FINANCIAL REPORT **1998**

EUROVIA

CONTENT

MANAGEMENT report

EUROVIA is presently the second largest roadwork group in Europe, if one includes the German sub-group SGE-VBU, which comes under Eurovia management within the SGE "Roadwork" Division. It is also the second player on the French market, where it accounts for more than 17% of volume.

As already mentioned in our previous management report, the legal structure of the Group was changed profoundly in the course of the first half of 1998, with the constitution of large regional subsidiaries, whose corporate names are associated with that of Eurovia. This transformation of agencies into subsidiaries was continued and completed in the first quarter of 1999, at the end of which Eurovia as a company no longer has any operational activities, and amounts to a pure holding company.
Let us recall, moreover, that a subsidiary called Eurovia Services SNC groups together the functional services of the Head Office, various administrative and financial services broken out into five decentralised Management Centres, and the four regional Technical Laboratories. The notes to the consolidated financial statements give the details of legal operations completed in 1998.

Business in France

THE continental French market for roadwork went through a year of ups and downs: the first half year was marked by exceptionally good growth of 6%, whereas business volume in the second half was affected by very poor weather conditions. All in all, the French market grew in 1998 by 2.8%. After the strong 4% increase posted in 1997, that makes the second consecutive year of growth following three years of downturn (-20% between 1994 and 1997). Eurovia's net sales on this market amounted to 1,324 million euro (or 8,685 million French francs), and the Group strengthened its market position by taking control of the company Charles de Filippis in Lyon, in particular.
In the Antilles, the Group posted net sales of 11.2 million euro (or 74 million French francs).

Business in Germany

IN a market that continues to be difficult, SGE-VBU, with its net sales of 171 million euro (334 million German marks) is the leading construction enterprise in the new *Länder*.
Over the last few years SGE-VBU was involved in the renovation of 250 kilometres of motorways in the Land of Brandenburg, accounting for one quarter of the overall renovation effort, but the company also has other types of know-how in the areas of demolition, of recycling of materials, of micro-tunnelling and of hydraulic works.

The business activities of the transport subsidiary Elkawe (held jointly with a local partner) were brought to an end in the course of the year.

International development

AS one of the SGE Group's main thrusts of development, Eurovia started to realise some of its international ambitions in 1998, by acquiring companies, by entering into partnership agreements in the industrial field, and by creating local subsidiaries.

In April of 1998, the Group bought out an enterprise in Brussels called Boucher, thereby giving itself a country-wide presence in Belgium, where it now has net sales of 37 million euro (1,478 million Belgian francs). In Poland in November of 1998, the Group bought out the enterprise PBK, located to the south of Katowice in Silesia. A second acquisition in the same region is about to be finalised.

Two significant industrial partnerships were entered into in 1998. The first, jointly with the SIKA Group and with the Swiss company Prodo (in which Eurovia has a minority holding), for the creation of the roadway binder production company CTW in Basle, with net sales in 1998 of 10.2 million euro (16.5 million Swiss francs). The second in Mexico, with the Mexican construction company Tribasa, for the creation of a new entity called Bitunova. This new company has one fixed plant and two mobile plants, which are expected to produce 40,000 metric tons of binder in 1999. This is Eurovia's first equity holding on the American continent.

Finally, several companies were created with a view to ensuring business development in Central Europe, namely Slov-Via in Slovakia, Albavia in Albania and Eurovia Romania in Romania, which already have order books that will generate significant turnover in 1999. Among the contracts that have been obtained, it is worth mentioning, in Albania, the construction of a customs station in Kapshicé (1.6 million euro) and the renovation of rural roads at Korca, and in Romania, the upgrading of national road number 13 from Brasov to Bogota-Hill (11.1 million euro).

Industrial activities

WITH its wholly owned and shared entities, namely 148 hot mix plants, 40 road surface binder plants and 49 quarries, which produced 16 million metric tons of surfacing material, 440,000 metric tons of binder and 24 million metric tons of aggregate, Eurovia is a strong player in the industrial production of materials. This activity, which is truly a second line of business for Eurovia and which provides good support to the works agencies, is also less sensitive to market ups and downs, thereby making an important contribution to smoothing out income.

Research and Development

INDUSTRY continues to be a strong development priority for Eurovia, and several acquisitions and partnerships in this field are presently under study.

In so far as roadwork materials are concerned, Eurovia has continued its efforts to improve bituminous emulsion surfacing techniques, bituminous concrete (anti-rutting, anti-piercing, high-strength and draining) mixes, as well as storing roadways. Moreover, closer co-operation between Cochery Bourdin Chaussé and Viafrance made it possible to simplify the range of polymer modified asphalts.

Research was also continued on the recycling for roadwork purposes of clinker and ash from the incineration of purification plant sludge.

In the light of experience gained in Germany, for instance, the recycling of demolition materials (concrete and surfacing) is a growing industrial activity to be added to the Group's range of business lines.

It is becoming more and more difficult to open new quarries and to store waste, which are just two examples of new environmental constraints, but which are also opportunities for new lines of business of interest to Eurovia (construction and development of solid and liquid waste storage sites, recycling and enhancement of used materials).

Human Resources

FOR the Group to develop, it is indispensable that young people be hired, that training be provided and that Europe-wide mobility be ensured. These continue to be important activities in the field of human resources.
In both French subsidiaries and in Germany, changes in working hours are also a source of improvements.

Finally, 1998 was the year when the challenge set out at the beginning of 1997 was met: Eurovia is the first roadwork Group to have all its works centres ISO 9002 certified for all lines of business.

This achievement demonstrates the ability of Eurovia's 11,500 employees to question where they stand, with a view to moving ever on to better things.

The conversion to the euro and the year 2000 issue

The credo of the Group's Euro strategy is Euro-reactivity externally and Euro-ambition internally.
Given present low levels of financial transactions among countries, the Group's strategy consists in remaining reactive to changes in its environment, and adjustments are being made so as to meet the needs of third parties, that have already adopted the euro as their internal currency.
In house, major efforts have been made to raise the awareness of operational managers, administrative officers, organisations representing the staff and all salaried employees.
Client invoices, net amounts payable on pay slips and internal reporting figures have all been showing the equivalent euro amounts since January 1, 1999.

In so far as the year 2000 issue is concerned, the Group has launched a plan of action to eliminate functional problems that could occur on that date. In particular, central data processing units and internal software have been brought in line and are currently being tested. Technical data processing components have been analysed and corrected whenever they represent a risk for the company's smooth functioning or for the quality of services or products sold to our customers. The Group has also made sure that its suppliers make commitments regarding the ability of their products and services to move into the year 2000 without causing problems.

As specified in the notes to the financial statements, external costs of infrastructure and software upgrading have been reported as charges in fiscal 1998.

Encouraging performances

- THE financial statements of the Eurovia Group, as presented to you for fiscal 1998, include two types of information:
- the consolidated financial statements, in the legal sense of the term, with the aggregated financial data of the companies held by Eurovia S.A., as certified by the Statutory Auditors,
- pro forma consolidated figures for the year 1998, including all the companies making up the Eurovia Group as defined above, that is, including the German companies of the sub-group SGE-VBU.

The net sales of the new entity came to 1,559 million euro (or 10,225 million French francs). Not including SGE-VBU, net sales stood at 1,388 million euro (9,107 million French francs), representing an increase of 3% over the previous year.

The re-organisation carried out in France in 1997, and the recovery efforts in Germany that continued into 1998 did bear fruit, as forecast, in a more favourable market in continental France, and a market in the former East German *Länder* that continued to be morose.
Operating income amounted to 31.8 million euro (208 million French francs), or more than 2% of net sales. Excluding SGE-VBU, the operating income was 35 million euro (230 million French francs), or more than 2.5% of net sales, corresponding to growth of 78% over the previous year.
This improvement is also reflected in operating income less net financial expense, which increased from 21.6 million euro to 35.9 million euro (235 million French francs). Excluding SGE-VBU, operating income less net financial expense comes to 37.9 million euro (248 million French francs).

The Group share of net income stands at 14.1 million euro (or 92 million French francs). Because of the transformation of Eurovia into a public limited company ("Société Anonyme"), this net income is not comparable with that of 1997 (no income taxes in 1997). Moreover, the 1997 financial performance benefited from substantial capitals gains from disposals, obtained in connection with the re-organisation of the businesses of the Générale des Eaux Group, since renamed Vivendi. (Applying equivalent methods and excluding this "extraordinary" item, there would be an increase in net income by a factor of three.)

Excluding SGE-VBU, which posted a positive net result of 2.8 million euro (5 million German marks), the net income stands at 11.3 million euro (75 million French francs).

Cash flow from operations for the year came to 64.1 million euro (420 million French francs), or 4.1% of net sales. (For the same reasons as above, these figures are not comparable. Factoring out the impact of taxes, cash flow from operations increased from 3.8% of net sales in 1997 to 5% of net sales in 1998.)
This cash flow, reported after depreciation expenses of 51 million euro (or 340 million French francs), should be interpreted in the light of a 47.3 million euro (or 310 million French franc) amount for capital expenditure and acquisition of investments.
Excluding SGE-VBU, cash flow from operations amounted to 61.3 million euro (402 million French francs) against 51 million euro (336 million French francs) in 1997, and capital expenditure and acquisition of investments stood at 41.3 million euro (271 million French francs).

Not including SGE-VBU, shareholders' equity stood at 206 million euro (1,350 million French francs), the working capital was 104 million euro (680 million French francs), and provisions for liabilities and charges came to 116 million euro (762 million French francs). For the Group as a whole, provisions represented 166 million euro (1,087 million French francs).

The Group's cash position at the end of the year was 217 million euro (or 1,425 million French francs). The positive net financial position of 209 million euro (or 1,375 million French francs) reflects Eurovia's very sound financial health.

Without SGE-VBU, the cash position was 187 million euro (1,228 million French francs), and the net financial position was 179 million euro (1,177 million French francs).

Outlook for 1999

EUROVIA'S financial resources and human potential are the best guarantee that the Group will achieve its ambition of making 25% of its net sales outside France by the year 2001. In all likelihood, this year of 1999 will see the finalisation of new operations in Poland, in Slovakia, and also in the former eastern *Länder* of Germany.
The American continent is another Eurovia target, and this year will be put to good use to specify the Group's strategy in these countries in greater detail.

The impact of these external growth operations should become visible in 1999 in the form of a substantial increase in business volume. This should be accompanied, in turn, by rising operating and net income figures.

CONSOLIDATED financial data

CONSOLIDATED statement of income

for 1998

in thousands of euro

	notes	1998 including SGE-VBU	1998 excluding SGE-VBU	1997 excluding SGE-VBU
NET SALES	1	*1,559,271*	1,388,321	1,347,541
Other current revenue	1	*63,077*	52,982	69,451
Shares in earnings of industrial holdings		*13,512*	12,459	10,451
TOTAL OPERATING REVENUES		***1,635,860***	**1,453,762**	**1,427,443**
Procurement and other operating expenses		*(1,121,701)*	(998,799)	(1,000,559)
Wages, salaries and benefits		*(427,732)*	(375,731)	(367,038)
TOTAL OPERATING EXPENSES		***(1,549,433)***	**(1,374,530)**	**(1,367,597)**
GROSS OPERATING INCOME		*86,427*	79,232	59,846
Depreciation charges	2	*(44,310)*	(36,732)	(34,008)
Provision charges and recoveries	3	*(10,347)*	(7,416)	(6,075)
OPERATING INCOME		*31,770*	35,084	19,763
Financial revenue		*5,218*	3,871	3,954
Provision charges and recoveries	3	*(1,099)*	(1,099)	(2,159)
NET FINANCIAL INCOME (EXPENSE)	4	*4,119*	2,772	1,795
OPERATING INCOME LESS FINANCIAL EXPENSE		*35,889*	37,856	21,558
Exceptional revenues		*(8,662)*	(6,124)	24,026
Exceptional charges	2	*(848)*	(848)	
Provision charges and recoveries	3	*8,801*	1,531	2,981
EXCEPTIONAL INCOME	5	*(709)*	(5,441)	27,007
Employee profit sharing		*(2,386)*	(2,386)	(2,121)
Corporate income Tax	6	*(11,638)*	(11,636)	(863)
Amortisation of goodwill	9	*(7,432)*	(7,432)	(4,001)
NET INCOME BEFORE EQUITY INTEREST AND MINORITY INTEREST		*13,724*	10,961	41,580
Share in net earnings of affiliated companies	11	*99*	99	327
CONSOLIDATED NET INCOME		*13,823*	11,060	41,907
Minority interest		*306*	306	214
GROUP SHARE OF NET INCOME		***14,129***	**11,366**	**42,121**

CASH flow statement

for 1998

in thousands of euro

	notes	1998 including SGE-VBU	1998 excluding SGE-VBU	1997 excluding SGE-VBU
OPERATING TRANSACTIONS				
Gross operating surplus (excluding restatement of leases)		*85,810*	78,615	59,846
Financial and exceptional transactions		*(8,452)*	(4,164)	(5,926)
Taxes and contributions		*(14,023)*	(14,021)	(2,984)
OPERATING CASH FLOW (excluding dividends received from companies accounted for by the equity method)		*63,335*	60,430	50,936
Net change in working capital requirement		*2,373*	9,591	7,728
TOTAL OPERATING FLOWS	**(I)**	***65,708***	**70,021**	**58,664**
INVESTMENT TRANSACTIONS				
Capital expenditure	**7 and 8**	*(39,946)*	(34,103)	(29,368)
Disposal for fixed assets		*5,551*	2,024	3,560
Net capital expenditure		*(34,395)*	(32,079)	(25,808)
Acquisition of investments	**10**	*(7,304)*	(7,235)	(983)
Proceeds from the disposals of securities		*2,869*	1,846	34,733
Net financial investments		*(4,435)*	(5,389)	33,750
Net change in financial fixed assets		*(19,735)*	311	(2,444)
TOTAL INVESTMENT FLOWS	**(II)**	***(58,565)***	**(37,157)**	**5,498**
FINANCING OPERATIONS				
Increase (decrease) in shareholders' equity		*5,051*	5,051	(1,822)
Appropriation of income or expense to the parent company	**13**	*(32,323)*	(32,891)	(1,209)
Dividens paid to minority interest in subsidiaries		*(61)*	(61)	(18)
Dividens received from companies accounted for by the equity method		*346*	346	249
Other long term liabilities		*(578)*	(578)	(478)
TOTAL FINANCING FLOWS	**(III)**	***(27,565)***	**(28,133)**	**(3,278)**
CASH FLOW FOR THE FINANCIAL YEARS	**(I + II + III)**	***(20,422)***	**4,731**	**60,884**
NET FINANCIAL SURPLUS OR DEFICIT ON JANUARY 1		***245,497***	**191,639**	**128,047**
Impact of change rates, scope of consolidation, other		*(6,945)*	(8,417)	2,709
Change of accounting policy relating to capital leases		*(740)*	(740)	
NET FINANCIAL SURPLUS ON DECEMBER		***217,390***	**187,213**	**191,640**

CONSOLIDATED balance sheet

at 31 december 1998

Assets

in thousands of euro

	notes	31/12/98 Net amont including SGE-VBU	31/12/98 Gross amount excluding SGE-VBU	31/12/98 Depreciation provision excluding SGE-VBU	31/12/98 Net amount excluding SGE-VBU	31/12/97 Net amount excluding SGE-VBU
INTANGIBLE FIXED ASSETS	7	*1,635*	7,161	(5,574)	1,587	1,918
GOODWILL	9	*37,033*	69,974	(32,941)	37,033	43,588
TANGIBLE FIXED ASSETS	8	*192,598*	474,808	(319,787)	155,021	135,145
TOTAL		***231,266***	**551,943**	**(358,302)**	**193,641**	**180,651**
FINANCIAL ASSETS						
Unconsolidated investments	10	*27,897*	29,382	(5,259)	24,123	23,812
Investments accounted for the equity method	11	*731*	731		731	978
Other financial assets	12	*39,925*	11,580	(1,961)	9,619	10,429
TOTAL		***68,553***	**41,693**	**(7,220)**	**34,473**	**35,219**
DEFERRED CHARGES		***1,585***	1,585		1,585	351
TOTAL FIXED ASSETS		***301,404***	**595,221**	**(365,522)**	**229,699**	**216,221**
Inventories and work in progress	16	*19,494*	20,172	(1,490)	18,682	16,749
Accounts and trade notes receivable	16	*539,244*	507,264	(12,592)	494,672	504,805
Short-term financial receivables	15	*81,607*	70,320	(22,010)	48,310	44,981
Marketable securities, other short-term receivables and quick assets	15	*273,414*	272,266	(3)	272,263	315,107
TOTAL CURRENT ASSETS		***913,759***	**870,022**	**(36,095)**	**833,927**	**881,642**
Adjustment accounts	16	*1,732*	1,568		1,568	2,779
TOTAL ASSETS		***1,216,895***	**1,466,811**	**(401,617)**	**1,065,194**	**1,100,642**

Shareholders' equity and liabilities

in thousands of euro

	notes	31/12/98 including SGE-VBU	31/12/98 excluding SGE-VBU	31/12/97 excluding SGE-VBU
SHAREHOLDERS' EQUITY				
Capital stock		*174,554*	174,554	174,554
Retained earnings before net income for the year		*40,003*	(5,611)	(19,061)
Group share of net income for the year		*14,129*	11,366	42,121
TOTAL		***228,686***	**180,309**	**197,614**
MINORITY INTEREST		*843*	843	604
OTHER EQUITY		*24,629*	24,629	19,599
TOTAL EQUITY	13	***254,158***	**205,781**	**217,817**
PROVISIONS FOR LIABILITIES AND CHARGES	14	*165,834*	116,201	107,719
LONG AND MEDIUM-TERM BORROWING AND DEBT				
Financial borrowing and debt	15	*11,059*	11,059	2,166
Other long-term debt		*390*	390	256
TOTAL		***11,449***	**11,449**	**2,422**
PAID-IN CAPITAL		***431,441***	**333,431**	**327,958**
Advances and deposits received against contracts	16	*14,649*	14,496	11,916
Accounts and trade notes payable	16	*593,330*	554,197	560,971
Short-term financial debt	15	*18,964*	14,693	18,613
Cash liabilities	15	*118,667*	118,667	149,835
TOTAL CURRENT LIABILITIES		***745,610***	**702,053**	**741,335**
Ajustment accounts	16	*39,844*	29,710	31,349
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		***1,216,895***	**1,065,194**	**1,100,642**

REPORT of the Statutory Auditors

on the consolidated financial statements

For the financial year ended December 31, 1998

IN accordance with our appointment as auditors by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements, as denominated in euro, of the company Eurovia for the financial year ended December 31, 1998.

These financial statements have been approved by your Board of Directors. Our responsibility is to express an opinion on these financial statements, based on our audit.

We have conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform this audit to obtain reasonable assurance about whether the financial statements are free of 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 in closing the accounts, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for the following opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Group at December 31, 1998, and of the financial results of the entities included in the consolidation for the year then ended.

Without qualifying our opinion, we draw your attention to Notes 1-2 to the consolidated financial statements, which set out a change in the method used to account for capital leasing contracts.

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

Paris, March 16, 1999

The Statutory Auditors

MAZARS & GUERARD
José Marette – Raymond Petroni

SALUSTRO REYDEL
Bernard Cattenoz – Denis Marangé

SCHEDULES to the consolidated financial statements

1. KEY events in the fiscal year

The FISCAL year 1998 was marked by the following significant events:

1.1. Changes in the Group's legal structure

CONTINUATION of the process of organisation into subsidiaries of the companies COCHERY BOURDIN CHAUSSE and VIAFRANCE, leading to the creation of regional subsidiaries owned individually or jointly by these two companies.

TRANSFORMATION of these two companies into public limited companies (Sociétés Anonymes) and their inclusion in SGE's scope of consolidation for tax purposes.
For fiscal 1998, this has resulted in a tax charge on the order of 13.5 million euros against the consolidated financial statements.

CHANGE in the corporate name of COCHERY BOURDIN CHAUSSE, which is now formally known as EUROVIA.

TRANSFER by the sole shareholder of EUROVIA and VIAFRANCE, namely SOGEA, of shares held in VIAFRANCE to EUROVIA, in the amount of 84.6 million euro.

Following these changes, the financial documents drawn up for 1998 constitute consolidated financial statements in the legal sense of the term, as opposed to the financial documents for 1997, which were "combined financial statements". The impact of this difference is set out in detail in paragraph 1.3.3.

1.2. Changes in accounting policies

Provisions for pension commitments

The policy applied for the first time in 1997 was continued and extended to encompass all the Group's companies, in accordance with the collective agreements specific to each of them; the impact of adjustments to the initial balance, in the amount of 3.2 million euro, was charged to shareholders' equity.

Capital leases

In accordance with the provisions of the Law on consolidated financial statements, the 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 in net tangible fixed assets of 12.9 million euro, and an increase in debt of 9.7 million euro (see notes 8 and 15).

This change in accounting policy had a positive impact of 3.5 million euro on shareholders' equity, and of 0.4 million euro on net income (see note 13).

1.3. Presentation of the consolidated financial statements

1.3.1. 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 consolidated financial statements in euros as of fiscal 1998. Previous years' figures have also been converted into euro, using the official exchange rate at January 1, 1999.

1.3.2. Cash flow statement

Following recommendations made by the National Accounting Board (Conseil National de la Comptabilité), financial flows for the year are now presented in the form of a cash flow statement, which replaces the previous "Statement of changes in financial position".

1.3.3. Treatment in consolidation of the company VIAFRANCE

The transfer of VIAFRANCE shares from SOGEA resulted in the reporting of goodwill in the amount of 29.1 million euro, appropriated as follows:

- allocation to the share premium reported on EUROVIA's
- balance sheet on the occasion of the transfer of shares: 25.1 million euro,
- allocation to real estate assets: 3.9 million euro.

In comparison with the combined financial statements of 1997, this legal operation results in a re-valuation in the balance sheet of real estate assets and of the net financial position, in the amount of 3.9 million euro.

1.3.4. Information pertaining to EUROVIA and SGE-VBU as a whole

As explained in the Group's management report, the financial statements include a column showing cumulative figures for SGE's roadwork line of business, made up of EUROVIA and the German companies in the sub-group SGE-VBU.

This financial information is not covered by the certifying report of the Statutory Auditors.

1.4. Other key events

Costs of conversion to the euro and of the year 2000 issue

The cost of conversion to the euro did not come to a substantial amount at Group level; external charges associated with the adaptation required before January 1, 1999, were written off in the fiscal year.

In so far as the year 2000 issue is concerned, the external cost of upgrading infrastructure and software used internally was written off as an operating charge. Moreover, no external risks associated with the year 2000 issue were identified.

1.5. Scope of consolidation

THE scope of consolidation at December 31, 1998 consisted of 94 companies, to be compared with the 86 companies making up the EUROVIA Group as of December 31, 1997.

FULL CONSOLIDATION	86 (including 8 outside France)
PROPORTIONATE CONSOLIDATION	5 (including 2 outside France)
EQUITY METHOD	3

The changes in the scope of consolidation were as follows:

- Consolidation of the following companies, created to receive asset transfers:

EUROVIA NORD
EUROVIA ILE-DE-FRANCE
GERCIF
VIAFRANCE NORMANDIE
COCHERY BOURDIN CHAUSSE ILE-DE-FRANCE
EUROVIA AQUITAINE
EUROVIA MIDI-PYRÉNÉES

- Newly consolidated companies:

SNEC
CARRIERES DE COET LORCH
CARRIERES LA GARENNE
ENTREPRISE
Charles de FILIPPIS]
CTW (Switzerland)] acquired in 1998
BOUCHER (Belgium)]
EUROVIA BELGIUM

- Companies removed from the scope of consolidation:

CHEM INDUSTRIES	disposal to a third party
SOCALBE	absorption through merger by CARRIERES LAFITTE
APYC	absorption by TSS
VIAUD	] unconsolidated
SCEBC	] unconsolidated
ARCHIGNAT	] unconsolidated

List of principal consolidated companies

	Method of consolidation	% held by Group
VIAFRANCE SA	FC	100.00 %
EUROVIA SA	FC	100.00 %
EUROVIA CHAMPAGNE-ARDENNE-LORRAINE SNC	FC	100.00 %
EUROVIA BRETAGNE SNC	FC	100.00 %
EUROVIA ALSACE-FRANCHE-COMTÉ SNC	FC	100.00 %
CBC NORMANDIE SNC	FC	100.00 %
EUROVIA POITOU-CHARENTE-LIMOUSIN SNC	FC	100.00 %
EUROVIA MÉDITERRANÉE SNC	FC	100.00 %
EUROVIA CENTRE- LOIRE SNC	FC	100.00 %
EUROVIA MIDI-PYRÉNÉES SNC	FC	100.00 %
TSS SNC	FC	100.00 %
EUROVIA ATLANTIQUE SNC	FC	100.00 %
EUROVIA AQUITAINE SNC	FC	100.00 %
GERCIF EMULITHE SNC	FC	100.00 %
EUROVIA DAUPHINÉ AUVERGNE SNC	FC	100.00 %
VIAFRANCE NORMANDIE SNC	FC	100.00 %
EUROVIA BOURGOGNE SNC	FC	100.00 %
COCHERY BOURDIN CHAUSSE ILE-de-FRANCE SNC	FC	100.00 %
VALENTIN SNC	FC	100.00 %
MOTER SA	FC	99.46 %
ROUTIÈRE DU MIDI SNC	FC	100.00 %
ROY SA	PC	50.00 %
ROL NORMANDIE SNC	FC	100.00 %
EUROVIA FOREZ SNC	FC	100.00 %
HRC SNC	FC	100.00 %
LALITTE SNC	FC	100.00 %
CARRIERES de CHAILLOUÉ SA	FC	100.00 %
LAFITTE MOTER SNC	FC	100.00 %
ROUSSEY SNC	FC	100.00 %
BOUCHER SA (Belgium)	FC	100.00 %
PAVEURS DE MONTROUGE SNC	FC	100.00 %
CTW AG (Switzerland)	FC	51.68 %
STP L'ESSOR SNC	FC	100.00 %
TRACYL SNC	FC	100.00 %
MINO SNC	FC	100.00 %
CORNEZ DELACRE SA (Belgium)	FC	100.00 %
MOTER MARTINIQUE SA	FC	100.00 %
MODERN ASFALT SA (Belgium)	FC	90.27 %

FC: fully consolidated companies
PC: proportionately consolidated companies
SA: public limited company (Société Anonyme)
SNC: general partnership (société en nom collectif)

2. ACCOUNTING principles applied to the consolidated financial statements

2.1. General principles

THE consolidated financial statements of the EUROVIA Group, as included in the consolidated financial statements of SGE (Société Générale d'Entreprises) and of VIVENDI, have been drawn up following the accounting principles described in this note.

These principles are consistent with the provisions set out in the general chart of accounts (plan comptable général), the Act of January 3, 1985, and its Application Decree of February 17, 1986; they have been adapted to be brought in line with the accounting treatment recommended by the National Accounting Board (Conseil National de la Comptabilité) in its opinion of June 18, 1997.

2.2. Consolidation criteria

THE consolidated financial statements include the financial statements of significant companies controlled directly or indirectly, de iure or de facto, by Eurovia. In this respect, companies are consolidated whenever their contribution to consolidated net sales is greater than 1.5 million euro.

Companies in which EUROVIA has a majority holding are consolidated fully.
Entities controlled jointly with third parties are consolidated proportionately, provided their net sales and balance sheet are significant.

Construction sites organised in the form of joint-venture companies, without their own dedicated equipment and financial resources, are treated by semi-proportionate consolidation (whereby a share of net sales and a share of charges are entered in the accounts); this method is the best way of reflecting the economic reality of such operations.

Companies over which the Group exerts substantial influence are accounted for by the equity method.
On the other hand, the scope of consolidation does not include equity holdings in companies that produce road surfacing, binder or aggregate, when they are operated jointly with other groups.

Most of these companies have transparent legal structures, such as GIE (groupement d'intérêt économique - economic interest grouping), SP (société en participation - joint venture) or SNC (société en nom collectif - general partnership). Their net income or loss is included in consolidated net income or loss under the item “share in results of industrial holdings”, and they do not individually fulfil the net sales criterion.

2.3. Inclusion of financial statements

2.3.1. French individual financial statements

THE individual financial statements of consolidated companies are prepared in accordance with accounting rules applicable to the industry.
Most of these companies close their individual accounts on December 31.

2.3.2. Foreign individual financial statements

THE individual financial statements of foreign consolidated companies and entities are translated according to the following principles:
- the “investments in subsidiaries and affiliated companies” item on the assets side, and the “net Group financial position” and “minority interest share of net income or loss” items on the liabilities side are kept in the balance sheet at their historical value;
- the other balance-sheet items are converted at the fiscal year's closing exchange rate.

2.4. Goodwill

THE principle is to allocate goodwill, representing 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 assets and liabilities items of the acquired company's balance sheet.

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, with certain specific cases justifying accelerated amortisation.

When the amount of the goodwill is less than 152 thousand euro, it is amortised in full in the year of the acquisition.

However, goodwill arising from the acquisition of companies that operate quarries is amortised over the expected operating life of the natural resource, up to a maximum of 40 years.

When justified by specific circumstances, goodwill may be subject to accelerated amortisation or to a depreciation provision.

2.5. Fixed assets

LAND, buildings and equipment are generally valued at their cost of acquisition (historical cost).

Depreciation of tangible fixed assets is calculated using the straight-line or reducing-balance method, over useful economic lives as estimated or generally applied in the industry. These economic lives are given in the notes to the consolidated financial statements (section 3, note n° 2).

Loans are entered in the accounts at their nominal value, but possibly reduced by a provision for depreciation.

2.6. Investments in subsidiaries and affiliates

THE gross book value of unconsolidated investments in subsidiaries and affiliates is equal to their cost of acquisition.

If this value is greater than the fair value, a provision for depreciation is made to cover the difference.

2.7. Pension commitments

PENSION commitments, including both lump sum payments on retirement and supplementary pension benefits, are covered by balance-sheet provisions, for all members of the staff.

These commitments are assessed by means of an actuarial forecasting method known as the "projected unit credit" method, on basis of a retirement age of 60.

2.8. Income recognition

THE method used to account for construction site income or losses is percentage of completion. When a construction contract is expected to result in a loss, a provision for anticipated losses on completion is made.

2.9. Corporate income tax

THE change in the legal and tax status of the companies EUROVIA and VIAFRANCE (see section 1.1) amounts to making all companies of the Group liable for income tax on profits, which renders comparison with fiscal 1997 meaningless.

The additional resulting tax charge, namely 13.5 million euro, is paid out to the parent company SGE under a tax integration agreement entered into for 1998, and then renewed for five years as of 1999.

Deferred taxes result from timing differences between the taxable income and accounting income of consolidated entities, on the one hand, and from restatements relating to changes in the method of consolidation, on the other hand. 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 company prospects and tax forecasts.

2.10. Minority interests

THE net income or loss and the net financial positions are split up into the Group share and the minority interests share, as a function of equity percentages held.

For companies whose shareholders' equity after net income or loss is negative, the Group takes on the minority interest share as a liability, except when minority shareholders are in a position to assume their shares of losses.

3. NOTES to the consolidated financial statements

Note: all the figures given below pertain to Eurovia as consolidated entity, without the sub-group SGE-VBU

Note 1: net sales and current revenues

in thousands of euro	1998	1997
NET SALES	1,388,321	1,347,541
• including net sales of companies added	(30,156)	
• including net sales of companies removed		(1,022)
NET SALES AT COMPARABLE SCOPE OF CONSOLIDATION	**1,358,165**	**1,346,519**
Other current revenue	52,982	69,451

With comparable structure, net sales have grown by 0.9%.

Breakdown of net sales by line of business and geographical area

in thousands of euro		GEOGRAPHICAL AREA			
		Mainland			
Line of business	Total	France	Overseas France	Europe	Africa/ Asia
Roads and various networks	1,242,023	1,182,137	8,834	51,052	
Quarries	77,994	77,307		687	
Other Business *	68,304	64,525	2,423	1,213	143
TOTAL	**1,388,321**	**1,323,969**	**11,257**	**52,952**	**143**

* Floor coverings and equipment for roads.

Note 2: charges to fixed assets depreciation accounts

in thousands of euro	1998	1997
Operating depreciation expenses	(36,732)	(34,008)
Exceptional depreciation expenses	(848)	
Amortisation of goodwill	(7,432)	(4,001)
TOTAL	**(45,012)**	**(38,009)**

Amortisation calculations are based on the following useful lifetimes of tangible assets:

- Buildings	25 years
- Public works equipment	from 4 to 7 years
- Vehicles	from 3 to 5 years
- Fixtures	from 8 to 10 years
- Office furniture and equipment	from 3 to 5 years

Note 3: charges to and recoveries from provision accounts

in thousands of euro

Changes in provisions with an impact on the statement of income are as follows:

		1998	1997
Operating	(Charges)	(58,464)	(54,688)
	Recoveries	51,048	48,613
		(7,416)	(6,075)
Financial	(Charges)	(3,838)	(5,562)
	Recoveries	2,739	3,403
		(1,099)	(2,159)
Exceptional	(Charges)	(10,114)	(12,651)
	Recoveries	11,645	15,632
		1,531	2,981
TOTAL		**(6,984)**	**(5,253)**
Of witch, movements with an impact on the working capital requirement		231	1,124
Of witch, changes in short-term financial assets		(957)	1,007
Of witch, changes with an impact on cash flow		(6,258)	(7,384)

Note 4: net financial income

in thousands of euro	1998	1997
Financial revenue	5,150	4,693
Dividends	994	1,613
SNC, SC and SCI earnings	(128)	46
Financial charges	(2,145)	(2,398)
Changes in financial provisions	(1,099)	(2,159)
TOTAL	**2,772**	**1,795**
Including cost of financing	3,081	2,804

Note 5: exceptional income

in thousands of euro	1998	1997
Income from assets disposals	1,356	36,036
Restructuring charges	(5,707)	(8,358)
Other exceptional charges and revenue	(1,773)	(3,652)
Changes in exceptional amortisation and provisions	683	2,981
TOTAL	**(5,441)**	**27,007**

Note 6: corporate income tax

in thousands of euro	1998	1997
Current taxes	(14,144)	(915)
Deferred taxes	2,508	52
	(11,636)	**(863)**

Comparability between the two fiscal years is affected by two specific items :

- the change in tax regime of the companies Eurovia and Viafrance (see § 2.9), for an impact of 3,482 thousand euro;
- the change in the shareholding Group's tax visibility, wich generates a deferred tax credit of 2,597 thousand euro.

Note 7: intangible fixed assets

in thousands of euro

	GROSS VALUE					NET VALUE
	initial balance	investments	disposals, adjustments	final balance	cumulative depreciation at 31 dec. 1998	final balance
Start-up costs	146	47	170	363	(281)	82
Research costs	1		(1)			
Goodwill and brands	2345	23	(366)	2002	(1,183)	819
Lease renewals	41		(3)	38	(38)	
Software	2019	182	(608)	1593	(1,420)	173
Patents	734	59	377	1170	(998)	172
Other intangible assets	1045	4	946	1995	(1,654)	341
TOTAL	**6,331**	**315**	**515**	**7,161**	**(5,574)**	**1,587**

Note 8: tangible fixed assets

in thousands of euro

	GROSS VALUE					NET VALUE
	initial balance	investments	disposals, adjustments	final balance	cumulative depreciation at 31 dec. 1998	final balance final
Land	60,460	704	2,972	64,136	(11,814)	52,322
Buildings	39,171	3,566	9,698	52,435	(26,116)	26,319
Technical facilities, equipment, tools	245,866	25,359	(8,208)	263,017	(207,016)	56,001
Other tangible assets	90,171	5,631	(2,131)	93,671	(74,841)	18,830
Work in progress	8,092	1,125	(7,668)	1,549		1,549
Capital gains or losses on Group disposals		(3,150)	3,150			
TOTAL	**443,760**	**33,235**	**(2,187)**	**474,808**	**(319,787)**	**155,021**
Of witch, impact due to restatement of capital leases				16,499	(3,559)	12 ,940

Note 9: goodwill

in thousands of euro

	1998	1997
The change in the year in this item wera as follows :		
Net at year beginning	43,588	46,596
Created in the year	877	926
Current depreciation	(2,894)	(2,792)
Exceptionnal depreciation	(4,538)	(1,209)
Removals from scope of consolidation		67
NET GOODWILL AT YEAR END	**37,033**	**43,588**

Note 10: unconsolidated investments

This item consists mainly :

• of holdings in industrial companies that produce hot mix, binder or materials, for a total net book value of 23 millions of euro

• of 100% consolidated subsidiaries, whose net sales are below the consolidation threshold,

• of real-estate or land-holding companies, whose business is not significant.

Financial investments in the year amounted to a total of 7 millions euro, including 3 million euro in consolidated companies (1million euro outside France).

The supplumentary amounts relates mainly to equity investments in industrial companies (2 million euro) and in foreign companies (2 million euro).

Note 11: share in affiliated

in thousands of euro	C.B.A.	SILF	ERCA	TOTAL
% Interest	35%	50%	35%	
EARNINGS				
Net	74	23	174	
Contribution to Group	26	12	61	99
SHAREHOLDERS' EQUITY				
Corporate total	408	664	730	
Group share	143	332	256	731

Note 12: other financial assets

in thousands of euro	31/12/98 net	31/12/97 net
Long-term financial receivables	3,219	3,330
Long-term investments	341	851
Loans, deposits and other financial assets	6,059	6,248
TOTAL	**9,619**	**10,429**

The loans consist mainly of amounts paid out as contributions, and are booked at their historical values (lateste maturity date : 2009)

Note 13: changes in equity (before income location)

in thousands of euro	initial balance	scope and method change	earnings in the year	distribution in the year	other changes	final balance
CAPITAL STOCK	174,554					174,554
Consolidated retained earnings	(19,061)	2,060		11,386	4	(5,611)
Income Group Share	42,121	2,156	11,366	(44,277)		11,366
SHAREHOLDERS'EQUITY	197,614	**(1)** 4,216	11,366	(32,891)	4	180,309
Minority interests						
Retained earnings	818	547		(214)	(2)	1,149
Net income	(214)		(306)	214		(306)
MINORITY INTERESTS	604	547	(306)		(2)	843
OTHER EQUITY	**19,599**				**5,030**	**24,629**
TOTAL EQUITY	**217,817**	**4,763**	**11,060**	**(32,891)**	**5,032**	**205,781**

(1) the variation is due ti three causes, explained in further detail in notes 1 et 2 :

- The impact Viafrance goodwill charged to reserves, in the amount of recognised additionnal paid-in capital	3 910
- Additional impact of the change in accounting method introduced in 1997, with respect to pension commitments	(3 190)
- Impact of the restatement of capital leases	3 497

Other shareholders' equity

The other shareholders' equity amount corresponds to advance extended by shareholders, frozen in a current account, non interest bearing and not subject to maturity dates.

Note 14: provisions for liabilities and charges

in thousands of euro

	initial balance	method and other changes	charges	recoveries	scope and exchange variations	final balance
Pensions	11,343	**(1)** 3,225	3,170	(2,540)		15,198
Work in progress and after-sales service	47,776	(23)	36,249	(28,688)	229	55,543
End-of-contract losses	6,110	(1)	4,655	(5,957)		4,807
Litigation	9,392	(623)	3,682	(3,459)	173	9,165
Other operating risks	10,753	334	6,027	(5,490)		11,624
TOTAL OPERATING	**85,374**	**2,912**	**53,783**	**(46,134)**	**402**	**96,337**
Financial risks	1,104			(1,047)		57
TOTAL FINANCIAL	**1,104**			**(1,047)**		**57**
Restructuring	8,082	(186)	3,054	(6,981)	126	4,095
Subsidiary risks	720	(48)	256	(507)		421
Exceptional provisions	12,439	(53)	6,788	(3,883)		15,291
TOTAL EXCEPTIONNAL	**21,241**	**(287)**	**10,098**	**(11,371)**	**126**	**19,807**
TOTAL	**107,719**	**2,625**	**63,881**	**(58,552)**	**528**	**116,201**

(1) This amount is due to re-estimation of the amount pensions commitments, in connection with the change in accounting method mentioned in § 1.2.

Note 15: net financial surplus (debt)

in thousands of euro

	31/12/98	31/12/97 restated **(1)**	31/12/97
Long term-borrowing and financial debt **(1)**	(11,059)	(12,443)	(2,166)
Short-term portion of long-term debt	(1,824)	(1,696)	(1,249)
I - LONG-TERM FINANCIAL DEBT	(12,883)	(14,139)	(3,415)
II - LONG-TERM FINANCIAL RECEIVABLES	3,219	3,292	3,330
Bank overdrafts	(118,667)	(151,597)	(149,835)
Other short-term financial debt	(12,869)	(2,627)	(17,364)
Short-term financial receivables	48,310	25,218	44,981
Marketable securities and quick assets **(2)**	272,263	317,052	315,107
III - NET CASH POSITION (excluding the short-term portion of borrowings)	189,037	188,046	192,889
NET FINANCIAL SURPLUS (DEBT) (I+II+III)	**179,373**	**177,199**	**192,804**

Maturity structure of long term debt

2000	1617
2001	1364
2002	1095
2003	952

(1) This column includes, on the one hand, the restatement of capital leases for a debt impact of - 9,745 thousand euro, and on the other hand, an effect due to scope of consolidation changes in the amount of -6,306 thousand euro, giving a cumulative negative impact of 16,051 thousand euro.

(2) This item consists mainly of quick assets invested in the parent company.

Note 16: working capital requirement

in thousands of euro

	31/12/98 1	31/12/97 2	variation 1-2	scope and method change (1)
Inventories and work in progress	18,682	16,749	1,933	2,766
Accounts and trades notes receivables	440,948	452,914	(11,966)	9,958
Other debtors	53,724	51,891	1,833	3,601
Assets adjustment accounts	1,568	2,779	(1,211)	
(I)	**514,922**	**524,333**	**(9,411)**	**16,325**
Advances and deposits received	14,496	11,916	2,580	
Accounts and trades notes payable	427,076	435,128	(8,052)	10,857
Other creditors	127,121	125,843	1,278	1,029
Liabilities adjustment accounts	29,710	31,349	(1,639)	
(II)	**598,403**	**604,236**	**(5,833)**	**11,886**
WORKING CAPITAL REQUIREMENT (I) - (II)	**(83,481)**	**(79,903)**	**(3,578)**	**4,439**

(1) This column is affected by scope of consolidation changes, in the amount of 1,930 thousand euro, and the change in accounting method regarding the calculation of deferred taxes, in the amount of 2,508 thousand euro, for a cumulative impact of 4,439 thousand euro.

Note 17: commitments off the balance sheet

in thousands of euro		31/12/98	31/12/97
COMMITMENTS GIVEN			
Performance bonds and garantees		112,211	108,034
Joint and several guarantee in partnerships		126,879	115,676
Other commitments		7,432	13,586
TOTAL		**246,522**	**237,296**
COMMITMENTS RECEIVED			
Performance bonds and garantees		1,093	1,661
Other commitments		1,747	1,481
Joint and several guarantee of the parent company	(1)		301,467
TOTAL		**2,840**	**304,609**
RECIPROCAL COMMITMENTS			
Real-estate leasing contract	(2)		3,009

(1) The transformation of the company Eurovia into a public limited company ("Société Anonyme") makes this information out of date.
(2) Following the changes in accounting methods introduced in 1998, it is no longer appropriate to report capital leasing commitments.

Note 18: Average number of employees

PERSONNEL CATEGORY	1998	1997
Managers	1,039	985
Non-managerial	9,077	9,191
TOTAL	**10,116**	**10,176**

The net impact of scope of consolidation changes in 1998 corresponds to an increase of 182 persons.

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