6/97		2002	Senior Executive Vice President and member of the Executive Committee of Vivendi. Chairman and Chief Executive Officer of CGEA, CGEA Transport, SAFISE, VECTEUR and Collex Waste Management. Vice Chairman of the Supervisory Board of SARP. Member of the Supervisory Boards of Dalkia, CFSP, Coteba Management, Eaux de Melun, CGE-Sahide and CGST. Director of Compagnie Générale de Chauffe, SARP Industries, Société des Eaux de Marseille, TRU, CREED, Vivendi UK Limited, CGEA UK Limited and Onyx scl.
Pierre Trotot	16/6/95		2001	Executive Vice President of Cegetel, Chairman and Chief Executive Officer of Argyra and SFR2. Deputy Chairman of SRR. Director of Cegetel Service, Cegetel Entreprises, Compagnie Internationale pour le Radiotéléphone, Omnium de Traitements et de Valorisations, SFR, SNIC, Transtel and RE-Ascop. Member of the Supervisory Board of CGST.

Individuals whose appointment as Directors will be proposed to the Shareholders' Meeting on May 10, 1999

Quentin Davies	10/05/99		2005	Consultant to Nat West Securities. Member of Parliament in the UK.
Ernst Moritz Lipp	10/05/99		2005	Member of the Board of Dresdner Bank. Honorary Professor at the University of Frankfurt. Associate Professor at INSEAD. Lecturer in Economics at the University of the Sarre. Political advisor to the Cambridge Economy Policy Group. Advisor to the governments of several Latin American countries.

1.2. Executive Committee

Antoine Zacharias	Chairman and Chief Executive Officer of SGE.
Bernard Huvelin	General Manager of SGE and Chairman of Consortium du Stade de France.
Xavier Huillard	Deputy General Manager of SGE and Chairman and Chief Executive Officer of Sogea.
Alain Leclerc	Deputy General Manager of SGE, Manager of Sophiane and Chairman of the Supervisory Boards of G+H Montage and of Nickel.
Pierre Linden	Manager of SGE's Concessions Department and Deputy General Manager of Campenon Bernard SGE.
Roger Martin	Deputy General Manager of SGE, Chairman of Eurovia and of Viafrance, and Chairman of the Supervisory Board of SGE VBU.
Christian Peguet	Deputy General Manager of SGE, and Director and Chief Executive Officer of GTIE.
Henri Stouff	Deputy General Manager of SGE and Manager of Campenon Bernard SGE.
Frédéric Gauchet	Member of SGE's General Management, and Chairman and Chief Executive Officer of SGE Environnement.
Christian Labeyrie	Chief Financial Officer SGE and Secretary of its Board of Directors.

1.3. Committees of the Board of Directors

See the "corporate governance" section in the Report of the Board of Directors (page 18).

2 • INTERESTS HELD BY OFFICERS IN THE CAPITAL STOCK OF THE COMPANY, IN THAT OF A COMPANY WITH A CONTROLLING INTEREST IN THE COMPANY, IN THAT OF A SUBSIDIARY OF THE COMPANY, OR WITH A MAJOR CUSTOMER OR SUPPLIER OF THE COMPANY

2.1. Remuneration of the Board of Directors and the Executive Committee, and option schemes granted to members of the Executive Committee

See note 27 to the consolidated financial statements (page 86).

2.2. Transactions entered into with members of the Board of Directors, the Executive Committee or any supervisory body, which are not in the nature of ordinary operations concluded under normal conditions

See the information provided in the report of the statutory auditors on regulated contracts.

2.3. Loans and guarantees granted to members of the Board of Directors or Executive Committee

None.

3 • DESCRIPTION OF EMPLOYEE SAVINGS SCHEMES

Employee savings scheme

The SGE group savings scheme, established on January 1, 1995, is designed to allow employees of the SGE group to participate in the constitution of a collective portfolio of SGE shares, by subscribing to reserved capital increases through the intermediary of a mutual fund.

The savings scheme is based on voluntary employee contributions, supplemented by a contribution from the company to a maximum of FF5,000 per annum.

Shares in the mutual fund acquired by individuals can be traded:

– either five years after the date of purchase;

– or, prior to the end of this five-year period, upon the occurrence of one of the events set out in the law governing such schemes.

Employees of the SGE group may also participate in the Vivendi group savings scheme.

The contributions (net of CSG, the French social security surtax) paid over the last five years by the SGE group, under the two savings schemes, are as follows:

(in millions of French francs)	1994	1995	1996	1997	1998	Total
SGE Group Savings Scheme	-	5.7	3.0	3.9	7.6	20.2
Vivendi Group Savings Scheme	-	-	3.4	6.3	11.5	21.2
Total	-	5.7	6.4	10.2	19.2	41.5

Individuals responsible for the reference document and for auditing the financial statements

1 • OFFICER RESPONSIBLE FOR THE REFERENCE DOCUMENT

Antoine Zacharias, Chairman and Chief Executive Officer of SGE.

2 • SIGNED STATEMENT

"To the best of my knowledge, the information contained in the Reference Document gives a true and fair view of the SGE group. It includes all the statements necessary for investors to form an opinion of the assets, business, financial situation, financial performance and prospects of SGE. There are no omissions liable to alter the significance of those statements."

The Chairman and Chief Executive Officer, Antoine Zacharias

3 • STATUTORY AND ALTERNATE AUDITORS

3.1. Statutory auditors

Salustro Reydel
8 avenue Delcassé, 75008 Paris, France
represented by Bernard Cattenoz and Bertrand Vialatte.
Date of first mandate: June 23, 1989.
Duration of present mandate: six years.
Expiry of present mandate: subsequent to the Shareholders' Meeting that will approve the financial statements for 2000.

Deloitte Touche Tohmatsu - BMA
183 avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France
represented by Michel Bousquet and Dominique Descours.
Date of first mandate: June 23, 1989.
Duration of present mandate: six years.
Expiry of present mandate: subsequent to the Shareholders' Meeting that will approve the financial statements for 2000.

3.2. Alternate auditors

François Pavard
8 avenue Delcassé, 75008 Paris, France.
Date of first mandate: June 16, 1995.
Duration of present mandate: six years.
Expiry of present mandate: subsequent to the Shareholders' Meeting that will approve the financial statements for 2000.

Jacques Convert
183 avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France.
Date of first mandate: June 16, 1995.
Duration of present mandate: six years.
Expiry of present mandate: subsequent to the Shareholders' Meeting that will approve the financial statements for 2000.

4 • AUDITORS' STATEMENT

We have audited the financial information reported in this document in accordance with generally accepted auditing standards by applying such procedures as we considered necessary in the circumstances.
We have also audited the company and consolidated financial statements for the years 1996 to 1998.
We have the following comments to make on the fair presentation of the financial information:
Our report on the consolidated financial statements for 1996 highlighted the following point set out in note 2.1 relating to the key events of the year: "the group has made provisions due to the assessment of the risks associated with the rent guarantees extended to the purchasers of the Berlin projects. These provisions have been determined on the basis of assumptions made by real estate experts in a market where growth remains uncertain".
Our report on the consolidated financial statements for 1997 drew attention to the note relating to accounting policies and note 2.1 which describes the change in accounting policy relating to pension commitments.
Our report on the consolidated financial statements for 1998 draws attention to note A to the consolidated financial statements relating to key events. It describes:
– the change in accounting policy relating to leasing contracts;
– the change in accounting policy relating to the use of the percentage of completion method by the subsidiaries in two divisions: electrical engineering and works, and thermal and mechanical activities.
We have no further comments to make on the fair presentation of the financial information.

Neuilly, Paris, March 25, 1999
The Statutory Auditors

Deloitte Touche Tohmatsu-BMA
Michel Bousquet Dominique Descours

Salustro Reydel
Bernard Cattenoz Bertrand Vialatte

5 • OFFICERS RESPONSIBLE FOR FINANCIAL INFORMATION

Christian Labeyrie, Chief Financial Officer (+33 1 47 16 48 65).
Pierre Coppey, Public Relations Officer (+33 1 47 16 35 41).

COB cross-referencing table

To make it easier to read the annual report that has been registered as a reference document, the following table identifies the main headings required to be covered by Regulation 98-01 of the Commission des Opérations de Bourse (French stock exchange commission).

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Printing: JPA.

COB

The present reference document, in the form of the 1998 annual report, was registered with the COB (the French stock exchange commission) on March 26, 1999 under the number R.99-058. It may not be used in support of a financial transaction unless accompanied by an operation note certified by the COB.

SGE GROUPE

1 cours Ferdinand-de-Lesseps, 92851 Rueil-Malmaison Cedex - France
Tel: +33 1 47 16 35 00 - Fax: +33 1 47 51 91 02 - Internet: www.groupe-sge.com

SGE Group is a company of VIVENDI