



1998 ANNUAL REPORT



CONTENTS

Consolidated statement of income	5
Consolidated balance sheet	6
Cash flow statement	8
Changes in shareholders' equity	9
Notes	10
The Sogea Group	22
Report of the statutory auditors	27

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 1998 (IN EUROS)

CONSOLIDATED STATEMENT OF INCOME

at 31 December 1998

<i>in millions of euros</i>	Note	1998	1997
Net sales	15	2,823.4	2,812.0
Other revenue		190.3	213.9
Total revenue		3,013.7	3,025.9
Operating expense	16	(2,875.3)	(2,928.3)
Gross operating surplus		138.4	97.6
Depreciation and provisions	17	(91.5)	(78.5)
Operating income/(expense)		46.9	19.1
Financing cost		0.0	0.1
Other net financial revenue	18	2.4	2.7
Net changes in provisions		(3.7)	(0.2)
Financial income/(expense)		(1.3)	2.6
Operating income/(expense) plus net financial expense		45.6	21.7
Exceptional items	19	(21.7)	106
Exceptional depreciation and provisions	19	25.0	(33.5)
Net exceptional income		3.3	72.5
Employee profit-sharing		(2.7)	(4.0)
Net taxes	20	(23.6)	(8.3)
Amortisation of goodwill		(12.2)	(4.3)
Net income/(expense) before equity interest and minority interest		10.4	77.6
Equity in net earnings of companies accounted for by the equity method		0.2	0.7
Minority interest		0.2	(0.3)
Net income/(expense)		10.8	78.0
Number of shares at year end		3,332,940	3,332,940
Net earnings/(loss) per share (in euros)		3.3	23.4

CONSOLIDATED BALANCE SHEET

at 31 December 1998

ASSETS

in millions of euros

	Note	1998	1997
Public BOT concession assets	3	115.1	116.1
Tangible assets owned by the Group	4-5	284.6	236.6
Goodwill	6	40.7	51.6
Investments in subsidiaries and affiliates	7	69.1	69.8
Investments accounted for by the equity method		3.2	4.4
Other financial assets	8	18.9	20.7
Total financial assets		131.9	146.5
Total fixed assets		531.6	499.2
Inventories and work in process	9	47.4	48.2
Accounts receivable	14	1,165.5	1,290.6
Deferred project charges	10	6.0	4.1
Financial receivables	13	435.6	501.7
Marketable securities	13	19.4	18.9
Cash	13	83.0	89.1
Total current assets		1,756.9	1,952.6
Total assets		2,288.5	2,451.8

SHAREHOLDERS' EQUITY AND LIABILITIES

in millions of euros

	Note	1998	1997
Capital stock		249.0	249.0
Retained earnings/(losses) before net income/(expense) for the year		19.5	(26.8)
Net income/(expense) for the year		10.8	78.0
Group share of shareholders' equity		279.3	300.2
Advances from the parent company		6.7	6.7
Total shareholders' equity		286.0	306.9
Minority interest	11	0.9	2.8
Public BOT concessions		15.3	14.3
Capital investment grants and regulated provisions		1.4	0.6
Provisions for liabilities and charges	12	354.7	420.1
Other long-term borrowing	13	63.0	49.4
Other long-term accounts payable		6.0	1.6
Total medium and long-term debt		69.0	51.0
Total capital employed		727.3	795.8
Accounts payable	14	1,386.4	1,485.7
Short-term financial debt	13	174.8	170.3
Total current liabilities		1,561.2	1,656.0
Total shareholders' equity and liabilities		2,288.5	2,451.8

CASH FLOW STATEMENT

<i>(cash basis, in millions of euros)</i>	Note	1998	1998 (*)	1997
Net cash surplus at 1 January 1998	13	439.5	439.5	377.7
Operating transactions				
Gross operating surplus		138.4	132.9	97.6
Financial and exceptional transactions		(47.7)	(46.7)	(9.5)
Taxes and contributions		(26.3)	(26.3)	(12.3)
Operating cash flow (excluding dividends received (from companies accounted for by the equity method))		64.4	59.9	75.8
Net change in working capital requirements	14	(21.9)	(21.9)	(12.9)
Total (I)		42.5	38.0	62.9
Investment transactions				
Capital expenditure	3-4-5	(101.5)	(101.3)	(76.1)
Disposals of fixed assets	3-4-5	7.2	6.9	10.3
Net capital expenditure		(94.3)	(94.4)	(65.8)
Acquisition of investments	6-7	(16.3)	(16.3)	(9.4)
Proceeds from the disposal of securities	6-7	6.8	6.8	129.4
Net financial investments		(9.5)	(9.5)	120
Net change in financial fixed assets		0.3	0.3	(3.0)
Total (II)		(103.5)	(103.6)	51.2
Financing operations				
Minority interest in capital increases of subsidiaries		0.1	0.1	0.5
Dividends paid by the parent company		(30.5)	(30.5)	(22.9)
Dividends paid to minority interest in subsidiaries		(0.1)	(0.1)	0.0
Dividends received from companies accounted for by the equity method		0.6	0.6	0.4
Other long-term liabilities		(6.2)	(2.4)	(8.6)
Total (III)		(36.1)	(32.3)	(30.6)
Cash flows for the financial year (I+II+III)		(97.1)	(97.9)	83.5
Impact of exchange rates, scope of consolidation and other		25.6	25.6	(21.7)
Change of accounting policy relating to capital leases		(4.8)		
Net cash surplus at 31 December 1998	13	363.2	367.2	439.5

* Excluding restatement of capital leases

CHANGES IN GROUP SHARE OF SHAREHOLDERS' EQUITY

<i>in millions of euros</i>	Note	Capital	Retained earnings	Net income	Shareholders' stock
Shareholders' equity at 31 December 1996		268.1	66.6	(57.6)	277.1
Distribution of dividends			(22.9)		(22.9)
Exchange adjustments			(0.2)		(0.2)
Capital decrease		(19.1)	19.1		
Net income/(expense) for the year				78.0	78.0
Allocation of prior earnings			(57.6)	57.6	
Changes in accounting policies	1-7		(31.8)		(31.8)
Shareholders' equity at 31 December 1997		249.0	(26.8)	78.0	300.2
Distribution of dividends			(30.5)		(30.5)
Exchange adjustments			0.1		0.1
Net income/(expense) for the year				10.8	10.8
Allocation of prior earnings			78.0	(78.0)	
Changes in accounting policies	2-1		(1.3)		(1.3)
Shareholders' equity at 31 December 1998		249.0	19.5	10.8	279.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Sogea, which are 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 civil engineering industry, by the Act of 3 January 1985 and the Decree of 17 February 1986 pertaining to consolidation. These have been adapted to follow the accounting treatment recommended by the National Accounting Board («Conseil National de la Comptabilité») in its opinion dated 18 June 1997.

1. ACCOUNTING POLICIES

1.1 Consolidation principles

The consolidated financial statements include the financial statements of all companies whose net sales exceed 1.5 million euros, 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 control are consolidated by the equity method.

Jointly controlled entities and joint ventures, whose balance sheets and statements of income are significant for the Group, are proportionately consolidated. 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 Translation of the financial statements of foreign subsidiaries 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 translated at year end exchange rates.

The only items included in consolidated reserves, until disposed of outside the Group, are translation adjustments related to subsidiaries whose financial statements are expressed in currencies not exhibiting lasting loss of value with respect to the French Franc. Translation adjustments of companies in the euro zone countries remain in consolidated shareholders' equity in accordance with the applicable rules.

1.3 Items denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated 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

Goodwill representing the difference between the acquisition cost of shares in consolidated company and the corresponding proportion of shareholders equity on the date of acquisition, is allocated to the various asset and liability items of the acquired company's balance sheet.

The unallocated balance is recorded in «goodwill» 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 acquisition cost, 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	<i>from 20 to 30 years</i>
Equipment for civil engineering	<i>from 4 to 10 years</i>
Vehicles	<i>from 3 to 5 years</i>
Other fixtures	<i>10 years</i>
Office equipment	<i>from 3 to 5 years</i>
Office furniture	<i>10 years</i>

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 proportional share of shareholders' equity represented by the investment, adjusted as appropriate to reflect its strategic interest for the Group, and the growth and earnings prospects of the companies concerned.

1.7 Pension commitments

As of 31 December 1997, 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.

These commitments, evaluated by the actuarial method known as the projected credit unit method, were adjusted at Eurovia, which resulted in a 3.2 million euro reduction in Group net shareholders' equity.

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 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 accounting income of consolidated entities, and 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. DEVELOPMENTS WITHIN THE GROUP

2.1 Change in accounting policies

• Capital leases

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

This led to an increase, at 1 January 1998, in net tangible fixed assets of 30 million euros and an increase in debt of 28.2 million euros. This change in accounting policy has a positive impact of 1.8 million euros on shareholders' equity at the start of the year and of 0.7 million euros in net income.

• 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 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 1 January 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»).

2.2 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.

Sogea has set up an action plan designed to forestall possible disruptions due to the changeover to the year 2000. This includes upgrades in the in-house information technology system as well as a specific review to identify vulnerable systems installed at customer premises. The costs of work deemed necessary were recorded as operating expenses during the year.

2.3 Changes in the Group's structure

The following re-organisation of Sogea's activities took place in 1998: in the area of building and civil engineering, Sogea sold or contributed to Campenon Bernard SGE its building and civil engineering activities in the South-East region as well as its civil engineering subsidiary in the Paris region, TPI Ile-de-France. It acquired from Campenon Bernard SGE the latter's Alsatian building and civil engineering subsidiary, Urban. In roadworks, Eurovia, formerly Cochery Bourdin Chaussé, and Viafrance, have now become a public limited company, continued to acquire subsidiaries and acquired the Boucher (Belgium) and De Filippis (France) companies.

2.4 Scope of consolidation

Following the re-organisation described above in Note 2.3, the scope of consolidation was enlarged to 184 companies (as opposed to 179 companies at 31 December 1997), including subsidiaries included in consolidated sub-groups. It breaks down numerically as follows:

	French companies	Foreign companies	Total
Number of consolidated companies at end 1997	132	47	179
Added in the year	15	3	18
Removed in the year	10	3	13
Number of consolidated companies at end 1998	137	47	184

3. PUBLIC BOT CONCESSION ASSETS

<i>in millions of euros</i>	Intangible fixed assets	Tangible fixed assets	Deferred charges	Total
Net book value at 1 January 1997	32	84	10	126
Acquisitions	2			2
Disposals				
Capitalisation			3	3
Depreciation and provisions in the year	(1)	(1)	(1)	(3)
Scope of consolidation changes and miscellaneous	(9)	(3)		(12)
Net book value at 31 December 1997	24	80	12	116
Acquisitions				
Disposals				
Capitalisation			2	2
Depreciation and provisions in the year	(1)	(1)		(2)
Scope of consolidation changes and miscellaneous	(1)		(1)	(2)
Net book value at 31 December 1998	23	78	14	115

In the cash flow statement, fixed asset investments in the public BOT concessions sector include provision reversals for contract renewals and total guarantees, in the amount of 1.4 million euros.

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

- to depreciation allowances and/or renewal provisions in the year;
 - 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

<i>in millions of euros</i>	Intangible fixed assets	Tangible fixed assets	Total
Net book value at 1 January 1997	3	245	248
Acquisitions	1	68	69
Disposals		(7)	(7)
Depreciation and provisions in the year	(1)	(70)	(71)
Other adjustments		(2)	(2)
Net book value at 31 December 1997	3	234	237
Acquisitions	1	97	98
Disposals		(5)	(5)
Depreciation and provisions in the year	(3)	(77)	(80)
Scope of consolidation changes and miscellaneous	2	33	35
Net book value at 31 December 1998	3	282	285

5. FIXED ASSETS FINANCED BY CAPITAL LEASES

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

<i>in millions of euros</i>	Property assets	Equipment	Total
Net book value at 1 January 1998	16	14	30
Acquisitions	-	-	-
Disposals	-	-	-
Depreciation and provisions in the year	-	(4)	(4)
Net book value at 31 December 1998	16	10	26

6. GOODWILL

<i>in millions of euros</i>	1998	1997
Net goodwill at the start of the year	52	49
Acquisitions from CB-SGE and CBC	(1)	6
Goodwill recorded during the year	2	1
Amortisation charges in the year	(12)	(4)
Net goodwill at the end of the year	41	52

Goodwill relating to certain subsidiaries undergoing restructuring (Moter and CBC) was the subject of exceptional amortisation amounting to 10 million euros in 1998.

The remaining depreciation expenses related primarily to roadworks.

7. INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

<i>in millions of euros</i>	1998	1997
Net book value at the start of the year	70	71
Acquisitions	16	9
Disposals	(15)	(8)
Net depreciation expenses	(8)	-
Scope of consolidation changes and miscellaneous	6	(2)
Net book value at the end of the year	69	70

Holdings of 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 during the year break down into building and civil engineering, 10 million euros and roadworks, 6 million euros. Disposals include the transfer of the shares of Sogea Guadeloupe held to Compagnie Générale des Eaux as well as the disposal of the TPI Ile-de-France and Sobeam subsidiaries to CB-SGE. The net impact of consolidation recalculations following the addition or departure of these subsidiaries is included in the «Scope of consolidation changes and miscellaneous» line item.

8. OTHER NET FINANCIAL ASSETS

<i>in millions of euros</i>	1998	1997
Long term loans	4	4
Investments held as fixed assets	1	1
Deposits and other financial investments	14	15
Total	19	20

9. INVENTORIES AND WORK IN PROCESS

Apart from the roadwork sector inventories (19 million euros 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.

10. DEFERRED PROJECT CHARGES

<i>in millions of euros</i>	1998	1997
Net book value at the start of the year	4	4
Capitalisation in the year	5	4
Depreciation expenses	(4)	(4)
Other changes	1	-
Net book value at the end of the year	6	4

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.

11. MINORITY INTEREST

<i>in millions of euros</i>	1998	1997
Balance at the start of the year	3	3
Dividends paid by subsidiaries to minority interest holders	-	-
Minority interest share in the year's earnings	-	-
Other adjustments	(2)	-
Balance at the end of the year	1	3

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

12. PROVISIONS FOR LIABILITIES AND CHARGES

Change during the period:

<i>in millions of euros</i>	1997	Allocations	Reversals	Other changes	1998
Operating risks and expenses	324	130	150	(11)	293
Financial risk and expenses	3	-	1	-	2
Exceptional risk and expenses	93	26	54	(5)	60
Total	420	156	205	(16)	355

Breakdown by business sector

<i>in millions of euros</i>	Building + Civil Engineering	Roadworks	Total
Operating risks and expenses	197	96	293
Financial risk and expenses	2	-	2
Exceptional risk and expenses	40	20	60
Total	239	116	355

Breakdown by type at the end of the year:

<i>Operating risk (in millions of euros)</i>	Note	1998	1997
Replacement of installations and full warranty		12	17
Pension commitments	22	46	44
After-sales service		58	57
Anticipated losses on contracts		29	46
Other operating risk		148	160
Total		293	324

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 15 million euros in restructuring costs and exceptional disputed claims.

13. NET FINANCIAL SURPLUS (DEBT)

<i>in millions of euros</i>	1997	Change in scope of consolidation	Change in accounting policy	Net Change	1998
Long-term borrowing and debt	(50)	(1)	-	8	(43)
Debt relating to capital leases					
— > 1 year	-	-	(23)	3	(20)
— < 1 year	-	-	(5)	1	(4)
Bank overdrafts and other short-term borrowing	(170)	(116)	-	115	(171)
Total debt	(220)	(117)	(28)	127	(238)
Marketable securities	19	(4)	-	5	20
Other short-term financial receivables	502	103	-	(169)	436
Cash position	89	(3)	-	(4)	82
Total financial assets	610	96	-	(168)	538
Net financial surplus	390	(21)	(28)	(41)	300
Of which, short term	440	(20)	(5)	(52)	363

Borrowings break down by maturity date as follows:

<i>in millions of euros</i>	1998	1997
Maturing in 1999		6
Maturing in 2000	10	11
Maturing in 2001 to 2003	14	8
Maturing in more than 5 years	38	22
Undetermined maturity	1	3

The «other short-term financial receivables» line item includes cash invested with SGE in the amount of 309 million euros.

At the end of the year, long-term borrowings were covered by liens in the amount of 12 million euros.

The net financial surplus is computed after accounting for revenue generated by the sale of Dailly receivables, for a total amount of 53 million euros in 1998, compared to 122 million euros in 1997.

14. CHANGE IN WORKING CAPITAL REQUIREMENT

<i>in millions of euros</i>	1997	Net change	Changes in consolidation	Impact of restructuring and miscellaneous	1998
Inventories	48	-	-	-	48
Deferred charges	4	1	1	-	6
Short-term accounts receivable	1,344	(19)	(35)	(53)	1,237
Provision for accounts receivable	(53)	(27)	9	-	(71)
Other accounts payable	1,486	(67)	(23)	(9)	1,387
Working capital requirement	143	(22)	2	44	167

The impact of restructuring reflects primarily the transfer of the Sogea Guadeloupe company to Compagnie Générale des Eaux.

15. 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.

The 1998 net sales figure includes tax surcharges on sales of water in the amount of 7 million euros compared to 20 million euros in 1997.

Geographic breakdown

<i>in millions of euros</i>	1998	1997
Continental France	2,260	2,300
Overseas France	147	196
Other countries in Europe	172	109
Africa	244	207
Total	2,823	2,812

Breakdown by line of business

<i>in millions of euros</i>	1998	1997
Building	669	689
Civil engineering	224	261
Hydraulic engineering	355	314
Services	72	116
Roadwork	1,503	1,432
Total	2,823	2,812

Business volume on a like-to-like comparison basis

<i>in millions of euros</i>	1998	1997
Consolidated net sales	2,823	2,812
Net sales in 1998 of companies added and in 1997 of companies removed, by sector:		
- building	(9)	(15)
- civil engineering	(8)	(56)
- hydraulic engineering		(5)
- water supply		(43)
- roadwork	(30)	(1)
Recalculated net sales	2,776	2,692

16. OPERATING EXPENSES

<i>in millions of euros</i>	Note	1998	1997
Purchases		1,116	1,029
Outside services		907	1,015
Wages, salaries and benefits	23	722	741
Direct and indirect taxes		63	59
Other operating expenses		67	84
Total		2,875	2,928

The positive impact on operating income of the restatement of the cost of financing included in capital lease payments amounts to 1.7 million euros.

17. DEPRECIATION, AMORTISATION AND PROVISIONS

Net depreciation, amortisation and provisions break down as follows:

<i>in millions of euros</i>	1998	1997
Depreciation and amortisation		
Intangible assets	3	2
Tangible assets	78	71
Deferred expenses	0	0
Total	81	73
Net allocations to provisions		
Write-down of assets	29	(1)
Operating liabilities and charges	(18)	7
Total	11	6
Total depreciation, amortisation and provisions	92	79

18. OTHER NET FINANCIAL REVENUE

<i>in millions of euros</i>	1998	1997
Dividends	3	3
Net foreign exchange income	1	-
Share in earnings of unconsolidated companies	(5)	(4)
Discounts and other proceeds	3	4
Total	2	3

19. EXCEPTIONAL INCOME (EXPENSE)

<i>in millions of euros</i>	1998	1997
Net income from asset disposals	1	109
Exceptional charges and proceeds from management operations	(23)	(21)
Change in provisions for exceptional depreciation or liabilities	25	(16)
Total	3	72

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 5 million euros.

20. NET TAXES

<i>in millions of euros</i>	1998	1997
Current taxes	(27)	(8)
Deferred taxes	3	-
Total	(24)	(8)

Apart from roadwork holding companies (14 million euros), 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.

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.

Only the net deferred tax revenue resulting from all the timing differences expected to reverse during 1999 were credited in net income for the year.

The impact of this treatment is a net tax credit of 3 million euros.

Current tax expense consists primarily of:

- taxes paid by roadwork holding companies and Sogea SA to SGE as part of the Group's tax consolidation system;
- taxes paid by Sogea's Belgian and African subsidiaries and establishments.

21. OFF-BALANCE-SHEET COMMITMENTS

<i>in millions of euros</i>	Commitments given	Commitments received
Counter-guarantee bonds and other endorsements	741	76
Joint and several guarantees provided in unconsolidated partnerships	128	
Total at 31 December 1998	869	76

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

22. COMMITMENTS RELATING TO RETIREMENT

<i>in millions of euros</i>	1998	1997
Lump-sum payments on retirement	24	21
Pension and other retirement commitments	22	23
Of which: - for current employees	11	12
- for retired employees	11	11
Total covered by provisions	46	44

The actuarial assumptions applied in 1997 have been adjusted to take account of changing interest rates and changing mortality statistics.

23. PERSONNEL COSTS AND NUMBER OF EMPLOYEES

	1998	1997
Managerial	2,302	2,381
Non-managerial	20,685	22,432
Total average weighted number of employees	22,987	24,813

The wages, salaries and benefits bill of the Group's companies as a whole stood at 722 million euros in 1998, against 741 million euros in 1997.

24. OTHER INFORMATION

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. Sogea does not expect these investigations or procedures, even in the event of an unfavorable outcome, to affect its financial situation substantially.

THE SOGEA GROUP AT 31 DECEMBER 1998

FULLY CONSOLIDATED SUBSIDIARIES

FRANCE	Percentage holding 1998	Percentage holding 1997	Scope of consolidation (▲ withdrawal - ● addition)
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	0.00	100.00	▲ sale to CB SGE
Socerpa	100.00	100.00	
Résidences Services Sans Soucis	100.00	100.00	
Sogea Centre	100.00	100.00	
Cofex Littoral	100.00	100.00	
Croizet Pourty	100.00	100.00	
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 Nord	100.00	0.00	● PAT from Sogea Nord-Ouest
Sogea Port Normand	100.00	100.00	
Sogea Est Environnement	100.00	100.00	
Sogea Est BTP	100.00	0.00	● PAT from Sogea Est Environnement
Urban BTP	100.00	0.00	● purchase from CB SGE
Hallé	100.00	100.00	
Sorec	100.00	100.00	
Sogea Rhône-Alpes	100.00	100.00	
Sogea Sud-Est	100.00	100.00	
Socogim	100.00	100.00	
Solim	100.00	100.00	
Sovame	100.00	100.00	
Sobeam	0.00	94.90	▲ sale to CB SGE
Cardaillac	100.00	100.00	
Thinet Côte d'Azur	0.00	100.00	▲ application of threshold
Effiparc	99.98	99.98	
Sogea Sud-Ouest	100.00	100.00	
Cavalier	100.00	100.00	
Claisse	100.00	100.00	
Gefiparc	100.00	100.00	

PAT = partial asset transfert

	Percentage holding 1998	Percentage holding 1997	Scope of consolidation (▲ withdrawal - ● addition)
Somaco	100.00	100.00	
Entreprise Bourdarios	100.00	100.00	
Gauchoux	100.00	100.00	
Campenon Bernard Ouest	100.00	100.00	
Caroni Construction	100.00	100.00	
CA2B Dominguez	100.00	100.00	
Génie Civil de Lens	100.00	100.00	
Heulin	100.00	99.88	
Chanzy Pardoux	100.00	100.00	
Sotram Construction	100.00	100.00	
Travaux Hydrauliques Bâtiment	100.00	100.00	
Dodin Ile de France	100.00	100.00	
CT Châteaupanne	100.00	100.00	
Périgourdine de TP	100.00	100.00	
Cochery International	100.00	100.00	
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	
Eurovia Bretagne	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	
Carrières Ballastières de Normandie	100.00	100.00	
Viaud	0.00	100.00	▲ application of threshold
Société d'Exploitation des Carrières Sourdines	100.00	100.00	
Sept	100.00	100.00	
Travaux Signalisation Sécurité	100.00	100.00	
Eurovia	100.00	99.99	
Société Nouvelle Apyc	0.00	100.00	▲ absorbed by Travaux Signalisation Sécurité
Giffard	100.00	100.00	
Del Campo	99.46	99.46	
Moter SA	99.46	99.46	
Moter BTP	99.46	99.46	
Lafitte - Moter	100.00	100.00	
Socalbe	0.00	100.00	▲ absorbed by Carrières Lafitte

PAT = partial asset transfert

	Percentage holding 1998	Percentage holding 1997	Scope of consolidation (▲ withdrawal - ● addition)
Carrières Lafitte	100.00	100.00	
Euroresine	100.00	100.00	
Société Lorraine de Matériaux	100.00	100.00	
Société Nouvelle Sowistra	100.00	100.00	
Bailleul TP	100.00	100.00	
Viafrance	100.00	100.00	
Grands Travaux Urbains	100.00	100.00	
Heulin Routes et Canalisations	100.00	100.00	
Sec TP	100.00	100.00	
Travaux et Cylindrage	100.00	100.00	
Valentin	100.00	100.00	
Travaux Publics de l'Ouest	100.00	100.00	
Saru	100.00	100.00	
Routière des Pyrénées	100.00	100.00	
Les Paveurs de Montrouge	100.00	100.00	
Roussey	100.00	100.00	
Carrières Saint-Christophe	100.00	100.00	
Ferez	100.00	100.00	
Carrières de Chailloue	100.00	100.00	
Société de Travaux Publics Régionale	100.00	100.00	
Gibbet Finet TP	100.00	100.00	
Cognac	100.00	100.00	
Esmery Caron Étanchéité	100.00	100.00	
Eurovia Bourgogne	100.00	100.00	
Eurovia Méditerranée	100.00	100.00	
Eurovia Dauphiné Auvergne	100.00	100.00	
Renon	100.00	100.00	
Eurovia Centre Loire	100.00	100.00	
Cotra	100.00	100.00	
Watelet TP	100.00	100.00	
Eurovia Poitou Charentes Limousin	100.00	100.00	
Eurovia Forez	100.00	100.00	
Eurovia Languedoc Roussillon	0.00	100.00	▲ absorbed by Eurovia Méditerranée
Eurovia Services	100.00	100.00	
Viaud Moter	100.00	100.00	
TTPH	99.46	99.46	
Routières Bourdarios	99.46	99.46	
Viafrance Normandie	100.00	0.00	● PAT from Viafrance
Société Normande d'Exploitation et de Carrière	100.00	0.00	● application of threshold
Carrières de Coet Lorch	100.00	0.00	● application of threshold
Carrières de la Garenne	100.00	0.00	● application of threshold

PAT = partial asset transfert

	Percentage holding 1998	Percentage holding 1997	Scope of consolidation (▲ withdrawal - ● addition)
Gercif	100.00	0.00	● application of threshold
Eurovia Ile de France	100.00	0.00	● application of threshold
Entreprise Charles de Filippis	100.00	0.00	● application of threshold
Cochery Bourdin Chaussé Normandie	100.00	0.00	● PAT from Eurovia
Eurovia Aquitaine	100.00	0.00	● PAT from Eurovia and Viafrance
Cochery Bourdin Chaussé Ile de France	100.00	0.00	● PAT from Eurovia
Eurovia Nord	100.00	0.00	● application of threshold
Eurovia Midi Pyrénées	100.00	0.00	● PAT from Eurovia and Viafrance
Eurovia Champagne Ardenne	100.00	100.00	
Eurovia Atlantique	100.00	100.00	
OVERSEAS DEPARTMENTS AND TERRITORIES			
Sogea Réunion	100.00	100.00	
Sogea Mayotte	100.00	100.00	
SBTPC	100.00	86.65	
Dodin International	100.00	100.00	
Sogea Martinique	100.00	100.00	
Caraïbes Qualité Service	100.00	100.00	
Sogea Guadeloupe	0.00	100.00	▲ sale to SNIG
Dodin Guadeloupe	100.00	100.00	
Moter Martinique	100.00	100.00	
Blanchard Préfabrication Industrie	100.00	100.00	
Moter Caraïbes	99.99	99.99	
AFRICA			
Sobea Gabon	90.00	89.00	
Satom	100.00	99.98	
Société Camerounaise Ets Bourdin Chaussé	0.00	99.98	▲ application of threshold
BENELUX			
Denys SA	100.00	100.00	
Conduites et Entreprises	100.00	99.98	
Socea NV	100.00	99.98	
Denys Engineers and Contractors	100.00	100.00	
Cochery Bourdin Chaussé Belgique	100.00	100.00	
Cornez Delacre	100.00	100.00	
Grizaco	90.17	90.17	
Modern Asfalt	90.27	90.27	
Eurovia Belgium	100.00	0.00	Belgian holding company
Boucher	100.00	0.00	▲ application of threshold
Hydrocar Industrie	62.00	75.00	
SWITZERLAND			
CTW Strassenbaustoffe Ag	51.68	0.00	▲ application of threshold

PAT = partial asset transfert

PROPORTIONALLY CONSOLIDATED COMPANIES

FRANCE	Percentage holding 1998	Percentage holding 1997	Scope of consolidation (▲ withdrawal - ● addition)
SP Éole	12.50	20.00	
Société Toulousaine de Stationnement	50.00	50.00	
Société Méditerranéenne de Stationnement	50.00	50.00	
Roy	50.00	50.00	
Archignat	0.00	50.00	▲ application of threshold
Société Lorraine d'Agrégats	36.00	36.00	
Kléber-Moreau	33.44	33.44	
GIE Multiservices - Stade de France	0.00	33.33	▲ application of threshold
SPAIN			
Roldan	33.52	33.52	
Vialex	50.00	50.00	
BENELUX			
SP École Européenne du Luxembourg	60.00	60.00	

COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

FRANCE	Percentage holding 1998	Percentage holding 1997	Scope of consolidation (▲ withdrawal - ● addition)
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 ISLAND			
Soretub	50.00	50.00	
MOROCCO			
GTGC	49.75	49.75	
Checom SA	49.94	49.94	
Soca	49.50	49.50	
PORTUGAL			
Servicios Urbanos	0.00	50.00	▲ outside sale

REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

Year ended 31 December 1998

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

The management of Sogea 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 financial position, the assets and liabilities at 31 December, 1998 and 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 describes the change in accounting policy relating to leasing contracts.

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.

Neuilly, Paris, 16 April, 1999

The Statutory Auditors

Deloitte Touche Tohmatsu-BMA

Salustro Reydel

Dominique Descours

Bernard Cattenoz

François Pavard



9, place de l'Europe - 92851 Rueil-Malmaison Cedex - France

Tel.: +33 1 47 16 40 00 - Fax: + 33 1 47 51 91 01 - Téléc: Ruent 634 246 F - www.sogea.fr

Société anonyme au capital de 249 970 500 euros

709 806 939 RCS Nanterre - Siret: 709 806 939 03209 - APE: 451 A - TVA: FR 05 709 806 939

Sogea is company of

