



ANNUAL REPORT 1997



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COMMENTS ON THE FINANCIAL STATEMENTS

The scope of consolidation changed substantially in 1997, as a result of the following restructuring operations:

- contribution to CGEA of the household waste collection and treatment business, and resale to Compagnie Générale des Eaux of the CGEA shares received in consideration for this contribution;
- sale to SGE Environnement of the waste treatment engineering goodwill;
- sale to Sahide, a subsidiary of Compagnie Générale des Eaux, of the 50% holding in Avignonnaise des Eaux;
- sale to Compagnie Générale des Eaux of Viafrance's 20% holding in Routière de l'Est Parisien;
- acquisition from CBC of its regional subsidiaries located in the north, east, west and south-west of France;
- acquisition from Campenon Bernard SGE of its regional subsidiaries located in the west and south-west of France, and sale to the same company of building and civil engineering subsidiaries or businesses in the Rhône-Alpes and Auvergne regions.

STATEMENT OF INCOME

Net sales amounted to 18,445 million French Francs, representing an increase of 2.6% with respect to the corresponding 1996 figure. However, after adjusting for the consolidation changes set out above, net sales on a like-to-like consolidation basis actually declined by 0.8% on the previous year.

Operating income amounted to 125 million French Francs, or 0.7% of net sales, after an operating expense of 220 million French Francs in 1996. This 345 million French Francs improvement was mainly due to the significant reduction in losses in East Africa and to the awarding of claims against civil engineering projects in Ile-de-France. Net financial income, at 17 million French Francs, is substantially down on that of 1996 (39 million French Francs). This deterioration is the result of the inclusion in this item of Sogea's share in the results of Campenon Bernard SGE.

Exceptional income (exceptional expense of 129 million French Francs in 1996) amounted to 475 million French Francs in 1997, despite the continuation of restructuring efforts. This can be explained first and foremost by the fact that restructuring costs incurred by the integration of former CBC subsidiaries were neutralised by the liabilities guarantee extended by CBC. In addition, 1997 exceptional income includes 699 million French Francs of capital gains from disposals of businesses (against 59 million French Francs in 1996), an amount that includes the capital gain realised from the disposal of Sogea Guadeloupe which was completed at the beginning of this 1998 financial year.

The doubling of the tax and profit-sharing charges between 1996 (42 million French Francs) and 1997 (81 million French Francs) is mostly a consequence of these exceptional capital gains.

All in all, net income amounts to 512 million French Francs, against a loss of 378 million French Francs in the previous year, giving an overall improvement of 890 million French Francs.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Cash flow from operations amounts to 500 million French Francs, an improvement of 200 million French Francs in comparison with 1996. The difference in comparison with the change in income corresponds to capital gains from disposals, which are not taken into consideration in this item.

Investments amount to 561 million French Francs and include the acquisition cost of former CBC and Campenon Bernard SGE subsidiaries, to the tune of 51 million French Francs. Current capital expenditure is therefore down on that of 1996 (536 million French Francs) and was almost entirely self-financed.

Proceeds from asset disposals reached 916 million French Francs, a very large amount that can be explained mostly by exceptional disposals of business activities, including the sale of Sogea Guadeloupe.

BALANCE SHEET

Changes in the scope of consolidation had little impact on fixed assets, which fell from 3.4 to 3.3 billion French Francs. It should be noted that public BOT concession assets varied very little, despite the disposal of certain service businesses. These assets consist mainly of car parks.

The cash resources generated by the financing conditions applicable to operations amount to 140 million French Francs (3 days of net sale) against 433 million French Francs (9 days of net sales) at the end of 1996.

Shareholders' equity amounts to 1,969 million French Francs, against 1,818 million French Francs at the end of 1996. This change is due to the inclusion of net income for the financial year (512 million French Francs), and, with the opposite effect, to the distribution of an advance dividend payment of 150 million French Francs, as well as the inclusion on the balance sheet, from 1997, of pension commitments with respect to current employees (209 million French Francs). As the latter amounts to a change in accounting method, the provisioned amount was charged directly against shareholders' equity at the beginning of the year. Provisions for liabilities and charges stand at 2,756 million French Francs, an increase of 500 million French Francs on 1996. Apart from the impact of pension commitments set out above, the increase in provisions is largely due to restructuring costs. Lastly, the net financial position, that is, the balance of financial liabilities and assets, shows a surplus of 1,762 million French Francs, compared to the 1996 end-of-year surplus of 1,309 million French Francs, representing an improvement of 453 million French Francs.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 1997

ASSETS

(in millions of French Francs)	Note	1997	1996
Public BOT concession assets	3	761.4	824.9
Tangible assets owned by the Group	4	1,551.9	1,624.4
Goodwill	5	338.7	323.4
Unconsolidated investments	6	457.6	465.1
Investments accounted for by the equity method		29.2	24.5
Other financial assets	7	135.7	123.3
Total financial assets		961.2	936.3
Total fixed assets		3,274.5	3,385.6
Inventories and work in progress	8	316.0	340.0
Trade notes and accounts receivable	13	8,465.6	7,186.9
Financial receivables	12	3,291.1	2,757.6
Marketable securities	12	124.3	39.1
Quick assets	12	584.7	418.3
Deferred project charges	9	26.7	26.4
Total current assets		12,808.4	10,768.3
Total assets		16,082.9	14,153.9

SHAREHOLDERS' EQUITY AND LIABILITIES

(in millions of French Francs)	Note	1997	1996
Capital stock		1,633.1	1,758.7
Retained earnings before net income		(175.8)	436.9
Net income for the year		511.9	(378.0)
Group share of shareholders' equity		1,969.2	1,817.6
Advances from the parent company		44.3	64.1
Total shareholders' equity		2,013.5	1,881.7
Minority interest	10	18.1	18.0
Public BOT concessions		93.9	88.9
Capital investment grants		4.2	4.2
Provisions for liabilities and charges	11	2,756.0	2,255.9
Other long-term borrowing	12	323.8	360.9
Other long-term accounts payable		10.4	12.6
Total medium- and long-term debt		334.2	373.5
Total capital employed		5,219.9	4,622.2
Trade notes and accounts payable	13	9,746.0	8,794.3
Short-term financial debt	12	1,117.0	737.4
Total current liabilities		10,863.0	9,531.7
Total shareholders' equity and liabilities		16,082.9	14,153.9

CONSOLIDATED STATEMENT OF INCOME

AT 31 DECEMBER 1997

(in millions of French Francs)	Note	1997	1996
Net sales	14	18,445.6	17,977.8
Other revenue		1,403.1	1,159.4
Total revenue		19,848.7	19,137.2
Operating expenses	15	19,723.4	19,356.8
Operating income		125.3	(219.6)
Financing cost		0.7	(5.0)
Other net financial revenue	16	18.1	51.7
Net changes in provisions		(1.6)	(8.0)
Net financial income		17.2	38.7
Operating income less net financial expense		142.5	(180.9)
Exceptional items	17	695.0	(68.6)
Exceptional depreciation and provisions	17	(219.9)	(60.4)
Exceptional income (expense)		475.1	(129.0)
Employee profit sharing		(26.2)	(10.9)
Net taxes	18	(54.3)	(30.9)
Income of consolidated companies before amortisation of goodwill		537.1	(351.7)
Amortisation of goodwill		(28.2)	(26.4)
Income of consolidated companies		508.9	(378.1)
Group share in affiliated companies		4.9	0.9
Net earnings of consolidated group		513.8	(377.2)
Minority interest		(1.9)	(0.8)
Net income (loss)		511.9	(378.0)
Number of shares at year end		3,332,940	3,589,141
Net income per share (in French Francs)		153.59	(105.32)

STATEMENT OF CHANGES IN FINANCIAL POSITION

(in millions of French Francs)	Note	1997	1996
SOURCES			
Net income of consolidated companies before equity and minority interests		508.9	(378.1)
Net depreciation and operating provisions		795.1	738.5
Gains from asset disposals	2.2	(807.0)	(63.8)
Dividends received from companies accounted for by the equity method		2.5	2.3
Cash flow		499.5	298.9
Proceeds from asset disposals	2.2	916.2	145.6
Parent company capital increase			
Minority interests' share of capital increases of subsidiaries		3.6	
New advances from parent company		-	
New borrowings		6.8	12.6
Decrease in other long-term financial assets		21.9	31.1
I - Total sources		1,448.0	488.2
USES			
Acquisitions of tangible and intangible fixed assets	3	499.3	524.2
Acquisitions of investments in affiliated companies and other financial investments		61.6	12.1
Total investments		560.9	536.3
Decrease in long-term debt		43.6	147.7
Minority interests' share of dividends distributed by subsidiaries		-	1.0
Increase in other long-term financial assets		41.7	13.1
Reimbursement of advances from parent company		19.8	38.1
Dividends paid to parent company		150.0	107.7
II - Total uses		816.0	843.9
I - II - Sources in excess of uses		632.0	(355.7)
Effect of changes in scope of consolidation	13	81.2	(1.8)
Other adjustments		(4.3)	(18.3)
Increase (decrease) in working capital requirement	13	303.4	(886.4)
Increase in cash	13	405.5	510.6

CHANGES IN GROUP SHARE OF SHAREHOLDERS' EQUITY

(in millions of French Francs)	Capital stock	Consolidated reserves	Earnings	Shareholders' equity
Shareholders' equity at 31 December 1995	1,758.7	319.5	227.7	2,305.9
Distribution of dividends	-	(107.7)	-	(107.7)
Exchange adjustments	-	(2.6)	-	(2.6)
Earnings in the year	-	-	(378.0)	(378.0)
Allocation of prior earnings	-	227.7	(227.7)	-
Shareholders' equity at 31 December 1996	1,758.7	436.9	(378.0)	1,817.6
Distribution of dividends	-	(150.0)	-	(150.0)
Exchange adjustments	-	(1.6)	-	(1.6)
Capital decrease	(125.6)	125.6	-	-
Earnings in the year	-	-	511.9	511.9
Allocation of prior earnings	-	(378.0)	378.0	-
Changes in accounting method	-	(208.7)	-	(208.7)
Shareholders' equity at 31 December 1997	1,633.1	(175.8)	511.9	1,969.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Sogea, included in the consolidated financial statements of SGE as a fully consolidated subsidiary, have been drawn up in accordance with French accounting standards, as defined by the general accounting charter for the building and public works industry, the Act of 3 January 1985 and the Decree of 17 February 1986 pertaining to consolidation.

1 ACCOUNTING PRINCIPLES

1.1 CONSOLIDATION PRINCIPLES

The consolidated accounts include the financial statements of companies whose net sales exceed 10 million French Francs, as well as those of subsidiaries with smaller net sales, when their impact on the financial statements of the Group is significant.

Companies over which Sogea exercises majority control are fully consolidated.

Those over which Sogea exercises substantial influence are accounted for by the equity method. Jointly controlled entities and joint ventures, whose balance sheets and statements of income are significant for the Group, are consolidated by the proportional method. Others are consolidated by the method known as semi-proportional, whereby proportional consolidation is limited to statement of income items only. Investments in companies making bituminous plant mixes or materials and operated jointly with other groups are excluded from the scope of consolidation. These companies do not individually meet the net sales criterion for consolidation.

1.2 CONVERSION OF THE FINANCIAL STATEMENTS OF FOREIGN COMPANIES AND ESTABLISHMENTS

The financial statements of entities located abroad are monitored on the basis of a breakdown of their operations by currency of financing.

These establishments' balance sheets and statements of income, as expressed in foreign currencies, are converted at the exchange rates prevailing at the end of the financial year.

The only items included in consolidated reserves, until disposed of outside the Group, are conversion adjustments related to subsidiaries whose financial statements are expressed in currencies not exhibiting lasting loss of value with respect to the French Franc.

1.3 ITEMS DENOMINATED IN FOREIGN CURRENCIES

Receivables and payables denominated in foreign currencies are converted at the year-end exchange rate, or at the rate provided by a corresponding hedging instrument.

Only the resulting unrealised exchange losses are accrued in the income for the year.

1.4 GOODWILL

Generally speaking, goodwill representing the difference between the acquisition cost of shares in consolidated companies and the corresponding share in equity on the date of acquisition, is allocated to the various asset and liability items of the acquired company's balance sheet.

The unallocated goodwill balance is entered on the asset side of the consolidated balance sheet, and amortised over a period not exceeding twenty years, except for special cases justifying accelerated amortisation.

Goodwill items of an amount less than or equal to one million French Francs are fully amortised in the year. Goodwill associated with quarries is amortised over the expected operating lifetime of the quarry, up to a maximum of forty years.

1.5 TANGIBLE FIXED ASSETS

Land, buildings and equipment are carried at their cost price, or at their appraised value, in the event of a legal revaluation.

Economic depreciation is calculated using the straight-line or declining-balance method, depending on the nature of the asset.

The average operating lifetimes applied for depreciation are as follows:

Buildings and building fixtures	from 20 to 30 years
Equipment for public works	from 4 to 10 years
Vehicles	from 3 to 5 years
Other fixtures	10 years
Office equipment	from 3 to 5 years
Office furniture	10 years

These periods can be shortened to reflect actual conditions of use of the equipment, in particular in the case of operations by entities located abroad.

1.6 UNCONSOLIDATED INVESTMENTS

The gross book value of unconsolidated investments is equal to their acquisition cost. If this value is greater than fair value, a depreciation provision equal to the difference is made.

The fair value is determined from the share in the company's equity, adjusted as appropriate to reflect the market value of the securities, their significance for the Group, and the company's growth and earnings prospects.

Any disposals agreed to as of the date of closure of the accounts, and whose provisional conditions are met as of the date of the Directors approving of the accounts, are entered as of the date of signature of the agreement.

1.7 PENSION COMMITMENTS

Pension commitments relating to end-of-career benefits and supplementary pension schemes are covered by balance-sheet provisions, in the case of both current employees and retired staff (see Note 2.1 Change in accounting method).

These commitments are evaluated by the actuarial method known as the projected credit unit method.

1.8 INCOME RECOGNITION

Revenues from long-term contracts are determined using the percentage-of-completion method.

If the contract is forecast to result in a loss, a provision is made for the anticipated loss upon completion, whatever the method of accounting, after appropriately taking into consideration reasonably estimated supplementary revenue or claims.

1.9 INCOME TAXES

The income tax charge for the year corresponds to taxes payable by consolidated companies, adjusted for deferred taxes. These arise primarily from timing differences between taxable income and income for financial reporting purposes, and are determined by the variable deferral method.

No deferred tax is recorded for losses carried forward. The same applies to deferred tax associated with items whose due dates are not known at the end of the year.

2 DEVELOPMENTS WITHIN THE GROUP

2.1 CHANGE IN ACCOUNTING METHOD

In 1997, the Group started to make balance-sheet provisions to cover pension commitments to current employees, in addition to existing provisions concerning retired staff.

These commitments include contractual end-of-career benefits, as well as certain supplementary pension commitments of the Group in France. They were evaluated by the prospective actuarial method recommended by international rules (projected credit unit method).

In accordance with currently prevailing principles, the impact of this change in method was determined retrospectively, on the basis of the commitments outstanding on the first day of the accounting year. The amount charged against shareholders' equity at the beginning of the year comes to 209 million French Francs.

For practical reasons, it was not possible to determine the impact of the change in method on the year's net income.

Application of the new method resulted in the reporting for the year of a net allocation of 7 million French Francs.

2.2 CHANGES IN THE GROUP'S STRUCTURE

Sogea experienced substantial re-organisation of its businesses in 1997.

In the building and public works sector

- Sogea sold or contributed to Campenon Bernard SGE its building and civil engineering businesses in the Rhône-Alpes region;
- it took over from Campenon Bernard SGE its subsidiaries in the West and South-West.

Finally, it bought from CBC, a recently consolidated SGE subsidiary, that company's subsidiaries with business activities in the west, north, south-west and east of France. This operation was accompanied by the granting to Sogea of an assets and liabilities guarantee to cover operating losses, restructuring costs and miscellaneous exceptional charges.

In the environment sector

With a view to continued streamlining of its areas of business, Sogea transferred its waste management operations to CGEA, sold its waste treatment engineering goodwill to SGE Environnement, and sold its holding in the company Avignonnaise des Eaux to Sahide, a subsidiary of Compagnie Générale des Eaux. It also signed an agreement with another subsidiary of Compagnie Générale des Eaux to sell its shares in Sogea Guadeloupe. The net impact of these transactions on the year's earnings amounts to 483 million French Francs.

In a separate development, Viafrance sold to Compagnie Générale des Eaux its 20% stake in Routière de l'Est Parisien, a company that manages waste landfill sites. This transaction generated capital gains of 216 million French Francs.

2.3 SCOPE OF CONSOLIDATION

Following the re-organisation described above in Note 2.2, the scope of consolidation was enlarged to 179 companies (as opposed to 167 companies at 31 December 1996), including subsidiaries included in consolidated sub-groups.

It breaks down numerically as follows:

	French companies	Foreign companies	Total
Number of consolidated companies at end 1996	117	50	167
Added in the year	22	3	25
Removed in the year	7	6	13
Number of consolidated companies at end 1997	132	47	179

3 PUBLIC BOT CONCESSION ASSETS

(in millions of French Francs)	Intangible fixed assets	Tangible fixed assets	Deferred charges	Total
Net amount at 1 January 1996	200	527	50	777
Acquisitions	18	32	-	50
Disposals	-	-	-	-
Capitalisation	-	-	18	18
Depreciation and provisions	(8)	(5)	(5)	(18)
Scope of consolidation and other changes	-	(2)	-	(2)
Net amount at 31 December 1996	210	552	63	825
Acquisitions	13	1	-	14
Disposals	-	-	-	-
Capitalisation	-	-	19	19
Depreciation and provisions	(7)	(5)	(4)	(16)
Scope of consolidation and other changes	(57)	(24)	-	(81)
Net amount at 31 December 1997	159	524	78	761

Acquisitions of intangible fixed assets refer mainly to the payment of right-to-use fees as part of the contract to take over operation of the water distribution and sewage systems of the city of Troyes.

Scope of consolidation changes reflect the sale of Société Avignonnaise des Eaux and of Sogea's waste management business to the Compagnie Générale des Eaux Group.

In the statement of changes in financial position, fixed-asset investments in the public BOT concessions sector include releases of provisions for contract renewals and total guarantees, in the amount of 13 million French Francs.

Depending on the type of contract, deferred charges in the year correspond either:

- to depreciation allowances and/or renewal provisions in the year, or
- to the spreading over the entire concession term of interest charges on borrowing paid during the year.

Such charges will be amortised against the first net income generated by the corresponding ventures.

4 TANGIBLE ASSETS OWNED BY THE GROUP

(in millions of French Francs)	Intangible fixed assets	Tangible fixed assets	Total
Net amount at 1 January 1996	24	1,793	1,817
Acquisitions	6	416	422
Disposals	(1)	(54)	(55)
Depreciation and provisions	(8)	(536)	(544)
Other adjustments	(2)	(14)	(16)
Net amount at 31 December 1996	19	1,605	1,624
Acquisitions	7	446	453
Disposals	-	(45)	(45)
Depreciation and provisions	(7)	(459)	(466)
Scope of consolidation and other changes	-	(14)	(14)
Net amount at 31 December 1997	19	1,533	1,552

5 GOODWILL

(in millions of French Francs)	1997	1996
Net goodwill at the beginning of the year	323	342
Acquisitions from Campenon Bernard SGE and CBC	38	-
Goodwill recorded during the year	6	7
Amortisation charges in the year	(28)	(26)
Net goodwill at the end of the year	339	323

Apart from re-organisation of the construction sector, goodwill recorded in the course of the year relates to the company COTRA, acquired by the roadwork sector, in the amount of 6 million French Francs. Of the amortisation, 26 million French Francs pertains to the roadwork sector.

6 UNCONSOLIDATED INVESTMENTS

(in millions of French Francs)	1997
Unconsolidated investments at 31 December 1996	465
Acquisitions	61
Disposals	(57)
Net change in provisions	2
Scope of consolidation and other changes	(13)
Total	458

Holdings in unconsolidated affiliated companies are reported in the consolidated financial statements at cost. They include, in particular, shares in the Campenon Bernard SGE partnership and in Socofreg, respectively held in the proportions of 12% and 5%, as well as the roadwork sector's interests in industrial companies that make bituminous plant mixes and operate quarries.

Investments in previously consolidated companies that were not sold off are kept in the consolidated financial statements at their value under the equity method.

Acquisitions in the year relate to the take-over of several regional subsidiaries of CBC and Campenon Bernard SGE (see Note 2.2).

Disposals in the year mainly concern to the transfer to Compagnie Générale des Eaux of the subsidiaries Avignonnaise des Eaux and Société Routière de l'Est Parisien, and to Campenon Bernard SGE of the subsidiaries Lamy and Sobeau Auvergne.

The net impact of consolidation recalculations following the addition or departure of these subsidiaries is included in the "scope of consolidation and other changes" line item.

7 OTHER FINANCIAL ASSETS

(in millions of French Francs)	1997	1996
Long-term loans	27	20
Long-term investments	9	12
Deposits and other financial investments	100	91
Total	136	123

8 INVENTORIES AND WORK IN PROGRESS

Apart from the roadwork sector inventories (110 million French Francs at the end of the year), consisting of raw materials and goods, inventories correspond to supplies for construction sites located mainly in Africa and the overseas departments.

9 DEFERRED PROJECT CHARGES

Charges to be spread over several financial years consist of site start-up costs, whose depreciation is spread over the entire period of the works, as well as research expenditure and the cost of quarry installation in the roadwork sector.

As these are not truly long-term investments, they are treated like a working capital requirement item.

(in millions of French Francs)	1997	1996
Balance at the beginning of the year	26	81
Capitalisation in the year	25	21
Depreciation allowances	(25)	(77)
Other adjustments	1	1
Balance at the end of the year	27	26

10 MINORITY INTEREST

(in millions of French Francs)	1997	1996
Balance at the beginning of the year	18	27
Dividends paid by subsidiaries to minority interest holders	-	(1)
Minority interest share in the year's earnings	2	1
Other adjustments	(2)	(9)
Balance at the end of the year	18	18

The Group assumes liability for the minority interest share of the negative net worth of companies in difficulty.

11 PROVISIONS FOR LIABILITIES AND CHARGES

(in millions of French Francs)	1996	Allowances	Recoveries	Other adjustments	1997
Operating risks and expenses	1,865	957	943	247	2,126
Financial risks	22	9	12	2	21
Risks of an exceptional nature	369	495	249	(6)	609
Total	2,256	1,461	1,204	243	2,756

The other adjustments to operating provisions are mainly due to the change in method of accounting for pension commitments to current employees (see Note 2.1).

The “risks of an exceptional nature” line item consists of provisions set aside to cover liabilities of a non-recurring nature, in particular restructuring costs and exceptional litigation.

12 NET FINANCIAL SURPLUS (DEBT)

(in millions of French Francs)	1997	1996
Long-term borrowing and debt	(324)	(361)
Bank overdrafts and other short-term debt	(1,117)	(737)
Gross financial liabilities	(1,441)	(1,098)
Marketable securities	124	39
Other short-term financial receivables	3,291	2,758
Quick assets	585	418
Total financial assets	4,000	3,215
Net financial surplus	2,559	2,117

Borrowings break down by maturity date as follows:

(in millions of French Francs)	1997	1996
Maturing in 1998	-	57
Maturing in 1999	41	44
Maturing between 2000 and 2002	73	39
Maturing in more than 5 years	194	200
Indeterminate maturity	16	21
Total	324	361

The “other short-term financial receivables” line item includes quick assets invested with SGE, in the amount of 2,976 million French Francs.

At the end of the year, long-term borrowings were covered by liens in the amount of 79 million French Francs.

The net financial surplus is computed after accounting for revenue generated by the sale of Dailly receivables, for a total amount of 797 million French Francs in 1997, compared to 808 million French Francs in 1996.

13 STATEMENT OF CHANGES IN FINANCIAL POSITION: VARIATION IN THE WORKING CAPITAL REQUIREMENT AND IN CASH

(in millions of French Francs)	1996	Net change	Scope of consolidation changes	Restructuring and other effects	1997
Operating revenue	340	(46)	22		316
Deferred charges	26	-	1	-	27
Short-term accounts receivable	7,187	584	417	278	8,466
Other short-term debt	(8,794)	(454)	(498)		(9,746)
Sources of working capital	(1,241)	84	(58)	278	(937)
Short-term financial receivables	3,215	(45)	618	212	4,000
Short-term financial liabilities	(737)	103	(483)		(1,117)
Net short-term cash	2,478	58	135	212	2,883

The impact of restructuring reflects the sale of the waste management business to CGEA, as well as the transfer of Sogea Guadeloupe to Compagnie Générale des Eaux.

14 NET SALES

In order to better reflect the notion of economic activity, the definition of net sales provides for:

- the proportional consolidation of the statements of income of all joint ventures, whether managed by Sogea or not;
- the systematic exclusion of revenue from services or sale of goods not directly linked to work site operations.

As in 1996, the 1997 net sales figure includes tax surcharges on sales of water, in the amount of 129 million French Francs.

GEOGRAPHIC BREAKDOWN

(in millions of French Francs)	1997	1996
Continental France	15,086	14,642
Overseas France	1,284	1,244
Other countries in Europe	717	675
Africa	1,359	1,417
Total	18,446	17,978

BREAKDOWN BY LINE OF BUSINESS

(in millions of French Francs)	1997	1996
Building construction	4,521	3,918
Public works	1,709	1,763
Hydraulic engineering	2,059	2,166
Services	762	1,001
Roadwork	9,395	9,130
Total	18,446	17,978

BUSINESS VOLUME ON A LIKE-TO-LIKE CONSOLIDATION BASIS

(in millions of French Francs)	1997	1996
Consolidated net sales	18,446	17,978
Net sales in 1997 of companies added and in 1996 of companies removed, by sector:		
- waste management		(265)
- construction	(899)	(130)
- water supply		(54)
- roadwork	(54)	(10)
Recalculated net sales	17,493	17,519

15 OPERATING EXPENSES

(in millions of French Francs)	1997	1996
Purchases of goods and services	13,948	13,340
Salaries, wages and benefits	4,861	4,881
Direct and indirect taxes	388	381
Net depreciation allowances and provisions	526	755
Total	19,723	19,357

Net depreciation allowances and provisions (526 million French Francs) include the following depreciation allowances:

(in millions of French Francs)	1997	1996
Tangible assets owned by the Group	466	545
Public BOT concession assets	16	18
Public BOT concession deferred charges	4	77
Total	486	640

16 OTHER NET FINANCIAL REVENUE

(in millions of French Francs)	1997	1996
Dividends	17	13
Net foreign exchange income	3	4
Share in earnings of unconsolidated companies	(29)	6
Discounts and other proceeds	27	29
Total	18	52

17 EXCEPTIONAL INCOME (EXPENSE)

(in millions of French Francs)	1997	1996
Net income from asset disposals	716	64
Exceptional charges and proceeds from management operations	(135)	(133)
Change in provisions for exceptional depreciation or liabilities	(106)	(60)
Total	475	(129)

The exceptional income or expense figure does not include capital gains generated by the sale of work site equipment and entered under "other operating revenue" in the amount of 52 million French Francs.

18 NET TAXES

(in millions of French Francs)	1997	1996
Current taxes	(54)	(31)
Deferred taxes	-	-
Total	(54)	(31)

Apart from roadwork holding companies (6 million French Francs), the consolidated tax charge mainly consists of taxes paid by Belgian and African subsidiaries and establishments, since Sogea SA has a tax loss carried forward.

19 OFF-BALANCE-SHEET COMMITMENTS

(in millions of French Francs)	As of 31 December 1997	
	Commitments given	Commitments received
Counter-guarantee bonds and other endorsements	3,863	531
Joint and several guarantees provided in unconsolidated partnerships	765	-
Total	4,628	531

Counter-guarantee bonds cover, in particular, advances received and performance guarantees with respect to uncompleted contracts.

In addition, remaining payments due under leasing arrangements represent a total of 170 million French Francs, with the following breakdown by maturity:

- 35 million French Francs, due in less than one year;
- 68 million French Francs, due in two to five years;
- 67 million French Francs, due in more than five years.

The value of fixed assets financed this way, which include, in particular, the businesses of managing homes for the elderly and construction equipment in France, breaks down as follows as of 31 December:

(in millions of French Francs)	Initial cost	Depreciation in the year	Cumulative depreciation	Net value
Real-estate leases	137	16	68	69
Movable property leases	108	20	75	33
Total	245	36	143	102

20 PERSONNEL COSTS AND NUMBER OF EMPLOYEES

The wages, salaries and benefits bill of the Group's companies as a whole stood at 4,861 million French Francs in 1997, against 4,881 million French Francs in 1996.

	1997	1996
Managerial	2,381	2,449
Clerical and technical	4,821	5,082
Workers	17,611	19,097
Total average weighted number of employees	24,813	26,628

THE SOGEA GROUP

AT 31 DECEMBER 1997

FULLY CONSOLIDATED SUBSIDIARIES

	Percentage holding		Scope of consolidation
	1997	1996	● Addition ▲ Withdrawal
FRANCE			
Sogea	100.00	100.00	
Sofipa	100.00	100.00	
Sobea Ile-de-France	100.00	100.00	
Cofex Ile-de-France	100.00	100.00	
Sicra	100.00	100.00	
TPI Ile-de-France	100.00	100.00	
Socerpa	100.00	100.00	
Résidence service sans soucis	100.00	100.00	
Sogea Centre	100.00	100.00	
Cofex Littoral	100.00	100.00	
Sobea Auvergne	0.00	100.00	▲ Sale to CB SGE
Croizet Pourty	100.00	99.87	
Tradilor	100.00	100.00	
SFMP	100.00	100.00	
Sogea Gironde Immobilier	100.00	100.00	
Dodin Sud	100.00	100.00	
Sogea Atlantique	100.00	100.00	
Dodin Nord	100.00	100.00	
Sogea Bretagne	100.00	100.00	
Sogea Nord-Ouest	100.00	100.00	
Sogea Port Normand	100.00	100.00	
Sogea Est	100.00	100.00	
Hallé	100.00	100.00	
Sorec	100.00	100.00	
Sogea Rhône-Alpes	100.00	100.00	
Lamy	0.00	100.00	▲ Sale to CB SGE
Sogea Sud-Est	100.00	100.00	
TCTPE	0.00	100.00	▲ Absorbed by Cardaillac

	Percentage holding		Scope of consolidation	
	1997	1996	● Addition	▲ Withdrawal
Socogim	100.00	100.00		
Solim	100.00	100.00		
Sovame	100.00	99.91		
Sobeam	94.90	94.40		
Cardaillac	100.00	100.00		
Thinet Côte d'Azur	100.00	99.97		
Effiparc	99.98	99.98		
Sogea Sud-Ouest	100.00	100.00		
Cavalier	100.00	100.00		
Cofex	0.00	100.00		▲ Application of threshold
Claisse	100.00	100.00		
Gefiparc	100.00	100.00		
Somaco	100.00	100.00		
Entreprise Bourdarios	100.00	0.00	● Purchase from CB SGE	
Gauchoux	100.00	0.00	● Purchase from CB SGE	
Campenon Bernard Ouest	100.00	0.00	● Purchase from CB SGE	
Caroni Construction	100.00	0.00	● Purchase from CBC	
CA2B Dominguez	100.00	0.00	● Purchase from CBC	
Génie Civil de Lens	100.00	0.00	● Purchase from CBC	
Heulin	99.88	0.00	● Purchase from CBC	
Chanzy Pardoux	100.00	0.00	● Purchase from CBC	
Sotram Construction	100.00	0.00	● Purchase from CBC	
Travaux Hydrauliques Bâtiment	100.00	0.00	● Purchase from CBC	
Dodin Ile-de-France	100.00	0.00	● Pat from Dodin Nord	
CT Châteaupanne	100.00	100.00		
Perigourdine de TP	100.00	100.00		
Cochery International	100.00	100.00		
Technoroute	0.00	100.00		▲ Application of threshold
Carrières Chasse	100.00	100.00		
Société de TP de l'Essor	100.00	100.00		
Gercif-Emulithe	100.00	100.00		
Lalitte TP	100.00	100.00		
Mino	100.00	100.00		
Rol Lister	100.00	100.00		
Rol Normandie	100.00	100.00		
Chem Industrie	100.00	100.00		
Routière du Midi	100.00	100.00		
Eurovia Alsace - Franche-Comté	100.00	100.00		
Travaux Publics du Littoral	100.00	100.00		
Setars	100.00	100.00		
Interdesco	100.00	100.00		
Maillasson	0.00	100.00		▲ Absorbed by Cochery

Pat = Partial asset transfer

	Percentage holding		Scope of consolidation	
	1997	1996	● Addition	▲ Withdrawal
Carrières Ballastières de Normandie	100.00	100.00		
Maspeyrot	0.00	100.00		▲ Absorbed by Cochery
Viaud	100.00	100.00		
Société d'exploitation des Carrières Sourdines	100.00	100.00		
Sept	100.00	100.00		
Travaux Signalisation Sécurité	100.00	100.00		
Cochery Bourdin Chaussé	99.99	99.99		
Société nouvelle Apyc	100.00	100.00		
Giffard	100.00	100.00		
Del Campo	99.46	99.46		
Moter SA	99.46	99.46		
Moter BTP	99.46	99.46		
Routière Bourdarios	99.46	99.42		
TTPH	99.46	99.46		
Moter Ouest	100.00	100.00		
Moter Midi BTP	0.00	100.00		▲ Transfer to Eurovia Languedoc-Roussillon
Lafitte	100.00	100.00		
Socalbe	100.00	100.00		
Sograland	100.00	100.00		
Euroresine	100.00	100.00		
Société Lorraine de Métaux	100.00	100.00		
Société nouvelle Sowistra	100.00	100.00		
Bailleul TP	100.00	100.00		
Matériaux routiers du Val-de-Marne	0.00	100.00		▲ Application of threshold
Viafrance	99.99	99.99		
Grands Travaux Urbains	100.00	99.99		
Heulin Routes & Canalisations	100.00	99.98		
Sec TP	100.00	99.99		
Travaux et Cyndrage	100.00	99.99		
Valentin	100.00	99.99		
Travaux Publics de l'Ouest	100.00	99.98		
Saru	100.00	99.64		
Routière des Pyrénées	100.00	99.99		
Les Paveurs de Montrouge	100.00	99.99		
Roussey	100.00	99.99		
Carrières Saint-Christophe	100.00	99.96		
Ferez	100.00	99.88		
Carrières de Chailloue	100.00	97.89		
Société de Travaux Publics Régionale	100.00	99.87		

	Percentage holding		Scope of consolidation	
	1997	1996	● Addition	▲ Withdrawal
Gibet. Finet	100.00	99.99		
Cognac	100.00	99.88		
Esmery Caron Étanchéité	100.00	99.99		
Eurovia Bourgogne	100.00	0.00	● Pat from Cochery and Viafrance	
Eurovia Provence	100.00	0.00	● Pat from Viafrance and SRM	
Eurovia Dauphiné-Auvergne	100.00	0.00	● Pat from Cochery	
Renon	100.00	0.00	● Pat from Viafrance	
Eurovia Centre-Loire	100.00	0.00	● Pat from Cochery	
Cotra	100.00	0.00	● Application of threshold	
Watelet TP	100.00	0.00	● Application of threshold	
Eurovia Poitou-Charentes-Limousin	100.00	0.00	● Pat from Cochery and Viafrance	
Eurovia Forez	100.00	0.00	● Pat from Cochery and Viafrance	
Eurovia Languedoc-Roussillon	100.00	0.00	● Pat from Viafrance	
Eurovia	100.00	0.00	● Application of threshold	
Eurovia Champagne-Ardenne	100.00	0.00	● Pat from Cochery and Viafrance	
Cochery Bourdin Chaussé Atlantique	100.00	0.00	● Pat from Cochery	
OVERSEAS DEPARTMENTS AND TERRITORIES				
Sogea Réunion	100.00	100.00		
Sogea Mayotte	100.00	100.00		
SBTPC	86.65	85.57		
Dodin International	100.00	100.00		
Sogea Martinique	100.00	100.00		
Caraïbes Qualité Service	100.00	100.00		
Sogea Guadeloupe	100.00	100.00		
Dodin Guadeloupe	100.00	100.00		
Sorep	0.00	100.00		▲ Application of threshold
Sotrama	0.00	100.00		▲ Application of threshold
Moter Martinique	99.99	99.99		
Blanchard Préfabrication Industrie	99.99	99.99		
Diamantaise	0.00	99.99		▲ Outside sale
Moter Caraïbes	99.99	99.99		
AFRICA				
Sobea Gabon	89.00	89.00		
Satom	99.98	98.74		
Société Camerounaise Ets Bourdin Chaussé	99.98	99.98		
BENELUX				
Denys SA	100.00	100.00		
Conduites et Entreprises	99.98	99.98		
Socea NV	99.98	99.98		
Denys Engineers and Contractors	100.00	100.00		

	Percentage holding		Scope of consolidation	
	1997	1996	● Addition	▲ Withdrawal
Cochery Bourdin Chaussé Belgique	100.00	100.00		
Cornez Delacre	100.00	99.99		
Grizaco	90.17	90.17		
Modern Asphalt	90.27	90.27		
Hydrocar Industrie	75.00	75.00		
SP École Européenne du Luxembourg	60.00	0.00	● Site start-up	

PROPORTIONALLY CONSOLIDATED COMPANIES

FRANCE

SP Éole	20.00	20.00		
Avignonnaise des Eaux	0.00	50.00		▲ Sale to CGE
Société Toulousaine de Stationnement	50.00	50.00		
Société Méditerranéenne de Stationnement	50.00	50.00		
Roy	50.00	50.00		
Archignat	50.00	50.00		
Société Lorraine d'Aggregats	36.00	36.00		
Kleber Moreau	33.44	33.44		
GIE Multiservices Stade de France	33.33	0.00	● Created in 1997	

SPAIN

Roldan	33.52	33.52		
Valex	50.00	50.00		

COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

FRANCE

Carrières et Ballastières des Alpes	35.00	35.00		
Société Industrielle des Laitiers de la Fench	50.00	50.00		
Erca	35.00	35.00		

REUNION

Soretub	50.00	50.00		
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MOROCCO

GTGC	49.75	49.75		
Checom SA	49.94	49.94		
Soca	49.50	49.50		

PORTUGAL

Servicios Urbanos	50.00	50.00		
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REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

(YEAR ENDED 31 DECEMBER 1997)

In compliance with the assignment entrusted to us by your Shareholders' General Meeting, we have audited the accompanying consolidated financial statements of SOGEA for the year ended 31 December, 1997.

SOGEA's management 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 a 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 Group's financial position, and its assets and liabilities at 31 December, 1997 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 2.1 to the consolidated financial statements which sets out a change in the method used to account for pension commitments.

We have also carried out the verification of the information given on the management of the Group. We have no comment to make as to its fair presentation and its conformity with the consolidated financial statements.

Paris, 5 May, 1998

The Statutory Auditors

DELOITTE TOUCHE TOHMATSU - BMA

SALUSTRO REYDEL

Jacques CONVERT Michel BOUSQUET

Bernard CATTENOZ François PAVARD



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