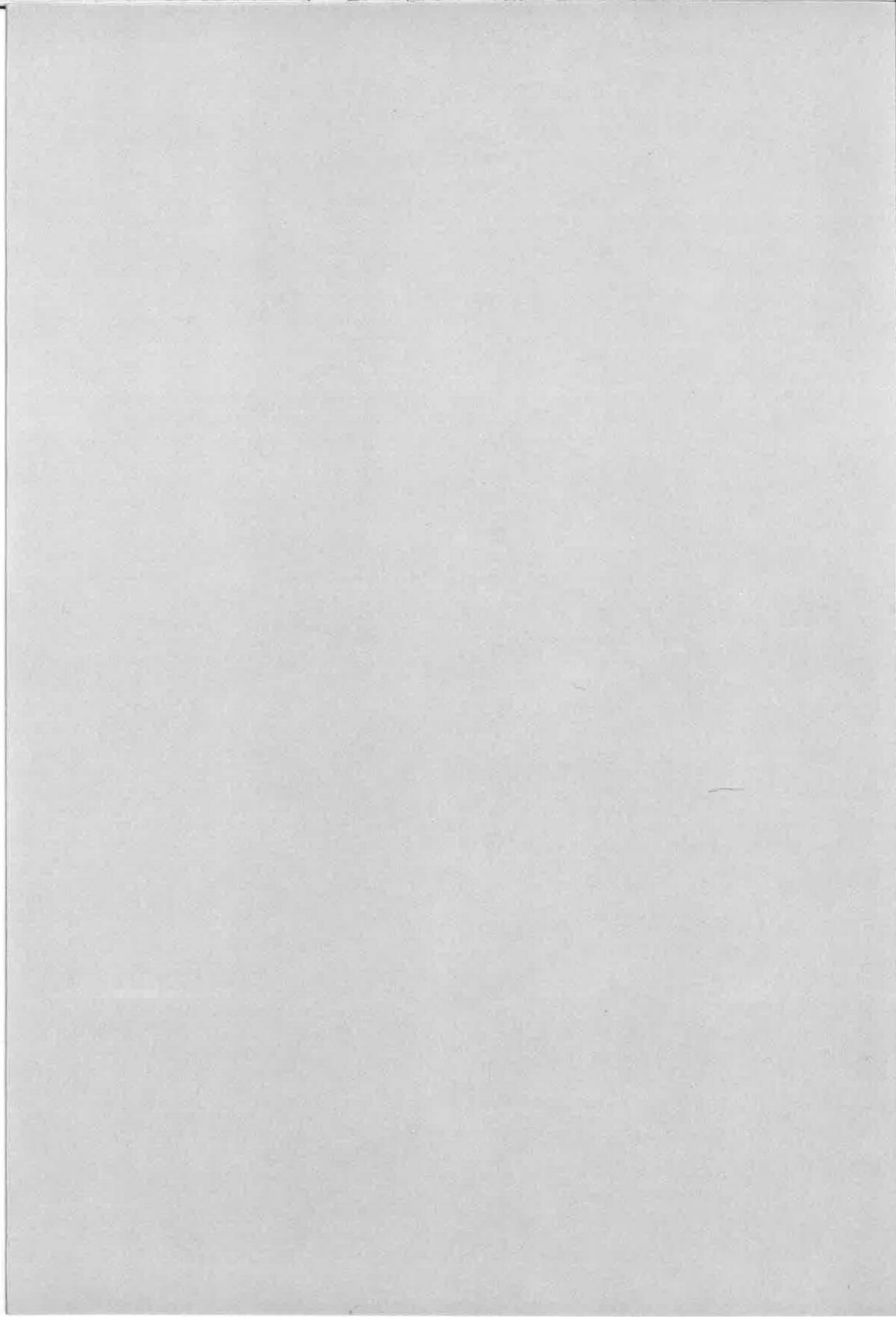


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SOCIÉTÉ GÉNÉRALE D'ENTREPRISES

ANNUAL REPORT



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SOCIÉTÉ GÉNÉRALE D'ENTREPRISES - SGE

Société Anonyme (public limited company
under French law) with share capital of FF 2.037.845.845
R.C.S. NANTERRE B 552 037 806

Head Office:

1, cours Ferdinand de Lesseps - 92500 Rueil-Malmaison
Tel.: 47.16.35.00 - Fax: 47.16.91.02 - Tlx: Ruent 634 246 F
France

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SALUSTRO REYDEL

CHAIRMAN'S REPORT

This is the first time that this Meeting is being held at the new Rueil site where all of our companies are now grouped together. We wish you a very warm welcome.

As you know, 1992 ended and 1993 began in the middle of a severe construction crisis in Western Europe. This crisis affects all Construction and Public Works companies in which we hold ownership interests. But, on the whole, these companies have dealt with this situation quite well.

Once again, we find that a major cause of this situation can be found in the high rates of interest which prevailed in Western Europe during this period. This constituted a fundamental hindrance to investment by institutions and individuals, because it is clear that, in most of the areas affected, and in particular in ours, this crisis is not a crisis of needs (potential demand remains very strong), but a crisis of means.

A Geographic Survey

The British market, which remains the most affected, saw its recession deepen in 1992 for the Building and Interior Works sectors; some very small indications of improvement in the real estate market can currently be detected and give some hope, but for "a little later".

In France, the crisis has deepened particularly since the fall of 1992 and seems about to break some very sad records in the building industry (both offices and residential).

As far as Germany is concerned, it has also been affected — in the West by an industrial recession and in the East by selective problems, particularly by slowness in the growth of the real estate market other than in renovation work.

Finally, many of the remote markets remain dynamic; business is booming in South-East Asia.

The Strength of the Group's Companies in 1992

The companies of the SGE Group have also had a relatively good and honorable year, despite the effects of the reduction in the creation of new work-sites (in particular, the real estate crisis) which we noted one year ago. Their resistance is, overall, quite good.

General Contracting

For the general contracting business in France, the drop in activity, particularly pronounced in the construction area and in the southern part of the country, was partly compensated for by the steadiness of growth in other sectors (civil engineering, hydraulic work and services). And the diversity of the portfolio of activities was accompanied by an almost total absence of exposure in the most difficult sector: real estate.

In the general contracting area, the year was marked, for us, by the completion of the primary phases of restructuring which have been underway for the past three years. In 1992 in particular, there was the reorganization of the "Grands Travaux" ("Large Public Works") Division. This division, a subsidiary of Campenon Bernard SGE has a rich business portfolio. The year witnessed the recovery of the Storebaelt and Pont de Normandie work sites, favorable

developments at those in Lesotho and in Hong Kong and the intake of various new orders (the Hab River power station, the second metro line in Cairo, more recently, the Kwai Chung viaduct, etc.).

Sogea, for its part, still operates over a large area — which is increasing. In Africa it is growing rapidly, despite the serious crisis which is also affecting that continent and plants which are already old. Its position in the French overseas departments and territories, with its hydraulic expertise of the highest order and its growth in the service sector, was confirmed recently by the Gambia water and electric service management contract.

Overall, work at the large sites abroad is progressing well, despite the difficulties encountered in India at the Dul Hasti mine site, despite the delay caused by the examination of our claims for the Karachi airport, despite the delay in the actual start-up of the Athens metro and despite the problems which the Channel Tunnel continues to create.

While the very large technical risks which such an extraordinary project as the Tunnel carried have been overcome within a reasonable time frame, there was and there remains for the contractor a real “customer” risk. In this case, the customer is the owner of the project, assisted by the non-European general contractor which it chose to manage it. This prime contractor is disputing with the majority of the other actors in this historic venture. This situation and this behavior makes the future difficult to forecast.

In addition and finally, 1992 and the first few months of 1993 confirmed the designation of the group which we formed with Bouygues as the winner of the competition held by the Hauts-de-Seine Department for creation of MUSE (Urban Subterranean Express Link), a large-scale private-government transportation network. After finalizing the offer plan for this very large and original work with a great future, it can be hoped that the execution studies of the first section of the planned project will soon be undertaken and will lead to the work being initiated in the second half of 1995.

Other Areas

Our French Road Works companies, which provide more than 20 % of SGE's turnover, have more or less maintained their level of activity and results due to their large geographic territorial coverage. But the integration of Moter (a road work and construction company in Southwest France) was significantly more costly than anticipated. The first few months of 1993 were more difficult for Cochery and Viafrance, but some improvement is anticipated beginning in the summer (let's hope it will not be “a little later”) with the renewal program in this sector announced by the public authorities.

The conduct of the companies in the “Industrial and Technical Equipment Works” sector was also satisfactory, despite Wanner's persistent difficulties. The grouping of Tunzini and Wanner will allow the development of synergies in the climate engineering and insulation sectors. The performance of Saunier Duval, which has a significant presence in developing markets (in particular the SIRIUS project), was good, as was that of Lefort/Francheteau.

Activity in Europe

In Great Britain, where the recession seriously affected the construction and building sectors, an “historic” low seems to have been reached. The turnover of Norwest Holst dropped more than 30 %, half from the weakening of the pound and half from a reduction in business. The company was reorganized and tightened around a new management team. We hope that,

beginning in 1993, there will be a significant improvement in this subsidiary which had a significant adverse impact on SGE's financial statements in 1992.

The situation is quite different in Germany where the total turnover of SGE Deutschland subsidiaries almost reached 10 billion francs. The highly diversified activities (building, roads, insulation and climate engineering) achieved a good growth level and our German and French teams are making great strides in the most recently acquired companies (VBU, OBG and OBAG). The results are already quite encouraging in the road works area.

Germany's contribution to SGE's results is very positive (138 million francs). It is a good time, I think, to recall that the addition of G + H to the SGE Group in 1988 was an important strategic choice indeed. In this country where the immediate economic prospects seem to be worsening slightly, but where the needs remain very large in the East, we are consolidating and increasing our acquisitions.

Key Numbers

As far as the numbers are concerned, this year of our geographic unification in Rueil has been marked by what I would call stability and pull-back.

Turnover growing slightly to 44.4 billion francs (slight growth in France and in the rest of Europe), an increase of 10 % (as announced) in the cash flow to 1.4 billion francs, net consolidated income at a high level (405 million francs) — although less than the 470 million francs in 1991, a 15 % reduction in investments to 2 billion francs and indebtedness basically stabilized at one and a-half billion francs — these are the dominant and still satisfactory results of this year 1992. The year was also marked by the sale of several financial assets and by the maintenance of reserves at a high level: 5.5 billion francs.

Keeping the dividend, payment of which was resumed last year, is again proposed at the same level — along with the option to receive it in shares, a method which the majority of shareholders chose in 1992.

Numerous Advantages

In the very poor current European situation, we still have numerous advantages :

- Our restructuring was basically completed between 1990 and 1992,
 - we remain almost completely removed from the most dangerous sectors, especially real estate,
 - We are developing to the greatest extent possible our activities in the service sector (Troyes water supply and treatment, the Toulouse and Marseilles parking lots, etc.) with yearly sales which already exceed 500 million francs,
 - the problems of the close and remote large work sites seem to be resolved,
 - in the relatively short term in France, some of the effects of the "renewal program" in the building and road work sectors are expected,
 - in the medium term, Great Britain will begin to improve and Germany will continue to develop.
- No large company has a position comparable to ours in these three countries (France, the United Kingdom and Germany).

And most of all, in all of the Western world, potential demand remains very high (needs for new transportation infrastructure, environmental, energy, housing modernization and urban equipment and large municipal project needs, etc.). More so than today, this demand will be expressed through savings and taxation (private and public financing) if they are organized in a realistic manner.

And we are intensifying our efforts in South-East Asia.

1993 Forecast

What more can be said for 1993 ? We can currently see more or less what it will bring, but, alongside this exceptional slump — and because of it, “more or less” represents much uncertainty.

What is visible is that the fiscal year did not begin well with the continuation of the trends of the last several months of 1992. But Germany, the backlog of large projects, the strength of our Industrial and Interior Works companies, the hope for the renewal of road works and our participation in Cofiroute (and through Cofiroute in the future RSP (Paris Underground Road Network) work site, in the A 86 west of Paris and in the Angers-Tours road) all seem to be relatively or extremely certain. Overall, our sales may slide a little by several percentage points and be between 41 and 42 billion francs. The daily conduct of operations and investments bears the mark of severity or even austerity. But no reserve for the fiscal year's results seems possible today; we will see a bit more clearly at the end of the summer. Certain decreases in the portfolio might occur during the second quarter with the primary goal of consolidating cash flow and the financial structure.

A good Passport for the Future

At the risk of repeating myself, I would like to end on a note which is neither too preoccupied nor pessimistic.

I reminded you of all the advantages which we have and of the fact that, because we have adjusted, we have basically anticipated the crisis. Other reasons for confidence are also apparent, in addition to the selectivity and prudence of the most exposed sectors:

- we are beginning greater management control, with thought and also with originality,
- our financial strength is great, with large reserves and a good balance sheet,
- our upper management and staff are very good and are oriented toward quality, modernization and reality,
- and there is also the diversity and the very extensive range of our activities.

After all, only the numbers matter: since 1988, turnover has increased by one third, despite a slight contraction in certain remote activities. Despite the crisis, European activity experienced the developments of which we are aware and net income increased four-fold. With Générale des Eaux holding 80 % of the capital and with its very strong commitment, with many projects which are ready and the opportunities that the crisis offers us and which we know how to seize, Société Générale d'Entreprises has, I believe, a good passport for the future.

Guy DEJOUANY

June 18, 1993

With a turnover of 44.4 billion francs and 67,000 employees, SGE is one of the largest European groups in the construction and public works industry. 90 % of its business is generated in Europe : 58 % in France, 18 % in Germany, and 9 % in Great Britain.

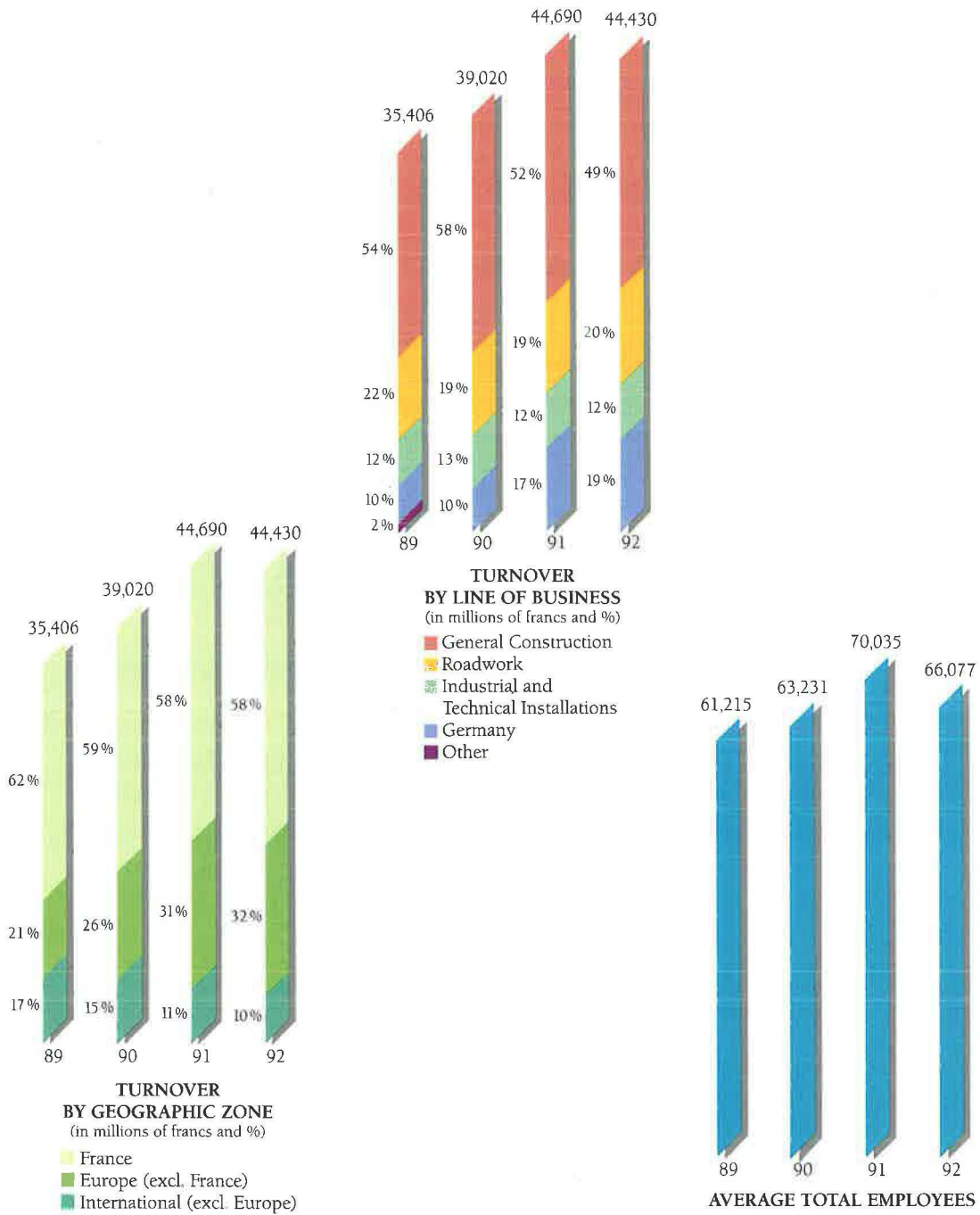
Through its network of 400 subsidiaries and affiliated companies grouped around 15 specialized firms, SGE is active in all of the areas of construction and public works – general construction, roadwork, industrial and technical equipment works – as well as in concessions for motorways, bridges, etc.

The Group has also developed complementary businesses in industrial maintenance, technical building management, services to local public authorities, and environmental engineering.

SGE, whose shares are traded on the Paris Bourse (Monthly Settlement), is 80 % - owned by Compagnie Générale des Eaux.

The head offices of SGE's principal French subsidiaries are today geographically concentrated : SGE, Sogea, Campenon Bernard SGE, Cochery Bourdin Chaussé, and Viafrance relocated their headquarters to Rueil 2000 during the second half of 1992, while SDEL, Tunzini, and Wanner Isofi remained at Rueil Buzenval. This long-planned geographic consolidation, now in effect, will strengthen exchanges between the companies of the Group.

KEY FIGURES

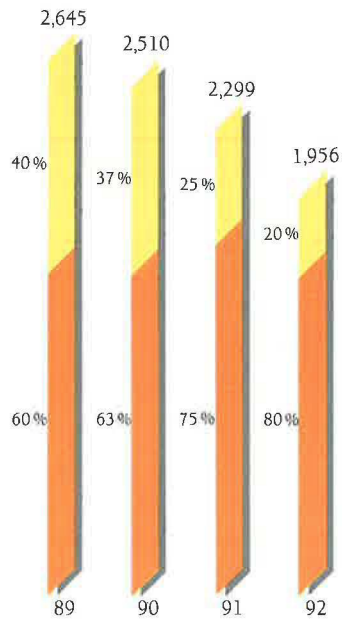


In 1992, for the first time, SGE realized more than half of its turnover outside of its general construction subsidiaries. Today the company's portfolio of business activities is well distributed across several related lines.

SGE has maintained the share of its international business at a high level (42 % of turnover). In Europe outside France, business has virtually doubled in four years, rising from 7.4 billion francs in 1989 to 14.1 billion francs in 1992, due notably to expansion in Germany.

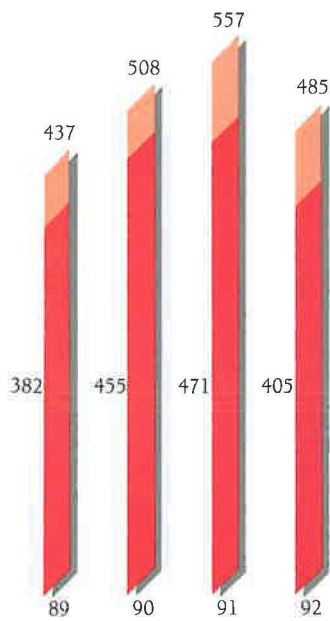
The decrease in total employees in 1992 resulted from the adjustment by SGE and its subsidiaries to changes in market conditions.

KEY FIGURES



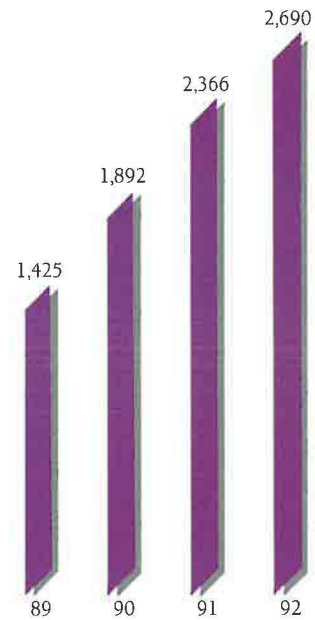
CAPITAL EXPENDITURES
(in millions of francs and %)

- Financial Investments
- Property, Plant & Equipment



EARNINGS
Before amortization
of goodwill
(in millions of francs)

- Net Profit (group Share)
- Goodwill Amortization



SHAREHOLDERS' EQUITY
(GROUP SHARE)
(in millions of francs)

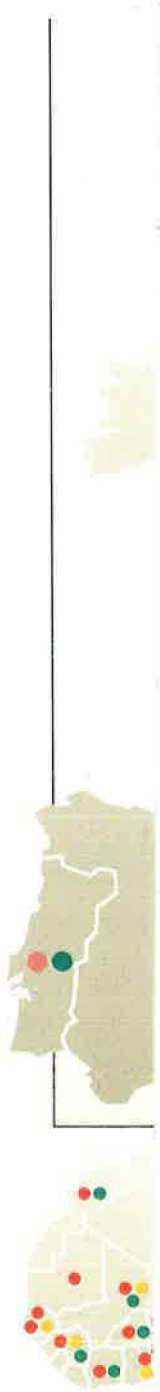
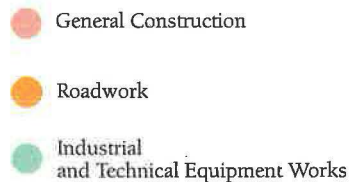
- ABU DHABI
- ANGOLA
- ARGENTINA
- AUSTRALIA
- AUSTRIA
- BELGIUM
- BENIN
- BRAZIL
- BURKINA-FASO
- BURMAH
- BURUNDI
- CAMEROON
- CANADA
- CHAD
- CHILE
- CHINA
- CIS
- CONGO
- 6 CZECH REPUBLIC
- IVORY COAST
- DENMARK
- EGYPT
- FRANCE
- GABON
- GAMBIA
- GERMANY
- GREAT BRITAIN
- GREECE
- GUATEMALA
- GUINEA
- HONG KONG
- HUNGARY
- INDIA
- INDONESIA
- IRAN
- ITALY
- IVORY COAST
- JAPAN
- KENYA
- KOREA
- KUWAIT
- LESOTHO

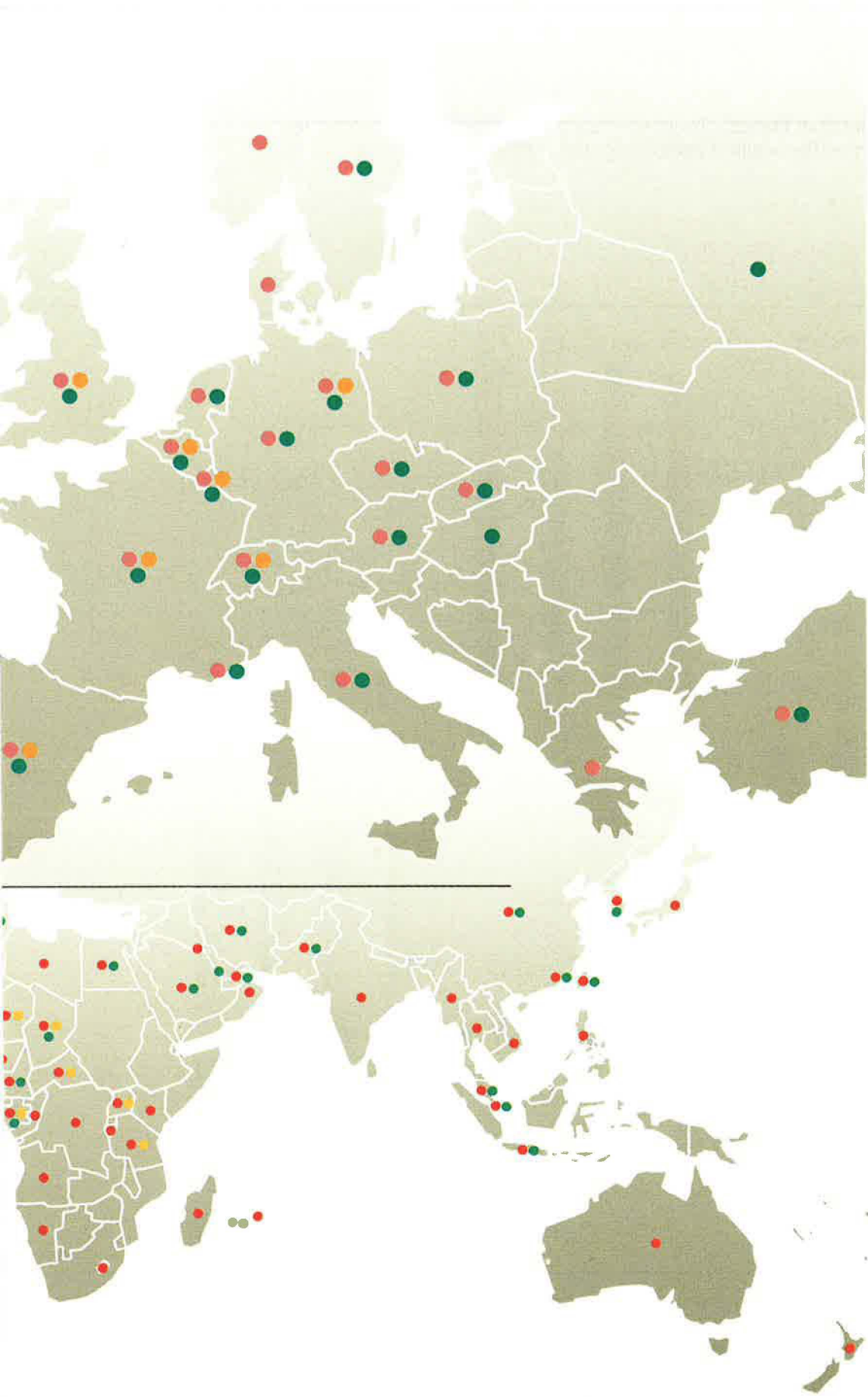
A leadership position in Europe

SGE Group stands out from its French and European competitors for its very strong presence in Europe outside of its domestic market: one-third of its turnover is realized in European countries other than France. The group has operations in all of the countries of the European Community, with predominant positions in France, Germany, and Great Britain, as well as in Austria, Sweden, and Switzerland. Through its French and German subsidiaries, it has recently established a presence in eastern Europe, notably in Poland, Hungary, the Czech Republic and Slovakia.

A worldwide presence

SGE Group is present, on a permanent basis or for the performance of major contracts, in nearly 80 countries and territories around the world, with strong positions outside Europe in Africa, Asia, and the French overseas departments.



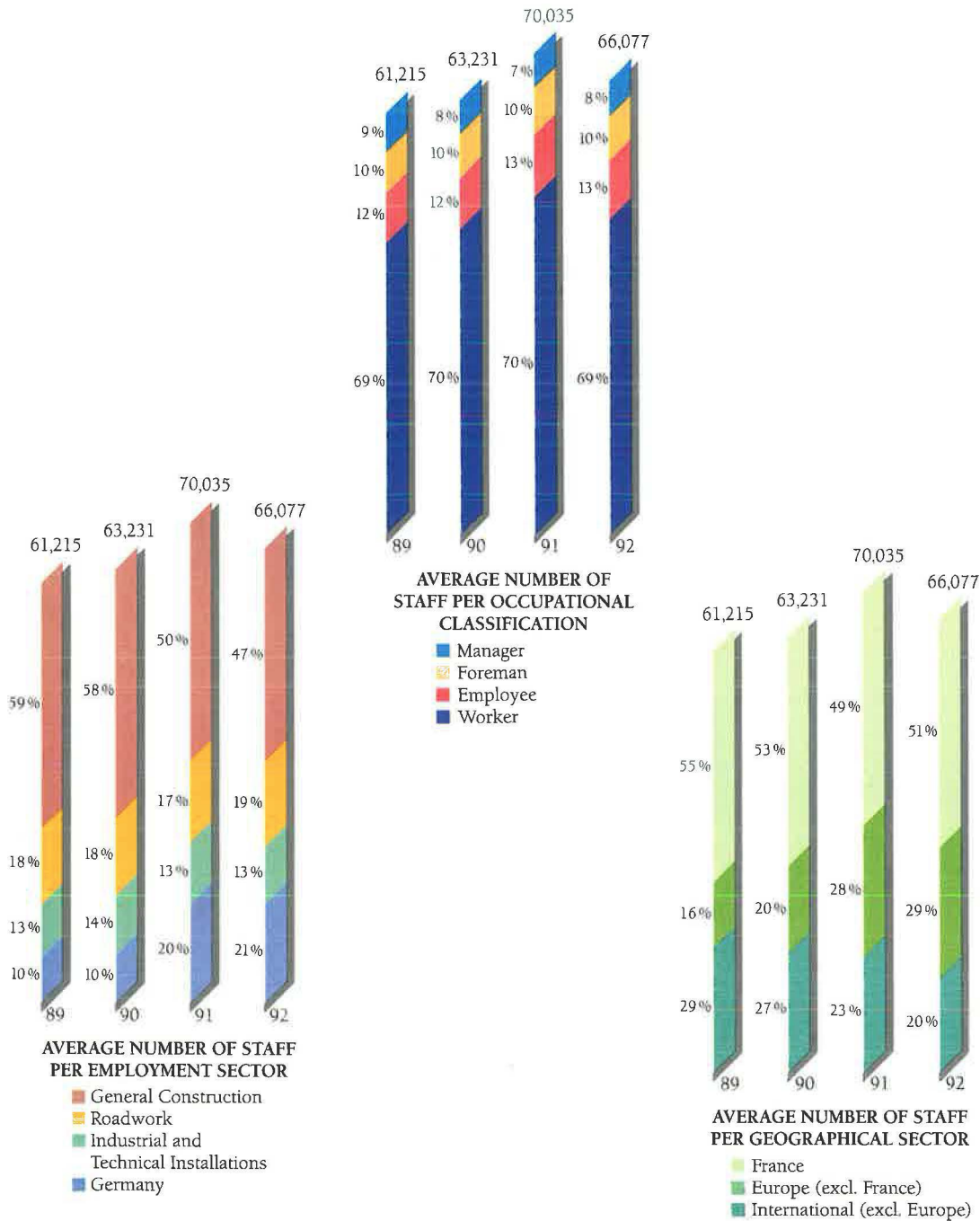


- LIBYA
- LUXEMBURG
- MADAGASCAR
- MALAYSIA
- MALI
- MOROCCO
- MAURICIA ISLAND
- MAURITANIA
- MEXICO
- MONACO
- NAMIBIA
- NETHERLANDS
- NEW-ZEALAND
- NIGER
- NIGERIA
- NORWAY
- UGANDA
- PAKISTAN
- PARAGUAY
- PHILIPPINES
- POLAND
- PORTUGAL
- QATAR
- CENTRAL AFRICAN REPUBLIC
- SAINT THOMAS AND PRINCIPE
- SAUDI ARABIA
- SENEGAL
- SINGAPORE
- SLOVAKIA
- SPAIN
- SWEDEN
- SWITZERLAND
- TAIWAN
- TANZANIA
- THAILAND
- TOGO
- TUNISIA
- TURKEY
- UNITED ARAB EMIRATES
- U.S.A.
- VENEZUELA
- VIETNAM
- ZAIRE

HUMAN RESOURCES

Nearly 50% of the SGE Group's workforce works outside mainland France. Germany accounts for a growing share with more than 15,000 employees.

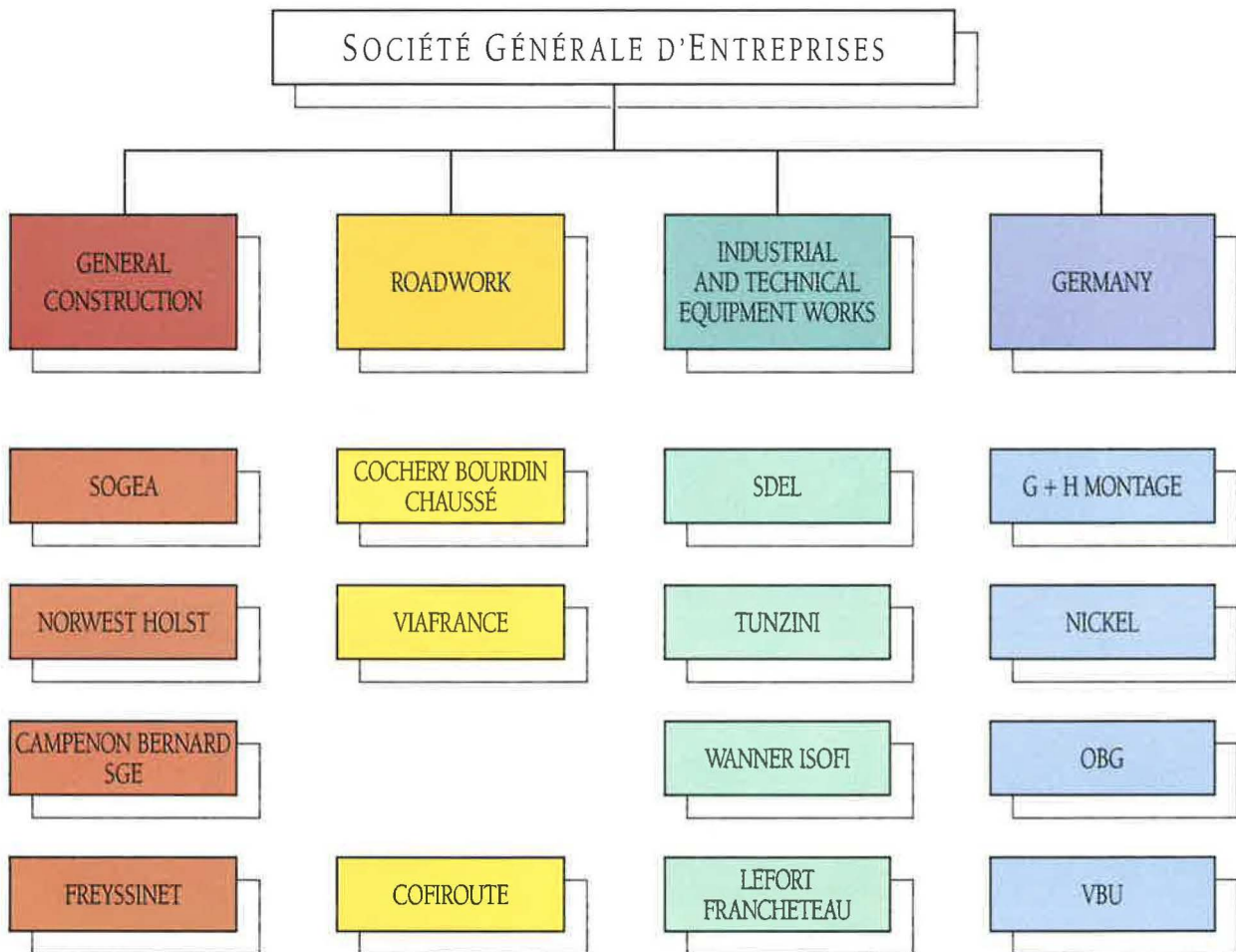
Employees of the General Construction subsidiaries, until recently a majority of the number of employees of SGE Group, now represent less than 50% of the total.



ORGANIZATION

SGE Group is organized in four sectors :

- three sectors comprising major product related activities :
 - general construction
 - roadwork
 - industrial and technical equipment works
- one territorial sector : Germany, where in two years SGE has established itself as one of the country's ten largest building and public works groups.





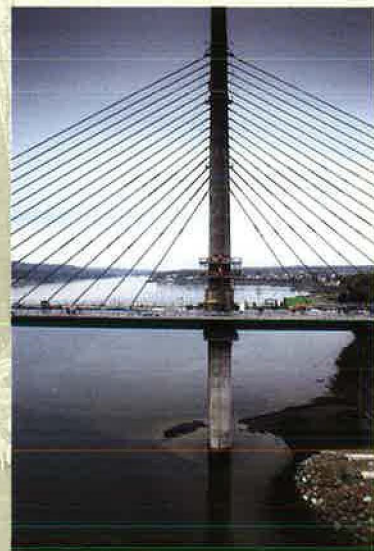
*Sogea:
renovation of the Victor Duruy secondary school
in Paris*



*Norwest Holst:
construction of the new Arsenal football stadium
near London*



*Campeon Bernard SGE:
drilling of the Puymorens tunnel
in the Pyrenees*



*Freyssinet:
construction of the new bridge
on the Elorn River near Brest*

GENERAL CONSTRUCTION

The General Construction subsidiaries of the Group were the first affected by the economic down-turn which severely depressed the majority of their markets, except in certain specific and geographically limited businesses or sectors.

The drop in business, which was already significant in Great Britain in 1991 and which had begun in France the same year, increased in seriousness in both countries in 1992. This was true in public works and was even more the case in construction.

In France, the number of residential building sites recorded a drop of 9 % compared to 1991, reaching a level not hit in 40 years. Despite the stability in public construction, the non-residential sector experienced a reduction which was even greater due to the effects of the serious contraction in industrial and office construction. Public works felt its first recession since 1985 (down 4 %).

In Great Britain, the collapse in new building construction (in particular, industrial and office construction, especially in England) was not off-set by a stronger public works market for large transportation infrastructure projects, nor by investment designed to catch up on the backlog in the water treatment and sewage sector. The overall drop for the construction and public works market since 1989 (the high point) is estimated to be 35 %.

The only bright spot in this area is provided by the continuation of a high level of large export contracts which were received by the French groups in 1992. Campenon Bernard SGE and Freyssinet used these to improve their order back-logs.

The continuation of economic growth in Southeast Asia and the relative stabilization of the economic and political situation in Africa allowed the Group's subsidiaries to maintain or improve their positions in those areas.

The reorganization efforts made in France and Great Britain significantly depressed the results in this sector, which was also hurt by risks at certain large work sites, in particular in Pakistan and Kashmir.

The consolidation of the Large Projects divisions of Campenon Bernard and Sogea into a new company, Campenon Bernard SGE, contributed to the growth in the ability to resist downturns and the potential to gain new business in the international market for large projects.

Turnover in 1992 for the General Construction sector experienced a drop (21.7 billion francs, compared to 23.3 billion in 1991) and for the first time was less than half of the business of the Group as a whole.

The sector's contribution in 1992 to the Group's consolidated income was negative as a result of the extremely severe impact of Norwest Holst.

SOGEA

Sogea is the most international of the French construction companies, with 44 % of its turnover realized outside mainland France in more than 30 countries. SGE Group's largest subsidiary by volume of business, it is also the most diversified. Sogea is active in five major fields : building construction (50 %), civil engineering (20 %), pipelines and waterworks (20 %), environmental engineering and services management (10 %).

In 1992 Sogea realized consolidated turnover of 13.8 billion francs, down 22 % compared to 1991 (but only 3 % lower in volume terms) on a comparable-structure and constant exchange rate basis. Sogea's Large-Scale Projects division was transferred to Campenon Bernard SGE during 1992, effective retroactively to January 1.

The difficulties of its British subsidiary, Norwest Holst, explain essentially all of the loss posted by Sogea in 1992. Norwest Holst was especially hard-hit by the recession and the effect of the decline in its business was further magnified in Sogea's consolidated accounts by the devaluation of the pound.

SOGEA EXCLUDING THE UNITED KINGDOM

Excluding Norwest Holst, Sogea's turnover was 11 billion francs, an amount equivalent to the previous year's leaving aside changes in scope of consolidation.

In mainland France, business (7.7 billion francs) declined only slightly relative to 1991 (7.8 billion francs) and by less than the contraction in the market. Outside France, Sogea maintained its positions in

the French overseas departments and territories (1.6 billion francs), in a market affected by the financial difficulties of the local public administrations. International business remained centred on Europe (Belgium, Portugal) and Africa, where Sogea's subsidiaries kept up their volume of work overall despite sharply contrasting situations in different localities.

Construction of the new SGE Group head office in Rueil-Malmaison.





"La Coupole", an office complex in Montpellier's Antigone quarter (designed by architect Pancho Agyuavieues)

• Construction

This line of business is conducted primarily in mainland France and the French overseas departments and territories. Despite the unfavourable economy and thanks to its good market diversification, Sogea maintained production at a level close to that of 1991, with turnover of 5.4 billion francs. This stability masks sharply contrasting regional developments :

- Production increased in the Paris metropolitan area, where the decrease in private commercial and residential development programmes (which included delivery of several buildings in the Rueil 2000 complex and Locafrance headquarters in Levallois-Perret) was offset by increased activity in construction and renovation of public housing (notably for the Paris HLM authority) and of primary and secondary schools (Victor-Duruy, Balzac, and Montaigne in Paris).

- The provinces were far more affected by the economic downturn and the precipitous decline in property development programmes. Sogea had to adapt its organization and workforce accordingly, notably by reducing the number of its regional offices.

Notable projects completed in 1992 include construction of the new hospital at Compiègne, retirement homes in Louviers and Château-Thierry, school buildings in Nice, Amiens and Bolbec, and the Saint-Martin clinic in Caen, as well as the renovation and extension of the Fine Arts Centre in Lille.

New office projects were completed in Perpignan and Compiègne and housing complexes were finished in Béthune, Deauville, Montpellier, Mulhouse and Toulon.

- In the overseas departments and territories, private investment declined as a result of the slowed effect of tax incentives and work on certain projects had to be halted because of financial difficulties on the part of the local contractors. This drop in business was offset, however, by the resumption of activity in public housing programmes, particularly in Guadeloupe and Réunion.

With a strong presence in these markets, Sogea also completed work on some major public facilities projects, notably the maternity wing of the Saint-Denis hospital on Réunion Island.

• Civil Engineering

This line of business represented more than 2 billion francs of Sogea's turnover in 1992.

- In mainland France, turnover amounted to one billion francs. Sogea and its subsidiaries worked on several important underground tunneling projects : completion of two new sections of the Lille metro, extension of the Lyon metro and extension of the sewer system for the Ile-de-France region. 1992 saw the completion of rough work on the Prado-Carénage tunnel in Marseille, which should open in the autumn of 1993, and the start of construction work in Paris on the new underground SNCF east-west rail link, Eole. Some large structural works were delivered in 1992 : the viaduct over the Saint-Denis canal in Seine-Saint-Denis and the Embouchure bridge in Toulouse. Others are currently in progress, such as the Arcins bridge near Bordeaux and the Auxonne viaduct near Dijon.

Work began in 1992 on several large-scale projects in the Paris area, notably on the A14 and A12 motorways.

In the area of specialized civil engineering, work began or continued on several projects : embankments along the Seine and Marne rivers; removal of the Bartholdi fountain, at the Place Des Terreaux in Lyon, executed by Cofex; construction of a Marina in Hendaye and parking facilities in Toulouse, Marseille, Paris, Metz and Lyon.

- In the overseas departments and territories, 1992 was marked by the completion, ahead of the contracted schedule of the Mafate tunnel drilling, the first phase of a project to carry water from east to west across Réunion Island. In Martinique, work was started on the connector to the Fort de France bypass.

- In Africa, finally, roadwork saw significant growth and accounted for essentially all of Sogea's civil engineering activity on the continent, particularly in East Africa (Tanzania, Burundi, Kenya).

Sogea began operating in Angola with the start of construction work to renovate the port facilities in Luanda.

Removal of the Bartholdi fountain to make way for the construction of a parking garage under the Place des Terreaux in Lyon





Denys laying a section of pipeline in Zeebrugge, Belgium to transport natural gas from Norway

• **Waterworks and Pipelines**

Sogea has a leading position among French firms in this sector. Business increased in 1992 to 2.5 billion francs (excluding Norwest Holst), half of which was earned in international markets.

- In mainland France, turnover increased 13% to 1.3 billion francs. In one notable project, Sogea laid a 70-kilometre pipeline to transport natural gas between Manosque and Cabriès in the Alpes de Haute-Provence.

- In Belgium, turnover of the Denys subsidiary improved significantly and profitability rose. Denys broadened its business to include the Dutch market and partici-

pated in major onshore termination operations for the undersea pipeline bringing Norwegian gas to western Europe. Denys also completed installation of a liquid oxygen transport network between Antwerp and Beringen.

- In Africa, completion of the work on water supply networks in Antananarivo and Nairobi was not fully offset by work on new projects, which include, notably, water supply systems in southern Morocco, irrigation systems in the Niolo region of Mali and a sewer system in Burundi.

Section of the 70-km pipeline between the natural gas storage facility in Manosque and Cabriès in the Alpes-de-Haute-Provence



• Environmental Engineering

Sogea's activities in this sector consist of designing and constructing water treatment plants, sewage treatment plants, and household waste treatment facilities. 1992 turnover amounted to 500 million francs. During 1992 Sogea completed sewage treatment plants with nitrogen removal at Barberey in Troyes and at Fort de Schape in Douai; a covered sewage treatment plant in Valberg (Alpes-Maritimes); and a drinking water purification plant in Tetouan, Morocco. Work also started on drinking water plants in Beni Mellal, Morocco and in Sainte-Rose, Gua-

deloupe, and on a sewage treatment plant in Trois-Ilets, Martinique. In solid waste treatment, some major projects were completed in France: expansion of the Annecy incineration plant and construction of a sorting and composting facility in Sélestat in Alsace. In addition, the company was awarded the design contract of a household waste treatment plant for the Creusot-Montceau-les-Mines urban area. In Portugal, work began on the first two stages of a composting plant in Vale Do Avé, which Sogea will operate for 15 years.

Drinking water treatment plant for the town of Tetouan, Morocco





Barberey sewage treatment plant in Troyes, constructed and operated by Sogea

• Services management

Service activities accounted for more than 600 million francs of Sogea's turnover in 1992. As the third largest French outside operator of parking facilities, Sogea has 20,000 parking spaces under management. In contracted management of water supply and sewage treatment services, two major new contracts were obtained in 1992: one for assuming responsibility for all operations of the Nancy-Maxeville sewage treatment plant, and another for assuming the management of the sewage treatment network for the Greater Troyes area.

Overall, Sogea, excluding Norwest Holst, maintained its profitability by posting positive 1992 earnings of 104 million francs, a slight decrease from 1991, but at the price of incurring substantial restructuring costs (125 million francs).

The losses posted by Norwest Holst, however, weighed heavily on Sogea consolidated earnings in 1992. Sogea begins 1993 with a respectable order book position, representing 8.5 months of business as of year-end 1992, compared to 8.9 months at year-end 1991 (excluding Norwest Holst).

Notwithstanding a hoped-for modest recovery in 1993, Norwest Holst's deficit position is once again likely to have a negative impact on consolidated net profit.

NORWEST HOLST

With operations throughout Britain, Norwest Holst is particularly active in the South East, North West and North East of England. It is active in all of the construction trades: building, civil engineering, roadwork, pipeline and conduit work, mechanical and electrical installations, process pipework, steel fabrication, water and sewage treatment and housing, and is one of the top twenty British firms in the industry.

The persistent recession in the British economy has particularly affected the building market, while other sectors, notably civil engineering, pipeline and conduit work, and water treatment, have held up much better.

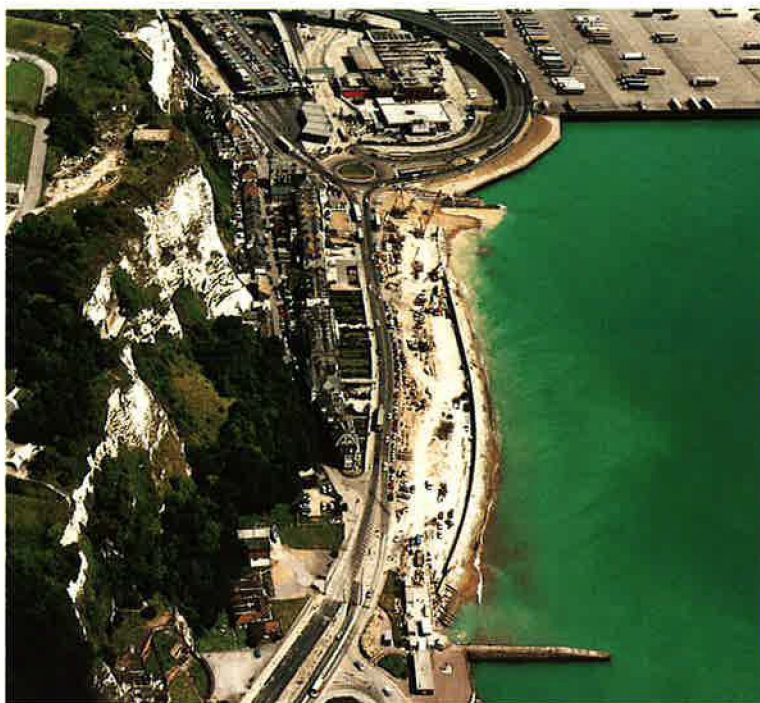
In this depressed environment, Norwest Holst's volume of business dropped approximately 15%. This drop was magnified by the devaluation of the pound: expressed in French francs, turnover was 2.9 billion francs in 1992, compared to 3.9 billion francs in 1991. Operating margins declined further throughout the UK construction market in 1992. The decrease also reflects the policy of refocusing the business and selling off and

curtailing none core activities that was implemented by the Norwest Holst management team appointed during the year. Activity in building construction included continuing work on the new Social Security headquarters in Leeds, which was completed in early 1993. Extensions for the Chorley Hospital in Lancashire and the Liverpool Polytechnic Institute and construction of the new Nissan research centre in Cranfield, were among projects begun during 1992.

Aluminium roof of the Liverpool Polytechnic Institute building. Norwest Holst is involved in the upgrade of the A20 near Dover in preparation for the opening of the Channel Tunnel.

Aluminium roof of the new Liverpool Polytechnic Institute building





Norwest Holst is renovating the A20 motorway near Dover.

In civil engineering, Norwest Holst and its specialised subsidiaries, John Jones (earthmoving) and Norwest Holst Soil Engineering performed relatively well in 1992. Work continued on construction of roadways, bridges, and other structures for the A20 trunk road near Dover and on the connector between Dover and the entrance to the Channel Tunnel.

In the engineering sector, Rosser & Russel, based primarily in London, was hit squarely by the collapse in commercial office development. The company was nevertheless able to win several contracts for mechanical and electrical installations, thanks to geographic diversification undertaken during the latter part of the year. Capper Pipe Services, the group's process pipework and plant fabrication and erection subsidiary, performed satisfactorily despite difficult market conditions.

George Depledge, the structural steel fabrication subsidiary, carried out a number of large projects in 1992, including renovation and enlargement of stadiums at Liverpool, Arsenal and Twickenham.

In pipeline and conduit work, the level of business was sustained by the capital spending programmes of the recently privatized water and electricity companies.

Norwest Holst Pipework Services signed a three-year contract with the Midlands electricity company for work in Birmingham and completed a number of major cross country pipelines for the oil and gas sector.

The need to bring water supply and waste water treatment facilities up to European standards, contributed to the growth of business in the entire water treatment area. General Water Processes, a joint affiliate of Norwest Holst and OTV, obtained a large order to design and build a sludge incinerator in Coleshill, near Birmingham, capable of processing 40,000 tons per year.

The Partnership Housing company continued to consolidate and develop its activities in the North West of England.

The cost of restructuring measures weighed heavily on the company's 1992 accounts, which posted an operating loss of 132 million francs. With the additional impacts of acquisition-related interest, amortization of goodwill, and writedowns of certain property assets, Norwest Holst's contribution to Sogea consolidated results was a very substantial loss.

CAMPENON BERNARD SGE

The combination of the "Large-Scale Projects" divisions of Sogea and Campenon Bernard within the latter company significantly enlarged the scope of its business. Campenon Bernard changed its company name to Campenon Bernard SGE and today directs all of SGE Group's large-scale projects, in particular abroad. The company remains active in building construction and civil engineering in France, of course, through its network of branch offices and subsidiaries.

Campenon Bernard SGE realized total turnover of 6.8 billion francs in 1992, which, on a comparable-structure basis, translates to a slight increase in activity, but which also represents a significant change in scale from the 1991 turnover of Campenon Bernard alone (3.8 billion francs).

LARGE-SCALE PROJECTS

Campenon Bernard SGE maintained a volume of business in 1992 comparable to that realized separately by the Large-Scale Projects divisions of Sogea and Campenon Bernard in 1991.

In France, Large-Scale Project activity in 1992 included completion of various components of the TGV Nord high-speed rail line, drilling of the Puymorens tunnel and continuation of work on the Lille-Roubaix metro, the Nantes bypass, and the La Roche-Bernard bridge.

Construction of the Normandy bridge, the longest cable-stayed bridge in the world, progressed as scheduled. Campenon Bernard SGE is co-lead contractor for this project. Freyssinet, another Group subsidiary, began installing the first cables in early 1993.

Drilling for line 2 of the Lille-Roubaix metro





In July 1992, SGE was selected (jointly with Bouygues) to lead the group of contractors responsible for constructing the Muse network (50 km of underground roadways in the Hauts-de-Seine department). Campenon Bernard SGE will play an active role in the realization of this complex project.

On the Channel Tunnel project, following the 1991 completion of the boring of the tunnels, construction work on the French and British terminals and access structures was successfully completed in 1992 and installation of track inside the tunnel was finished in early 1993. Installation of the electrical and electromechanical equipment also progressed in 1992 once the client, after several modifications, finally made a definitive choice on the main options.

Significant delays were incurred in delivery of the rolling stock as a result of belated changes by Eurotunnel in its specifications for the safety and signaling equipment.

The negotiations conducted in 1992 between Eurotunnel and the TML consortium, in which SGE holds an 8.5 % share interest, resulted in agreement on the price for boring the tunnels and building the two terminals. The talks, however, failed to settle the price for the fixed equipment. After a panel of experts rendered a decision favourable to TML in March 1992, Eurotunnel initiated various legal proceedings. The most probable outcome of those proceedings is that the dispute will come back before the expert panel.

Work continues on the Normandy bridge, the world's longest cable-stayed bridge (2.2 km long, with a central span of 856 m)



In Europe, the notable event of the year was the resumption of work on the Storebaelt project in Denmark and the execution of two amendments to the original contract with the client. Work had stopped after severe technical difficulties were encountered in constructing the rail tunnels linking the islands of Seeland and Sprogø. Boring resumed with Campenon Bernard SGE as lead contractor and new techniques and methods were developed to repair, and then continue construction of, the tunnels that had flooded in October 1991. The settlement on acceptable terms of the question of the cost overruns incurred by the firm in the past, along with the extension by 32 months of the due date, without penalty, have significantly improved the financial situation of the project.

Other major projects made satisfactory progress in 1992, in particular the viaduct under construction in Padua, Italy, and the Montsagne tunnel in Switzerland, for which drilling was completed.

Commencement of work on the Athens metro, for which Campenon Bernard SGE is lead civil engineering contractor, is on hold awaiting the decision of the authority in charge of archeological research ongoing at the sites of the planned metro stations.

The turnaround of Hagen, Campenon Bernard SGE's Portuguese subsidiary, continued in 1992. This operation should contribute in the future to the development of Large-Scale Project work in Portugal.

Aerial view of the site of the Storebaelt rail tunnel between the islands of Seeland and Sprogø in Denmark





The "Entertainment Building" tower and office complex built by Campenon Bernard SGE in downtown Hong Kong

In Africa, Campenon Bernard SGE finished the new Casablanca air terminal, delivered during the summer, in the extremely short time of 18 months. The company continued to be active in Nigeria and Morocco. In Egypt, an amendment to the contract for the Kars el Aini hospital in Cairo signed late in the year should allow construction to be completed during 1993.

In Lesotho, drilling of a 65-km water supply tunnel continued at a sustained pace. At year-end, Campenon Bernard SGE was named lead contractor for the civil engineering work on line 2 of the Cairo metro, being built by the Interinfra Arabco consortium. Work started in early 1993.

In Asia, business was maintained at good levels in both public works and building construction, notably in Thailand, Vietnam and Hong Kong, where in 1992 the company continued work on the Entertainment Building tower.

Several major projects were finished in 1992, notably the civil engineering work for the Daya Bay power station in the People's Republic of China and the new air terminal in Karachi, Pakistan, which opened on August 27, 1992. Negotiations with the client for the latter project have not resulted in an amicable settlement. The company has thus made provisions in the 1992 accounts for further losses and in early 1993 initiated arbitration proceedings to recover its claims against the client.

Drilling of a water supply tunnel in Lesotho : 20 km drilled in 1992, out of a total of 65 km



The very complex financing package for the Hab River power plant in Pakistan was finalized in 1992, enabling the company to be paid for preliminary studies and begin work late in the year. The plant is being built for the account of a private customer, who will operate the plant on a 30-year concession, and is being financed with support from the World Bank and other investors.

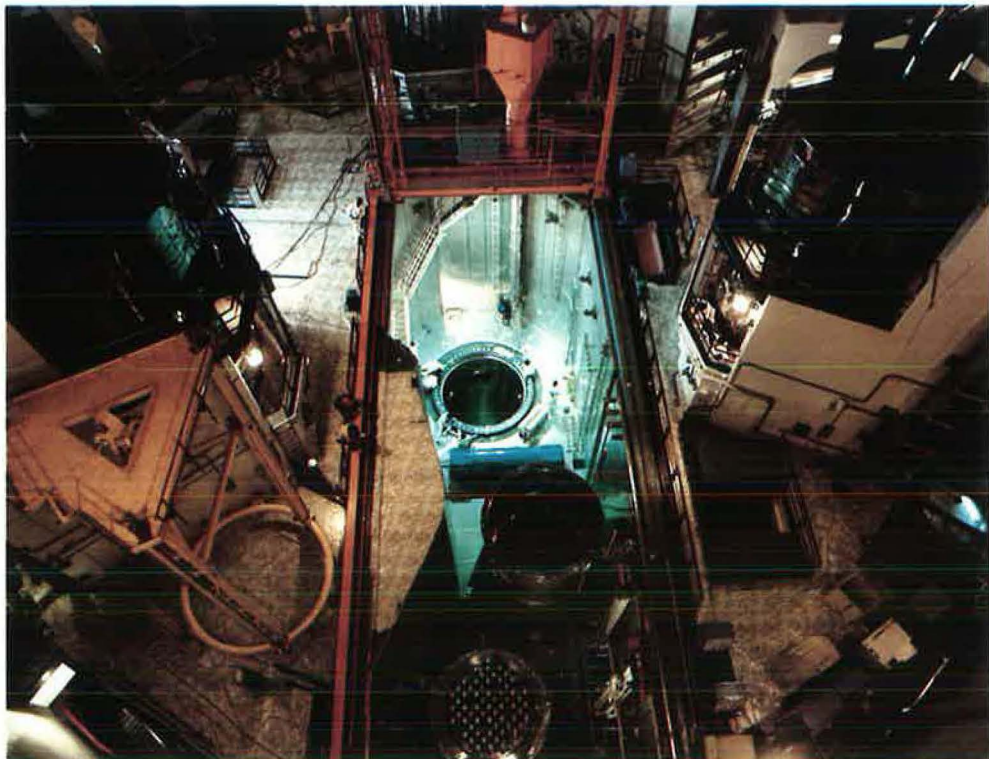
In Kashmir, work on the Dul Hasti dam, in which Campenon Bernard SGE is participating as a member of a consortium, had to be halted during the summer because of repeated Kashmiri guerrilla attacks on the site. Discussions continue with the Indian client and the French authorities to determine conditions for resuming work on the project, whose risks have been provisioned in the 1992 accounts.

Campenon Bernard SGE's Large-Scale Project business is likely to contract somewhat in 1993 due to completion of work on the Channel Tunnel, which accounted for a large proportion of the large-project order backlog.



Model of the future Hab River power plant in Pakistan

Campenon Bernard SGE completed the civil engineering work for the Daya Bay nuclear power plant in China



ACTIVITIES OTHER THAN LARGE-SCALE PROJECTS

Campenon Bernard SGE continued to develop its regional subsidiaries in France, whose business brought in more than 2 billion francs of turnover in 1992, more than 40 % of that in the Greater Paris area.

In **construction**, public sector administrative, social/educational, and housing programmes contributed to an increase in business for Campenon Bernard SGE. Notable accomplishments included secondary schools (in Nemours, Paris, Nice and in the Jura) and university buildings (in Toulon, Montpellier, Aix-en-Provence and Avignon). The company's Urban subsidiary completed the Human Rights Centre in Strasbourg.

The company began construction of the new Société Générale head office at La Défense, in partnership with Sogea's SICRA subsidiary.

In **civil engineering**, major underground construction work began or continued on the Prado-Carénage tunnel in Marseille, the new metro line in Lyon, and on line D of the regional express rail network (RER) in Greater Paris. Campenon Bernard SGE completed or undertook work on several

major structures, in particular the Arcins bridge near Bordeaux, the Embouchure bridge in Toulouse, and the Corniche bridge in Dôle (Jura). The company also completed several jobs in the environmental sector, in particular the household waste incineration plant in Sète and sewage collection and treatment facilities in the Greater Paris area. The volume of business of the specialized subsidiaries, notably EMCC (maritime and riverine work), Botte (foundations) and now including Deschiron (earthmoving), formerly a Sogea subsidiary, declined slightly on a comparable structure basis (1.3 billion francs).

The improved situation of the Storebaelt project and earnings from general operations were not sufficient to offset the large amount of provisions set aside for the Karachi and Dul Hasti contracts. After restructuring costs, the company posted a loss that was limited to 29 million francs in 1992. Prospects for 1993 appear more favourable, however, with an order backlog representing sixteen-and-a-half months of activity.

Construction of the Centre for Human Rights in Strasbourg by Urban, a subsidiary of Sogea



FREYSSINET INTERNATIONAL

For 50 years a specialist in pre-stressed concrete work for civil engineering projects, Freyssinet International possesses strong technical expertise and an extensive international presence. The company operates through a network of subsidiaries in Europe, Southeast Asia, Australia, and Mexico, and in other areas on export contracts. Alongside its traditional businesses of pre-stressed concrete components and prefabricated products (roadway joints, slab connections, supports), the company has gradually built up a business in engineering (notably through its Europe Etudes-Gecti subsidiary) and in specialized work in cable-stayed structures, hoisting, materials handling and repairs of large structures.

In 1992 Freyssinet International realized a consolidated turnover slightly higher than in 1991, on a comparable-structure basis : 940 million francs.

The total volume of business managed by the company and its subsidiaries amounted to 1.3 billion francs, an increase of 12 %.

Reinforcement of grain silos in the port of Brest



Business in France slowed, in step with the general economic situation of the sector. The pre-stressed concrete work for the Normandy bridge was the year's most important job: the first cable stays were installed in early 1993. Freyssinet also reinforced grain silos in the port of Brest, constructed parking facilities at the Grand Louvre and rue des Saints-Pères in Paris, and built a cable-stayed structure for the A6 motorway in Beaune. 1992 also saw simplification of the company's organizational structure in France, now clustered into five regions.



Upper level of the A6 motorway in Beaune

Internationally, Freyssinet International in 1992 completed a major contract for anchorage ties in Great Britain and continued reinforcement work on several bridges in Vietnam.

The company signed major contracts to build the new bridge on the Severn in Great Britain and to construct cable-stayed and cantilevered structures in Sydney (Australia), in Ankara (Turkey) and along the Mexico City-Acapulco motorway (Mexico). Freyssinet International was also hired to do the pre-stressed concrete work for the Hibernia offshore platform, off the coast of Newfoundland, by International Hibernian Management, the oil company consortium which operates the site.

Overall, the volume of orders at year-end 1992 was equivalent to the December 1991 level. The slowdown in the economy, particularly in France, led to a deterioration in margins which, combined with the cost of restructuring measures, depressed 1992 earnings, which were negative by 19 million francs.

Electric corrosion protection of Kwai Chung Terminal 4, (Hong Kong)



Reinforcement of bridge Y in Ho Chi Minh City, Vietnam





Cochery Bourdin Chaussé :
roadwork on the A7 motorway
near Montélimar



Viafrance :
roadway improvement work in Guyancourt (Yvelines)



Cofiroute :
widening the A11 motorway
to six lanes between Chartres and Paris



ROADWORK

1992 was a year marked by contrasts for this industry. After a strong first half, the market experienced a clear slowdown beginning in July as a consequence of the reduction in private sector capital spending, especially noticeable for roads related to new housing developments, and a slight contraction in local government expenditures for roadway maintenance. The volume of business of the eight industry majors was down 1 % relative to 1991.

In this context, the SGE Group roadwork companies held up quite well : turnover rose by 1.5 % on a comparable-structure basis, but by more than 6 % after consolidation of Moter in the second half of 1992. Good territorial coverage, combined with several large motorway projects, enabled them to limit the effects of the business slowdown.

Cochery Bourdin Chaussé and Viafrance thus confirmed SGE Group's position as the number two French company in the sector, with 9 billion francs of business annually.

Both companies continued the significant efforts each has recently undertaken to reinforce its industrial support activities (i.e., quarries and plants producing asphalt and binders) upstream from its traditional business of building and maintaining roadways and city streets.

Cochery Bourdin Chaussé and Viafrance adapted to the changing market by strengthening their management practices, developing their training programmes, being selective in their capital investments and by restructuring their less profitable operations, notably Moter's activities outside mainland France. In this way, they were able to maintain their contribution to group earnings in 1992 at a quite respectable level.

Despite the economic situation, which remains depressed in this sector, their strong territorial coverage, their presence in every field of the roadwork sector, and the higher value-added they have built into their products in order to respond to comfort and environmental concerns, should allow these companies to maintain good levels of business and profitability in 1993.

COCHERY BOURDIN CHAUSSÉ

With its July 1992 acquisition of Moter (representing some 800 million francs in roadwork and building construction), Cochery Bourdin Chaussé reinforced its position among the top French roadwork companies. Moter (number twelve in the industry) is principally established in the southwest of France but also has a construction and roadwork business in Martinique and operates a large quarry in French Guiana.

Cochery Bourdin Chaussé's turnover amounted to nearly 6 billion francs in 1992, after consolidation of Moter in the second half for 300 million francs. On a comparable-structure basis, however, turnover dropped slightly in 1992.

Owing to its strong territorial coverage, Cochery Bourdin Chaussé held up well against the decline in activity in its principal market, **roadway construction and improvement on the traditional**

highway network. Developments in this business varied by region, with a marked slowdown in the southernmost part of the country. Widening of the four-lane road around Laval and construction of pedestrian walkways in Moulins were among the year's more notable projects.

Some innovative techniques invented by the company (such as ultra-thin surface layers and roadway reservoirs) were applied at several worksites in 1992.

Work on the roadway of the new bypass northeast of Rouen





Site of the Société Normande d'Exploitation de Carrières (SNEC) in Criquebeuf, honoured by the European Commission for Quarry Reclamation for the quality of its backfill work

The **motorway** and **large-project** business that the company has developed over the past four years continued in 1992. Cochery Bourdin Chaussé built the Dunkirk bypass for the A16 motorway as well as the Rouen and Creil bypasses. The company also worked on the A83 motorway from Nantes to Niort and, under severe time constraints, completed resurfacing work on both directions of roadway along 20 kilometres of the A7 motorway south of Montélimar. This project, which included surfacing the shoulder for drainage, was the first phase of a three-year work programme for the stretch from Bollène to Valence.

Demand for **paving and road maintenance** work in residential areas was down due to the property crisis, but held up at industrial sites, notably at the Canon plant in Rennes and the Pechiney plant in Dunkirk.

Cochery Bourdin Chaussé continued its business of constructing industrial and sports surfaces, in which it is the acknowledged leader in building athletic tracks. The company has also acquired a dominant position in painting underground parking facilities.

After a strong rise in 1991, **quarry production** continued at a high level: 18 million metric tons, counting all types of materials. The Roy quarries, in which Cochery Bourdin Chaussé took a controlling 50% stake in 1991, the SNEC gravel quarry, acquired in 1992 jointly with Viafrance, and an equity interest in the Roland Doaré quarries (Sud-Finistère) have all strengthened the company's position in the strategic materials production sector.

Abroad, business was down, despite new contracts won in Luxembourg and Guinea.

While adapting its workforce to the slowdown in business, Cochery Bourdin Chaussé, in partnership with Viafrance, continued to invest in on-going worker training and opened a training school for site foremen in Gevrey-Chambertin.

Earnings remained at a high level, 140 million francs, although down from 1991 due principally to the costs associated with the integration of Moter.

VIAFRANCE

In 1992 Viafrance had a turnover of slightly more than 3 billion francs, up 5.1% relative to 1991. Two-thirds of this volume came from customers in the public or quasi-public sector and one-third from customers in the private sector. Present throughout France with its network of 50 branch offices and subsidiaries, Viafrance in 1992 experienced contrasting developments in different regions: renewed activity in the west, slowdown in the east, growth in the south, due largely to motorway work and a slight weakening in the Greater Paris area, where the company realizes a third of its turnover.

The continued motorway work and the increase in production of aggregates helped maintain the level of business overall, despite the decrease in demand from local public authorities and private developers.

Production of aggregates was strong in 1992. Quarry production increased to 4.5 million metric tons, including the nearly 1.7 million metric tons produced at Chailloué (Orne). This quarry delivered a major portion of the ballast needed to construct the TGV Nord high-speed rail line.

Motorway works held at a high level, thanks to resurfacing and roadway widening work on the Paris-Strasbourg artery, the Normandy motorway, and the motorways near Lyon and in the south of France. Other notable accomplishments of the year included installation of draining cover on a section of the Paris ring road between Porte d'Orléans and Porte de Sèvres and construction of a new section of the A20 motorway south of Limoges.

The quarry in Chailloué (Orne) provided a major portion of the ballast for the TGV Nord line



Roadway construction and resurfacing for local public authorities experienced a slowdown related to their deteriorating finances, but still accounted for nearly 50% of business. Viafrance continued to enlarge its upstream operations in technical design and assembly for projects undertaken in partnership with municipalities, especially for commercial and industrial activity zones.

The volume of private sector business decreased overall, but held steady for industrial customers. The year's more notable accomplishments include constructing test tracks for Citroën in Ile-de-France and enlarging the Aussevat Rey group's paper pulp plant in Haute-Vienne.

Viafrance confirmed its developing presence in the promising market for landfill leakproofing with pilot installations in Lorient, in the Amiens area, in the Drôme, and in Haute-Vienne.



Despite increased competitive pressure, Viafrance maintained its 1992 earnings at their 1991 level (70 million francs).

*Resurfacing work
on the Paris ring road*

Construction of one of the platforms at the new Renault research centre in Guyancourt



COFIROUTE

A motorway concession company in which SGE holds a 30.9 % equity interest, Cofiroute operates a network of more than 730 kilometres in the center of France (Paris-Poitiers, Paris-Le Mans, Paris-Bourges, Angers-Tours).

Average traffic growth remained brisk in 1992 (+ 4.3 %), although somewhat below the pace observed in 1991 (+ 5.8 %) since demonstrations had curtailed travel along certain major arteries at the beginning of the summer. The company's turnover amounted to 2,857 million francs in 1992, compared to 2,655 million francs in 1991 (+ 7.6 %).

Capital expenditures increased sharply, reaching 1.5 billion francs in 1992 (against 740 million francs in 1991). A two-kilometre section of the bypass north of Nantes was opened to traffic on December 17, 1992; the entire bypass is scheduled to be in service by the end of 1993. Work continues on widening the most heavily traveled stretches of motorway (i.e., Paris-Chartres, Paris-Orléans) to six lanes.

Design work for the Angers-Langeais section continues on a schedule that will allow construction to start in 1994.

During the summer of 1992, the city of Paris awarded a contract to Cofiroute to update studies for the proposed underground ring-road bypass and prepare the proposal documents for formal hearings. Also in 1992, the Transport Ministry confirmed the government's choice of Cofiroute's proposed solution to complete the A86 motorway loop between Rueil-Malmaison and Vélizy.

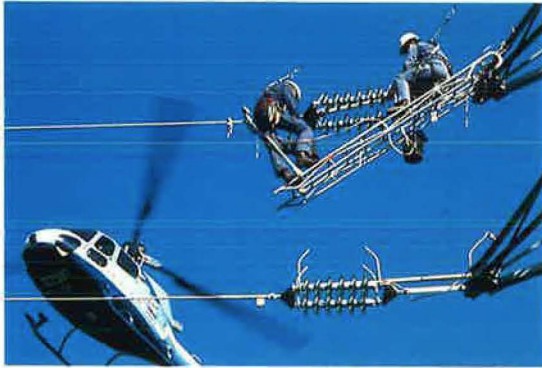
Outside France, in the United States, Cofiroute continues to participate in the "SR91" concession project south of Los Angeles as part of a reorganized consortium. In Great Britain, in April 1992, Cofiroute was awarded the concession to operate the toll gates of the bridge over the Severn river.



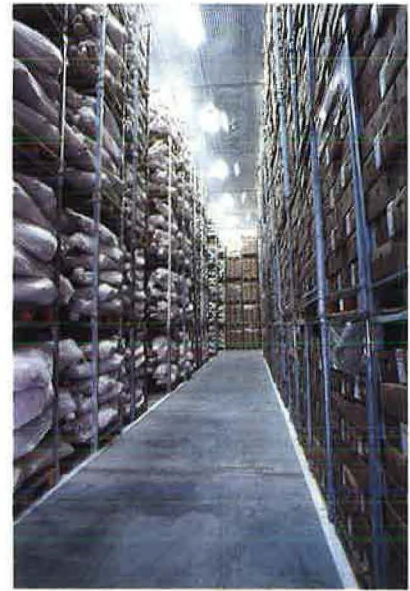
View of the toll gate of the bridge on the Severn, between Bristol and Cardiff (Great Britain), managed by Cofiroute

Construction of the bridge over the Erdre river near Nantes for a section of the future A821 motorway, being built on a concession basis by Cofiroute





*SDEL :
helicopter-borne work on a high-voltage transmission
line for EDF*



*Wanner Isofit :
construction of a refrigerated
warehouse for Sofrica
in La Roche-sur-Yon*



*Tunzini :
air conditioning work for
Philips Composants in Dreux*



*Lefort Francheteau :
air conditioning of the National Museums' head office
in Paris*

INDUSTRIAL AND TECHNICAL EQUIPMENT WORKS

This sector was also affected in 1992 by the decrease in industrial and service sector capital spending and by the slowdown in building construction in France. The specialized construction subsidiaries of SGE Group nevertheless achieved a volume of business close to the very high level of 1991, with the exception of Wanner Isofi, which experienced a 12 % decrease in turnover due largely to the cessation of operations by its Belgian subsidiary.

These subsidiaries made up for the decline in activity in new construction by their strong presence in other markets : SDEL developed its business in the low-voltage and telephone areas and Tunzini in industrial air conditioning and waste treatment. Lefort Francheteau stepped up its renovation business and Wanner Isofi its activity in industrial acoustics and nuclear. The effects of the general economic slowdown were made more serious when orders were delayed due to pressures from environmental activists - in SDEL's case, in the area of very-high-voltage transmission lines and, for Tunzini, in the area of waste incinerators.

The companies in this sector strengthened their efforts to increase productivity in 1992 in order to cope with the new business situation and maintain their margins in a more intensely competitive environment. As part of this effort, the Group reorganized its thermal engineering activities so that Wanner Isofi and Tunzini, while keeping their separate identities, now benefit from a unified command structure. This measure should strengthen the synergies between the two companies, which operate in complementary markets, and improve productivity for both of them by providing certain services on a joint basis.

Overall, 1992 turnover in this sector (5.4 billion francs) stabilized at its 1991 level and accounted for 12 % of Group business.

This division slightly improved its positive contribution to Group earnings in 1992, however, despite the downturn in the general economy and the negative performance of Wanner Isofi.

SDEL (Saunier Duval Electricité)

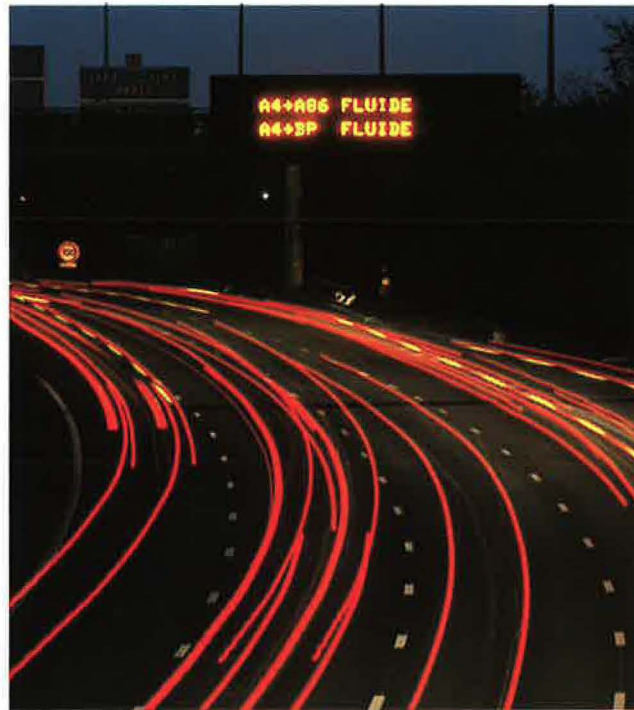
SGE Group's electrical construction business is among the top ten French companies in its field. It specializes in electrical installations for industry and in automation systems (50 % of turnover), in construction of energy transmission and distribution lines and cable networks (34 %) and in electrical and telephone installations for buildings (16 %).

Thanks to a level of new orders just as high as in 1991, and despite the more difficult general business climate, SDEL realized turnover of 2.6 billion francs in 1992, equaling the previous year's figure. The company thus consolidated its strong growth in 1990 and 1991, even though both the industrial sector, which faced a general decrease in capital spending, and the energy transport sector, which faced opposition from scenic protection associations, experienced a pronounced slowdown in 1992.

SDEL adapted to the changed market situation and intensified its efforts on the productivity front. It transferred its assembly plant for energy control equipment from Villepinte, in the Greater Paris area, to Saint-Aignan, near Nantes. The company also broadened its business portfolio in 1992 by acquiring TTM, a Paris-based firm specializing in installation and maintenance of private telephone and data networks, and a controlling interest in Schoro, an electrical contractor based in Strasbourg.

Installation of data network cabling for a Paris branch office of Société Générale





Sirius, a real-time traffic information system for drivers, will be installed along 500 km of high-speed roads in Ile-de-France by 1995

In the area of **industrial electricity and automation systems**, business experienced a 3 % drop in 1992, especially noticeable during the second half of the year. Significant work was performed for the nuclear industry, most notably at the site of La Hague, a project that will continue in 1993. SDEL also undertook to equip the Roissy 2C air terminal with an automated baggage sorting system that is the only one of its kind in the world; the first phase of this project went on-line in March 1993. Other notable achievements include the work done at two polyethylene and polypropylene units of Exxon Chemical in Normandy and the installation of electrical and instrumentation equipment on offshore platforms of Elf Gabon.

Turnover was stable for the **energy** sector in 1992, despite a marked slowdown in work on very-high-voltage transmission lines for EDF, the French national electric utility. In other markets - transportation, electric power distribution, and street lighting-business was unchanged from its 1991 levels. To equip large transformer stations, SDEL has undertaken a research and development effort to perfect "all-digital" control systems.

The **underground cabling** sector has been the most dynamic. Among the noteworthy accomplishments of 1992 were: the first phase of "Sirius", a motorway traffic information system for the Greater Paris area; restoration of the cable networks along the A7 motorway; and installation of the second phase of the telecommunications network in Burkina Faso.

In **telephone and electrical installations** for the building construction and the service sectors, SDEL posted a 17 % volume increase in 1992, despite the hardly buoyant economic situation. The most notable projects of the year were the continuing work on Société Générale's data communications networks and the electrical installations for SGE Group's new headquarters at Rueil 2000. Also during the year, SDEL was awarded the contract for the electrical installations of the high-speed rail (TGV) station at Roissy. Overall, SDEL's volume of orders from the service sector increased 10 %.

Thanks to its efforts in matters of productivity and execution quality, SDEL maintained earnings at a quite respectable level (50 million francs) in 1992.

TUNZINI

Tunzini is the leading French company in climate control engineering. It realizes three-quarters of its turnover in this sector, which covers heating, ventilation and air conditioning (HVAC) for buildings and industrial facilities. Tunzini is also present, and with a prominent position, in two other specialized markets: fire protection and thermal treatments for environmental purposes (waste incineration and smokestack emissions treatment).

In 1992 Tunzini realized turnover of 1.2 billion francs, up 10% from 1991, in a business climate marked by a decrease in capital spending on property and, to a lesser degree, on industrial plant and equipment.

In **climate control engineering**, the principal projects of 1992 were the continuation of work on the ventilation and cooling systems for the Channel Tunnel and the air conditioning systems for the nuclear fuel reprocessing plant in Marcoule.

Tunzini also installed the air conditioning for the automobile museum at La Défense and started work on equipment installations for the new Charlety stadium in Paris.

Air conditioning work for the Philips Composants plant in Dreux





*Installation of air conditioning
and filtering equipment for the computer rooms
of Spot Image in Toulouse*



*Household waste incineration plant
in Lagny-sur-Marne*

In the **industrial sector**, Tunzini obtained a major contract to equip the new Thomson CSF facility in Elancourt in the Yvelines. It did similar work for the Spot Image company in Toulouse and at year-end, won the contract to install air treatment systems for the Philips Composants plant in Dreux.

In the **fire protection sector**, which represents nearly 20 % of Tunzini's turnover, business increased significantly in 1992. The company broadened its capabilities and strengthened its market share by forming a new jointly held subsidiary, Tunzini Protection Incendie (TPI), in which it is the majority shareholder and another company in the industry holds the remaining equity interest.

In **thermal engineering for the environment**, Tunzini operates in a promising market, that of urban waste treatment. In 1992 Tunzini began large programmes of work under two contracts signed early in the year: emissions treatment at the Lagny incineration... Paris area, as well as the construction of a second furnace, and the total renovation of the Grenoble plant which, beginning in January 1995, will boast the most advanced emissions treatment facility in France.

In a context of intensified competition, Tunzini thus managed to improve its competitiveness and maintain its earnings at the high level attained in 1991 (28 million francs).

The volume of orders booked as of year-end 1992 was 1.6 billion francs, a marked increase over the 1991 level.

WANNER ISOFI

Wanner Isofi is the leading French company in insulation work for industry and building construction. It is also active in large-scale refrigeration, pre-insulated pipelines and industrial acoustics.

Wanner Isofi's turnover in 1992 amounted to 1.2 billion francs, down 12 % from the previous year. There was a marked slowdown in its main business, industrial thermal insulation, as well as in secondary construction for the building industry (principally, installation of drop ceilings and interior partitions) which was hurt by the economic downturn. Business deteriorated for both its French and foreign subsidiaries.

In **industrial thermal insulation**, the level of activity was sustained by work for the nuclear industry, a staple business for Wanner Isofi. Work began on heat insulation for the Golfech power station and on insulation of steam generators at the power stations of Bugey, Gravelines and Dampierre. In the industrial sector, the company completed insulation of the new Dupont de Nemours factory at Loon-Plage in the north of France. Outside

Thermal insulation of the European transonic wind tunnel (ETW) in Cologne (Germany)





Drop ceilings at the Karachi international airport in Pakistan

France, Wanner Isofi finished work on the nuclear plant at Daya Bay (China) and insulated the control rooms of the trans-sonic wind tunnel in Cologne (Germany).

In **interior works**, Wanner Isofi insulated the SGE headquarters at Rueil 2000, started work on the departmental administration building in Marseille and the French National Library in Paris, and delivered drop ceilings for the Karachi airport (Pakistan).

In **refrigeration**, the company equipped refrigerated warehouses for the Père Dodu prepared foods plant in Quimper and the Sofrica firm in La Roche-sur-Yon.

In **industrial acoustics**, where growth was slowed by the general economic situation, Wanner Isofi provided acoustic insulation for the new Saint-Gobain Emballage production facility in Chalon-sur-Saône.

Wanner Isofi thoroughly restructured its activities in interior works and its losses in that sector weighed heavily on 1992 earnings, which were also affected by the cessation of operations of its Belgian subsidiary, Stormeco. The net result was a loss for the second consecutive year, although to a lesser degree than in 1991: 22 million francs. 1993 should see a return to equilibrium.

LEFORT FRANCHETEAU

Operating primarily in the Greater Paris area and very active in large service sector building projects, Lefort Francheteau holds a specific place within SGE Group's thermal engineering activities. The company operates in three sectors : heating and air conditioning (40 % of turnover), plumbing and renovation (40 %) and maintenance and operation of heating and air conditioning installations (20 %).

On a comparable-structure basis, Lefort Francheteau maintained its level of business in 1992, despite a marked slowdown in the last quarter, and realized consolidated turnover of 420 million francs.

The **air conditioning business** was affected most, due to the drop in office construction in the Greater Paris area. Major accomplishments of 1992 included Roissy Terminal C, the Paris headquarters buildings for Museums of France and Deutsche Bank, American Express' offices

in Rueil-Malmaison, and the Delta complex in Boulogne-Billancourt. In 1992 Lefort Francheteau, bidding with an allied company, was awarded a major contract for the air conditioning of the new French national library, on which work began during the second half. Other notable orders were for the Unedic and Pasteur Institute headquarters, the Axa Financial Centre on Rue Laffitte. The Société Générale trading room, Cité d'Antin, and the television studios for Compagnie Immobilière Phénix in Saint-Cloud.

Air conditioning installation for Terminal C at Charles de Gaulle airport in Roissy





Renovation of the French embassy in Moscow

The **renovation sector** was very active in 1992, particularly in public housing, where Saga Entreprise worked on 600 moderate-rent housing units for the account of various public housing authority offices. In October 1992, Saga was awarded the first prize in renovation by the City of Paris and the Building Federation of Paris.

Saga Entreprise completed several large plumbing installations in 1992 : the Hotel Sequoia at Euro-Disneyland, the Hyatt Hotel in Roissy, the SGE headquarters at Rueil 2000 and the French embassy in Moscow.

The **maintenance business** continued to increase at a very strong pace (more than 10 %).

Despite the rather difficult economic climate, Lefort Francheteau improved its profitability in 1992 thanks to its technical skill and quality of execution. Its earnings reached 20 million francs, an increase over 1991.



*G + H Montage:
interior work on the new Munich airport*



*H. Nickel:
air conditioning and filtering equipment
for the Rudolphinum theater in Prague*



*VBU:
work on the A10
motorway near Berlin*



*OBG:
administrative building in Sieversufer
in the Greater Berlin area*

GERMANY

SGE Group strengthened its position in Germany in 1992 and continued to implement an integrated and diversified organization in that country, with activity in all areas of general construction and structured around a holding company : SGE Deutsche Holding GmbH.

Its principal subsidiaries, with strong positions in industrial and interior work areas, are G+H Montage in insulation and H. Nickel in climate control engineering. Both continued to grow despite a marked slowdown in business in the second half of the year in western Germany.

G + H Montage, the European leader in insulation systems, consolidated its positions in the new Länder and increased its presence in the eastern European countries. The company enlarged its operations in northern and western Europe by acquisitions and by joint ventures with local partners in Switzerland and Sweden. Nickel maintained a satisfactory pace of growth and continued to develop its business in the refrigeration market.

The policy of external growth adopted in 1991, in particular in the eastern Länder, was continued in order to round out the group's capabilities in its principal lines of business. New acquisitions have enabled its building construction subsidiary, OBG, to widen its territorial coverage and its roadwork subsidiary, VBU, to extend its operations into underground conduit, one of SGE Group's strong points. In construction, 1992 was a year of transition and restructuring for SGE Germany, which in the new Länder faced problems relating to property ownership, implementation of new regulations, and to difficulties management had in adapting to more demanding requirements in terms of quality and profitability.

On these bases, complemented by some large and carefully targeted property operations in Berlin and by service activities undertaken in partnership with Compagnie Generale des Eaux, SGE Germany realized a high rate of growth in turnover in 1992 : + 13 %, to a level of 8.7 billion francs. It generated a significant and considerably increased (138 million francs) contribution to Group earnings, despite the slowdown in the west and the difficulties inherent in bringing former East German companies up to western standards. SGE Germany is now the eighth largest German company in the construction and public works sector.

INSULATION

G + H MONTAGE

The principal subsidiary of SGE Germany, G+H Montage is active in all areas of the insulation trade : thermal insulation for industry and buildings, industrial acoustics, ship insulation, refrigeration for food storage and industrial applications, and building facades.

With its subsidiaries Felix Schuh in the west and Isolierungen-Leipzig in the east, G+H Montage is the leader in the German insulation market. It also operates in virtually every country of northern and western Europe and realizes some 15 % of its turnover outside Germany.

In 1992, G + H Montage realized consolidated turnover of 4.8 billion francs, an increase of 3 % over 1991, despite the economic downturn in western Germany at the end of the year.

In thermal insulation, G+H Montage's largest contract was for work on the new Munich II airport : installation of ceilings, insulation of heating and air conditioning ducts, acoustic insulation for the jet engine repair hangar and installation of radar-absorbing façades.

Other important projects completed in 1992 included installing the façade of the Hanover television tower, placing more than 10,000 m² of roofing and exterior wall coverings for Fa Braun in Meslungen, and insulating 50,000 m² of pipes, tanks, and conduits for Bayerische Zellstoff in Kelheim.

In ship insulation, G+H Montage performed renovation work on some ten ferryboats and liners, notably the Norwegian cruise ship, Royal Odyssee, in Singapore.

Facade of the Hanover television tower



In the food refrigeration sector, significant accomplishments included the installations undertaken for Rhodia, the Rhône-Poulenc subsidiary in Freiburg, the storage warehouses in Oschersleben in eastern Germany for the Stover group and in Poland for the German company Schöller, which specializes in the production of ice cream and frozen foods.

Felix Schuh, for its part, installed flooring for the Seat assembly plant near Barcelona.

In eastern Germany, G+H Montage, along with Isolierungen-Leipzig, expanded its business in a market that was sustained by expenditures to bring power plants up to western safety and environmental standards and by investments in new industrial capacity, notably in chemicals and petrochemicals.

The company strengthened its European presence by acquiring Wille Jantz AG, a Swiss company specializing in produc-

tion of refrigerated warehouses, and by forming a joint venture, Kallner Reefer, specializing in ship insulation, with a Swedish partner.

Its European subsidiaries obtained a good volume of business in the Netherlands, Austria, Belgium, Luxemburg, and also in Great Britain, thanks to a large volume of work on oil-drilling platforms.

Finally, Isolierungen-Leipzig, using its long-standing network of contacts in the former Comecon countries, initiated a partnership policy that should produce concrete results in 1993.

Thanks to its productivity gains and to improved profitability at its British subsidiaries and at Isolierungen-Leipzig, G+H Montage generated a positive earnings contribution that was up strongly over 1991, despite the less favourable business climate at the end of the year.



Silencers installed in the Niederaussem power station near Cologne

Thermal insulation work performed for Bayerische Zellstoff in Kehlheim



CLIMATE CONTROL ENGINEERING

H. NICKEL

Nickel does business in three traditional climate control fields - air conditioning, heating, refrigeration - and has recently supplemented these with building management, maintenance and security surveillance activities operated by its Garant affiliate. Already well established in western Germany, Nickel has in the past two years been developing its presence in the eastern part of the country through its TLK subsidiary based in Erfurt.

Nickel's 1992 consolidated turnover amounted to 800 million francs, up 18 % on the previous year. Business was brisk in the heating and cooling sectors. In air conditioning, its expansion into the eastern German market boosted what was already a positive trend in the western part of the country.

Notable accomplishments in 1992 included installation of new air conditioning and cooling systems for the Bundestag in Bonn and air treatment equipment for the Rudolphinum in Prague.

With improved profitability in its traditional activities and with positive earnings in 1992 from its recently acquired subsidiaries, TLK and Garant, Nickel was once again able to increase its contribution to SGE Germany's net profit.

The Bundestag in Bonn, for which H. Nickel installed the air conditioning and filtering systems



ROADWORK AND PIPEWORK

- VERKEHRS-BAU UNION (VBU)
- MÄRKISCHE LANDESKULTUR-und TIEFBAUNION (MLTU)

The largest roadwork company in the former GDR, Verkehrs-Bau Union (VBU) was acquired by the Group in 1991. VBU has strong territorial coverage and good technical expertise in the construction and renovation of motorways, as well as in demolition and earthmoving work.

In 1992 VBU realized turnover of 2 billion francs, with a satisfactory profitability level which should continue to improve in 1993 following reorganization measures undertaken during the period.

VBU's scope of business was widened in 1992 by SGE Germany's acquisition of MLTU (Markische Landeskultur und Tiefbaunion), a subsidiary of the former East German Elbo conglomerate specializing in underground conduit, waterworks, and civil engineering. Based in Postdam,

MLTU operates in several towns in eastern Germany (Freisack, Lindow, Luckenwalde) and realizes turnover of approximately 240 million francs. This new subsidiary will be consolidated in the 1993 accounts.

In 1992, major projects included the extension and renovation of several stretches of motorway, notably on the A9 in Saxe-Anhalt, at the Hermsdorf interchange, and on the A10 (Berlin ring road), and the demolition of a kiln at the Rüderschorf cement plant.

Roadwork performed by VBU on the Hermsdorf motorway interchange south of Leipzig



CONSTRUCTION AND PUBLIC WORKS

- OLYMPIA BAU UNION (OBG)
- OST SÄCHSISCHE BAUGESELLSCHAFT (OBAG)
- KLEE KG

SGE Germany's construction and public works division was formed only very recently through the 1991 purchase of one of the major companies of the ex-GDR, OBG, operating mainly in Berlin, Brandenburg and Saxony. In the second half of 1992, the division was reinforced with the acquisition of OBAG, a company based in Bautzen, near Dresden, which specializes in the construction of industrial buildings. It also purchased a 38 % equity interest in Klee, a building construction firm in Mannheim.

OBG/OBAG realized combined turnover of one billion francs in 1992. Business did not reach the hoped-for level due to delays in instituting new regulations and uncertainties over property ownership in the new Länder.

Today the situation has changed and the 1993 outlook, in the medium term, seems more favourable, particularly since OBG

will benefit from the volume of work generated in Berlin by property development projects in which the Group is participating. In 1992 OBG strengthened its management and took steps to restructure its operations and dispose of certain assets. These measures should permit an improvement in the company's financial results in 1993.

Office building constructed by OBG in Goslauer Ufer, in the Greater Berlin area



OTHER ACTIVITIES

In 1992 SGE Germany continued its efforts to enter the service sector and seized opportunities offered by property development in the ex-GDR, in particular in the Berlin area, where it is participating in three major projects :

- a 25 % interest in a 30,000 m² shopping centre, notably including Galeries Lafayette, on the Frierichstadt Passagen in Berlin, one of the historic thoroughfares of the city. The centre is part of a larger complex of retail stores, offices and housing units totalling 105,000 m², on which construction started in late 1992 and should be completed in 1995.
- a 50 % interest in a 28,000 m² complex of offices, retail stores and housing units, the Lindencorso, at the corner of

Unter den Linden avenue and Friedrichstrasse.

- a 50 % interest in the Anthropolis project, a complex of office and hotel buildings (55,000 m²) being developed jointly with the Wesbau property group in Reinickendorf, near the Tegel airport west of Berlin.

In 1992, SGE Germany also concluded the sale of four shopping centres in the eastern part of Germany.

Foundations for the future Friedrichstadt Passagen building complex in Berlin



STOCKHOLDERS' MEETING OF JUNE 18, 1993

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BOARD OF DIRECTORS' REPORT

AT THE STOCKHOLDERS' MEETING JUNE 18, 1993

1992 ACTIVITIES

In a difficult situation, particularly inauspicious for large projects, the SGE Group has made every effort to maintain its position in France, the overseas departments, and in Africa, to continue to grow in Germany, which represented 20 % of global activity in 1992, and finally to adopt a greatly changed strategy in Great Britain corresponding to the economic situation in this country.

The consolidated net sales figure of SGE was redefined to be more consistent with the Group's core business (eliminated from this figure were studies and other services rendered to third parties and non-consolidated companies, rental of equipment, transportation costs, sales of scrap, etc.). Defined thus, net sales reached FF 44,430 million in 1992, a slight increase (+ 0.5 %) compared to a similarly defined net sales figure in 1991, with an identical consolidation scope and constant exchange rates.

Net sales coming from outside mainland France reached FF 18,494 million, representing 41.6 % of the group's activity. This is a slight decrease from the previous year. A decrease was seen in the "general Construction" sector, due above all to results in Great Britain and to the completion of several large projects. This decrease was not fully compensated for by the marked progression of business in Germany (+ 13 %).

By sector, the breakdown of net sales is as follows :

(in FF million)

	1991	1992	% foreign	Change 1992/91
Sogea (not including Norwest Holst)	11,583	11,135	29.4	(3.9) %
Norwest Holst	3,887	2,793	100	(28.1) %
Total Sogea	15,470	13,928	43.6	(10) %
Campenon Bernard SGE	6,850	6,785	43.7	(0.9) %
Freyssinet	1,003	940	39.6	(6.3) %
Total General Construction and Public Works	23,323	21,653	43.4	(7.2) %
Cochery Bourdin Chaussé	5,584	5,959	3.2	6.7 %
Viafrance	2,918	3,066	—	5.1 %
Total Roadworks **	8,502	9,025	2.1	6.2 %
SDEL	2,578	2,568	4.2	(0.3) %
Wanner Isofi	1,382	1,219	10.8	(11.8) %
Tunzini	1,084	1,188	0.3	9.5 %
Lefort Francheteau	453	419	—	(7.6) %
Total Industrial and Interior Works	5,497	5,394	4.5	(1.9) %
G + H Montage	4,695	4,836	99.7	3 %
H. Nickel	680	799	100	17.6 %
OBG/OBAG	646	1,026	100	58.8 %
VBU	1,633	2,010	100	23.1 %
Total Germany	7,654	8,671	99.8	13.3 %
Intercompany sales	(286)	(313)	—	—
Total SGE Group	44,690	44,430	41.6	(0.6) %

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A detailed description of the activities of the subsidiaries of the Group is given in the section "Group Activities". Following a brief summary of the perspectives for 1993, this report will limit itself to a presentation of the main figures relating to the company's performance during the past year.

1993 OUTLOOK

The general state of the economic and political climate makes it difficult to render a complete and reliable appreciation of what reality might bring in the 1993 year.

While it seems likely that economic factors will remain unfavourable overall, there are certain elements of the situation that could turn out to be positive factors, either through the outcome of negotiations in certain specific cases, or through the beneficial effects of measures that certain countries, including France, might take during the course of the year to stimulate activity in the Public Works and Construction sector.

It is not possible, in any case, for us to put numbers on the likelihood of such events. It seems more realistic to forecast that, since certain very large projects (the Channel tunnel, the new TGV line, the Karachi airport, etc.) have been completed and have not been fully replaced by new orders, net sales could experience a slight contraction in 1993.

The observed movement on the order books confirms this impression: at the end of December 1992, orders were down for those Group subsidiaries with the potential for very large contracts (Sogea, Campenon Bernard SGE).

The fact that business remains on track for the other sectors of the Group, along with the fact that fixed costs have been adjusted in recent years to adapt to lower volumes of business, nevertheless allow cautious optimism for the 1993 year. The economic climate, to be sure, requires caution, but the quality of the Group's human resources also inspires reasonable confidence.

No discussion of the outlook for the current year can be concluded without commenting on foreseeable developments in Great Britain. While one cannot expect a decisive improvement in the British economy this year, one can nevertheless reckon that the market will gradually stabilize; and that, coupled with the efforts already made by Sogea and Norwest Holst management to improve earnings, British operations will therefore be less of a burden on the Group's financial results in 1993.

FINANCIAL STATEMENTS

■ CONSOLIDATED FINANCIAL STATEMENTS

On net sales of 44,430 million francs, the SGE Group generated in 1992 a net income amounting to 405.4 million francs, compared to 470.5 million francs in the previous year.

Analysis of the earnings contributions of the various operating entities reveals that the decrease in earnings from last year is largely due to the poor results posted in Great Britain, both because of Norwest Holst's own operating loss for the year and because of the extraordinary charges that were deemed necessary to assure a clearer picture in the accounts.

For the rest of SGE Group, in fact, the decrease in operating income (from 662.7 million francs in 1991 to 551.3 million francs in 1992) was, in view of what has been said above, quite limited, confirming that the business of the other Group entities generally remained on track.

The net financial expense, for its part, also deteriorated somewhat, not because of the net interest expense of the Group (which improved by falling from 200 million francs to 183.5 million francs) but because of an increase in financial provisions.

The decrease in operating income less financial expense was therefore moderate, as it moved from 583.1 million francs to 430.4 million francs.

Net exceptional expense was close to zero (compared to a net expense of 82 million francs in 1991). It includes, on the plus side, the capital gains on certain sales of securities (among which shares in Compagnie Immobilière Phénix for 205.5 million francs) and, on the minus side, a still-significant amount of expense for restructuring, either already incurred or provisioned for by most of the Group's operating subsidiaries.

These exceptional items also include adjustments and reclassifications applied to Norwest Holst's accounts.

After provisions for employee profit-sharing and income taxes, income from consolidated companies before amortization of goodwill was 351.2 million francs, representing a slight decrease from the comparable figure in 1991.

The equity in net earnings of affiliated companies was reduced in 1992 due to the divestments in Pont de Saint-Nazaire and Compagnie Immobilière Phénix. Net income was 405.4 million francs, compared to 470.5 million francs for the previous year.

Cash flow exceeded 1.4 billion francs, a level significantly higher (+ 10.7 %) than in 1991. The improvement was due in part to a higher amount of capital gains realized in 1992, and in part to lower releases of provisions designed to cover termination losses on certain troubled projects. Cash flow from operations also rose slightly over the 1991 figure, to a little over 1.2 billion francs.

Balance Sheet

The key figures of the consolidated statements of changes in financial position show a decrease in the level of capital expenditures while maintaining total resources at the previous year's level. Total capital expenditures was 1,956 million francs in 1992, compared to 2,300 million francs in 1991.

The reduction in capital expenditures for plant and equipment (1,564 million francs, compared to 1,720 million francs in 1991) reflects, on one hand, an easing of the spending needed to re-equip the subsidiaries in eastern Germany and, on the other, a decline in the number of major construction sites requiring specific, individually significant outlays of funds.

Acquisition of investments was down significantly for the second consecutive year. At less than 400 million francs, compared to 900 million francs in 1990, they are back at a normal level following the large transactions in recent years for expansion, notably in Germany.

The overall reduction in capital expenditures and acquisition of investments, added to the still-high level of disposals (more than 600 million francs) and a further improvement in working capital requirements, moderated the increase in net financial debt, which remains below the 1.5 billion francs threshold despite the growing burden of financing needs in Great Britain.

On the liability side, the consolidated balance sheet continues to show a high level of provisions for liabilities and charges (more than 5.5 billion francs) and thus remains at a satisfactory level.

■ PARENT COMPANY FINANCIAL STATEMENTS

The Parent Company individual financial statements, which record not only essentially all of the capital gains on the above mentioned divestments, but also the interest expense incurred at the holding company level, show a net income of 276 million francs, quite close to the figure posted in 1991 (280.4 million francs) and in line with the pre-tax earnings coming from the subsidiaries with the status under French company law of "Sociétés en nom collectif" or "Sociétés en commandite simple" (two forms of partnership).

The structure of the balance sheet, which shows net assets of 2.7 billion francs, has evolved in much the same fashion as the consolidated balance sheet. In particular, it

reflects the incidence of the dividend distribution that was resumed in 1992 for the previous year and paid out, in significant part, in the form of SGE shares.

The fact that the net income at the Parent Company level has been maintained allows your Company to propose, as it did last year, to proceed with the distribution of a dividend of 5 francs per share, and to give to those shareholders who desire it the option, pursuant to article 19 of the bylaws and applicable provisions of the law, of taking payment of that dividend in SGE shares.

The value of the new shares that will be issued for this purpose will be set at 90 % of the average of the opening price on Paris Stock Exchange during the twenty trading sessions preceding the day of the Annual General Meeting, reduced by the net amount of the dividend and rounded up to the next highest franc. The shares will be valid as of January 1, 1993.

The net income appropriation proposed for approval is thus (in francs):

Net income for the year	275,973,637.26
Previous retained earnings available for distribution	60,965,451.98
Distributable total	336,939,089.24
Allocation to the Legal Reserve	13,798,682.00
Dividends declared	119,873,285.00
Retained earnings	203,267,122.24

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As required by law, notice is hereby given that no dividend was distributed for the 1989 or 1990 fiscal years and that, for the fiscal year 1991, a distribution was made on each share of the company's capital at that time, in the amount of 5 francs per share, representing a total income, counting the attached tax credit of 2.5 francs per share, of 7.5 francs per share.

Finally, we report to you that the expenses and charges referred to in article 39.4 of the General Tax Code amounted to 156,275 francs in 1992.

Equity ownership - Quotations

Since a number of shareholders exercised their option to take payment of the 1991 dividend in shares, the share capital of your Company increased during 1992 to 2,037,845,845 francs, divided into 23,974,657 shares with a nominal value of 85 francs each.

On December 31, 1992, Compagnie Générale des Eaux held 80.44 % of that total.

Trading of the share on the Paris Stock Exchange fluctuated between a low of 135.70 francs and a high of 255.10 francs, ending the year at 169.50 francs. After following the general evolution of the stockmarket index during the first months of the year, SGE shares then moved in a less favourable fashion - as did all of the other shares in its sector.

That divergence began to be corrected in early 1993 and by the end of February 1993, the 12-month change in your shares had caught back up with that of the market index over the same period. Undoubtedly, this movement reflects a more positive investor attitude toward the construction and public works industry in general and toward SGE shares in particular.

Trading volume has remained high, with more than 2.5 million shares (10.5 % of equity) changing hands during the course of the year, although not as high as in the preceding two years.

■ PERSONNEL INFORMATION

The Group's total workforce at year-end 1992 was 67,171, of which 56,763 were European and 10,408 were local employees of subsidiaries and permanent establishments located outside Europe. The total employment figure was thus down by about 5,000 compared to the situation at year-end 1991 due above all to the decrease in local employees abroad, related to the completion of several large projects, but also to the decrease in the number of European employees, not compensated for by the new acquisitions during the year (notably Moter in France and Obag in Germany).

This decrease naturally reflects the impact of the restructuring operations that were made necessary by general economic trends.

The changes in employment by line of business were as follows:

	December 31, 1991	December 31, 1992	Change
General Construction and Public Works	21,867	20,307	(1,560)
Road Works	10,767	11,608	+841
Industrial and Interior Works	9,522	9,211	(311)
Germany	14,964	15,519	+555
Holding Companies and other	113	118	(5)
Total Europeans	57,233	56,763	(470)
Local Personnel	14,943	10,408	(4,535)
Total Group Personnel	72,176	67,171	(5,005)

It is proposed in one of the resolutions that have been submitted for your approval, and by the methods described therein, that the authorization already given in June 30, 1988, allowing share options to be granted to certain members of the management, be renewed, and that the amount put at the disposal of the Board of Directors for this purpose by your General Meeting be raised from 3 % of share capital to 6 %.

Previous exercise of this authorization has allowed a total of 275,000 of share options to be granted in the past two fiscal years.

Finally, it should be mentioned here that the Group's new headquarters building at Rueil-Malmaison was put in service in the second half of 1992. In a series of moves between late August 1992 and early January 1993, Sogea, Campenon Bernard-SGE, Viafrance and Cochery Bourdin Chaussé relocated their head offices to this site, as did, of course, your Company.

■ BOARD OF DIRECTORS

It is proposed to the General Meeting to appoint Mr Patrick Faure to the Board of Directors for a six years term. His responsibility as a Director will end at the General Meeting which will be held to approve the 1998 financial statements.

■ MERGER OF TUNZINI SA

In accordance with a long-standing policy of transforming its principal operating subsidiaries into partnerships, in order to strengthen cohesion within the Group, it is proposed that you approve the merger of your subsidiary Tunzini SA, specializing in the fields of climate control engineering, fire protection, and thermal installations for environmental purposes (incineration of household wastes, treatment of smokestack emissions, etc.).

Prior to this merger, Tunzini SA transferred its business of climate control engineering, maintenance and fire protection to Tunzini SNC (a partnership).

The financial aspects of this transaction are presented in the report of the specially appointed auditor. It should especially be noted that since the entirety of Tunzini SA shares are currently in the hands of your Company, the merger transaction will not give rise to an issue of new SGE shares, but will result solely in the recognition of a merger premium of 81,563,614.82 francs in the Parent Company individual financial statements. This merger premium will be registered in an account "Merger Premium" from which will be deducted on the one hand all the expenses, dues and fees related to the operation, and on the other hand, a special reserve for long-term capital gains of the absorbed company, totalling 799,899.24 francs.

The resolutions relating both to this transaction and to the renewal of the authority to grant share options are subject to the quorum and majority voting provisions applicable to extraordinary General Meetings.

CONSOLIDATED FINANCIAL STATEMENTS

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PAST THREE YEARS

In FF million

	1992	1991	1990
Net sales	44,430	44,690	39,020
Of which foreign sales	18,494	18,867	15,889
Income before amortization of goodwill	484	558	508
Net income	405	471	455
Shareholders' equity	2,690	2,366	1,892
Provision for liabilities and charges	5,563	5,730	5,629
Cash flow	1,441	1,302	2,179
Capital expenditures and acquisition of investments :			
Capital expenditures	1,564	1,720	1,589
Acquisition of investments	392	579	921
	1,956	2,299	2,510
Average number of employees	66,077	70,035	63,231

CONSOLIDATED BALANCE SHEET

In FF million

ASSETS	Notes	1992	1991
Intangible assets other than goodwill	3	97.7	97.0
Goodwill	4	1,168.7	1,140.8
Property, plant and equipment	5	4,772.6	4,522.6
Financial assets			
Unconsolidated investments	6	2,035.2	1,832.1
Investments accounted for by the equity method	7	628.4	662.4
Other financial assets	8	484.8	527.5
		3,148.4	3,022.0
Deferred charges	9	226.0	105.6
TOTAL FIXED ASSETS		9,413.4	8,888.0
Inventories	10	5,546.4	4,927.5
Accounts receivable		13,756.4	13,458.7
Other receivables		4,732.5	5,385.4
Short-term investments	11	416.9	391.0
Financial receivables and marketable securities	11-14	1,998.0	2,244.3
Cash	14	1,881.1	1,274.3
TOTAL CURRENT ASSETS		28,331.3	27,681.2
TOTAL ASSETS		37,744.7	36,569.2

In FF million

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	1992	1991
Capital stock		2,037.8	1,999.4
Retained earnings, before net income for the year		247.1	(104.0)
Net income for the year		405.4	470.5
Shareholders' equity		2,690.3	2,365.9
Minority interest	12	37.9	51.7
Amortization of capital employed in publicly-owned utility network		43.3	41.0
Grants related to assets		1.0	5.0
		44.3	46.0
Provisions for liabilities and charges	13	5,562.6	5,729.8
Long-term debt	14		
Subordinated debt		360.9	402.7
Bonds and debentures		123.5	199.8
Other long-terms debt		1,606.2	1,548.8
		2,090.6	2,151.3
TOTAL CAPITAL EMPLOYED		10,425.7	10,344.7
Down-payments from clients		6,461.9	5,758.1
Accounts payable		9,585.7	9,764.7
Other payables		7,985.8	7,967.6
Short-term debt	14	3,285.6	2,734.1
TOTAL CURRENT LIABILITIES		27,319.0	26,224.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		37,744.7	36,569.2

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

In FF million

	Notes	1992	1991
Net sales (1)	15	44,429.7	44,689.7
Other revenue	16	1,586.9	1,411.9
Total revenues		46,016.6	46,101.6
Operating expenses	17	(45,465.3)	(45,438.9)
OPERATING INCOME		551.3	662.7
Financial expense		(734.7)	(717.9)
Financial income		629.1	605.7
Financial provisions		(15.3)	32.6
NET FINANCIAL EXPENSE	18	(120.9)	(79.6)
OPERATING INCOME LESS FINANCIAL EXPENSE		430.4	583.1
Exceptional items		(162.3)	(162.6)
Exceptional adjustments to amortization and provisions		149.9	80.6
NET EXCEPTIONAL EXPENSE	19	(12.4)	(82.0)
Employee profit-sharing		(56.6)	(68.5)
Income taxes	20	(10.2)	(46.4)
Amortization of goodwill		(79.2)	(72.0)
INCOME FROM CONSOLIDATED COMPANIES BEFORE EQUITY INTEREST AND MINORITY INTEREST		272.0	314.2
Equity in net earnings of affiliated companies		134.6	161.4
Minority interest		(1.2)	(5.1)
NET INCOME		405.4	470.5
EARNINGS PER SHARE (in French Francs)		16.91	20.00
Number of shares outstanding at December 31		23,974,657	23,522,912

(1) The net sales definition was restricted in 1992 to be more in line with the Group core business. Had this new definition been applied retrospectively, the 1991 net sales would have been reduced by FF 790 million (see note 15).

CHANGES IN SHAREHOLDERS' EQUITY

In FF million

SHAREHOLDER'S EQUITY	Capital stock	Translation adjustment	Retained earnings	Total
Shareholder's equity at 31 December, 1990	1,999.4	(90.3)	(17.2)	1,891.9
Translation adjustments		21.2	0.6	21.8
Other			(18.3)	(18.3)
Net income for the year			470.5	470.5
Shareholders' equity at 31 December, 1991	1,999.4	(69.1)	435.6	2,365.9
Capital increase	94.9			94.9
Dividends			(117.6)	(117.6)
Translation adjustments and other		(58.1)	(0.2)	(58.3)
Net income for the year			405.4	405.4
Shareholders' equity at 31 December, 1992	2,094.3	(127.2)	723.2	2,690.3

The increase in the SGE capital stock corresponds to the 1991 stock dividend issue.

The translation adjustment movement in 1992 is mainly due to the fall in the pound sterling exchange rate.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

In FF million

	1992	1991
SOURCES		
Net income before equity interest and minority interest	272.1	314.2
Depreciation, amortization, and changes in provisions	1,100.6	923.7
Dividends from investments accounted for by the equity method	68.6	64.4
Cash flow	1,441.3	1,302.3
Less: net capital gains from disposals of fixed assets	(220.7)	(96.2)
Cash flow from operations	1,220.6	1,206.1
Proceeds from disposals of property, plant and equipment and from sales of investments	611.4	783.0
Capital increases		
Issuance of parent company stocks	94.9	
Minority interest in capital increase of subsidiaries	5.1	12.5
Increase in other long-term liabilities	100.0	12.5
Net decrease in other financial assets	78.8	75.6
I - TOTAL SOURCES	2,139.8	2,252.9
USES		
Capital expenditures and acquisition of investments		
Capital expenditures	1,564.2	1,720.2
Acquisition of investments	391.6	579.2
	1,955.8	2,299.4
Repayment of long-term debt	294.7	269.6
Other uses		
Expenses spread over several years	173.9	108.3
Dividends paid by the Parent Company	117.6	
Dividends paid by subsidiaries to minority interest	1.5	69.4
	293.0	177.7
II - TOTAL USES	2,543.5	2,746.7
I - II - Uses in excess of sources	(403.7)	(493.8)
III - Effect of change in the scope of consolidation and of exchange rate fluctuations and other adjustments	(40.7)	(161.2)
IV - Increase (decrease) in net working capital	(444.4)	(655.0)
Increase (decrease) in working capital funding needs	(253.4)	(281.4)
Increase (decrease) in cash	(191.0)	(373.6)

NOTES TO THE ACCOUNTS

1 - ACCOUNTING PRINCIPLES

■ SGE is a fully consolidated subsidiary of Compagnie Générale de Eaux. Its Consolidated Financial Statements have been drawn up in accordance with French accounting regulations as defined by the general accounting place, the law of 3 January 1985, and the decree of 17 February 1986.

1.1 - Consolidation principles

■ The consolidated financial statements include all subsidiaries with net sales of more than FF 10 million and subsidiaries with net sales below this figure but which provide a significant contribution to consolidated income.

Companies controlled by SGE are fully consolidated. Companies over which SGE exercises a significant influence are accounted for by the equity method. Jointly controlled entities and joint ventures, which provide a significant contribution to Group net sales have been consolidated using the proportional method.

The other jointly controlled entities and joint ventures are consolidated on a semi-proportional basis, with consolidation only of the income statement items.

1.2 - Translation of the financial statements of foreign companies

■ The financial statements of foreign companies are translated using exchange rates prevailing at year end. Gains and losses resulting from this translation method are reported under the "translation adjustment" heading in shareholders' equity.

1.3 - Foreign currency payables and receivables

■ Balance sheet payables and receivables in foreign currencies are translated using the exchange rate prevailing at year end or, where applicable, the rate provided by a hedging instrument. Unrealized exchange losses are charged to income.

1.4 - Goodwill

■ Excess of cost over net assets acquired of purchased subsidiaries is allocated to the proper balance sheets items of the acquired subsidiaries.

The remaining unallocated balance is reported as goodwill on the asset side of the consolidated balance sheet. It is amortized over periods not exceeding twenty years, except where an accelerated depreciation is considered justified.

Goodwill arising from the acquisition of companies operating quarries is amortized over the expected operating period of the quarry and up to a maximum of 40 years.

1.5 - Property, plant and equipment

■ Property, plant, buildings, and equipment are generally carried at cost.

Depreciation is calculated using the straight line or declining balance method according to time periods that are normal to the business. The time periods are the following:

Buildings	from 15 to 30 years
Equipment for public works	from 2 to 7 years
Vehicles	from 3 to 5 year
Fixtures	from 8 to 10 years
Furniture and office equipment	from 3 to 5 years

The Group did not elect to capitalize property, plant and equipment financed through long-term leases with a purchase option and through equivalent finance leases.

1.6 - Unconsolidated investments

■ The gross book value of unconsolidated investments is the acquisition cost. If the gross book value is higher than the fair value, an allowance is charged to income. The fair value corresponds to the share held in the net assets of the issued company, adjusted as needed to reflect its market value and its earnings prospect.

1.7 - Pension commitments

■ The pension commitments in respect of active employees consist of indemnities paid on retirement dates and of deferred benefit pension schemes. These commitments are disclosed as off balance-sheet item.

The pension benefits owed to retired employees are provided for on the balance sheet, according to a projected benefit valuation method. The actuarial cost resulting from these pension commitments is charged to income.

1.8 - Revenue recognition

■ Revenue from long-term contracts related to the construction and public works activity and the road works activity are generally accounted for using the percentage of completion method.

The contracts which do not meet the conditions required to apply the percentage of completion method and the contracts in the Industrial and Interior Works sector are accounted for using the completed contract method. In case of losses, the carrying value of work in process is reduced by an amount corresponding to the loss attributable to work completed at year end.

If the earnings prospect on contracts in progress is a deficit situation, provisions for anticipated losses at completion of the contract are provided for. These provisions are reduced to take into account a prudent estimate of claims to which the group is entitled.

1.9 - Income taxes

■ Income tax expense corresponds to tax payable by consolidated companies, adjusted for change in deferred taxes over the year. Deferred taxes arise primarily from temporary differences between net income for financial reporting and taxable income, and are calculated using the liability method. No deferred tax has been accounted for on loss carried forward and on items with uncertain maturities.

2 - SCOPE OF CONSOLIDATION

■ The number of consolidated companies has risen from 387 in 1991 to 398 in 1992, of which 30 are joint ventures. The breakdown is as follows :

	French	Foreign	Total
Fully consolidated companies	164	167	331
Proportionally consolidated companies	25	26	51
Companies accounted for by the equity method	6	10	16
Total	195	203	398

The important changes during the period concern primarily :

- Inclusion in the consolidation of :
 - Moter and its subsidiaries (15 companies), a roadworks company active in southwestern France, acquired in July 1992 by Cochery Bourdin Chaussé;
 - Obag, a building company located near Dresden and acquired in August 1992 by Olympia Bau Union (SGE Germany).

- Withdrawal from consolidation of SGE's participation in the Société du Pont de Saint-Nazaire (disposal of the total shareholdings) and in the Compagnie Immobilière Phénix (partial sell-off of shares).

These two companies were previously accounted for by the equity method.

The effect of the changes in consolidation scope on the net sales is in the order of FF 876 million (note 15). Their impact on the net income is not significant.

3 - INTANGIBLE ASSETS OTHER THAN GOODWILL

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

In FF million

	1992	1991
Net book value at beginning of the year	97	87
Acquisitions	28	22
Amortization	(25)	(21)
Disposals, reclassifications, changes in the scope of consolidation	(2)	9
Net book values at end of year	98	97

Intangible assets are composed primarily of individually acquired goodwill, trademarks, funds paid to local public authorities, relating to the management of utility networks.

4 - GOODWILL

■ The changes during the period are as follows :

In FF million

	1992	1991
Goodwill at beginning of year	1,141	990
Goodwill acquired during the year	229	232
Amortization	(79)	(87)
Reduction in the scope of consolidation and translation adjustment	(122)	6
Goodwill at end of year	1,169	1,141

Goodwill acquired during the year, of FF 229 million, is related primarily to the acquisition of Moter, for which goodwill totalled FF 188 million. The negative goodwill recognized on Obag was treated as provisions for liabilities and charges.

The goodwill associated with Sogea UK and its subsidiaries (Norwest Holst primarily) has a net value of FF 613 million (73.4 million pound sterling) at December 31, 1992.

5 - PROPERTY, PLANT AND EQUIPMENT

■ Net property, plant and equipment are as follows :

In FF million

	1992		1991	
	Gross value	Depre- ciation	Net value	Net value
Land	821	(38)	783	770
Buildings	1,482	(451)	1,031	948
Plant and equipment	4,170	(2,658)	1,512	1,534
Fixtures & other	2,523	(1,564)	959	790
Publicly-owned utilities	317	(5)	312	253
Construction in progress	176		176	228
	9,489	(4,716)	4,773	4,523

Investments over the period

In FF million

	1992	1991
Land	42	24
Buildings	155	114
Plant and equipment	798	854
Fixture and other	463	413
Publicly-owned utilities	76	87
Construction in progress	2	206
	1,536	1,698
Intangible assets (Note 3)	28	22
Total investments	1,564	1,720

Disposals during the period have a net book value of FF 182 million, and relate for the most part to operating equipment.

Analysis of property, plant and equipment by activity :

In FF million

	1992		1991	
	Gross value	Amorti- zation	Net value	Net value
General Construction and Public Works	4,810	(2,391)	2,419	2,336
Road Works	2,491	(1,351)	1,140	1,018
Industrial and Interior Works	517	(271)	246	244
Germany	1,671	(703)	968	925
	9,489	(4,716)	4,773	4,523

6 - UNCONSOLIDATED INVESTMENTS

■ Unconsolidated investments are composed primarily of shares in companies quoted on the stock exchange. Their value, compared to their stock market value at the end of December, is as follows :

In FF million

	Market value	Book value
Saint-Gobain	1,553	1,278
Compagnie du BTP	10	10
Comptoir des Entrepreneurs	47	47

The shares in "Compagnie du BTP" and "Comptoir des Entrepreneurs" have been written-down to their market value at December 31, 1992.

7 - INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

■ The main financial figures for the companies accounted for by the equity method are :

In FF million

	1992		1991	
	Total	Of which Cofiroute	Total	Of which Cofiroute
Net sales*	3,536	2,857	7,442	2,655
Shareholders' equity	2,027	1,928	3,104	1,697
Group's share in shareholders' equity	628	595	662	499
Net income	441	422	671	384
Group's share in net income	135	130	161	118

* Not included in the Group's net sales

The changes in investments accounted for by the equity method are as follows :

In FF million

Values at January 1, 1992	662
Group's equity in net earnings	135
Dividends distributed	(69)
Changes in scope of consolidation	(100)
Value at December 31, 1992	628

8 - OTHER FINANCIAL ASSETS

■ This heading can be broken down as follows :

In FF million

	1992	1991
Net long-terms loans	304	382
Deposits and guarantees	102	116
Other net long-term financial items	79	29
	485	527

Long-term loans are mainly loans made to unconsolidated subsidiaries.

9 - DEFERRED CHARGES

■ Deferred charges are primarily composed of (i) pre-operating costs incurred on work sites, which are charged to income over the duration of the contract (ii) prepayments made related to finance leases arranged to finance the head office in Rueil 2000. These prepayments are amortized over the contract duration.

10 - INVENTORIES

■ This heading mainly concerns contracts for which the Group applies the completed contract method, that is Industrial and Interior Works and a few contracts in the Construction, Public Works and Road Works Sectors, where the method is applied to each major part of the contract and leads to work in progress for the uncompleted parts.

Inventories include :

<i>In FF million</i>	1992	1991
Work in progress	5,039	4,391
Other	671	732
Provisions for depreciation	(164)	(196)
	5,546	4,927

11 - SHORT-TERM INVESTMENTS AND FINANCIAL RECEIVABLES, MARKETABLE SECURITIES

■ Financial receivables and other marketable securities can be broken down as follows :

<i>In FF million</i>	1992	1991
Short-term investments	417	391
Marketable securities	1,363	1,397
Other short-term financial receivables	635	847
	2 415	2 635

The market value of quoted securities at December 31, 1992 was not significantly different from their carrying value.

"Marketable securities" essentially consist of debt securities and shares in mutual funds.

Short-term investments are mainly shares held in Compagnie Générale des Eaux, through SOCOFREG, a subsidiary of the SGE Group.

12 - MINORITY INTEREST

■ During the financial year, minority interest has changed as follows :

<i>In FF million</i>	1992	1991
Balance at beginning of year	52	68
Share of minority interest in net income	5	13
Minority interest in capital increases of subsidiaries	1	5
Changes in scope of consolidation and other changes	(20)	(34)
Balance at end of year	38	52

Where the net assets of a subsidiary at December 31, 1992 were negative, the Group has assumed the minority interest in the subsidiary's negative net assets.

13 - PROVISIONS FOR LIABILITIES AND CHARGES

■ Provisions for liabilities and charges changed as follows during the year :

<i>In FF million</i>	Initial balance	Allo- cation	Releases	Other changes	Final balance
• Operating risks :	3,585	1,393	(1,401)	105	3,682
Additional pension schemes	412	136	(70)	(1)	477
After-sales service	679	371	(297)	99	852
Anticipated losses on contracts	296	173	(288)	321	502
Other work-site risks	1,993	713	(634)	(369)	1,703
Negative goodwill	205	-	(112)	55	148
• Financial risks	207	64	(83)	78	266
• Other risks	1,938	638	(908)	(53)	1,615
	5,730	2,095	(2,392)	130	5,563

The heading "other changes" covers particularly the effect of changes in the scope of consolidation, amounting to FF 137 million, including the negative goodwill due to the consolidation of the company Obag (cf. note 4).

At December 31, 1992 the negative goodwill due to the consolidation of the German subsidiaries located in the new Länder, included above in the operating risks provisions, represented a residual amount of FF 148 million after a release amounting to FF 112 million recorded in the net income for the year.

The line "Other risks" consists of provisions set up to cover exceptional and non-recurring risks, notably

restructuring costs, unfair calling of guarantees, risks involving the impairment of goodwill.

They also cover the possibility that positive items, taken into account by some subsidiaries in order to determine future losses on large projects, might not be realized.

14 - NET FINANCIAL DEBT

■ The Group's net financial debt can be broken down as follows :

<i>In FF million</i>		
	1992	1991
Long-term portion of long-term debt :		
- Subordinated debt	361	403
- Bonds and debentures	124	200
- Other long-term debt	1,606	1,548
Total long-term portion of long-term debt	2,091	2,151
Short-term portion of long-term debt	1,111	983
Bank overdrafts and other short-term debt	2,174	1,751
Gross financial debt	5,376	4,885
Financial short-term receivables and marketable securities	(1,998)	(2,244)
Cash	(1,881)	(1,274)
Net financial debt	1,497	1,367

Net financial debt with fixed interest rates or interest rates cap amounts to FF 1.3 billion, which represents 90 % of the net debt total.

The average interest rate is 9 percent. These amounts include the effect of interest rate hedging instruments, primarily interest rate swaps.

The interest rates of the floating interest rate debt are generally linked to the current market conditions.

The heading "bank overdrafts and other short-term debt" includes commercial paper issued by the parent company in an amount of FF 660 million at December 31, 1992 (the average amount of commercial paper issued during 1992 was FF 560 million).

■ Maturities of long-term portion of long-term debt are the following :

<i>In FF million</i>		
Maturity year	1994	708
	1995	103
	1996	70
	1997	838
After	1998	307
Unspecified		65
		2,091

■ Debt secured by assets is as follows :

<i>In FF million</i>		
	1992	1991
Bonds and debentures	108	126
Bank borrowings	602	729
Other borrowing	90	164
	800	1 019

15 - NET SALES

■ A more restrictive definition of net sales has been adopted for 1992 in order to allow a closer comparison with figures concerning the core business. The new definition excludes certain marginal income, reclassified in other income, and also services provided to unconsolidated joint-ventures, now deducted from the operating expenses.

In addition, due to the "semi-proportional" consolidation method described in Note 1, the consolidated net sales include the group's share in the net sales of joint-ventures.

Had this new definition been applied to the 1991 net sales, they would have been reduced by FF 790 million (cf. the foot note (1) to the following schedule).

As a consequence of this new definition, the reconciliation between the net sales as per the consolidated income statement and net sales from the core business is as follows :

<i>In FF million</i>		
	1992	1991
Billings	44,227	45,575
Increase in works in progress and capitalized costs	203	115
Net sales	44,430	44,690
- Revenue from miscellaneous activities		(336) ⁽¹⁾
+ Group's share in net sales of joint-ventures managed by a third party		950 ⁽¹⁾
- Group's share in net sale of joint-ventures managed by the Group		(1,078) ⁽¹⁾
- Billings for services rendered to unconsolidated joint-ventures		(326) ⁽¹⁾
- Tax collected on behalf of public local authorities (water distribution)	(85)	(82)
- Other restatements	(136)	(176)
Net sales from the core business	44,209	43,642

(1) Effect of the new net sales definition on the 1991 net sales.

■ The change in net sales during the year is also due to the change in consolidation scope and to exchange rate fluctuations. With the same structure and similar consolidation methods, and after correction for the exchange rate variations, net sales rose by + 0.5 %, as shown below :

In FF million		1992	1991
Net sales for the year		44,430	44,690
of which :			
• Net sales of newly consolidated companies	(1,064)		
• Net sales of companies no longer consolidated			(188)
• Impact of the definition change			(790)
• Impact of exchange rate fluctuations			(551)
Net sales with same consolidation scope and similar methods		43,366	43,161

■ Breakdown of net sales by business segment and by geographic area

Activity	Geographic zone				%
	France	Europe	Other	Total	
General Construction and Public Works	12,251	5,165	4,237	21,653	49
Road Works	8,832	121	72	9,025	20
Industrial and Interior Works	5,150	158	86	5,394	12
Germany	16	8,631	24	8,671	19
Intercompany Sales	(313)			(313)	
	25,936	14,075	4,419	44,430	100
	58 %	32 %	10 %	100,0 %	

42 per cent of total Group net sales was earned outside France.

16 - OTHER REVENUE

In FF million		1992	1991
Share in unconsolidated joint ventures net income		97	90
Transfer of operating costs		174	51
Other income and miscellaneous services		1,316	1,271
		1,587	1,412

Miscellaneous services refer to revenue not directly related to operations, such as rental of buildings and equipment, sales of goods, project engineering, fees for projects management, etc. It also includes FF 48 million for capital gains on disposal of operating equipment (FF 67 million in 1991).

The heading "transfer of operating costs" relates solely to expenses incurred during the year which have been deferred.

17 - OPERATING EXPENSES

■ These are broken down as follows :

In FF million		1992	1991
Purchases		13,128	13,139
Outside services		16,175	17,345
Wages and social security costs		12,669	12,320
Other operating expenses		2,243	1,580
Depreciation		1,269	1,192
Provisions		(18)	(137)
		45,466	45,439

Depreciation

■ The depreciation charge can be broken down as follows :

In FF million		1992	1991
Intangible assets		25	21
Property, plant, and equipment		1,182	1,108
Portion of deferred charges charged to income		53	57
Amortization of capital employed in publicly-owned utility networks		9	6
		1 269	1 192

18 - NET FINANCIAL EXPENSE

■ Net financial expense breaks down as follows :

In FF million		1992	1991
Net interest expense		(183)	(200)
Dividends received		104	73
Foreign exchange gains and losses		25	42
Changes in financial provisions		(60)	(10)
Others		(7)	15
		(121)	(80)

19 - EXCEPTIONAL ITEMS

■ These include :

In FF million		1992	1991
Net capital gains from disposal of fixed assets		221	96
Net exceptional gains and losses from operations*		(259)	(82)
Exceptional depreciation and provisions for risks		26	(96)
		(12)	(82)

* After releases of the corresponding provisions.

Capital gains from disposals of fixed assets include a net FF 221 million capital gain from the sale of investments, primarily the interest held by the parent company in Société du Pont de Saint-Nazaire and Compagnie Immobilière Phénix.

Deterioration of net gains and losses from operations is mainly due to restructuring costs in the construction and public works business.

20 - INCOME TAX

■ The income tax expense charged to income can be split as follows :

<i>In FF million</i>		
	1992	1991
Income tax expense :		
- current	(9)	(37)
- deferred	(1)	(9)
	(10)	(46)

At December 31, 1992, the parent company has fully used its operating loss carry-forward.

The decrease in current tax expense is primarily due to a tax consolidation implemented in Great Britain by Norwest Holst and the other subsidiaries of Compagnie Générale des Eaux Group in this country.

At December 31, 1992, net deferred tax on the balance sheet was a liability amounting to FF 19.8 million (9.5 million at December 31, 1992).

21 - OFF-BALANCE SHEET COMMITMENTS

<i>In FF million</i>	Contingent obligations	
	1992	1991
Guarantees	10,514	9,122
Complementary pension schemes	544	545
Retirement indemnities	202	203
Joint and several guarantees provided in unconsolidated partnerships	1,281	908
Other commitments	1,328	1,933
	13 869	12 711

The large size of the commitments is a result of guarantees given on major contracts, essentially for advance payments and performance.

The Group has also received guarantees in an amount of FF 1,209 million at December 31, 1992 (FF 1,233 million at December 31, 1991).

22 - FINANCE LEASE COMMITMENTS

■ Uncapitalized property, plant and equipment financed through finance leases have an historical cost of FF 1,045 million at December 31, 1992. Future payments in respect to these finance lease arrangements amount to FF 1,378 million, of which FF 950 million represent the capital portion.

The repayment schedule is as follows :

Within 1 year	FF 149 million
Between 2 and 5 years	FF 429 million
Over 5 years	FF 800 million

23 - COMMITMENTS INVOLVED BY FINANCIAL INSTRUMENTS

■ Interest rate instruments

The group has arranged interest rate swaps in French francs or in other currencies which will mature between 1993 and 2007. They are designed to provide a hedge for the major part of the floating-rate debt and the finance lease commitments. Outstanding swap commitments amount to FF 1,800 million.

■ Foreign currency instruments

Foreign currency instruments are used only as a hedge to transactions denominated in foreign currency. The foreign currency instruments outstanding at the balance sheet date did not represent a material amount.

24 - NUMBER OF EMPLOYEES

■ The weighted average number of employees of consolidated companies was :

	1992	1991
Management	5,105	5,236
Supervisory staff	6,874	6,932
Employees	8,684	8,977
Workers	45,414	48,890
	66,077	70,035

Payroll costs are disclosed in Note 17.

THE GROUP'S MAIN COMPANIES IN 1992

	Consolidation method	% owned by the Group
1 - GENERAL CONSTRUCTION AND PUBLIC WORKS		
SOGEA	F	99.86
SICRA	F	99.86
SOGEA Rhône-Alpes	F	99.86
SOGEA Normandie	F	99.86
SOGEA Nord	F	99.86
SOGEA Atlantique	F	99.86
DODIN	F	99.86
SATOM and subsidiaries	F	98.53
SBTPC (la Réunion)	F	84.32
DENYS and subsidiaries (Belgium)	F	99.86
SOGEA UK (United Kingdom)	F	99.86
NORWEST HOLST HOLDING and subsidiaries (United Kingdom)	F	99.86
SOGEA Ile-de-France	F	99.86
SOGEA Réunion	F	99.86
SOGEA Martinique	F	99.86
SOGEA Guadeloupe	F	99.86
TPI	F	99.86
SOGEA Languedoc-Pyrénées	F	99.86
SOGEA Sud-Est	F	99.86
CAMPENON BERNARD SGE	F	100.00
EMCC	F	99.99
PARENCE	F	100.00
HCCM (People's Republic of China)	P	40.00
HAGEN (Portugal)	F	99.36
BOTTE BTP	F	99.99
GILETTO	F	99.53
URBAN BTP	F	99.98
EDIF	F	100.00
DESCHIRON	F	99.96
SOCASO	F	66.67
FREYSSINET INTERNAT ET CIE	F	100.00
PSC FREYSSINET (United Kingdom)	F	100.00
CIPEC	F	100.00
EUROPE ÉTUDES GECTI	F	99.92
2 - ROADWORKS		
COCHERY BOURDIN CHAUSSE	F	100.00
MOTER and subsidiaries	F	95.71
GERCIF-ÉMULITHE	F	100.00
ROL LISTER	F	100.00

	Consolidation method	% owned by the Group
SAEC	F	100.00
ROUTIÈRE DU MIDI	F	100.00
STPL ESSOR	F	100.00
GROUPE CARRIÈRES ROY	P	50.00
CARRIÈRES CHASSE	F	100.00
TSS	F	100.00
HYDROCAR (Belgium)	F	100.00
CORNEZ DELACRE (Belgium)	F	100.00
VIALEX/ROLDAN (Spain)	P	50.00
VIAFRANCE	F	100.00
VALENTIN	F	99.99
TRACYL	F	99.99
CARRIÈRES DE CHAILLOUÉ	F	89.99
COFIROUTE	E	30.88
3 - INDUSTRIAL AND INTERIOR WORKS		
SAUNIER DUVAL ÉLECTRICITÉ (SDEL)	F	100.00
SELT	F	100.00
SARRASOLA	F	99.99
ÉLECTRONAVALÉ	F	100.00
SETB (la Réunion)	F	82.90
TUNZINI and subsidiaries	F	100.00
LEFORT GÉNIE CLIMATIQUE	F	100.00
TUNZINI PROTECTION INCENDIE	F	66.67
WANNER ISOFI	F	100.00
ITASA (Spain)	F	83.86
LEFORT FRANCHETEAU	F	100.00
SAGA ENTREPRISE	F	94.99
SONEX	F	99.97
4 - GERMANY		
G + H MONTAGE	F	100.00
L & V (Netherlands)	F	100.00
SCHUH (Germany)	F	100.00
MC GILL (United Kingdom)	F	100.00
ISOLIERUNGEN LEIPZIG (Germany)	F	100.00
KITSON INSULATION (United Kingdom)	F	100.00
NICKEL and subsidiaries	F	100.00
OLYMPIA BAU UNION		
OBG and subsidiaries	F	100.00
OBAG	F	100.00
VBU and subsidiaries	F	100.00

F: fully consolidated; P: consolidated proportionally; E: equity method.

REPORT OF THE AUDITORS

ON THE 1992 CONSOLIDATED FINANCIAL STATEMENTS

Ladies and gentlemen,

In accordance with the terms of our appointment by your Annual General Meeting of June 23, 1989, we submit our report on our audit of the 1992 consolidated financial statements of Société Générale d'Entreprises, as attached to this report, and our review of the information contained in the Report of the Board of Directors on the activity of the Group for the year ended December 31, 1992.

■ 1. EXAMINATION OF THE 1992

CONSOLIDATED FINANCIAL STATEMENTS

Our examination of the consolidated financial statements was carried out in accordance with generally accepted auditing standards and therefore included such tests as we deemed necessary under the circumstances.

As indicated in the Report of the Board of Directors and in the note 15 to the consolidated Financial statements, the definition of net sales has been changed in order to provide a clearer picture of the Group's activity.

We hereby certify that these consolidated financial statements have been properly prepared and present a true and fair view of the transactions for the 1992 financial year and of the Group's net worth and financial situation at the end of that year.

■ 2. SPECIFIC CHECKS AND DISCLOSURES

We have also carried out, in accordance with auditing standards, the specific checks required by law. We have no observations to make regarding the sincerity of the information given in the Report of the Board of Directors and its consistency with the consolidated financial statements.

Paris, April 27, 1993.

SALUSTRO REYDEL

Bernard MONTAGNE, André AMIC
& Associés

Members of DELOITTE ROSS TOHMATSU

B. Cattenoz

B. Lebrun

B. Montagne

M. Bousquet

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