



# ANNUAL REPORT 1996





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# ANNUAL REPORT 1996

# Editorial



The markets our companies do business in are undergoing a process of profound change: solvent demand has shrunk for the foreseeable future; at the same time, the nature of infrastructure requirements has altered significantly and this qualitative change is even greater than the decline in volume. We know full well that above and beyond the expected recovery, to do business we must make major efforts in tailoring our services to our clients' needs, in an environment of ever wider and tougher competition.

SGE is changing too. 1996, like 1995, was a bad year for construction companies, but it was used by our Group as an opportunity to prepare the future.

Firstly, Compagnie Générale des Eaux opted very clearly to use SGE as its core construction branch. Supplementing the addition of CBC in building, the arrival of GTIE and Santerne has considerably strengthened the Engineering and Electrical Work Division and gives SGE a more attractive and better balanced overall profile, with a substantial volume of business following a different cycle from that of traditional building and civil engineering, and more recurrent margins.

In parallel, the structural reorganization of SGE, now completed, has been based on the principle of lines of business, splitting activities into four divisions: the first consisting of building and civil engineering; the second, roadwork; the third engineering and electrical work; and the fourth, thermal and mechanical activities. In 1997, each of these lines of business will account for approximately one fifth of the total Group operations.

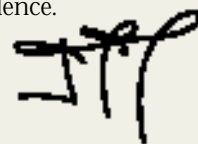
We expect this reorganization to bring us improved internal efficiency

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within the group, greater ability to win a share of new markets, a more readily accessible overview for our clients and partners, and an enhanced capacity to enter into major transversal projects that require the combination of several lines of business.

Crossing all frontiers, linguistic obstacles and differences of national culture, it is the work that we perform that is our common language, our meeting place, the forum where the men and women of the group exchange views and experiences, in particular within the Europe that is gradually taking shape and within whose frontiers SGE has many locations and subsidiaries, notably in France, Germany, the United Kingdom and Benelux countries. SGE is thus the leading genuinely European corporation, not just on paper, but in day-to-day reality.

Decentralized management remains the principal strong point of the SGE group. We have been careful to maintain, or even reinforce, close links with our clients. Our image is, as before, marked by our performance of major projects, which remain one of our prime ambitions and objectives. But we must not forget that a substantial share of our construction business is in the form of local operations, where our involvement is to an ever increasing extent perceived as supply of services: this will be one of the key areas that will determine the future that we look forward to with confidence.



JEAN-MARIE MESSIER  
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

# Group structure

## Board of Directors

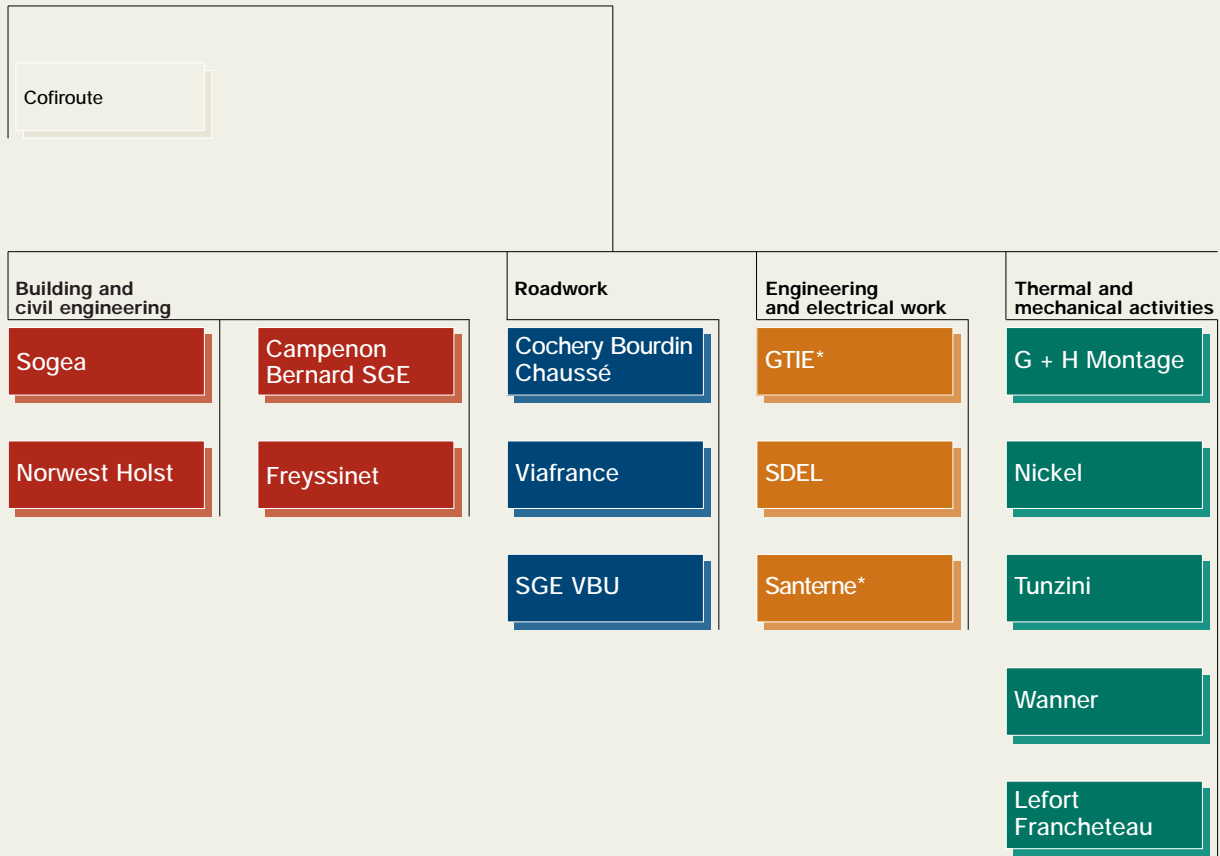
Chairman and Chief Executive Officer	Jean-Marie Messier*
Managing Director	Antoine Zacharias*
Directors	Dominique Bazy Michel Cambournac Patrick Faure Roland Genin Pierre Giraudet Raymond Guitonneau Guillaume Hannezo Pascal Lamy Serge Michel Guy Richard Pierre Trotot Compagnie Générale des Eaux (represented by Guy Dejouany)

Executive Committee	Antoine Zacharias Bernard Huvelin Pierre Parisot Alain Leclerc Roger Martin Gérard Mohr Henri Stouff Dominique Velut
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Statutory Auditors	Bernard Montagne et associés Salustro Reydel
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\* Antoine Zacharias replaced Jean-Marie Messier as Chairman of SGE on June 18<sup>th</sup> 1997.

# SOCIÉTÉ GÉNÉRALE D'ENTREPRISES



\* Companies joining the group on January 1<sup>st</sup> 1997.

# Key figures in 1996

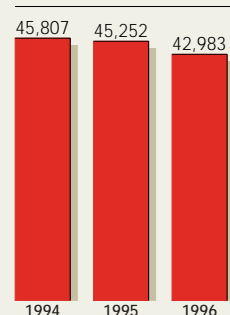
(Excluding CBC, GTIE and Santerne)

Four divisions - Building and Civil Engineering, Roadwork, Engineering and Electrical Work, Thermal and Mechanical Activities - now share between them the 450 companies of SGE covering all trades and businesses in construction. This reorganization will give a more balanced structure to the Group, that has been able to develop a full range of complementary business offerings on a global basis. It will also reinforce the professionalism and technical expertise of its staff, which, along with a well-balanced scope of activities and its international presence, especially in Europe, constitute its major asset for the future.

In 1996, the downturn in sales (-5%), in line with initial forecasts and market developments, was accompanied by a substantial reduction of the deficit compared with the previous year. Cash flow from operations stabilized and the investment cutback continued. Boosted by the improvement of working capital funding requirements, the transfer of certain assets allowed Group debt to be reduced, with the end of year financial position showing some improvement.

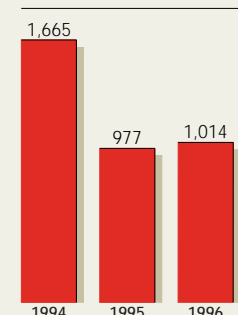
## Group sales

in FF million



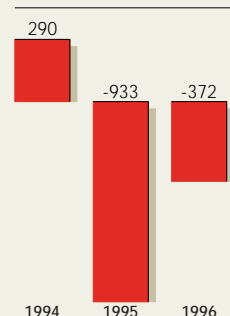
## Cash flow

in FF million



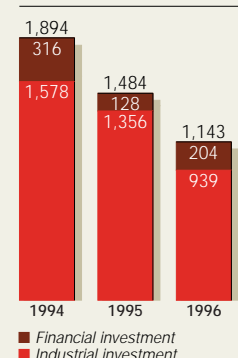
## Net income

in FF million



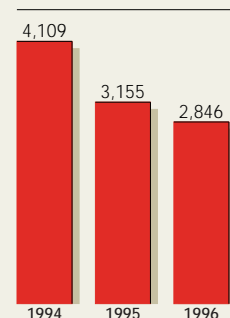
## Investments

in FF million



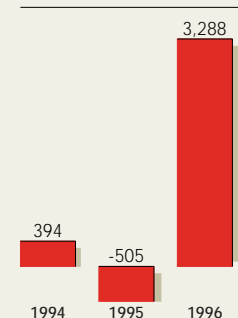
## Shareholders' equity

in FF million



## Net financial position

in FF million



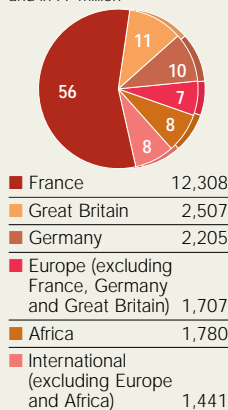


## Sales 1996 (excluding CBC, GTIE and Santerne)

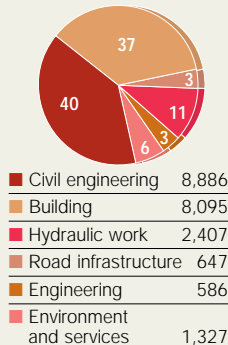
### Building and civil engineering

FF 21,948 mio

by geographic area  
expressed as percentage  
and in FF million



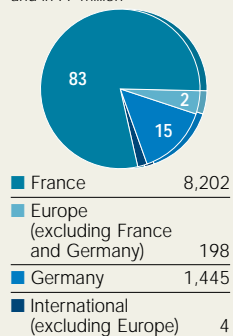
by line of business  
expressed as percentage  
and in FF million



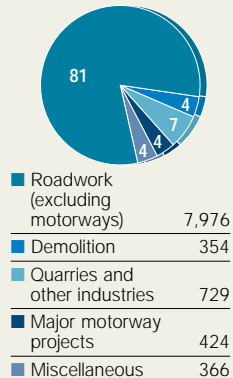
### Roadwork

FF 9,849 mio

by geographic area  
expressed as percentage  
and in FF million



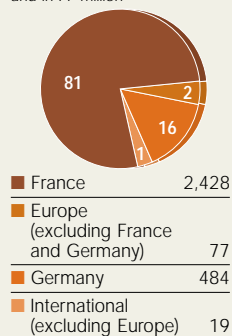
by line of business  
expressed as percentage  
and in FF million



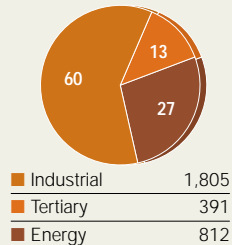
### Engineering and electrical work

FF 3,008 mio

by geographic area  
expressed as percentage  
and in FF million



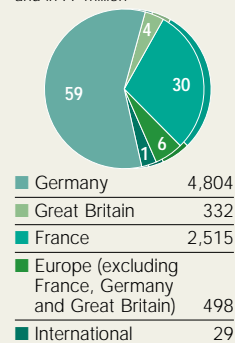
by line of business  
expressed as percentage  
and in FF million



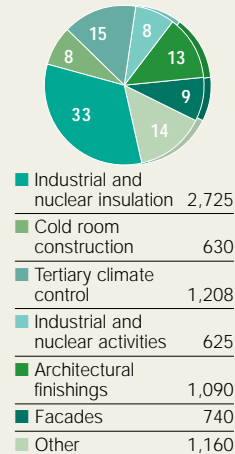
### Thermal and mechanical activities

FF 8,178 mio

by geographic area  
expressed as percentage  
and in FF million



by line of business  
expressed as percentage  
and in FF million



# Locations





- *Building and civil engineering*
- *Roadwork*
- *Engineering and electrical work*
- *Thermal and mechanical engineering*

# Board of directors report

After a very difficult year in 1995, marked by a worsening situation for its German subsidiaries, in 1996 SGE continued its process of putting its under-performing sectors back on a sound footing and preparing the structures of the future.

These actions were unfortunately implemented against a background of sharply deteriorated market conditions in France and Germany, two countries where the Group does 80% of its business. In addition to a reorganization of operations per se, this situation has led the group to keep up its efforts of the last three years or more to tailor Group structures to the continuing recession on the market, whilst avoiding making more concessions to the pressure of competition than is reasonable.

As a result, in 1996 business volume was absolutely in line with the initial budget forecast, posting total sales of FF 43 billion, a fall of 5%. Earnings are once again quite substantially negative, a loss of FF 372 million, compared with FF 933 million in 1995, because this figure reflects the consequences of the general economic downturn, in particular on the French market, as well as the very high costs of the reorganization measures taken in various countries.

## BUSINESS IN 1996

Total SGE Group earnings in 1996 were FF 42,983 million, down 5% on the previous year.

Taking a comparable structure, the variation is -5.1%, as the various modifications have, on balance, had no significant effect on the sales figure from one year to the next.

Business conducted abroad amounted to FF 17,530 million, representing 40.8% of total sales. The breakdown of business between the different divisions, taking the new Group organization as a basis, is the following:

in FF million	1995	1996	Outside France
Building and civil engineering	21,981	21,903	9,530
Roadwork	11,631	10,037	1,662
Engineering and electrical work	3,032	3,013	579
Thermal and mechanical activities	8,609	8,342	5,825
Other and double counts	-1	-312	-66
<b>Total</b>	<b>45,252</b>	<b>42,983</b>	<b>17,530</b>

The breakdown by geographic area remained very similar to what it was in 1995, with a share of operations in France staying at 59% and a slight reduction in Germany (from 22% to 21%), offset by an upturn in Great Britain (from 6% to 7%), partly due to the favourable development of the sterling exchange rate. In line with the Group's international development strategy, SGE continues to perform 90% of its operations in European countries, France included.

It should however be pointed out that the German subsidiaries suffered a decline in business volume that, at 10%, was above the Group average. Apart from the effects

due to the economic situation itself, this variation is the result of the reorganization process started in Germany two years ago.

## FINANCIAL STATEMENTS

The consolidated statements of income for 1996 show a total loss (Group share) of FF 372 million (against a loss of FF 933 million in 1995).

The breakdown in terms of the geographic location of the entities concerned is as follows:

<i>in FF million</i>	1995	1996
French subsidiaries (inc. holdings and Cofiroute)	446	92
German subsidiaries	-838	-489
British subsidiaries	-150	-110
<b>Total</b>	<b>-542</b>	<b>-507</b>
Berlin property	-391	-386
Capital gains from Saint-Gobain transfer	-	520
<b>Total</b>	<b>-933</b>	<b>-372</b>

The table above shows, in addition to the very significant impact of the transfer of SGE's interest in Compagnie de Saint-Gobain this year, the noticeable improvements in Germany, and to a lesser extent Great Britain, though the businesses in these two countries still posted a loss. However these improvements were offset by the smaller positive contribution of the French subsidiaries, caused by deterioration of the roadwork market, but above all, by the extremely poor performance of Sogea in East Africa.

Moreover, an examination of the statement of income reveals, along with the impact of Sogea's losses in the operating account, the gradual reduction of net financial charges, down from FF 106 million in 1995 to FF 62 million in 1996, brought about by diminution of corporate debt and the drop in interest rates.

Under exceptional items, restructuring costs are still a heavy expense (FF 435 million, compared with FF 484 million in 1995) and the effect of the transfer at the end of 1996 of the Berlin property projects (Lindencorso, Anthropolis and Friedrichstadt Passagen) amounts to FF 386 million. Half of this amount is accounted for by reserves to cover the risks related to the leases contracted for the projects, twenty and thirty years for the first two and fifteen years for the third.

As regards the financial indicators, the 1996 accounts show a surplus of cash flow over financial debt of FF 3.3 billion, an improvement of some FF 3.8 billion against the end of year position in 1995.

The reduction of SGE's debt is mainly due to financial divestment during the period, to the disposal of the Berlin property assets and the management of receivables. It is



also the result of the positive trend taken by cash flow from operations in almost all the Group's operating units.

The corporate financial statements of the parent company SGE showed a FF 58,054,139.18 profit, as compared with a FF 851,994,738.10 loss at end-1996.

It is proposed for your approval to allocate FF 55,151,432.18 to "retained earnings", with allocation of the remaining FF 2,902,707 to the legal reserve. We remind you that the retained earnings position had been cleared and reduced to nil subsequent to the major corporate losses of 1995.

As required by law, we hereby remind you that no dividend was distributed for 1995, and the distribution in 1993 and 1994 was as follows:

Year	Number of shares	Net dividend	Tax credit	Total dividend
1993	24,543,375	5.00 F	2.50 F	7.50 F
1994	29,197,859	5.00 F	2.50 F	7.50 F

Finally the expenditures referred to in Article 39.4 of the French General Tax Code amounted to FF 175,595 in 1995.

## 1997 OUTLOOK

The prospects for 1997 have to be seen against the background of the reorganization measures that were begun during the second half of 1996, that will make themselves felt in the current year.

These measures can be split into two major categories.

One category consists of the integration into SGE of several companies operating in construction and civil engineering that had hitherto been direct subsidiaries of Compagnie Générale des Eaux or of some of its subsidiaries. This reshuffle confirms SGE as the leader of Compagnie Générale des Eaux' construction pillar – bringing together all its construction works activities.

Thus, by decision of the extraordinary general assembly of January 30<sup>th</sup> 1997, GTIE and Santerne, engineering and electrical works companies, were contributed as a means of significantly reinforcing the Group's potential in this sector, bringing additional business of a value of FF 8 billion. Moreover, at the end of 1996 SGE acquired from Compagnie Générale des Eaux 40% of the capital of Compagnie Générale de Bâtiment et de Construction (CBC), with a view to taking a controlling interest before the end of the first half of 1997. CBC realizes approximately FF 5 billion sales in building in Europe and the rest of the world.

The other category concerns the completion of the reorganization process consisting of dividing SGE's lines of business into four divisions: Building and civil engineering, Engineering and electrical work, Roadwork, Thermal and Mechanical Activities (cf. the simplified flow chart of the new SGE Group structure on page 5). The choice has been

made for a strong, clear form of organization, which should foster the emergence of internal synergies, especially as regards joint transversal projects and international development.

The directors of the five companies at the head of each division make up, along with SGE Corporate Management, the Executive Committee, which is more streamlined than in the past.

It is expected that in its new form the group will realize sales of around FF 52 billion - FF 25 billion in building and civil engineering, FF 11 billion in engineering and electrical work, FF 10 billion in roadwork and FF 7 billion in thermal and mechanical activities, which is an apparent increase of 21% over 1996, but a 9% reduction on the basis of comparable structures. This contraction, though it is probably somewhat in excess of the forecast market downturn, is nonetheless a necessary precondition for a return to profit-making, given the need to be even more selective in choosing which business to pursue.

## EQUITY OWNERSHIP – QUOTATIONS

As of December 31<sup>st</sup> 1996, the shareholders' equity of your company was divided into 30,414,182 shares with a par value of FF 85 (representing total nominal capital of FF 2,585,205,470). The variation of approximately 217,000 shares from the previous year was due to subscriptions to the Group employees' savings plan as part of 1996 payments.

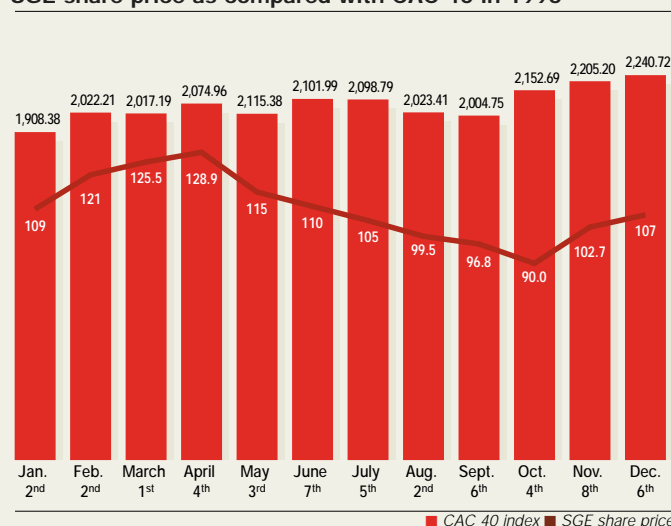
As of December 31<sup>st</sup> 1996, Compagnie Générale des Eaux held 80.16% of your company, and employees, through the Group savings plan, held 1.2%.

Trading of the stock on the Paris Bourse in 1996 fluctuated between a high of FF 136 and a low of FF 91, closing at the end of December at FF 112.

In the first few months of 1997 there was renewed interest in SGE stock, with a significant rise in share price and volume of trading, in particular following the extraordinary general assembly of your company on January 30<sup>th</sup> 1997 that approved the contribution of GTIE and Santerne.

The above-mentioned contributions resulted in an increase in the number of shares (totalling 39,905,622) and in Compagnie Générale des Eaux holding a larger interest (85%) in your company.

**SGE share price as compared with CAC 40 in 1996**



## PERSONNEL INFORMATION

As of December 31<sup>st</sup> 1996 the workforce in the Group's various subsidiaries amounted to 54,838 people, roughly 2,500 fewer than on December 31<sup>st</sup> 1995.

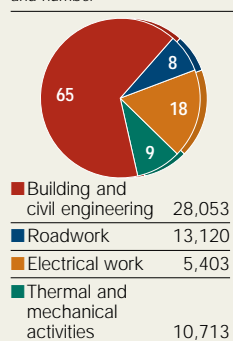
Apart from the structural reorganization measures, this figure reflects the impact of new hirings (2,745 people), illustrating the concern of operational management to continue to absorb younger staff despite the economic difficulties. The deconsolidation of some entities resulted in a decrease in the workforce of some 450.

A breakdown by socio-professional category produces the following table:

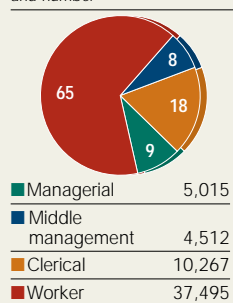
	France	Other countries	1995 Total	France	Other countries	1996 Total
Management	4,370	1,081	5,451	3,937	945	4,882
Supervisors	8,830	6,308	15,138	8,367	5,480	13,847
Manual workers	18,279	21,224	39,503	17,431	18,678	36,109
<b>Total</b>	<b>31,479</b>	<b>28,613</b>	<b>60,092</b>	<b>29,735</b>	<b>25,103</b>	<b>54,838</b>

representing a decrease of 8.7% (10.4% for managerial staff, 8.5% for supervisory categories and 8.6% for manual workers). SGE Group's average workforce in 1996 was 57,289 people (compared with 60,898 in 1995).

**Average SGE workforce by division** 57,289  
expressed in percentage and number



**Average SGE workforce by socio-professional category**  
expressed in percentage and number



## HUMAN RESOURCES

As regards recruitment, Group policy focussed on hiring young engineers and building up the partnerships with the top educational institutions. SGE continued to make special efforts to employ and integrate jobless young people under 26, as part of the scheme entered into by the Group with the French Ministry for Labour. Since the signing of this agreement in 1995, more than 1,500 unemployed young adults have been able to commence their working career and receive training in the Group's subsidiaries and projects.

In Group vocational training policy the prime focus was on work-site personnel, both in terms of initial training of young staff and of specific workstation-oriented courses, with the dual objective of improving quality and preventing occupational injury.

The security policies implemented in the Group's subsidiaries have led to the introduction of various prevention, communication and incentive schemes in order to motivate personnel to achieving a number of ambitious prevention objectives.

Lastly, staff mobility in all categories was encouraged, both within the Générale des Eaux Group – into the high growth sectors – and within SGE, between subsidiaries, but mainly between the different parts of the world where the Group does business.

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## QUALITY

In the field of quality, the policies implemented over the last few years by Group subsidiaries in partnership with various auditing, monitoring, inspection and certification bodies have culminated in ISO 9001 or Qualibat certification in a large number of the Group's units. A notable achievement is that in several lines of business, SGE subsidiaries are spearheading progress by obtaining, or even renewing, certification well before their competitors.

## RESEARCH AND TECHNICAL INNOVATION

The Group's efforts in the areas of research and innovation are bearing fruit, both in terms of the day-to-day work done to improve work-site performance and by means of the major R&D programmes conducted alone or in partnership with others.

In the area of construction technology, Campenon Bernard has continued to experiment with pleated web bridge decks and the development of connections for tunnel arch liners, Freyssinet has continued its work on the anchoring of pre-stressing in foundation slabs and bridge decks.

In the area of materials, Campenon Bernard SGE has further developed its research work into concrete strength for the design of high performance concrete. Tunzini has continued its investigations into fire-retardant materials; Cochery Bourdin Chaussé and Viafrance are working further on material recycling in road operations.

## THE BOARD OF DIRECTORS

At the end of 1996 Mr. Jean-Marc Espalioux tendered his resignation as Director. At its meeting of April 1<sup>st</sup> 1997, the Board co-opted to replace him Mr. Guillaume Hannezo, financial director and Executive Committee member of Compagnie Générale des Eaux. This choice is submitted to you for endorsement.





# Business in 1996



## Building and civil engineering

20	Sogea
24	Norwest Holst
26	Campenon Bernard SGE
32	Freyssinet



## Roadwork

36	Cochery Bourdin Chaussé
38	Viafrance
40	SGE VBU



## Engineering and electrical work

44	SDEL
46	GTIE
47	Santerne



## Thermal and mechanical activities

50	G + H Montage
52	Nickel
53	Tunzini
54	Wanner
55	Lefort Francheteau

## BOT and other activities

56	Concessions
59	SGE Environnement



# Building and Civil Engineering

MADE UP OF SUBSIDIARIES OF BUILDING AND CIVIL ENGINEERING GENERAL CONTRACTORS – SOGEA, NORWEST HOLST, CAMPENON BERNARD SGE AND ITS GERMAN SUBSIDIARIES- TO WHICH MUST BE ADDED FREYSSINET, SGE'S BUILDING AND CIVIL ENGINEERING DIVISION IS PRESENT AROUND THE WORLD. ■ ITS CONSOLIDATED SALES IN 1996 AMOUNTED TO 21.9 BILLION FRANCS, EXCLUDING THE EFFECT DUE TO ITS 40% SHARE IN CBC, REPRESENTING A FALL OF 0.4% AGAINST 1995. DESPITE BETTER RESULTS BY CAMPENON BERNARD SGE, CONTINUING RECOVERY BY NORWEST HOLST AND FREYSSINET'S RETURN TO PROFITABILITY, THE CONTRIBUTION OF BUILDING AND CIVIL ENGINEERING TO THE GROUP'S RESULTS WAS DIMINISHED AS A RESULT OF HEAVY LOSSES ON SOGEA'S ETHIOPIAN PROJECT AND ON THE CONSTRUCTION OF THE EOLE CONDORCET STATION, IN ADDITION TO LARGE SCALE COSTS OF REORGANIZATION -334 MILLION, COMPARED WITH -101 MILLION IN 1995. ■ IN 1997 CBC WILL BE INTEGRATED – THE INTERNATIONAL ACTIVITIES OF THIS COMPANY GOING TO CAMPENON BERNARD SGE, AND THE FRENCH SUBSIDIARIES BEING SPLIT, AS SHOWN

The bridge over the Tagus will be opened in March 1998 for the Lisbon International Exposition.

The new breakdown of building and civil engineering in France





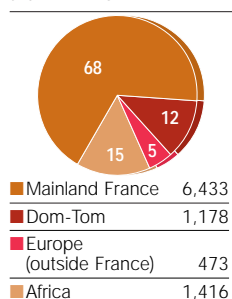
Sogea's volume of business was badly hit by the unfavourable economic situation in 1996.

In total, and in line with the start of year forecast, Sogea sales were down by 6%, at FF 9.5 billion, compared with FF 10.1 billion in 1995. This drop was particularly marked in the Ile-de-France area around Paris, where Sogea is more specialized in building, but sales contracted by 7% in mainland France, 2% in the Dom-Tom overseas departments, 9% in Belgium and 3% in Africa.

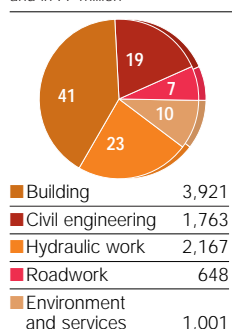
Against this background, and prior to taking over the CBC subsidiaries in the east, north, west and south-west of France, Sogea decided to refocus on three major complementary lines of business that constitute its core businesses: building, civil engineering and hydraulic work. This refocussing led the company in early 1997 to transfer its household waste collection and processing activity to the structure set up by Compagnie Générale des Eaux to perform all the waste-related operations in the Group. In parallel, Sogea also drastically cut its overheads in 1996, in particular by implementing a plan to reduce staff at head office by one third, meaning that company business will in future be organized into three operational divisions, one for Ile-de-France, one for the rest of France and a third for international and specific projects. With the addition of Norwest Holst, this represents a coherent division of the different lines of business. As a result of the costs of this reorganization and Sogea's difficulties in East Africa, the company posted a loss of FF 377 million in 1996 (as compared with earnings of FF 92 million in 1995).

**The Tanus viaduct, over the Vaur, was built by Dodin. Its central span measures 190 meters.**

**Sales by geographic area**  
expressed as percentage and in FF million



**Sales by line of business**  
expressed as percentage and in FF million



## MAINLAND FRANCE

**In the area of building,** Sogea realized sales of FF 3.4 million in mainland France in 1996. Faced with a recession affecting the lines of business where it traditionally held a strong position, such as public housing and public building, and in a situation where public investment seems to have stagnated for some time to come, Sogea directed its efforts in 1996 towards the more buoyant markets today of renovation, private residential construction and industrial building. For example, Sogea renovated more than 700 housing units in the Porte des Flandres area of Amiens, and performed similar operations on 439 public housing units at Romorantin. During the same period, the company's subsidiary Sicra, renovated 3,000 public housing units in the Ile-de-France area. Sogea's experience on this market was rewarded in the huge emergency housing



construction and renovation operation started by the Ministry for Housing during the winter of 1995-6.

In addition, a number of other projects – the Atmel microprocessor plant at Le Rousset, (Bouches-du-Rhône), the factory that will manufacture the Smart for Mercedes and Swatch in Hambach (Moselle), the construction of buildings for missiles for Aerospatiale in Bourges, and laboratory buildings for Renault in Guyancourt – illustrate Sogea's commercial vitality in the industrial building sector. Towards the end of the year Sogea Est was selected for the design and build of a household waste processing plant in Mulhouse, while Sogea Rhône-Alpes will be performing the extension and upgrading to current standards of the waste incineration plant at Bourg-Oisans.

On its more traditional markets Sogea performed the construction or renovation of hospitals in Tours, Lannion, Bédarieux, Levallois and Biarritz; the largest project was the European Georges-Pompidou hospital on the Quai de Javel in Paris. Despite the complexity of the operation, the shell construction of this hospital, which will replace four existing ones in Paris, was successfully completed during the year. In addition to these projects, there was also the construction or renovation of court buildings in Melun, Béthune, Grasse and Evreux, and of many school buildings, such as the lycées in Orléans, Luisant (central France) and Rouen, or the Henri-Beaumont secondary school in Beauvais, a contract won under the METP public works contracting procedure. In the area of higher education, Sogea also delivered student accommodation, a teaching unit for the national centre for regional administration in Pantin, and the training school for the Ministry of Education in Poitiers.

**The European Georges-Pompidou hospital will replace four other existing ones in Paris. Sogea completed most of the shell construction in 1996.**

**In the field of public works,** Sogea continued work, as a consortium member, on the underground rail station in Monaco, on the Saint-Lazare Condorcet station where the



new Eole line will connect with the Parisian network, as well as the renovation of a ventilation structure in the Fréjus tunnel.

The Tanus (Aveyron) viaduct, which will take the RN88 road over the Viaur valley, setting a new record for cantilevered bridges with a span of 190 metres, will be built by Dodin Sud, as will the Vernègues viaduct, near Aix-en-Provence, which will carry the TGV South-East line extension.

**In hydraulic engineering**, where Sogea is one of the leading French firms, outstanding features of the year were the extension of the drinking water supply system in Montpellier, the second phase of the Eurodisney project in Marne-la-Vallée, and the extension of a drinking water purification plant in Luçon.

In Rennes, Beauvais, Charleville, Gien, Solvay, Dole, Laval and Richemont, Sogea performed the civil engineering work on purification plants.



**The viaduct at Vernègues (Bouches-du-Rhône) is one of the main structures in the TGV South-East line extension.**

## OVERSEAS TERRITORIES AND DEPARTMENTS

After a downturn of 22% in 1995, Sogea's volume of business stabilized at FF 1.2 billion. Dodin Guadeloupe was involved essentially in public housing construction, while Sogea Guadeloupe focussed on water supply services for 80% of the population of the island and on the neighbouring islands. In Martinique, one of the highlights of the year was the construction of the La Falaise and Montgérald bridges, along with the start-up of the Fort-de France purification plant. On La Réunion and Mayotte, the group's subsidiaries are involved in major public housing construction and irrigation projects.

## EUROPE

**In Portugal**, the Vale do Ave composting facility successfully completed its first year of operations, while the construction work on the Frielas water treatment plant north of Lisbon has been continuing in partnership with Hagen, a Campenon Bernard SGE subsidiary.

**In the Benelux**, the expected slowdown in business activity was limited. For Air Liquide, Denys performed the laying of a 45km industrial gas pipeline supplying the port of Rotterdam, the construction of a pumping station in Gent and the laying of a 12km oil pipeline supplying the port of Terneuzen.

## AFRICA

With sales at FF 1.4 billion in 1996, Sogea's activity on the African continent was down by 5% on the previous year.

**Sogea has extensive presence on the markets of French-speaking Africa**, in particular through its subsidiary Satom, and was able to successfully perform a large number of road or hydraulic projects. Particularly noteworthy in 1996 were, in Gabon, the completion of 56 kilometres of coated surface road between Bifoun and Ndjolé, and the start-up of a 107 kilometer section between Mitzic and Oyem. In Ghana, Guinea, Togo, the Benin, Niger, Tchad and the Central African Republic, many operations involving the construction or maintenance of earth, surface dressed or asphalt concrete roads were performed satisfactorily. In addition, there were several civil engineering projects, such as the Saddiola gold processing facility in Mali, the Tombo III power station in Guinea and school buildings in Gabon.

**In East Africa**, however Sogea encountered considerable difficulties with the roadwork and water supply operations in Tanzania, Malawi, Kenya and Uganda. Moreover, the renovation work on the road link from Mille, in Ethiopia, to Assab in Eritrea ran into serious problems, obliging Sogea to set aside large provisions.

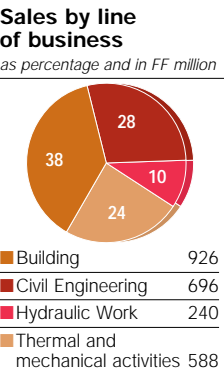
**In Morocco**, hydraulic work, in particular pipelines and purification plants, has gone ahead, and a start was made on the large project involving the manufacture and laying of some 230 kilometres of irrigation channels at Tadla, near Marrakech.

**In Gabon, the Bifoun-Ndjolé road was completed and work started on the Mitzic to Oyem section.**



# Norwest Holst

The U.K. construction market bottomed out in 1996 at its lowest ever level in terms of its share of the gross domestic product (7.5%). While the plans to cut public spending have had a direct impact on civil engineering, public building and housing projects, the improvement in private investment gave a definite boost to building, particularly in the private residential sector (35% increase in housing starts). In this more favourable environment, Norwest Holst easily attained its objectives for the third year of its recovery plan. Sales, at £275 million were down 10.5% against 1995 (though up in FF because of the exchange rate effect, at FF 2,450 million against FF 2,340 million). The year's operating loss, down to £6 million, was reduced by a factor of three.



**Civil engineering** showed a slight downturn (28% against 33%). Work on the Deeside River crossing in Wales, where Freyssinet has been selected for the cable stays, is making satisfactory progress despite the difficult wind conditions. On the Hackney Link, the bypass in the London suburbs, contract no.4 (£55 million) is moving ahead on schedule, with the second tunnel now authorized; a contract for a new section has just been won. The second Davyhulme purification plant is also among the largest ongoing projects in 1996. In earthmoving, John Jones enjoyed a successful year, with several major contracts, such as Derby and the A1/M1, making the company one of the leading operators in earthmoving in the U.K.

**In building**, a sector accounting for a growing share of Norwest Holst's sales, the year's operations enjoyed considerable improvement. The number of firm or potential orders rose, and a major contract was signed for Manchester University (£10 million). The level of firm or potential orders on the company's books makes it possible to hope that business volume will recover to somewhere around £100 million per annum as of 1997. In London, Norwest Holst carried out a large refurbishment project (£15 million) for Harrods.

Rosser and Russel engineering services have benefited from the

**Widening of the M1 in Leicestershire was completed in less than ten months by Norwest Holst's civil engineering division.**





improved economic situation, with several significant contracts being secured (Daiwa Bank, Queensbury House, SmithKline Beecham) - most of the work is due to be performed in 1997 - but conversely has suffered from tensions caused by overheating on the labour market in its lines of business.

In the area of public housing development, Holst was hit by the combined effect of cuts in social benefits and the turnaround on the private market, as confirmed in South-East England.

Norwest Holst's property assets, transferred earlier to Spuk, a Sogea Holdings subsidiary, are now, after re-organization, almost fully rented out (90%). Lastly, Norwest Holst took over G + H Montage's English subsidiaries; after re-organization, some of this business will be integrated into its operating scope in 1997.

**Business in the area of utilities** was consolidated by the acquisition or renewal of multi-year contracts, involving design and planned operations. In industrial services, one of the largest operations took place outside the country (a system of industrial pipes for BASF in Antwerp, with ABB engineering). The special foundations subsidiary enjoyed steady business, despite difficulties on the soil investigation market.



**The Portland Building**  
houses  
the Environment  
Faculty of the  
University  
of Portsmouth.  
It won the 1997  
Civic Trust Award.

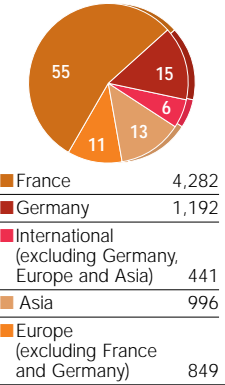


# Campenon Bernard SGE

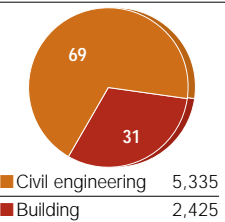
**The sales figures for** Campenon Bernard SGE, which shares its operations equally between major-projects and branch office activities in France and Germany, enjoyed mixed fortunes in 1996. The French subsidiaries performed quite well despite the economic recession, whereas in Germany both orders and current business declined substantially. In the area of major-projects, the main events of the year were the favourable outcome of the arbitration procedure in the dispute over Karachi Airport, high production levels in projects in Europe, such as the bridge over the Tagus, the Athens metro or the Stade de France, as well as a sharp drop in international orders, more than offset by the number of orders booked in France.

On a market in recession for the fifth consecutive year – marked by the emergence of new forms of competition – Campenon Bernard SGE succeeded in protecting its fundamentals. The breakdown of sales also stabilized: the proportion of building to civil engineering has remained at one third/two thirds respectively; major-project work is roughly on a par with subsidiary and branch office operations, and it is only in terms

**Sales by geographic area**  
*expressed as percentage and in FF million*



**Sales by line of business**  
*expressed as percentage and in FF million*



**The Kwai Chung viaduct**  
in Hong Kong,  
on the road to Chek  
Lap Kok airport.

of the geographic distribution that there is a slight change – a small increase in the volume of work in France (55%), compared with other countries (45%). In 1996 Campenon Bernard SGE posted sales of FF 7.8 billion, a non-significant increase compared with 1995 (FF 7.4 billion).

The company has attached special importance to preserving its technical potential, developing its R&D policy, improving and extending its Quality certifications; it has also undertaken far-reaching action in the area of prevention of accidents at the workplace. In 1997, with the contribution provided by CBC widening its scope and operational capacity, Campenon Bernard SGE will strike a good balance between building and civil engineering, French and foreign markets.

With FF 77 billion worth of orders on its books at the end of the year, the level remained very close to that of the previous year, but a breakdown of its component elements illustrates the mixed fortunes enjoyed throughout the period. Orders outside France, including Europe, declined by some 36%, while in France, the order book registered a total increase of around 30%. For the most part this development is





attributable to the major-projects sector alone, branch office and subsidiary business having entered a quite noticeable recession.

**The Stade de France in Saint-Denis will be able to offer a venue for events with crowds of up to 100,000 people. It will be officially opened before the 1998 World Cup.**

## MAJOR PROJECTS

With sales of FF 4 billion realized in 1996, compared with FF 3.7 billion the previous year, Campenon Bernard SGE's major-projects sector (which includes large-scale earthworks) registered business growth of more than 30% over the year in France, while the decline in orders taken in 1995 produced a substantial downturn in the volume of work abroad.

On the TGV South-East route, the Marseille tunnel and Ventraben viaduct operations moved ahead at a brisk pace. The notable events in motorway work were the Orelle tunnel on the A43, and the Crozet viaduct for Area . The Colombes purification plant project is part of the current works schedule, delivery being planned in October 1998. Following completion of the shell construction of the Stade de France in Saint-Denis, the installation of the 18 sections of the metal support structure for the roof began in August, a complex operation lasting 9 months. At the end of the year, work was progressing according the very tight works schedule.

**Abroad,** several major projects were completed in 1996. In Pakistan, the first power supply from the Hub River thermal power station was officially celebrated on July 4<sup>th</sup>. Completed by the end of the year, this plant provides almost 15% of Pakistan's electricity requirements. In Asia, the Kwai Chung viaduct was delivered on schedule. Regarding the contract, agreement was reached with the customer on the settlement of disputes. Work continued on the digging of 25 kilometres of sewage tunnels in

Hong Kong until mid-1996, after which the tunnelling machines had to be stopped because of persistent substantial leaking. The customer refused to assume the contractual and financial consequences of this situation and on November 26<sup>th</sup> declared the contract to have lapsed. Procedures are underway to protect the interests of the group. In the Middle East, Campenon Bernard SGE won and began, in partnership with a Japanese company, work on the construction of two 140,000 cubic metre LNG storage tanks in Qatar. A contract for a third tank was awarded at the end of the year. In Lesotho, all the galleries and pools needed for supplying water to South Africa are nearing completion. In Denmark, the engineering work on the Storebælt crossing was completed in April 1996, with delivery of the northern tunnel, enabling Danish Railways to plan for the start of a commercial service on the line in March 1997.

The first sector of line 2 of the Cairo metro was officially opened on October 1<sup>st</sup> 1996; work extending line 2 under the Nile to Gizeh has started, both on the galleries



**The first sector of line 2 of the Cairo metro was commissioned on October 2<sup>nd</sup> 1996, while the extension work continues.**

and the stations. Operations on the Athens metro project suffered the consequences of the stoppage of both tunnelling machines, one because of unforeseen geological conditions, and the other due to the discovery of some ancient wells. Attempts to seek with the client contractual and technical solutions to these problems have so far been unsuccessful, whereas the civil engineering operations are 75% completed.

Construction work on the Vasco da Gama bridge over the River Tagus has

moved ahead at a brisk pace, with the production and laying of beams and pre-cast segments on the viaducts. Good progress on other structures means that it should be possible to complete the bridge by the expected deadline of end of January 1998.

Major-projects had booked orders at the end of the year for a total value of FF 5 billion, most of this being work in Europe and above all in France. These orders include the building of the Val metro in Rennes. Near the end of the year, Cofiroute awarded Socatop, owned for one third by Campenon Bernard SGE, a contract for the first phase of the TOP road project, which will have the A86 motorway cross the west of Paris. This first phase will consist of the Rueil-Vaucresson link, includes a 4.5 kilometer tunnel with three three-lane carriageways one above the other, for a total value of FF 3,750 million, to be performed in five years.

## BRANCH OFFICES AND SUBSIDIARIES

Total sales for these companies in 1996, were FF 2.62 billion, a figure very close to the one posted the previous year. With the exception of EDIF in the Paris region, and to a lesser extent Campenon Bernard Sud, which both recorded an increase, all the other regional undertakings suffered a year of stagnation or decline in activity.

**In building**, there were several major office building operations: at Saint-Ouen, the head office for GEC Alsthom

Transports; at la Défense, the Belvédère Tower for KPMG, a tower and another building for Philip Morris, and the renovation of a building for Indosuez. In Bordeaux, good headway was made on the Cité Judiciaire project. A number of school building operations continued, two of which in the Paris region followed the METP public works contracting procedure : the lycées Eugène-Delacroix in Drancy and Jean-Perrin in Longjumeau.

In public housing a programme is under way in Lyon, as part of the Eurorex procedure; several operations are being conducted in the South-East : at L'Isle-sur-la-Sorgue, La Ciotat and Sanary-sur-Mer, as well as a number of programmes around Paris, in particular at Champigny-sur-Marne, Bondy and Villejuif.

**In civil engineering**, contracts were won for a number of standard structures on the TGV South-East line, on the A719, the A77 and the A84. The Cuvier tunnel, a new collector under the Seine, was handed over in November 1996; it will be followed by another sector, which comes in addition to the work to double up the ru des Espérances collector north of Paris.

The construction work on the Socodei multi-purpose industrial storage building on the Marcoule nuclear site continued to advance and will be completed for delivery in early 1997.

For Botte BTP the most significant project has been Stade de France, where the company performed most of the foundation work. EMCC however recorded a slight down-turn in business, the maritime and inland waterway works market remaining quite slow in the absence of any major projects for navigable waterways. The main activities for the year were the execution of a turning basin in the port of Bayonne, dredging operations in the Rhône for the Mediterranean TGV and the completion of dredging operations in the Tagus.



**GEC Alsthom Transport's head office was a design and build operation completed in 17 months by EDIF.**



**The earthmoving sector** once again enjoyed a steady volume of business, with the continuation of a number of different operations: for Cofiroute there was the enlargement of the A11 motorway between Luigny and La Ferté-Bernard, construction of the sections between Corzé and Brion, and Saint-Nicolas-de-Bourgueil and Restigné on the A85 motorway; for SAPN the A29 section from Yvetot to Saint-Saëns, and for ASF, the section from Montauban to Cahors on the A20. New works also started during the year: La Chapelle-Auzac to Brive on the A20 motorway, and for SNCF, the Valence to Crest section of the Mediterranean TGV.

## OBG – OBAG – SGE HOCH- UND INGENIEURBAU

**In Germany**, general contracting is performed by Olympia Bau (OBG) located in Berlin and the Land of Brandenburg, Ostsächsische Bau (OBAG) in Saxony, Urban Bau and Klee in the western part of Germany. The German construction market has suffered both from a slowdown of growth in the East and a recession in the West.

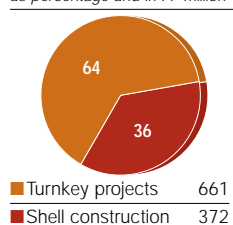
The dislocation of the Berlin market led OBG to be much more selective in accepting orders. In Saxony, OBAG has kept an acceptable level of volume and profits in its Bautzen operations, but is suffering from the growing competition in the Dresden area. The figures returned for the year reveal therefore a considerable downturn in business for OBG (15%), contrasted with a slight rise for OBAG (6%) and a twofold increase for Urban BTP – due to special circumstances specific to this year. Noteworthy for OBG was the delivery of the shell construction of sixteen residential buildings on Branitzerplatz in Hellersdorf, a complex of 18 buildings comprising 270 housing units, built jointly with Urban BTP, a hotel and a shopping centre near the Berlin-Schönefeld airport, the office block and shopping centre near Allee der Kosmonauten in Berlin.

A start was also made on a project comprising 88 housing units on the Parkstrasse in Berlin. UBG, the OBG subsidiary based in Schwedt, completed the shell construction of the shopping centre in Basdorf, north of Berlin. OBAG began construction work on one building and renovation on a second for the Bautzen savings bank.

Major-projects work in Germany is performed by the subsidiary SGE Hoch-und-Ingenieurbau, which delivered the Lindencorso building complex in Berlin at the end

**Sales by type of business**

as percentage and in FF million



**The Lindencorso complex**  
(offices, shops and housing units)  
was officially opened  
in May 1996.

of May 1996, as well as three office buildings at Dianapark in Babelsberg. The project to build three other office complexes (on Reinhardt Strasse in central Berlin) remains contingent upon the client obtaining the necessary financing, and for the moment only preparatory demolition work has been completed.

Order levels at the end of the year were down by half compared with end of 1995; this trend, reflecting a more selective approach towards accepting orders, especially affects OBG and SGE Hoch- und Ingenieurbau, whose future work programme has been considerably reduced. Under these circumstances, these subsidiaries have had to continue to implement measures to tailor their capacity to market opportunities. This, combined with poor profit margins, has once again produced a result that shows a substantial loss, though it is nonetheless a clear improvement over the previous year.

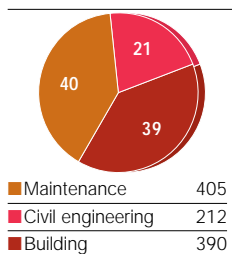
## KLEE

The Klee group, based in Mannheim and whose operating management is provided by Campeon Bernard, focuses on two main markets, traditional building (shell construction and turnkey) and property maintenance and renovation. The continuing worsening of market conditions since 1994 has forced the company to reduce its traditional building activity, which will be concentrated around Mannheim and Stuttgart, and refocus its business towards design and build. Micro-tunnelling, considered a high risk activity, has been stopped.

Thanks to the renewal of a large number of contracts, the property maintenance side of the business continued to grow in 1996 and produced positive profit margins. In total, thanks notably to a major contract in Russia, the Klee group maintained steady output (FF 1,007 million) and broke even in 1996.

### Sales by line of business

*expressed as percentage and in FF million*



**The clinic at Oggersheim.**  
Klee is to complete the shell construction by mid-1997.

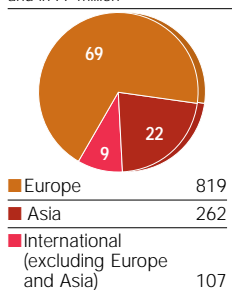


# Freyssinet

Freyssinet's specialties – pre-stressing, stay-cabling, hoisting and handling, manufacture of industrial products and specialized engineering – enabled the company to realize sales of FF 1.62 billion in 1996, up 8.7% over the previous year, on the basis of comparable structure. This growth in business was mainly attributable to the non-consolidated subsidiaries in South-East Asia and Latin America, therefore the consolidated sales figure, 60% of which was generated abroad (22% in Asia), remained stable at FF 1.2 billion, after correction for the deconsolidation of Europe Etudes Gecti (FF 135 million in sales), which was transferred at the end of the year.

Thanks to the techniques developed by the company, Freyssinet has been able to maintain a steady volume of business, offsetting the drop in new construction work by repair contracts. Its intensive research into repair techniques for suspension bridges thus enabled the company to perform the complete overhaul of the suspension on the Lorois bridge over the river Etel (Morbihan).

**Sales by geographic area,**  
expressed as percentage  
and in FF million



**In repair operations,** the outstanding events in France were the reinforcement of the valve mountings on the Grangent dam over the Loire river, near Saint-Étienne, upgrading for compliance purposes of the Casino supermarket in Angoulême, underpinning the foundations of the Paul-Doumer building in Courbevoie and reinforcement of the pre-stressing on the bridge over the River Seudre at Rochefort.

In Great-Britain, Freyssinet performed the complete renovation of the pre-stressing structures on the interchange at Guildford in South-East England. In Rumania, where

**The second bridge of the River Severn. Freyssinet performed hoisting operations, the pre-stressing for the masts and diaphragms, and installed 240 stay-cables.**





repair operations are increasing rapidly, a subsidiary was set up.

**New work** reached an intense level on all fronts:

- in Europe, work speeded up on the bridge over the Tagus, for which Freyssinet is providing the pre-stressing and the cable-stays, the Regua bridge in Portugal was completed, as was the Arbre viaduct in Belgium, in Great-Britain there was the bridge over the River Dee, Tecnavi's contribution to the project to build two cryogenic storage tanks in Italy as well as share of the work in the TAV railway; and finally in France, operations connected with the TGV South-East line were kicked off, and work on the European Parliament and the Civaux nuclear mock-up continued;

- in Asia there were many different operations: the Star City building complex and the metro in Kuala Lumpur, Malaysia; the Barito suspension bridge and the Bareleng arch bridge in Indonesia; the Ting Kau bridge in Hong Kong, and the Seohae viaduct in Korea; and last but not least, various other buildings, including the Singapore tax centre. Freyssinet will also be involved in the construction of the new nuclear power station at Ling Ao in China;

- in Australia, Freyssinet Austress has a share of the construction work on the Melbourne viaduct;

- in the Americas, the group was involved in the construction of the Linha Amarela urban roadway in Brazil, the cable-stay bridge in Pereira, Columbia, the Hibernia platform and the Prince Edward bridge in Canada. But it was in the United States that Freyssinet achieved its most outstanding results with the cable-stay contract for the Cape Girardeau bridge in Mississippi.

In this very promising context, the order book, which had already received quite a boost in 1966, made another enormous leap forward, and with virtually a full year's business already booked, reached a record high in the group's recent history. 1996 also saw the turn around of the group's cash situation and a return to positive profit figures (FF 9 million, as opposed to -FF 20 million in 1995).



**The Grangent dam.**  
Freyssinet carried out the reinforcement of the mountings of the large outlet valves.





# Roadwork

THE ROADWORK DIVISION, CONSISTING, IN FRANCE, OF THE COMPANIES COCHERY BOURDIN CHAUSSÉ AND VIAFRANCE, AND IN GERMANY OF VERKEHRS BAU UNION (VBU) , REALIZED SALES OF FF 10 BILLION IN 1996, 14% DOWN ON 1995 (FF 11.6 BILLION), THE GERMAN SUBSIDIARY SUFFERING A BIGGER REDUCTION THAN THE FRENCH COMPANIES. ■ THE DOWNTURN OBSERVED ON THE ROADWORK MARKET TURNED OUT TO BE VERY MUCH MORE EXTENSIVE THAN HAD BEEN GENERALLY EXPECTED. THE WEATHER CONDITIONS COMBINED WITH THE HESITANCY OF PUBLIC PROCUREMENT CLIENTS TO SLOW THE MOMENTUM OF AN AREA OF BUSINESS ALREADY BADLY HIT BY THE CUTBACK IN PUBLIC INVESTMENT SPENDING. IN 1996, THE FRENCH MARKET FELL BACK TO ITS LEVEL OF 1988 IN NON-INFLATION ADJUSTED TERMS. ■ THE DIVISION'S CONTRIBUTION TO SGE CORPORATE EARNINGS REMAINED NEGATIVE IN 1996 WITH A LOSS OF FF 171 MILLION: VBU'S REDUCED LOSSES NOT BEING OFFSET BY THE PERFORMANCE OF THE FRENCH SUBSIDIARIES THAT SUFFERED A SERIOUS DECLINE. THE COST OF REORGANIZING THESE COMPANIES HAD AN ADVERSE EFFECT ON THEIR EARNINGS IN THE CONTEXT OF A GENERAL SQUEEZE ON PROFIT MARGINS. ■





# Cochery Bourdin Chaussé

Like the French market itself, Cochery Bourdin Chaussé's sales suffered a decline of some 10% in 1996, down to FF 5,620 million, affecting all the traditional areas of activity in all parts of the country, more particularly in the Ile-de-France and eastern regions. Nonetheless a number of major motorway projects, such as the A64 section from Pinas to Villeneuve, the A837 from Rochefort to Charente and the A28 from Neufchâtel-en-Bray to Blangy in the Seine-Maritime region, furnished a steady supply of operations. Construction of the track at the BMW European test centre in Miramas, resurfacing the Saint-Germain to Feurs section of the A72, and runway refurbishment at Basel-Mulhouse airport were among the main projects completed during the year.

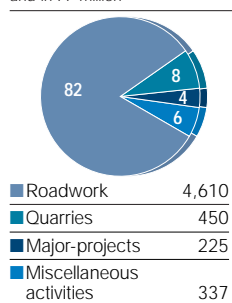
Broadening its range of services on offer, Cochery Bourdin Chaussé, in conjunction with SGE's BOT department and the Major-Projects for France Division of Campeon Bernard SGE, submitted a bid for the upgrading to motorway standards of the RN10 highway between Bordeaux and Bayonne (92 kilometres) as part of a BOT project.

In addition, Cochery Bourdin Chaussé took part in several international tender actions, mainly in Eastern Europe.

**The section of the A28 from Neufchâtel-en-Bray to Blangy in the Seine-Maritime region was completed by Cochery Bourdin Chaussé.**

## Sales by line of business

*expressed as percentage and in FF million*



**The industrial activities** of Cochery Bourdin Chaussé, whose binder plants, coating plants and quarries supply vital logistical support to the work sites, were also affected by the slump. The output of the binder plants (6 wholly-owned and 20 under joint ownership) reached 325,000 tonnes, down on the previous year as a result of the decline of the roadwork market as a whole. The same goes for the quarries ( 22 wholly-owned



and 16 under joint ownership), whose production level came close to 19 million tonnes, though this nonetheless puts Cochery Bourdin Chaussé among the domestic roadwork undertakings with the strongest positions in the field of aggregates.

**In the area of macadam operations,** the major motorway projects made it possible to do better than simply offset the drop in traditional activity : the group produced some 12 million tonnes from its 105 coating plants (27 of which are wholly owned).

After an initial effort that concentrated on in-house quality, involving all the branch offices, the quality drive that started two years ago culminated in ISO 9002 certification of the binder plants in Périgueux and Thourotte (Oise) and of the major-projects branch offices in the North-West and South-West regions. The objective is to obtain the same certification for all the branch offices during the first quarter of 1998.

The combined effect of the recession and reduced profit margins has, despite a substantial cut in operating costs, resulted in a sharp fall in current earnings, which amounted to FF 49 million. The various adjustments, both in terms of resources and organization, made necessary by the market situation, provision for the entire costs of which was made in 1996, result in net income of – FF 13 million, the first negative earnings figure below the line in 10 years.

Cochery Bourdin Chaussé hopes to achieve a small positive figure in 1997, as part of the reorganization process of SGE's French roadwork operations.

**The second section  
of the A6  
concrete pavement  
renovation project  
was completed during  
the summer of 1996.**



Viafrance posted a sharp drop in sales (- 9%, at FF 2,972 million), comparable with that of its sister company, even though it managed to sustain a satisfactory volume of business in large scale motorway projects, in particular on the section of the A837 from Saintes to Rochefort, and Fontenay-le-Comte to Oulmes (Vendée) on the A83. On this 23 kilometer long site, by conducting operations from two work stations it was possible to achieve macadam laying rates of 8,000 tonnes a day.

Elsewhere, Viafrance was involved in motorway work on the A64 south of Toulouse, the A35 in Alsace, and the A404 near Oyonnax. Lastly, the operations on the RN42 in Pas-de-Calais and the RN49 in the Nord department guaranteed the company's presence in this important region.

Other features of the year's activity were the rebuilding of runway number 2 and the outfitting of the Air France freight zone at Roissy airport, along with the work performed for Renault at Guyancourt, or for Citroën at La Ferté-Vidame (Eure-et-Loir).

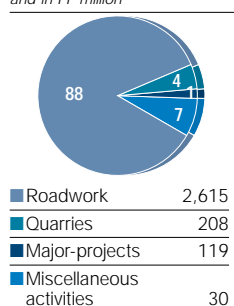
For the first time Viafrance conducted operations outside France, exporting its expertise in a number of its specialized areas: the experimental pre-cracking project for the Transport Research Laboratory in Great-Britain, and the laying of thin macadam under the Microvia patent for the Dutch firm Vermeer.

Waterproofing operations remained buoyant and the Viafrance specialized subsidiary offers a wide range of different techniques : PEHD membranes for landfills, an area in which there was a major project in la Réunion, repair of the water-proofing of a dam face using PVC geomembranes.

The decline in activity affected all regions, to varying degrees. Operating divisions West and East, both of which each have a share of the Paris region, suffered drops of 12% and 10.5% respectively, these figures being similar to the those found on all the markets in the northern part of the country in general.

Business in the south of France however proved to be more resilient on the whole, although for Viafrance, the volumes involved are less in absolute value terms. This better performance is in fact also reflected in the number of orders booked during the year, with the south roughly holding its ground compared with the previous year. The general downturn in activity has led to a sharp fall in output from the binder plants (- 7%, at 500,000 tonnes) and quarries (-14%, at 5 million tonnes, with the quarry at

**Sales by line of business**  
expressed as percentage  
and in FF million



**The Meyzieu bypass in the Rhône department, was built by Viafrance.**



Chailloué in the Orne department, maintaining its level well).

Only macadam production remained steady, thanks to the large volume of work for the mobile facilities used in motorway operations. The construction of a binder plant in the Aube department, which will supply polymer bitumen for eastern France, and the opening of a quarry in Morbihan have further reinforced the company's industrial potential.

The quality-improvement project was continued through 1996, with attention being focussed on work site preparation, an area in which the major in-house training effort started last year was maintained.

The price war brought out by the drop in business volume seriously affected current earnings, and the reorganization costs reduced net earnings to the symbolic figure of FF 3 million.

**Viafrance**  
performed the  
rebuilding of runway  
number 2 and the  
Air France freight zone  
at Roissy airport.

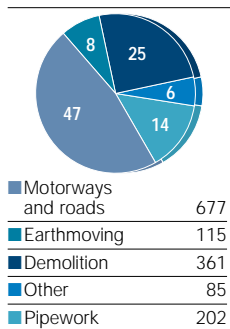




# SGE VBU

## Sales by line of business

expressed as percentage  
and in FF million



Although the market in the new Länder once again offered some opportunities, competition became intense in Germany, due to the growth in capacity in the sector, with supply now far outstripping demand, in addition to comprehensive deregulation of wages and conditions. The far-reaching reorganization undertaken in 1995 started to bear fruit in 1996: margins improved and structural costs were streamlined. As a consequence of geographic refocussing and market developments, SGE VBU posted a considerably reduced sales figure of DM 248 million (FF 1,440 million), a drop of 32%.

**In roadwork**, where price levels have stayed very competitive, the Berlin and Brandenburg branches showed greater resilience than those in the south (Oberthau – Leipzig), where the situation is extremely difficult and the company is considering a reorganization scheme.

There were a number of major projects, including earthmoving operations on the A2 and A10 motorways, the construction of the A10/A11 interchange north of Berlin, the concrete pavements of the A4 motorway near the Wilsdruf and the surfacing of the Pulsnitz to Burkau section, a job which provided the opportunity for joint operations with Cochery Bourdin Chaussé and Viafrance in the laying of 35,000 tonnes of bituminous mixture to a tight schedule. A notable achievement was the completion of roadwork and drainage at the very



The road surface  
in front of  
the Reichstag  
was replaced by  
SGE VBU.





large residential complex in Karow to the north of Berlin, which will have generated business amounting to more than DM 80 million in three years.

**The earthmoving operations and pavements of the Berlin ring road were done by SGE VBU.**

**Demolition work**, the area where the company is leader in the new Länder, and which had previously been flourishing, has started to show signs of losing momentum; the first visible effects of this were a serious degradation of price levels, initially in the Berlin area, and now becoming noticeable around Dresden. In addition there has been an emerging trend towards deconstruction (involving preserving the flooring and facade and processing the demolition rubble), requiring new skills and techniques. The earnings for the year, which were not affected by the cancellation of the contract for the repair of 140 kilometres in Belarus, still showed heavy losses, at – DM 47 million (- FF 161 million), albeit less than half the deficit of 1995.

In this difficult context, and following the efforts made to better organize and supervise company activities, progress is still required in the way in which operations are prepared, organized and performed. A special software tool to provide assistance in project preparation was therefore developed, and a large number of training courses have been started and will be continued for branch managers, site managers and foremen throughout 1997.

Thanks to these various initiatives VBU should continue its turnaround in 1997, and if all goes according to plan, is expected to return to break-even in 1998-1999.



# Engineering and Electrical Work

OPERATING IN ALL AREAS OF ENGINEERING AND ELECTRICAL WORK, FOR AN ESSENTIALLY PRIVATE CLIENTELE IN THE INDUSTRIAL AND TERTIARY SECTORS, SGE HAS DONE BUSINESS FOR THE MOST PART IN FRANCE THROUGH SDEL AND IN GERMANY VIA ITS SUBSIDIARY CONTROLMATIC.

■ THERE WAS AN IMPROVEMENT ON THE FRENCH MARKET IN 1995 BUT IT PETERED OUT VERY QUICKLY AND IN GENERAL THE ECONOMY WAS SLUGGISH IN 1996. ■ THE TRENDS ADVERSELY AFFECTING THIS AREA OF ACTIVITY WERE THAT PUBLIC INVESTMENT PROGRAMMES, IN PARTICULAR, WERE CUT BACK AND PRIVATE ENTERPRISE POSTPONED FURTHER INVESTMENT, WAITING FOR AN IMPROVEMENT IN THEIR OWN ORDER BOOKS. ■ THE ARRIVAL IN EARLY 1997 OF GTIE AND SANTERNE, BOTH CONTRIBUTED TO SGE BY COMPAGNIE GÉNÉRALE DES EAUX, HAD THE EFFECT OF MAKING SGE THE LARGEST FRENCH COMPANY IN ELECTRICAL WORK, WITH A SALES FORECAST OF SOME FF 11 BILLION. ■ TAKEN TOGETHER, THE THREE GROUPS - GTIE, SDEL AND SANTERNE - WHICH REALIZED TOTAL SALES IN 1996 OF FF 11.5 BILLION (COMPARED WITH FF 11.2 BILLION IN 1995), NOW MAKE UP, SINCE JANUARY 1<sup>ST</sup> 1997, SGE'S ENGINEERING AND ELECTRICAL WORK DIVISION. ■

The very high voltage substation at Mezerolles in Yvelines was built by SDEL.



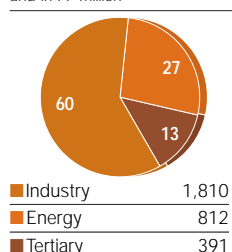
With sales of FF 3 billion, comparable to that of the previous year, SDEL managed to sustain in 1996 its volume of business and its booking of orders, despite a generally less favourable economic environment, in particular in the area of activities linked to industry. The net contribution to earnings remained steady at FF 41 million.

Operations with industry underwent a decline in France due to very tough competition and the scarcity of large-scale projects. Nonetheless a number of noteworthy contracts were secured during the year: the Siarr water purification plant in Rouen, integration work on the Nkossa platform for Elf Congo, the Civaux nuclear power station, the Chantiers de l'Atlantique at St.Nazaire, the Robust sugar terminal, the contract for the automation system for Royal-Canin in the north of France, and extension of Satolas airport in Lyons.

The different regions enjoyed mixed fortunes: resilience in Normandy, Rhône-Alpes and the North only partially offset the contraction of business in the South-West and Alsace. The low level of investment and erosion of margins required some repositioning. IT systems continued to enjoy growth, for example with the automation of the Colombes purification plant. Likewise, the export business has been growing, with the Tagus bridge electrical equipment.

#### Sales by line of business

expressed as percentage and in FF million



**In the tertiary sector,** despite investment being weak, especially in the Paris region, there was an increase of 8%, thanks to the excellent position of SDEL in leading large-scale projects. The outstanding events of the year were the completion of the head office of the Caisse Centrale de Réassurance in Rueil-Malmaison, the Renault Technocentre in Guyancourt and the Indosuez head office in Courbevoie.

SDEL, also expanded its activities in high and low current operations and the pre-cabling of data processing networks, which should adequately compensate for the decrease in the average value of projects. Lastly, the company has continued to grow in the telecom sector, particularly in the Paris area, with good future prospects linked to investments by operators in this sector.

**In the energy sector** 1996 was marked by a 20% increase in orders and an 8% growth in business volume. While the rural electrification sector remained stable, major project work with EDF, very high voltage substations and control system equipment all provided substantial activity. Also noteworthy was the finalization of



**For the Nkossa platform,** SDEL provided the computerized control system, instrumentation, electrical power supply and telecommunications.



some significant operations in the area of underground work, a sector which will probably undergo new developments in coming years.

## CONTROLMATIC

In Germany, the Controlmatic subsidiary is focussed first and foremost on the industrial sector. The company was able to consolidate its position by restoring staff motivation and improved labour relations in the wake of the far-reaching reorganization that took place last year. Orders taken during the year were satisfactory, despite the difficulties caused by intense international competition in the new Länder, and in the West the company's long-standing clientele ensured a steady supply of works. Thanks to the support of the parent company SDEL, a number of major contracts were signed in the course of the year, amounting to close to DM 20 million, with French investors: Elf, Rhône-Poulenc and Atochem. Controlmatic remained strong in the paper sector, taking orders from Nordland Papier and Köhler. Controlmatic was once more able to post a profit in 1996.

**In the  
Leuna 2000 refinery  
near Leipzig, SDEL  
and Controlmatic  
installed and tested  
the entire operations  
control system.**

## **GTIE** (not in consolidation scope in 1996)

The GTIE group performs engineering and electrical work through its network of 250 firms that are securely integrated into the economic fabric of their respective regions and conveniently located near their customers. In 1996 this group of companies was organized on a geographic basis around three management hubs: Garczynski & Traploir (Centre West and Dom-Tom overseas departments); Fournié-Grospaud (South-West, Provence Alpes Côte d'Azur); GTIE (rest of France, international).

GTIE is a systems supplier and integrator in the fields of electrical power supply, information technology and communications. Its business can be divided up into three main sectors: infrastructure (45%), industry (35%) and building (20%). Sales for the year in SGE's 1996 consolidation scope amounted to FF 6.3 billion, up 3% on 1995, despite a fairly slow economy.

The increase in underground system operations, some diversification in design work and a project in Portugal were able to offset to a certain extent the decline in VHV/VH overhead line work.

With local authorities in no hurry to take decisions, and determined to better control their costs and the selection of their investment projects, the companies in the group stuck to their strategy of offering innovative solutions: delegated management of public lighting systems, illumination of historical buildings and other facilities, geographic information systems.

There was however a very sharp upturn in the area of telecommunications, as a consequence of exceptional investments by three major mobile operators in the process of setting up their national network. The firms working mainly with industry, offering valuable expertise in certain processes, were on the whole able to post respectable earnings, despite a very uneven economic context.

Competition remained very tough in building and meant that the companies had to reinforce their position in low current operations, which accounted for almost 50% of sales for quite a number of them. With the return of these difficulties the French companies in GTIE demonstrated good resilience, keeping sales steady and on the whole posting respectable levels of earnings.

Abroad, the situation was on balance favourable in Great Britain and the Netherlands, a country where both volume and performance progressed well.

**Fournié-Grospaud delivered two special foundry mould automatic washing machines to the automotive engineering firm Safeda.**





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# Santerne

(non-consolidated in 1996)

The Santerne group performs electrical installation work in virtually all regions of France through its fifty-four different locations, with a strong focus in the North, East and Ile-de-France. In 1996, the three traditional areas of business accounted for the following shares: 39% in tertiary, 31% industrial and 25% in lines and systems. Airport facilities, a field in which Santerne has acknowledged expertise, are its main export business.

In 1996, Santerne posted a 6% increase in sales (FF 2,220 million in SGE's 1997 consolidation scope). This growth is due both to the enlargement of the consolidation scope and the expansion of certain specialty operations.

In the course of the year, the operating units carried out a larger number of installation operations in various low current environments, in particular in computer systems and complex system integration. Santerne was also boosted by the sharply increased level of investments in the telecom sector.



**Santerne**  
provided the access  
control system for  
Renault's Technocentre  
at Guyancourt.





# Thermal and Mechanical

THE THERMAL AND MECHANICAL ACTIVITIES DIVISION OF SGE COMPRISES FIRSTLY THE CLIMATE CONTROL COMPANIES TUNZINI IN FRANCE, AND NICKEL, ITS GERMAN SUBSIDIARY. ■ TUNZINI IS THE LEADING FRENCH COMPANY ON THE MARKET IN THIS AREA OF ACTIVITY. ■ ALSO IN THIS LINE OF BUSINESS THERE IS LEFORT FRANCHETEAU. ■ IN ADDITION THERE ARE THE ACOUSTIC INSULATION COMPANIES WANNER, IN FRANCE, PLUS G + H MONTAGE IN GERMANY. ■ THESE LAST TWO COMPANIES ARE THE LEADERS ON THEIR RESPECTIVE MARKETS. ■ TOTAL SALES FOR THE DIVISION, THREE QUARTERS OF WHICH WERE GENERATED IN GERMANY, REACHED FF 8,342 MILLION IN 1996, A LEVEL SLIGHTLY DOWN, BY 3%, ON THAT OF 1995. ■ DURING THE COURSE OF THE YEAR'S ACTIVITY THE GENERAL MARKET SITUATION WAS NOT FAVOURABLE IN FRANCE OR GERMANY, AND BOTH LINES OF BUSINESS WERE AFFECTED. ■ DESPITE THESE VARIOUS DEVELOPMENTS, THE SECTOR HAS SHOWN SOME AREAS OF RESILIENCE OR EVEN OF PROMISING DEVELOPMENT: FIRE PROTECTION (TUNZINI), RENOVATION (LEFORT FRANCHETEAU), INDUSTRIAL INSULATION (G + H MONTAGE, WANNER), COLD CEILINGS (NICKEL). ■

Construction of the Elf refinery at Leuna. G + H Montage performed the thermal insulation work on the storage tanks and pipes.



# G + H Montage

For G + H Montage, SGE's largest subsidiary in Germany, 1996 was a year marked by a further deterioration of price levels and shrinking demand in most of its lines of business. The market is still beset by structural problems, with competition exacerbated by the still massive presence of a labour force that has come there from low income countries. The adaptation measures undertaken last year with a view to cutting costs and eliminating the sources of loss turned out to be insufficient. The level of sales is down slightly; at DM 1,487 million (FF 5 million) the drop is limited to 1% on the basis of comparable structure, (though it reaches 5% if G + H UK, to be transferred to Norwest Holst and no longer consolidated in 1997, is excluded). Developments in the areas of activity which became subsidiaries in 1996, have been very varied.

**Thermal activities for industry** (more than a third of the group's business) grew slightly, thanks to a number of one-off projects, in particular in the chemicals industry. The main operations were the Leuna refinery, near Leipzig, seven halls in the Munich exhibition centre, the district heating plant in northern Munich, and the construction of clean rooms in an electronic components factory in Taiwan.

**Refrigeration** was impacted by the sharp downturn on its markets (meat), both in terms of volume and margin. The delivery of two turnkey meat processing facilities in Gutersloh and Döbeln (Leipzig) were among the prominent events of the year.

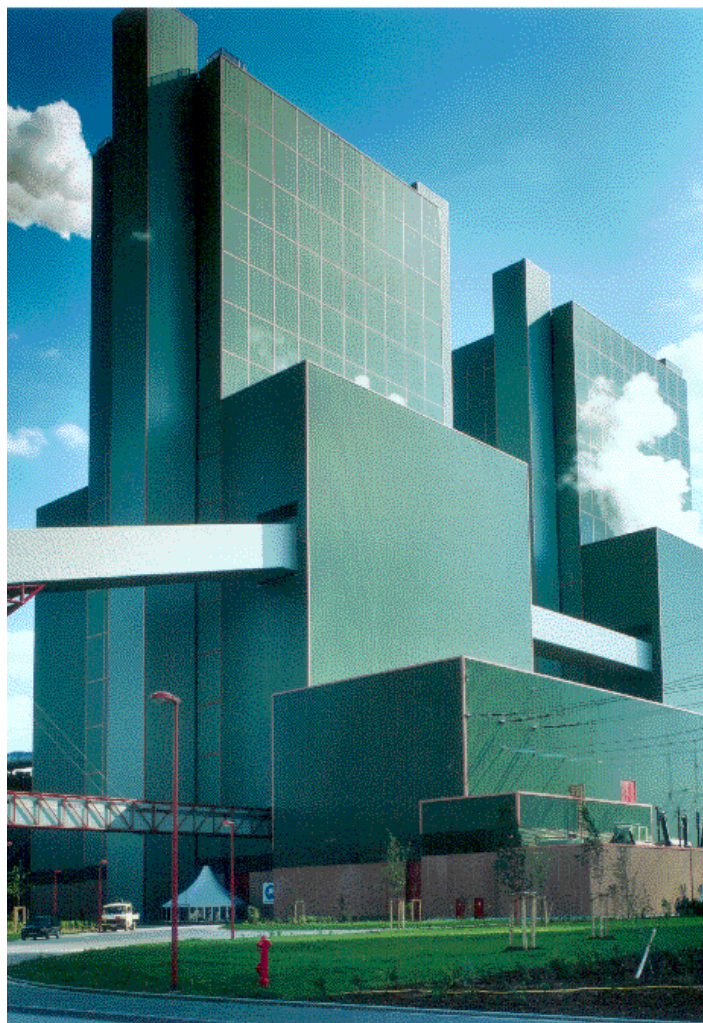
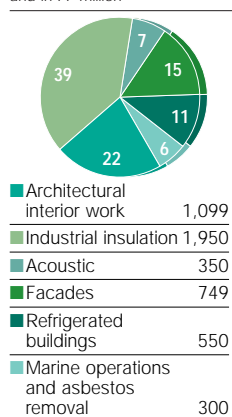
On the architectural interior market, the situation continued to worsen, producing a more noticeable decline. The same goes for margins and orders booked in this line of business, which accounts for a fifth of G + H Montage's operations. Works completed in 1996 include the fitting out of the head office of the Allianz insurance company in Berlin and the Landesbau Sparkasse in Potsdam.

**Facade insulation**, the group's third line of business, is the only one to have registered a substantial increase in

The Schkopan plant, near Halle, where G + H Montage installed the thermal insulation and facades.

## Sales by line of business

expressed as percentage and in FF million





business volume (+ 12%); however, the operating profits were disappointing (major loss on a project in Berlin and business affected by bad weather at the beginning of the year). A number of major projects were carried out during the year: the Boxberg plant in Dresden, a maintenance workshop at Munich airport, several halls of the Hanover fair, a residential complex in Berlin and two large contracts for the Hong Kong metro.

In the area of acoustic insulation for industry, the expected upswing was not forthcoming; on the contrary, the market once again suffered from reduced volume and margins. G + H Montage's sales were well down on the previous year - by 15% - falling beneath the DM 100 million mark, although there was an improvement in terms of orders booked in the second half of the year. The two most significant projects during the period were performed abroad – the Ras Abu Fontas thermal power station in Qatar and two gas turbines in Pakistan.

**Interior fittings for ships** suffered an exceptionally bad year, with business opportunities becoming extremely scarce (both as regards passenger ships and liquid gas transportation vessels), with the situation made worse still by one shipyard filing for bankruptcy. This activity has also impacted the earnings of the subsidiary, Schuh, that was in any case badly hit by a sharp drop of volume in thermal insulation and poor performance in its specialty areas of industrial flooring and decontamination (asbestos). The extent of the losses in the ship interior and facade insulation businesses, to which must be added the thorough overhaul of the British subsidiaries, resulted in G + H Montage posting its worst performance in the company's history. The loss amounts to DM 39 million (FF 134 million), of which DM 24 million are attributable to the British subsidiaries.

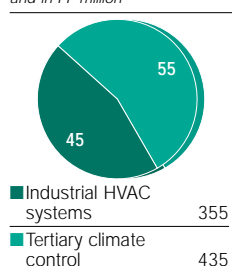
The metal roofing and the acoustic insulation of the new terminal at Frankfurt airport were done by G + H Montage.





#### Sales by line of business

expressed as percentage and in FF million



Nickel continued with the application of the policy started in 1996 aimed at putting the company back on its feet, following the example set by Tunzini: closure of branches or transfer of non-strategic or loss-making subsidiaries, streamlining of structural costs, reorganization of core businesses, both in Germany and abroad.

**The situation in climate control** in Germany, whilst not as disastrous as in France, nonetheless deteriorated seriously compared with previous years (fall in volume, erosion of profit margins). Faced with these developments, Nickel has stepped up its policy of greater selectivity, focussing in particular on high technology operations, such as cold ceilings and clean rooms.

The good progress of works on the Stern Center, Storkower Bogen and Lindencorso projects, managed by the general contracting entity GUT and completed in the course of the year, partly explain the growth in business volume from DM 206 million to DM 242 million (FF 680 million up to FF 790 million, an increase of 16%).

Noteworthy operations for the company in 1996 include the climate control system installed in Sieburg hospital near Cologne, the Cactus shopping centre in Luxembourg, the cold ceilings in the Baumeister shopping centre in Luxembourg, the conference centre in Bergisch Gladbach near Cologne and the administrative centre of the national sports lottery in Koblenz. On foreign markets, Nickel enjoyed a good year in the Czech Republic, with the installation of a climate control system in an assembly workshop of the Skoda plant in Prague. Various prospects for development in the sector of sprinkler-based fire protection systems have been identified in these countries, and some operations have been performed with the collaboration of Tunzini Protection Incendie (TPI). In addition, Nickel has boosted its operations in other Eastern Europe and South East Asian markets. The company has fitted out the clean rooms in a Siemens factory in Hungary.

Nickel achieved a very substantial reduction of its losses (DM 12 million, as compared with DM 59 million in 1995) and recovered good positive cash flow.



**The climate control system in the assembly workshop of the Skoda plant was installed by Nickel in Prague.**



In France the economic situation on the tertiary market, the sector which absorbs most of Tunzini's core business, climate-control engineering, has deteriorated substantially and will remain depressed for the foreseeable future. In 1996 a major reorganization was undertaken (branches were closed and workforce rightsized) which resulted in a 30% fall in business volume in this area and thus reduced its impact on total earnings.

Tunzini performed the climate control work for the Dijon auditorium, the Bordeaux Palais de Justice, the Antibes inland revenue centre, the head office for the Perpignan newspaper *L'Indépendant* and is continuing its huge operation, on a site covering 120,000 square metres, involving heating systems, climate-control and smoke-venting for the European Georges-Pompidou hospital in Paris.

In 1997 Tunzini decided on redeployment with the creation of a subsidiary, Tunzini Génie Climatique (TGC), combining all its business in the fields of air conditioning, ventilation, heating and plumbing in the tertiary sector, with the aim of giving fresh impetus to sales.

With the support of Nickel, which has 25% of this market in Germany, Tunzini will launch on the French market its cold radiating ceiling climate-control systems, which offer greater comfort and ease of use than conventional systems.

**Industrial activities** sustained a fairly satisfactory level of earnings. The main operations were the satellite assembly unit for Aerospatiale in Cannes and the Plastic Omnium packaging plant in La Verpillière.

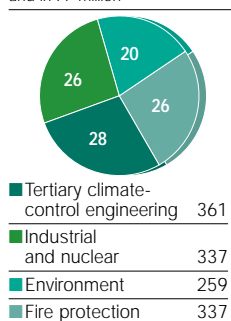
Sprinkler-based fire protection systems have enjoyed three years of strong growth now. In 1996, Tunzini Protection Incendie (TPI), a player on this market for the past 30 years, confirmed its position as leader in France. Its sales, of FF 300 million, registered an increase of 9% over 1995. TPI provides its services in a huge variety of different areas: an agro-food manufacturing facility in Roquefort, the Calberson company in Paris, the Giat laboratories in Bourges, the Moulinex plant in Falaise, or the Rhône-Poulenc centre in Ivry-sur-Seine.

**The environmental thermal activities sector**, involving essentially the ongoing operations at Bellegarde and Toulouse and the completion of the Grenoble and Lagny plants, amounted to FF 200 million and accounted for 18% of Tunzini's sales. As of January 1<sup>st</sup> 1997, these operations have been transferred to SGE Environnement.

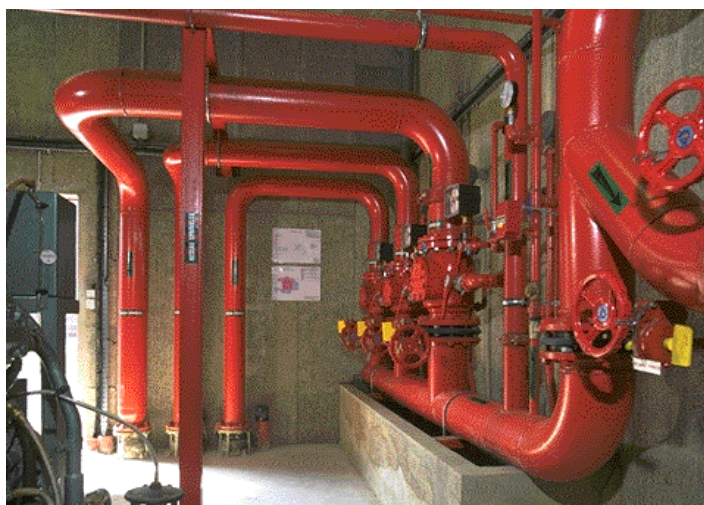
Thanks to a well balanced business mix, the net contribution to group earnings was FF 31 million, although sales were down 8% on 1995, at FF 1,294 million.

#### Sales by line of business

expressed as percentage and in FF million



**Tunzini Protection Incendie** installed the sprinkler system in the Schüco company's warehouses in Perray-en-Yvelines.



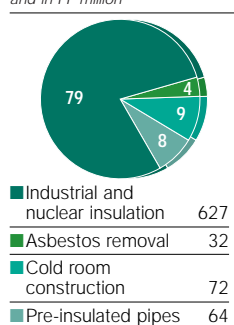




The deterioration of the industrial insulation in France eased somewhat, thanks to a technical recovery of demand in the chemicals and petro-chemicals sectors, after two years of substantial cuts in investment, and as a result of the emerging demand for asbestos processing. The company's sales in 1996 were nonetheless down 7% compared with 1995 at FF 795 million.

Wanner carried out the insulation work on the piping of the Pompidou Centre in Paris, the Mobil head office in Gravenchon and the extension of the Volvo factory in Gent; it also performed the fireproofing of storage tanks for Atochem in Carling, and the removal of asbestos from the former emergency wing of the Clermont-Ferrand university hospital and the Elf offices in Pau.

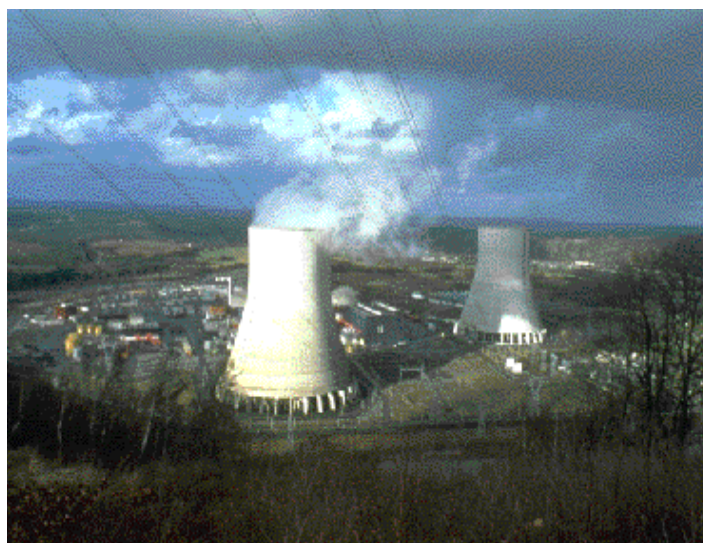
**Sales by line of business,**  
expressed as percentage  
and in FF million



**In the construction of cold rooms,** 1996 saw the implementation of the strategic planning that had been adopted the previous year. Wannifroid ceded 51% its capital to Pab Nord (a subsidiary of Sollac-groupe Usinor) that manufactures, amongst other things, heat insulation boards. By joining forces in this way, Wannifroid has been able to offer the market the services of a manufacturer-fitter. Its main operations in 1996 were a cake and pastry factory for Sodebo in Vendée, a pre-cooked food preparation facility for Appeti Marine in Petite Synthe, and abattoirs in Sarrebourg.

In France the market for pre-insulated pipe remained steady. Wannitube, the French market leader with sales of FF 60 million, obtained ISO 9002 certification. Among the major orders in the year, the Air Force bases at Evreux and Istres, the Smart factory in Moselle and the repair of the Dunkirk municipal system are worth mentioning. Wanner's accounts in 1996 were badly hurt by the radical restructuring of the Spanish subsidiary Itasa, which largely accounts for most of the loss posted (FF 63 million against FF 45 million in 1995), business in France having returned to break-even.

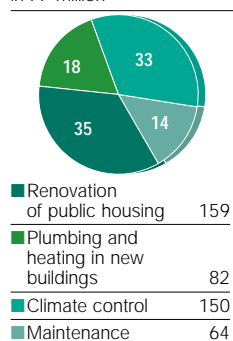
**Wanner carried out the insulation work on the Chooz nuclear power station in the Ardennes.**



# Lefort Francheteau

This SGE subsidiary is in the same line of business as Tunzini, operating mainly in the Ile-de-France area, and with greater specialization in property maintenance and renovation (through its subsidiary Saga) and maintenance and operation of heating and air-conditioning systems (through its subsidiary Sonex). These two types of business enabled the company to suffer only limited decline in sales volume this year (FF 455 million, 2.2% less than 1995) and in contribution to earnings (FF 17 million, a drop of 28%).

**Sales by line of business**  
expressed as percentage  
in FF million



The main operations completed were the headquarters of Chronopost and Crédit d'équipement des PME, where Lefort Francheteau installed heat pump systems, two buildings at Renault's Technocentre in Guyancourt, where a fan-coil unit was fitted, and the hospital at Massy, where an air-only system with high-performance air filtering was installed. Saga, for its part, renovated 3,000 housing units (roofing, heating, plumbing, and all trades).

At the end of 1996 work on a number of projects was underway: the EDF generation and transmission division at Saint-Denis, ventilation for the Eole Condorcet station, the head office of France Télévision, and the Paul-Doumer building in Courbevoie, where Lefort Francheteau has fitted an air-conditioning system using air-handling module technology. Lastly Lefort Francheteau has begun the installation of plumbing in the Stade de France, working to a very tight schedule.

In 1996 Lefort Francheteau started work on the air-conditioning system for the Italiens-Helder office building that formerly housed the newspaper *Le Monde*. This project has provided the opportunity to innovate with the new radiant ceiling technology.

**Lefort Francheteau installed the air-conditioning system in the Paul-Doumer building.**



# BOT and other activities

## BOT

**Prado Carénage.** SGE is the largest shareholder, with a 25% equity stake, in Société Marseillaise du Tunnel Prado Carénage, the concession-holder for the tunnel that has, since 1993, enabled traffic to cross the centre of Marseilles.

As expected, in 1996 it reached its steady operating level, three years after opening. 10.8 million vehicles went through the tunnel (3% more than in 1995), and net revenues amounted to FF 123.6 million (+ 11.5%, due to the increase in traffic and to the basic toll rate being increased, as per contract, to FF 13 on October 1<sup>st</sup> 1996).

Net earnings are up considerably and should be close to break-even point in 1997. The fact that for the first time there was a positive cash flow of FF 13.5 million, means that it will be possible to start serving the coupons of the subordinated convertible bonds for 1996, and begin catching up on the coupons from the two previous years.



**The Prado Carénage tunnel.**  
More than ten million vehicles have passed through the toll gates in the past three years.

**Cofiroute.** SGE owns 30.88% of the shares of Cofiroute, the leading private holder of motorway concessions in Europe and operator of a network of some 750 km, mainly Paris-Orléans on towards Tours and Paris-Le Mans.

81.5 million vehicles used the system in 1996, covering some 7.2 million kilometres. For the first time in Cofiroute's existence, traffic levels fell. The increase in revenues, amounting to FF 3,924 million and down on forecasts, was made possible by the toll rate rises in June 1995 and February 1996, introduced in order to finance Cofiroute's investment programme.

Work on the existing system in 1996 involved completing the widening of 51 kilometres on the A11 between Thivars and the RN 23 in the direction away from Paris,



and the start-up of the widening operations on the same section in the other direction.

As far as extension of the system was concerned, the work started on the A85 (Angers to Langeais) meant that the section from Angers to Saumur could be opened on January 10<sup>th</sup> 1997, and the continuation on to Bourgueil will be delivered in the second half of 1997. The framework contract for the completion of the A86 loop to the west was signed during the year, as were the initial contracts for design and works on the first section, between Rueil-Malmaison and the A13.



**The section of the A85 linking Angers to Saumur was opened in early 1997.**

Financial debt rose from FF 6.8 million at the end of 1995 to FF 7.9 million at the end of 1996. Cofiroute achieved Standard and Poor's ratings of AA for long term and A-1+ for short term debt, and should thus be able to secure satisfactory conditions on the bond market.

The net profit for the year amounted to FF 696 million – SGE's share being FF 215 million, compared with FF 189 million in 1995.

**The bridge over the Tagus.** The BOT contract signed on March 24<sup>th</sup> 1995 between the concession holder Lusoponte (24.8% owned by SGE) and the Portuguese government (authority granting the concession) for a maximum term of thirty-three years, included operation of the April 25<sup>th</sup> bridge that already exists and the construction of the new Vasco da Gama bridge located upstream.

Responsibility for operation of the April 25<sup>th</sup> bridge was transferred on January 1<sup>st</sup> 1996, and is currently being performed under very satisfactory conditions, with the users enjoying improved levels of service despite the disruption caused by the fact that a rail connection is also being laid across the same bridge, due to be opened in 1998. Traffic reached 50.1 million vehicles in the course of the year (up 3.7% over 1995) and revenues amounted to FF 121 million. The Vasco da Gama bridge construction project, which involves engineering structures totalling 17 kilometres in length, including a cable-stay bridge, is being led by Campenon Bernard SGE. The project was 66% completed by the end of 1996, and the satisfying rate of progress should make it possible to open to traffic the largest engineering structure currently being built in Europe by the contract deadline (in time for the beginning of the Lisbon international Exposition in 1998).

**Stade de France.** The concession for the Stade de France in Saint-Denis was awarded on April 29<sup>th</sup> 1995 to Consortium Stade de France (in which SGE has a 33% share), to perform the design, construction, financing and commercial operation of this exceptional facility until the year 2005.

The rate of progress, which appeared spectacular in 1996, with the roof installation operations beginning in August and the completion of concrete structures in October, was strictly according to the very tight works schedule, which sets the delivery date for November 30<sup>th</sup> 1997, and first actual use, i.e. the inaugural game, on January 28<sup>th</sup> 1998.

As of 1996 the concession-holder started its build-up towards commercial operations by recruiting the core of its managerial staff and inviting sub-contractors to tender for maintenance, various other specialized services and merchandising of the main products. The initial indications from this exercise confirm the objectives that had been set in the forecasts.

Stade de France is gradually establishing its image as the leading venue for sporting, cultural and entertainment events in France; it is versatile and easily adaptable to various requirements; thanks to its specially designed facilities it can host the big occasions in soccer, rugby and athletics (potentially even the Olympic Games), as well as the largest motor sport events, shows and concerts, with seating arrangements that can be tailored to audiences from 15,000 to 100,000.



**Stade de France.**  
Whilst the construction work was forging ahead, the concession-holder began to prepare in 1996 for commercial operation of the facility.



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**Other BOT operations.** The concession-holder Muse S.A., in which SGE has a 26% holding, continued with the authority granting the concession, the Hauts-de-Seine department, the preparatory studies for the first section of this infrastructure project that will combine public transport with light vehicles in the department; the consultation procedure was initiated in the municipalities that have declared an interest and will continue on through 1997.

Negotiations continued between Lorys (50% owned by SGE), concession-holder short-listed for the western ring-road around Lyons, and the Rhône department, awarding the concession, with a view to finalizing the contract for this project.

SGE also began work on or submitted a certain number of other concession proposals in France and abroad.

## SGE ENVIRONMENT

The reorganization of the SGE group provided the opportunity to gather together within a newly created entity, SGE Environment, all the activities relating to the design and construction of household and industrial waste processing plants that had previously been shared between Tunzini, Sogea and OTVD. This new configuration holds expertise unrivalled in France that enables it to offer a very wide range of different waste processing solutions.

At the beginning of 1997, SGE brought to CGEA all its collection, sorting and waste processing facility management services, to form a structure combining all these lines of business, called Valor. SGE will, in co-operation with SGE Environment, seek to undertake, either alone or in partnership with other companies in the same field, especially those in the Group, turnkey design and build projects in this niche of the market, which, particularly abroad and despite funding difficulties, has been boosted by the implementation of ambitious environmental protection legislation.



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# Financial Statements

## Consolidated Financial Statements

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## Past three years

<i>(in millions of French francs)</i>	1996	1995	1996
<b>Net sales</b>	<b>42,983</b>	<b>45,252</b>	<b>45,807</b>
Of which foreign net sales	17,530	18,497	18,582
<i>As a percentage of Total</i>	<i>40,8</i>	<i>40,9</i>	<i>40,6</i>
<b>Group's share in income</b>	<b>(372)</b>	<b>(933)</b>	<b>290</b>
Shareholders' equity	2,846	3,155	4,109
Provisions for liabilities and charges	5,850	5,717	5,333
Net financial surplus (debt)	3,287	(505)	394
<b>Cash flow from operations</b>	<b>1,014</b>	<b>977</b>	<b>1,665</b>
Capital expenditure for plant and equipment and acquisition of financial investments	1,142	1,484	1,894
Proceeds from disposals and sales	1,381 (a)	345	235
<b>Average number of employees</b>	<b>57,289</b>	<b>60,898</b>	<b>63,366</b>

(a) Includes 1,043 MF impact of sale of Saint-Gobain investments; does not include Berlin property transactions (see Note 2.1).

# Consolidated Statements of Income

<i>(in millions of French francs)</i>	Notes	1996	1994
<b>Net sales</b>	<b>19</b>	<b>42,983</b>	<b>45,252</b>
Other revenue	20	2,020	1,872
<b>Total revenues</b>		<b>45,003</b>	<b>47,124</b>
Operating expenses	21	(43,676)	(45,562)
<b>Gross operating income</b>		<b>1,327</b>	<b>1,562</b>
Adjustment to amortization and provisions	21	(1,420)	(1,436)
<b>OPERATING INCOME</b>		<b>(93)</b>	<b>126</b>
Net financial expense before financial provisions		552	(44)
Financial provisions		(11)	(46)
<b>NET FINANCIAL EXPENSE</b>	<b>22</b>	<b>541</b>	<b>(90)</b>
<b>OPERATING INCOME LESS NET FINANCIAL EXPENSE</b>		<b>448</b>	<b>36</b>
Exceptional items		(825)	(666)
Adjustments to amortization and provisions		(29)	(271)
<b>NET EXCEPTIONAL EXPENSE</b>	<b>23</b>	<b>(855)</b>	<b>(937)</b>
Employee profit-sharing		(32)	(73)
Income Taxes	24	(56)	(65)
Amortization of goodwill	4	(100)	(89)
<b>NET INCOME FROM CONSOLIDATED COMPANIES (BEFORE EQUITY INTEREST AND MINORITY INTEREST)</b>		<b>(594)</b>	<b>(1,128)</b>
Equity in net earnings of affiliated companies	7	233	189
Minority Interest	13	(11)	7
<b>NET INCOME (GROUP SHARE)</b>		<b>(372)</b>	<b>(933)</b>



## Consolidated Balance Sheet

### Assets

<i>(in millions of French francs)</i>	Notes	1996	1995
Intangible assets other than goodwill	3	304	301
Goodwill	4	1,207	1,152
Property, plant and equipment	5	5,126	5,901
Financial Assets			
Unconsolidated investments	6	514	1,564
Investments accounted for by the equity method	7	970	856
Other financial assets	8	442	552
		<b>1,926</b>	<b>2,971</b>
Deferred charges	9	148	217
<b>TOTAL FIXED ASSETS</b>		<b>8,710</b>	<b>10,542</b>
Inventories	10	3,964	4,411
Trade notes and accounts receivable	18	16,666	18,487
Marketable securities and short-term financial receivables	11-16	7,530	3,610
Cash	16	1,003	1,077
<b>TOTAL CURRENT ASSETS</b>		<b>29,163</b>	<b>27,585</b>
<b>TOTAL ASSETS</b>		<b>37,872</b>	<b>38,126</b>

## Shareholders' equity and liabilities

<i>(in millions of French francs)</i>	Notes	1996	1995
Shareholders' equity	12		
Capital stock		2,585	2,567
Retained earnings, before net income for the year		633	1,521
Net income for the year		(372)	(933)
		<b>2,846</b>	<b>3,155</b>
Minority interest	13	77	66
Investment grants and deferred revenues	14	655	4
Provisions for liabilities and charges	15	<b>5,850</b>	<b>5,717</b>
Long-term financial debt	16		
Subordinated debt, bonds and debentures		314	347
Other long-term debt		1,605	2,002
		<b>1,919</b>	<b>2,349</b>
<b>TOTAL CAPITAL EMPLOYED</b>		<b>11,347</b>	<b>11,292</b>
Trade notes and accounts payable	18	23,199	23,993
Short-term financial debt	16	3,326	2,842
<b>TOTAL CURRENT LIABILITIES</b>		<b>26,525</b>	<b>26,835</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>37,872</b>	<b>38,126</b>

## Consolidated Statement of Changes in Financial Position

<i>(in millions of French francs)</i>	Notes	1996	1995
<b>SOURCES</b>			
Cash flow from operations	17	1,014	977
Proceeds from disposals and sales			
Disposals and sales of fixed assets		187	166
Sales of securities		1,194	179
		<b>1,381</b>	<b>345</b>
Capital increases		19	159
Increase in other long-term debt		651	–
<b>I. TOTAL SOURCES</b>		<b>3,066</b>	<b>1,481</b>
<b>USES</b>			
Capital expenditures and acquisition of investments			
Capital expenditures for plant and equipment		939	1,356
Financial investments		204	128
		<b>1,142</b>	<b>1,484</b>
Acquisitions (disposals) of property assets		(614)	1,023
Net changes in long-term debt		789	201
Net changes in other financial assets		5	126
Dividends paid		–	158
<b>II. TOTAL USES</b>		<b>1,322</b>	<b>2,993</b>
Sources in excess of uses (uses in excess of sources) (I - II)		1,743	(1,513)
III. Effect of change in the scope of consolidation and of exchange rate fluctuation and other adjustments		144	(529)
<b>Increase (decrease) in working capital (I - II + III)</b>		<b>1,887</b>	<b>(2,042)</b>
Increase (decrease) in working capital requirement	18	(1,475)	(868)
Increase (decrease) in cash		3,362	(1,174)

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# Notes to the Accounts

## 1. ■ Accounting Principles

SGE is a fully consolidated subsidiary of Compagnie Générale des Eaux. Its consolidated financial statements have been drawn up in accordance with French accounting regulations as defined by the general accounting guidelines, 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 as well as those subsidiaries with net sales below this figure that provide a significant contribution to consolidated income.

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

### 1.2. Conversion of financial statements of foreign companies

For consolidation purposes, the financial statements of foreign companies are converted using exchange rates prevailing at year-end. Gains and losses resulting from this conversion are reported in consolidated reserves.

### 1.3. Foreign-currency payables and receivables

Balance-sheet payables and receivables in foreign currencies are converted using the exchange rate prevailing at year-end or, where applicable, the rate provided by a hedging instrument. For unrealized foreign-exchange losses only, provisions are set up and charged to income for the year.

### 1.4. Goodwill

Any excess of cost over net assets acquired from purchased subsidiaries is allocated to the appropriate balance-sheet items of the acquired subsidiaries. The remaining unallocated balance is reported as goodwill on the asset side of the consolidated balance sheet. Goodwill is amortized over a period not exceeding twenty years, except where accelerated amortization is considered justified. Goodwill arising from the acquisition of companies that operate quarries is amortized over the expected operating life of the quarry, up to a maximum of 40 years.

### 1.5. Property, plant and equipment

Land, buildings and equipment are generally carried at cost. For buildings held as investments, interest charges during construction are capitalized.

Depreciation is calculated using the straight-line or declining-balance method over time periods that are normal in the trade.

The time periods are the following:

Buildings held as investments	50 years
Buildings used in operations	from 15 to 30 years
Equipment for public works	from 2 to 10 years
Vehicles	from 3 to 5 years
Fixtures and furnishings	from 8 to 10 years
Furniture and office equipment	from 3 to 10 years

The Group has not elected to capitalize property, plant and equipment financed with long-term leases.

#### 1.6. Unconsolidated investments

The gross book value of unconsolidated investments is the acquisition cost. If the gross book value is higher than fair value, a provision equal to the difference is constituted and charged to income. The fair value corresponds to the proportionate share of the net assets of the company in question, adjusted as needed to reflect the market value of the securities, the company's significance to the Group, or its growth and earnings prospects.

#### 1.7. Pension obligations

Pension obligations relating to active employees' benefits payable upon retirement or commitments under supplementary pension schemes are carried as off-balance-sheet commitments.

Pension benefits owed by the Group to retired employees are provisioned on the balance sheet according to the projected benefit valuation method. The actuarial cost resulting from these pension obligations is charged to income.

#### 1.8. Revenue recognition

Revenues from long-term contracts of companies in the Building Construction and Public Works and Roadwork sectors are determined using the percentage-of-completion method. In the Engineering, Electrical Works, and Thermal and Mechanical Engineering sector, on the other hand, contracting companies use the completed-contract method. In case of losses, the carrying value of work in progress is reduced by an amount corresponding to the loss attributable to the work completed at year-end.

If the contract is projected to end in deficit, then regardless of the method of accounting a provision is made for the anticipated loss upon completion. This provision takes into account a prudent estimate of amounts the group may reasonably expect to recover against claims.

#### 1.9. Income taxes

Income tax expense for the year corresponds to taxes payable by consolidated companies, adjusted for changes in deferred taxes over the year. Deferred taxes arise primarily from timing differences between income for financial reporting purposes and income for tax purposes and are calculated using the liability method. No deferred tax has been recorded for items for which due-dates were not known at year-end. The same applies to deferred tax credits for losses carried forward.



## 2. ■ Changes in asset structure

### 2.1. Notable developments

#### **Sale of buildings in Berlin**

At the end of December 1996 SGE sold the Anthropolis and Lindencorso buildings it held in Berlin to German investment funds, the Group having first taken over its partners' financial commitments in these two projects. Concomitantly with the sale, which had a cash impact of some FF 2.2 billion, the Group took out leases with a maximum term of 30 years and received repurchase options at twenty and thirty years on the buildings sold.

In terms of impact on net income, these sales resulted in the reporting, for the year, of net residual capital losses of some FF 200 million. To this must be added provisions of a similar order of magnitude to cover the difference between guaranteed rent and forecast rental income during the initial renting-up phase. The provisions were determined using assumptions made by property experts with respect to a property market whose future development remains uncertain.

In addition, EPE Friedrichstadtpassagen, a property company in which SGE owns a 25% interest, likewise sold its Friedrichstraße building (Quartier 207) at the end of December to a German investor for DM 460 million. EPE took out a lease with a maximum term of 15 1/2 years and there was an exchange of options between the parties. Overall, this property transaction will have no impact on the Group's net income, since the capital gains from the sale were offset by provisions taken for rent risk.

#### **Disposal of Saint-Gobain shares**

SGE's entire Saint-Gobain share portfolio was sold to Compagnie Générale des Eaux during the year.

The FF 1,563 million sale generated capital gains of FF 520 million.

#### **Acquisition of 40% of the capital stock of CBC (Compagnie Générale de Bâtiment et de Construction)**

As part of the reorganization of its construction activities, announced by Compagnie Générale des Eaux in 1996, SGE acquired 40% of CBC for FF 81 million net. The acquisition occurred at the end of the period and had no impact on the Group's consolidated net income for 1996. Under the terms of the purchase agreement, Compagnie Générale des Eaux provided SGE with a seller's guaranty covering assets and liabilities.

### 2.2. Scope of consolidation

The scope of consolidation stood at 456 companies on December 31, 1996 (compared to 451 on 31 December 1995) including 33 joint ventures and GIE's, or groupements d'intérêt économique (a form of partnership under French law).

The breakdown by method of consolidation is as follows:

	France	Foreign	Total	1995
Full consolidation	205	189	394	384
Proportional consolidation	18	29	47	54
<i>Of which joint ventures and GIE's</i>	<i>11</i>	<i>22</i>	<i>33</i>	<i>37</i>
Equity method of accounting	6	9	15	13
<b>TOTAL</b>	<b>229</b>	<b>227</b>	<b>456</b>	<b>451</b>

### 3. ■ Intangible assets other than goodwill

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

<i>(in millions of French francs)</i>	Gross book value on 31 Dec. 1996	Invest- ments	Other changes	Gross book value on 31 Dec. 96	Amorti- zation on 31 Dec. 96	Net book value on 31 Dec. 96
Investments related to concessions	222	18	–	240	(30)	210
Other intangible assets	442	23	(11)	453	(359)	94
	<b>664</b>	<b>41</b>	<b>(11)</b>	<b>693</b>	<b>(389)</b>	<b>304</b>

Investments related to publicly-owned concessions involved the acquisition of intangible rights in connection with the obtention of concession management contracts, and relate to Sogea's Service activity.

Other intangible assets at year end primarily involve going-concern values.

### 4. ■ Goodwill

The changes during the period were as follows:

<i>(in millions of French francs)</i>	Gross value	Amortization	Net value
<b>Values at 31 Dec. 1995</b>	<b>1,974</b>	<b>(822)</b>	<b>1,152</b>
Goodwill acquired during the year	91	–	91
Amortization	–	(100)	(100)
Conversion adjustments and various	108	(44)	64
<b>Values at 31 Dec. 1996</b>	<b>2,173</b>	<b>(966)</b>	<b>1,207</b>

The consolidation of CBC under the equity method of accounting (40% acquired at the end of the period) resulted in the recording of FF 81 million of goodwill.

The most significant elements of this line item are the goodwill relating to the British subsidiaries (FF 450 million, or £ 59 million) and the Moter group of companies (FF 142 million).

### 5. ■ Property, Plant and Equipment

Changes during the period were as follows:

<i>(in millions of French francs)</i>	Gross book value 31 Dec. 96	Invest- ments	Disposals and various	Gross value 31 Dec. 96	Amorti- zation 31 Dec. 96	Net book book value 31 Dec. 96
Land	1,455	4	62	1,520	(79)	1,441
Buildings	1,773	19	(70)	1,722	(645)	1,077
Plant and equipment	4,923	359	(456)	4,826	(3,595)	1,231
Fixtures and other	2,819	314	(572)	2,561	(1,811)	750
Concessions	547	32	2	581	(23)	558
Construction work in progress	661	290	(803)	148	(79)	69
	<b>12,178</b>	<b>1,017</b>	<b>(1,838)</b>	<b>11,357</b>	<b>(6,231)</b>	<b>5,126</b>

Disposals for the period primarily concern the Group's property assets in Berlin.

## Breakdown by business segment

	1996		1995	
(in millions of French francs)	Gross value	Amortization and writedowns	Net value	Net value
Building and civil engineering	5,279	(2,974)	2,304	2,427
Roadwork	3,570	(2,281)	1,289	1,503
Electrical Works	351	(219)	132	131
Thermal and Mechanical Engineering	1,054	(747)	306	401
German property assets	1,104	(9)	1,094	1,439
	<b>11,357</b>	<b>(6,231)</b>	<b>5,126</b>	<b>5,901</b>

The German property assets include the Lindencorso land in Berlin which continues to be carried in the balance sheet at FF 651 million (see Note 14).

## 6. ■ Unconsolidated investments

The unconsolidated investments line item includes the impact of sales and disposals of portfolio holdings during the year, in particular of SGE's Compagnie de Saint-Gobain share portfolio which had a balance sheet value of FF 1,043 million.

On 31 December 1996 this line item included shares of infrastructure concession companies with assets under construction, as well as shares in companies which were well below the consolidation threshold.

## 7. ■ Investments accounted for by the equity method

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

	1996		1995	
(in millions of French francs)	Total	of which Cofiroute	Total	of which Cofiroute
Net sales* (100%)	4,377	4,000	4,215	3,653
Group share of shareholders' equity	970	922	855	822
Net income (100%)	747	695	593	605
Group share of net income	233	215	189	187

\* not included in Group consolidated net sales

The portion of CBC equity consolidated by the equity method at end-1996 (40% acquired at the end of the period) is carried under this line item at a value of 0. The change in the value of equity-method investments was as follows:

(in millions of French francs)	1996	1995
<b>Value at beginning of year</b>	<b>855</b>	<b>796</b>
Group equity in net earnings	233	189
Dividends paid out and various	(118)	(130)
<b>Value at end of year</b>	<b>970</b>	<b>855</b>

The dividend paid out by Cofiroute was FF 115 million in 1996 (FF 119 million in 1995).

## 8. ■ Other financial assets

This line item breaks down as follows:

<i>(in millions of French francs)</i>	1996	1995
Long-term loans	396	505
Other net long-term financial items	46	47
	<b>442</b>	<b>552</b>

The loans involve mainly loans to unconsolidated affiliates and deposits and guarantees.

## 9. ■ Deferred Charges

Deferred charges include primarily:

- costs of site preparation work which are charged to income over the duration of the contract;
- prepaid expenses on long-term leases arranged to finance the head office in Rueil 2000. These prepayments are amortized over the life of the contracts.

## 10. ■ Inventories and work in progress

This line item concerns mainly contracts in the Engineering and Electrical Works and Thermal and Mechanical Engineering segment to which the Group applies the completed-contract method.

Inventories and work in progress include:

<i>(in millions of French francs)</i>	1996	1995
Work in progress	3,492	3,845
Other operating inventories	626	708
Provisions for loss of value	(154)	(142)
	<b>3,964</b>	<b>4,411</b>

## 11. ■ Marketable securities and other short-term financial assets

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

<i>(in millions of French francs)</i>	1996	1995
Short-term investments and marketable securities	3,576	2,662
Other short-term financial receivables	3,954	948
	<b>7,530</b>	<b>3,610</b>

The Group's entire portfolio of Compagnie Générale des Eaux shares (with a stock market value of FF 430 million at end-1995), carried under short-term investments, was sold during the period.

The other marketable securities consist primarily of debt securities and cash instruments (mutual fund shares). There is no significant difference between their market value at 31 December 1996 and their balance-sheet carrying value on that date.

Short-term financial receivables include, in particular, approximately FF 2.2 billion of receivables from the sale of the Berlin buildings at end-December.

## 12. ■ Change in shareholders' equity

(in millions of French francs)

Shareholders' equity	Capital	Reserves	Earnings	Total
<b>at 31. December 1994</b>	<b>2,482</b>	<b>1,337</b>	<b>290</b>	<b>4,109</b>
Capital increase	85	70	–	155
Allocation of earnings and dividends paid out	–	144	(290)	(146)
Currency conversation differences	–	(31)	–	(31)
Group share of earnings during the period	–	(933)	933	–
<b>at 31 December 1995</b>	<b>2,567</b>	<b>1,521</b>	<b>(933)</b>	<b>3,155</b>
Capital increase	18	1	–	19
Allocation of earnings and dividends paid out	–	(933)	933	–
Currency conversion differences	–	44	–	44
Group share of earnings during the period	–	–	(372)	(372)
<b>at 31 December 1996</b>	<b>2,585</b>	<b>633</b>	<b>(372)</b>	<b>2,846</b>

The currency conversion differences are carried under retained earnings at -FF 52 million at end-December 1996.

## 13. ■ Minority interests

The changes in minority interests during the year were as follows:

(in millions of French francs)	1996	1995
<b>Balance at beginning of year</b>	<b>66</b>	<b>80</b>
Minority interests' share of earnings during the year	11	(7)
Changes in scope of consolidation	(8)	–
Dividends paid out and other changes	(8)	(7)
<b>Balance at end of year</b>	<b>77</b>	<b>66</b>

For affiliated companies whose net assets, including the current year's earnings, were negative at year-end, the Group has assumed the minority interests' share of negative net worth.

## 14. ■ Investment grants and deferred revenue

This line item includes, in particular, proceeds of FF 651 million paid in advance by the purchaser of the Lindencorso building in Berlin in connection with the long-term (50 year) land lease granted to the purchaser. This amount is amortized on a straight-line basis over the term of the lease.

## 15. ■ Contingent liabilities and loss provisions

Changes in the year in contingent liabilities and loss provisions were as follows:

(in millions of French francs)	31 Dec. 1995	Accruals	Recoveries	Other changes	31 Dec. 1996
Operating risks	4,016	1,698	(1,561)	56	4,209
Financial risks	135	29	(56)	51	159
Other risks	1,566	971	(1,008)	(47)	1,482
	<b>5,717</b>	<b>2,698</b>	<b>(2,625)</b>	<b>60</b>	<b>5,850</b>



Provisions for operating risks break down as follows:

<i>(in millions of French francs)</i>	1996	1995
Write-downs due to obsolescence	89	75
Renewal, full guarantee	175	156
Supplementary pension schemes	673	627
After-sale service	578	543
Anticipated losses on contracts	708	583
Other project risks	1,986	2,032
<b>Total</b>	<b>4,209</b>	<b>4,016</b>

The line item "other risks" consists of provisions set up to cover exceptional and non-recurring risks, notably restructuring costs (FF 320 million at end-1996) and rent risks relating to the German property assets (FF 190 million at end-1996).

## 16. ■ Group financial position

After recording net debt of FF 505 million at the end of 1995, the SGE Group ended 1996 with a cash surplus of FF 3,288 million which breaks down as follows:

<i>(in millions of French francs)</i>	1996	1995
Long-term portion of long-term debt:		
Subordinated debt	(300)	(300)
Bonds and debentures	(14)	(47)
Other long-term debt	(1,605)	(2,002)
Total long-term	(1,919)	(2,349)
Short-term portion of long-term debt	(1,281)	(951)
<b>I - Gross financial debt</b>	<b>(3,200)</b>	<b>(3,300)</b>
Bank overdrafts and other short-term borrowings	(2,045)	(1,891)
Marketable securities and other short-term receivables	7,530	3,610
Cash and equivalents	1,003	1,076
<b>II - Net cash</b>	<b>6,488</b>	<b>2,795</b>
<b>Net financial surplus (I - II)</b>	<b>3,288</b>	<b>(505)</b>
Of which: other than Berlin properties	3,789	852
Berlin properties	(501)	(1,357)

The average cost of financial debt was 5% for 1996. The portion of debt with a floating interest rate was 70% of the total, or FF 2.3 thousand million, with a rate of 4.2% in 1996 as compared with 5% in 1995. The portion with a fixed interest rate was FF 900 million, after taking account of hedging (swaps and similar instruments), and the average rate was 7%.

The line item "bank overdrafts and other short-term borrowings" includes commercial paper issued by the SGE parent company in the amount of FF 170 million at 31 December 1996 (FF 300 million at end-1995).

### Foreign-currency indebtedness

Indebtedness in foreign currencies at year-end 1996 amounted to FF 2.4 thousand million. This includes mainly FF 1,833 million of debt denominated in deutschmarks with an average interest rate of 3.8% and FF 476 million of debt denominated in pounds sterling with an interest rate of 7.1%.

This debt represents borrowings by the German and British SGE subsidiaries to finance assets issued in the same currencies.

### Maturity structure of long-term debt

*(in millions of French francs)*

More than one year and up to two years	851
More than two years and up to five years	508
More than five years	532
Indeterminate maturity	28
<b>Total - debt maturing in more than one year</b>	<b>1,919</b>

### Secured debt

At 31 December 1996, borrowings secured by assets break down as follows:

<i>(in millions of French francs)</i>	1996	1995
Bonded debt	4	31
Borrowings from credit institutions	632	940
Other borrowings	8	12
	<b>644</b>	<b>983</b>

## 17. ■ Cash flow from operations

This item breaks down as follows:

<i>(in millions of French francs)</i>	1996	1995
<b>Net income before equity interest and minority interest</b>	<b>(594)</b>	<b>(1,128)</b>
Dividends from investments accounted for by the equity method	125	129
Depreciation and amortization	1,360	1,432
Changes in provisions	137	613
<b>Cash flow</b>	<b>1,029</b>	<b>1,045</b>
Net capital gains from disposals of fixed assets	(14)	(67)
<b>Cash flow from operations</b>	<b>1,014</b>	<b>977</b>

## 18. ■ Working capital requirement

<i>(in millions of French francs)</i>	1996	1995	Change
Inventory and work in progress (net value)	3,964	4,411	(447)
Trade notes and accounts receivable	17,544	19,290	(1,746)
Provision for accounts receivable	(878)	(803)	(75)
<b>Inventory and work in progress (I)</b>	<b>20,630</b>	<b>22,898</b>	<b>(2,268)</b>
<b>Trade notes and accounts payable (II)</b>	<b>23,199</b>	<b>23,993</b>	<b>(794)</b>
<b>Working capital requirement (I - II)</b>	<b>(2,569)</b>	<b>(1,094)</b>	<b>(1,475)</b>

## 19. ■ Net Sales

Consolidated net sales exclude certain incidental income items reclassified in other revenue (see Note 20), as well as services provided to unconsolidated joint ventures. Furthermore, the net sales figure takes into account the effect of changes in scope of consolidation and changes in exchange rates whose effects cancel out to a considerable degree over the year. They break down as follows:

<i>(in millions of French francs)</i>	1996	1995
<b>Net sales for the year</b>	<b>42,983</b>	<b>45,252</b>
of which: - Net sales of newly consolidated companies	(99)	-
- Net sales of companies no longer consolidated	-	(301)
- Impact of exchange-rate changes	-	250
<b>Net sales at constant structure and exchange rate</b>	<b>42,884</b>	<b>45,201</b>

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

<i>(in millions of French francs)</i>	France	Europe	Other	Total	%
Building and civil engineering	12,308	6,421	3,221	21,950	51.1
Roadwork	8,202	1,645	-	9,847	22.9
Electrical Works	2,428	561	19	3,008	7.0
Thermal and Mechanical Engineering	2,515	5,634	29	8,178	19.0
	<b>25,453</b>	<b>14,261</b>	<b>3,269</b>	<b>42,983</b>	
<i>In percentage</i>	<i>59.2</i>	<i>33.2</i>	<i>7.6</i>		<i>100.0</i>

The share of net sales realized abroad was stable at 41% of the total. Such sales amounted to 17.5 thousand million French francs, more than 14 thousand million of which was realized in Europe.

## 20. ■ Other revenue

<i>(in millions of French francs)</i>	1996	1995
Share in net earnings of unconsolidated joint ventures	79	79
Transfers of operating expenses	62	122
Miscellaneous services	1,817	1,618
Income from property management	63	53
	<b>2,020</b>	<b>1,872</b>

The heading "miscellaneous services" refers to income not directly related to the business, such as from equipment rentals, merchandise sales, engineering services, project management fees, etc.

The expense transfers relate solely to costs incurred during the year but treated as deferred charges (see Note 9).

## 21. ■ Operating expense

### Operating expenses

<i>(in millions of French francs)</i>	1996	1995
Purchases	12,365	12,806
Outside services	16,697	17,289
Wages, salaries and benefits	12,466	13,217
Other expenses	2,148	2,250
	<b>43,676</b>	<b>45,562</b>

### Allowance for depreciation, amortization and provisions

<i>(in millions of French francs)</i>	1996	1995
<b>Allowance for depreciation and amortization:</b>		
Intangible assets	29	29
Tangible fixed assets	1,057	1,092
Deferred charges	133	210
Write-downs due to obsolescence	14	12
	<b>1,233</b>	<b>1,343</b>
<b>Allowance for provisions</b>		
Asset write-down	23	(33)
Operating liabilities and charges	164	126
	<b>187</b>	<b>93</b>
<b>Total depreciation, amortization and provisions</b>	<b>1,420</b>	<b>1,436</b>

## 22. ■ Financial income and expense

<i>(in millions of French francs)</i>	1996	1995
Net interest income (or expense)	(62)	(106)
Dividends received	22	84
Capital gains from disposals of assets	555	–
Change in financial provisions	(11)	(55)
Net foreign exchange gains (losses) and various	37	(13)
	<b>541</b>	<b>(90)</b>

Disposals of portfolio holdings in 1996 generated total capital gains of FF 555 million , of which FF 520 million concern the sale of the Saint-Gobain share portfolio.

## 23. ■ Exceptional items

<i>(in millions of French francs)</i>	1996	1995
Net gain on asset disposals	79	34
Net restructuring costs	(435)	(484)
Other exceptional gains or losses net of provisions	(499)	(487)
	<b>(855)</b>	<b>(937)</b>

The exceptional losses result mainly from charges associated with restructuring measures implemented during the year and additional losses resulting from the sale of property assets in Germany (see. Note 2.1).

Net exceptional items also include FF 56 million (*compared with FF 85 million in 1995*) of income receivable from other companies of the Compagnie Générale des Eaux group under the tax consolidation scheme implemented in Great Britain.

## 24. ■ Income Tax

<i>(in millions of French francs)</i>	1996	1995
Current tax expense	(56)	(60)
Deferred taxes	–	(5)
	<b>(56)</b>	<b>(65)</b>

The “current tax expense” line item relates essentially to the Group’s foreign subsidiaries and branch offices.

Given the Group’s tax loss carried forward, no impact of deferred taxes is shown for the year. Deferred tax liabilities and credits in the balance sheet remain insignificant.

## 25. ■ Off-balance-sheet commitments

### 25.1. Commitments given

<i>(in millions of French francs)</i>	1996	1995
Guarantees	13,438	14,549
Supplementary pension schemes	530	637
Pension obligations	234	275
Joint and several guarantees provided in unconsolidated partnerships	948	1,022
Other commitments	299	176
	<b>15,449</b>	<b>16,659</b>

The large size of commitments for guarantees is due mainly to guarantees given on major contracts, essentially for advance payments and performance obligations.

The pension obligations involve mainly supplementary retirement schemes of certain German subsidiaries.

### 25.2. Commitments received

The Group has also received commitments, consisting essentially of personal sureties amounting to FF 1,685 million at 31 December 1996 (*FF 1,663 million at 31 December 1995*).

### 25.3. Long-term leases

The three buildings in Berlin in which the Group had commitments (*Lindencorso, Anthropolis, Quartier 207*) were sold in December 1996. The sale contracts were associated with leases whose term is ten to thirty years and which are guaranteed by Compagnie Générale des Eaux and will result in expenses of some DM 38 million per year starting in 1997. Provisions for rent risk were set up to cover the difference between rent guaranteed to the purchasers and rent income forecast for the first few years on the basis of assumptions drawn up by property experts (see Note 2.1).



## 26. ■ Finance lease commitments

The gross value of property, plant and equipment financed by non-capitalized finance leases 31 December 1996 was a residual amount of FF 850 million (after 271 million French francs depreciation). This mainly relates to the SGE head office whose 2007 repurchase value is FF 70 million.

Future payments under the various lease contracts amount to FF 1,092 million, of which FF 861 million represent the principal portion.

Following interest-rate risk management transactions, the average cost of finance leases at 31 December 1996 was 4,9% for the 80% of finance leases which have a floating interest rate and 7,5% for the remainder which have fixed rates.

The payment schedule is as follows:

*(in millions of French francs)*

Payments due	
in less than one year	128
between two and five years	410
in more than five years	554
	<b>1,092</b>

Lease payments during the year amounted to FF 139 million (FF 165 million in 1995).

## 27. ■ Management of debt and lease obligations

As part of its interest rate risk management policy, the Group makes use of financial instruments such as swap and interest-rate insurance contracts.

Total outstanding hedging instruments covering financial debt and finance leases amounted at year-end to some FF 500 million with maturities ranging between 1 and 5 years for the financial debt and 1 and 10 years for the finance leases.

## 28. ■ Number of employees

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

	1996	1995
Managerial	5,015	5,153
Supervisory	4,512	5,542
Clerical and Technical	10,267	9,610
Workers	37,495	40,593
	<b>57,289</b>	<b>60,898</b>

The decrease is attributable to restructuring measures implemented during the year.

The number of employees recorded at the end of the year was 54,838.

## 29. ■ Compensation of corporate officers and directors

Compensation of SGE corporate officers and directors, including directors' fees, amounted to FF 19.3 million in 1996, an amount equivalent to that for 1995.

# The Group's Main Consolidated Companies 1996

	Consolidation method	% owned by Group
<b>1. Building and civil engineering</b>		
<b>Sogea</b>	FC	100.00
Sicra	FC	100.00
Sogea Normandie	FC	100.00
Sobea Ile-de-France	FC	100.00
Sogea Sud-Ouest	FC	100.00
Sogea Est	FC	100.00
Sogea Sud-Est	FC	100.00
Sogea Atlantique	FC	100.00
TPI	FC	100.00
Sogea Bretagne	FC	100.00
Dodin Sud	FC	100.00
Lamy	FC	100.00
Sogea Centre	FC	100.00
Satom and its subsidiaries	FC	100.00
SBTPC (La Réunion)	FC	85.57
Sogea Guadeloupe	FC	100.00
Sogea Réunion	FC	100.00
Sogea Martinique	FC	100.00
Denys and its subsidiaries (Belgium)	FC	100.00
<b>Norwest Holst Ltd and its subsidiaries</b>	FC	100.00
Rosser & Russel and its subsidiaries	FC	100.00
<b>Campenon Bernard SGE</b>	FC	100.00
Deschiron	FC	100.00
Socaso	CP	66.67
Campenon Bernard Sud	FC	100.00
EMCC	FC	100.00
Campenon Bernard Régions	FC	100.00
Par.en.ge	FC	100.00
EDIF	FC	100.00
Urban BTP	FC	100.00
Botte BTP	FC	100.00
Campenon Bernard Bâtiment	FC	100.00
Olympia Bau GmbH (Germany)	FC	100.00
Ostsächsische Bau GmbH (Germany)	FC	100.00
SGE Hoch und Ingenieurbau (Germany)	FC	100.00
Hagen (Portugal)	FC	99.95

	Consolidation method	% owned by Group
<b>Klee KG (Germany)</b>	FC	63.92
<b>CBC Compagnie Générale de Bâtiment et Construction</b>	EM	40.00
<b>Freyssinet</b>	FC	100.00
Freyssinet France	FC	100.00
PSC Freyssinet (Great Britain)	FC	100.00
Freyssinet Spain	FC	60.00
<b>2. Roadwork</b>		
<b>Cochery Bourdin Chaussé</b>	FC	100.00
Gercif-Emulithe	FC	100.00
Rol Lister	FC	100.00
TSS	FC	100.00
Moter	FC	99.46
Société alsacienne ent. canalisation	FC	100.00
Routière du Midi	FC	100.00
Roy	CP	50.00
Lalitte TP	FC	100.00
STP l'Essor	FC	100.00
Rol Normandie	FC	100.00
Routière Bourdarios	FC	99.46
Grizaco (Belgium)	FC	90.17
<b>SGE Verkehrsbau Union (Germany)</b>	FC	100.00
Strassenbau Weimar	FC	100.00
MLTU	FC	100.00
Strassenbau Potsdam	FC	100.00
ERD Tief und Wasserbau	FC	100.00
<b>Viafrance</b>	FC	100.00
Valentin	FC	100.00
Carrières de Chailloué	FC	99.99
Roussey	FC	100.00
Les Paveurs de Montrouge	FC	100.00
Tracyl	FC	100.00
SEC TP	FC	100.00
Pailhes TP	FC	100.00
<b>Cofiroute</b>	EM	30.88

	Consolidation method	% owned by Group
<b>3. Engineering and Electrical Work</b>		
<b>Saunier Duval électricité</b>	FC	100.00
Controlmatic (Germany)	FC	100.00
Electro Navale	FC	100.00
Selt	FC	100.00
Cepeca Sud-Ouest	FC	100.00
Toute la Téléphonie Moderne	FC	99.80
<b>4. Thermal and Mechanical Activities</b>		
<b>Tunzini Wanner</b>	FC	100.00
Tunzini	FC	100.00
Wanner isofi	FC	100.00
Tunzini Protection Incendie	FC	100.00
Tunzini Thermique Environnement	FC	100.00
Itasa (Spain)	FC	100.00
Fromont	FC	100.00
SBGC (La Réunion)	FC	95.50
<b>H. Nickel (Germany)</b>	FC	100.00
Dechow	FC	100.00
Reinartz	FC	100.00
<b>G + H Montage (Germany)</b>	FC	100.00
Schuh	FC	100.00
Isolierungen Leipzig	FC	100.00
Kitson's Insulation (Great Britain)	FC	100.00
L + V Isolatie (Netherlands)	FC	100.00
Wrede & Niedecken	FC	100.00
<b>Lefort Francheteau</b>	FC	100.00
Saga entreprise	FC	100.00
Sonex	FC	100.00
<b>5. Property Companies</b>		
SGE Immobilien	FC	100.00
Lindencorso	FC	100.00
Wartberlin	FC	100.00
Baselerstrasse	FC	100.00
EPE Friedrichstadtpassagen	EM	25.00
<i>FC: Fully consolidated</i>		
<i>CP: Consolidated proportionally</i>		
<i>EM: Equity Method</i>		

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# Report of the Auditors on the Consolidated Financial Statements

For the year ended December 31, 1996

In accordance with the terms of our appointment by your Shareholders' Meeting, we have audited the consolidated financial statements of Société Générale d'Entreprises for the year ended December 31, 1996, as attached to the present report.

The consolidated accounts were closed by your Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we take due care to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit consists of examining, on a test basis, evidence supporting the information contained in the financial statements. It also consists of assessing the accounting principles used and significant estimates made by management and assessing the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed below.

We certify that the information in the consolidated financial statements is consistent and sincere and presents a fair view of the overall results of the consolidated companies for the 1995 financial year and of the Group's net worth and financial situation at the end of the year.

Without calling into question the opinion expressed above, we would like to direct your attention to the following point, documented in note 2.1 of the appendix concerning the key events of 1996: the increase in risk related to the rent guarantees made to the purchasers of the Berlin properties caused the Group to set up provisions. These were determined on the basis of assumptions defined by property experts with respect to a market whose future developments are still uncertain.

We have also audited the information given in the report on the Group's management. We have no observations to make on their sincerity and consistency with the consolidated financial statements.

Paris, April 30, 1997

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Deloitte Touche Tohmatsu

Salustro Reydel

Michel Bousquet

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