

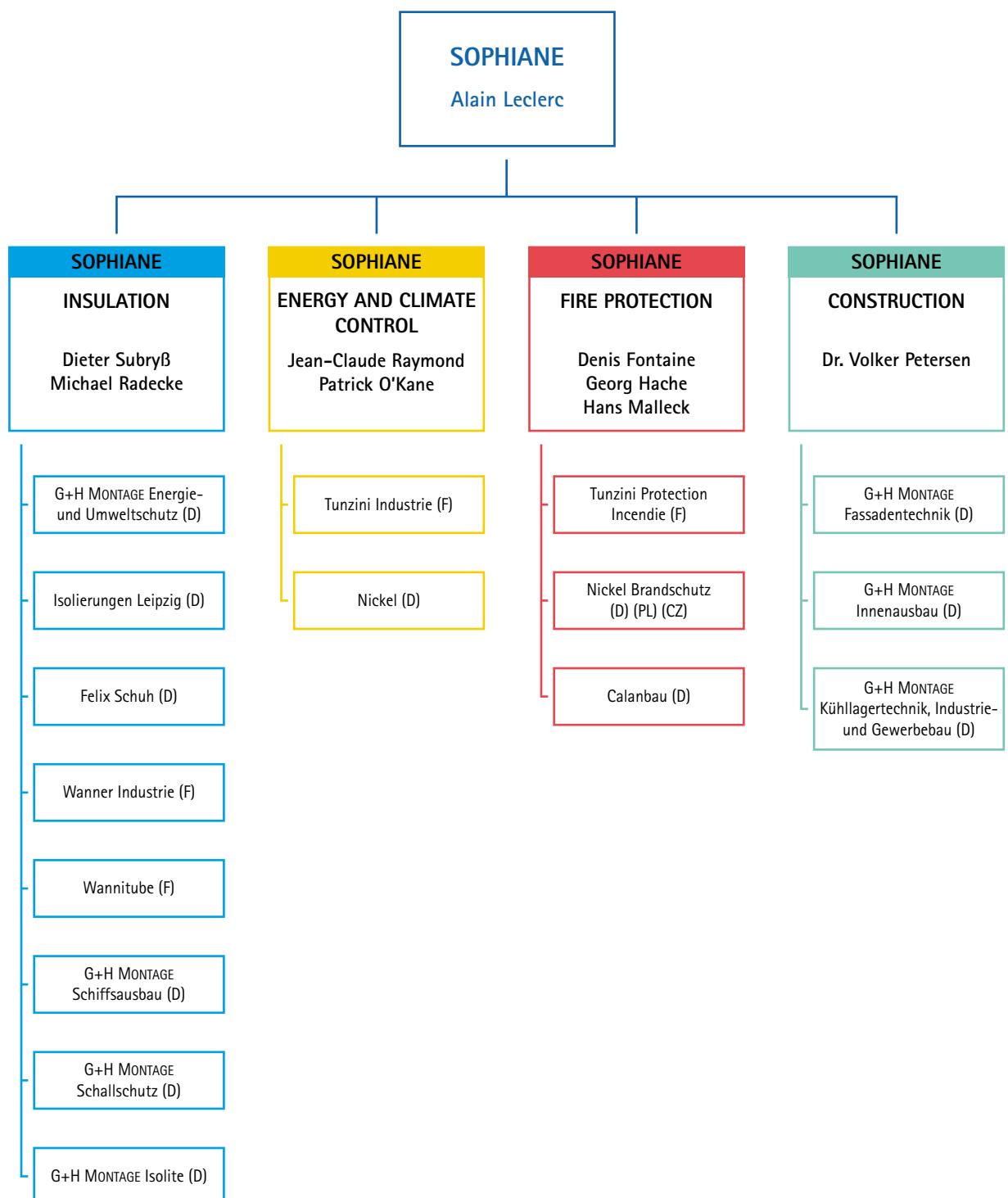


A n n u a l R e p o r t



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Management Team



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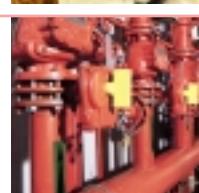
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President's message



Alain LECLERC

Deputy General Manager
of the SGE Group

Chairman of Sophiane

On September 16, 1998, the Thermal and Mechanical Engineering Division of SGE decided, on the occasion of the SGE Convention, to call itself **Sophiane**.

Following the example of Vivendi, the majority shareholder of our own shareholder, the SGE Group, the choice of the name **Sophiane** is more than a symbol.

It is a signal of our identity and our entrepreneurial conviction to all our clients and to all our people in France, in Germany, elsewhere in Europe, and in fact wherever **Sophiane** is already involved or wants to be involved.

This initiative marks both the crowning and the new impetus of an approach to which we committed ourselves several years ago.

The features of **Sophiane** are the affirmation of a Group that has its marching orders. It is endowed with a clear strategy, known to and approved by its shareholder, and an organisation by lines of business run by Franco-German teams with a pronounced European vocation: **Sophiane Insulation**, **Sophiane Energy and Climate Control**, **Sophiane Fire Protection**, **Sophiane Construction**.

1997 was a year of profound restructuring, within the framework of the business line re-organisation undertaken by the SGE Group.

1998 is the year of return to a positive bottom line, of giving concrete form to efforts undertaken. **Sophiane** is posting a net income of 5 million euros, as against a loss of 45 million euros in the previous fiscal year.

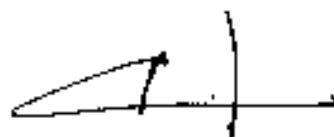


By joining its lines of business in a Franco-German organisation with a European vocation, by stimulating operational synergies among them, Sophiane has equipped itself with the means required to reinforce and to develop its presence on the European market.

With its healthy re-organisation and on the basis of a clear offensive strategy, Sophiane is now a group with the will to develop on high growth markets and in lines of business with strong technical and commercial differentiation, in particular through external growth operations, such as the recent acquisition of Calanbau, the number three company in German fire protection.

Sophiane also aims to strengthen its expertise in general technical services contracting, in order to provide ever more carefully tailored and more complete answers to the expectations of its industrial clients and of builders of high-performance technical structures.

Re-organised on the basis of a clear strategy, approved by its shareholder, Sophiane seeks to confirm its vocation of leading European player in the world of industrial construction, and also to enhance its transparency for its clients, its staff and, of course, its shareholders.



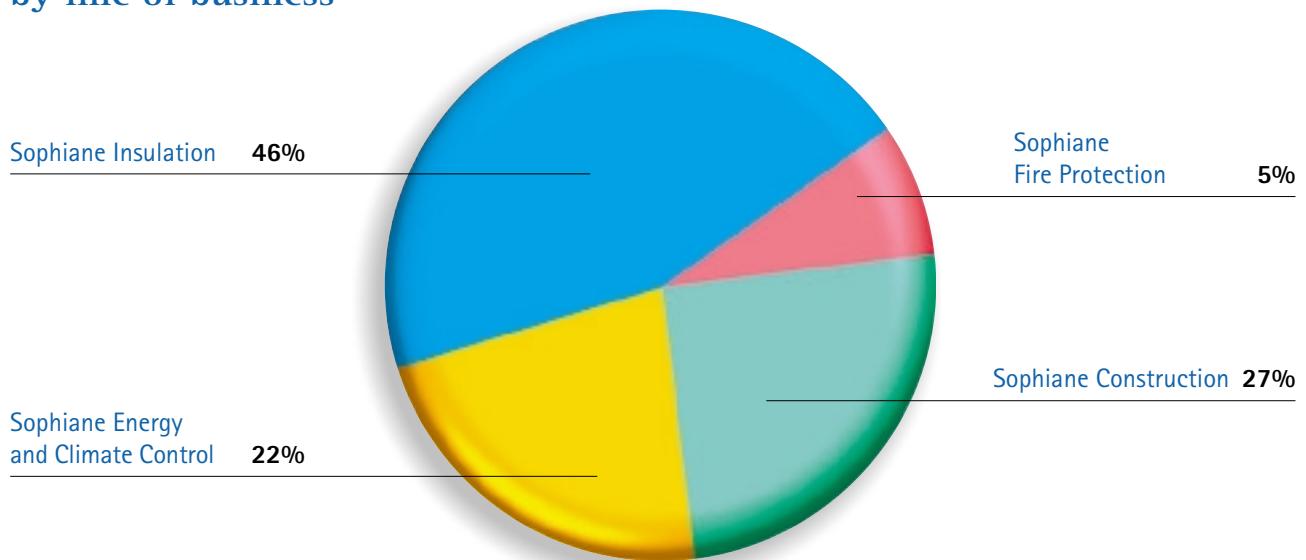
Alain LECLERC

Key figures

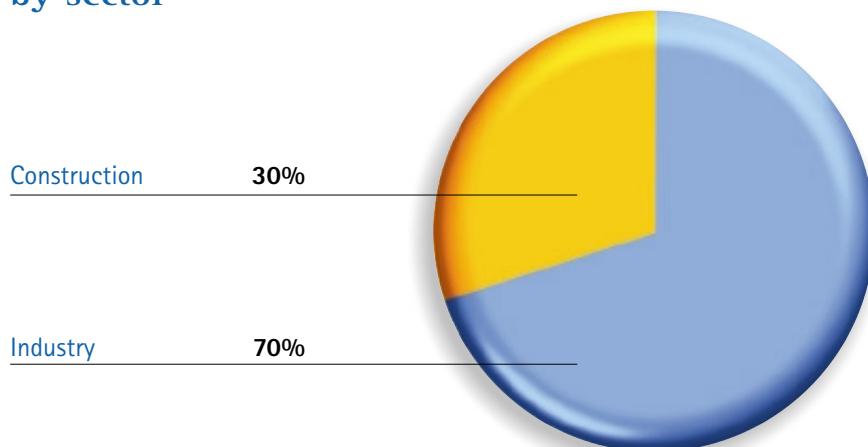
Net sales (consolidated) in 1998

965 million euros
(6.3 billion French francs)

Breakdown of net sales by line of business

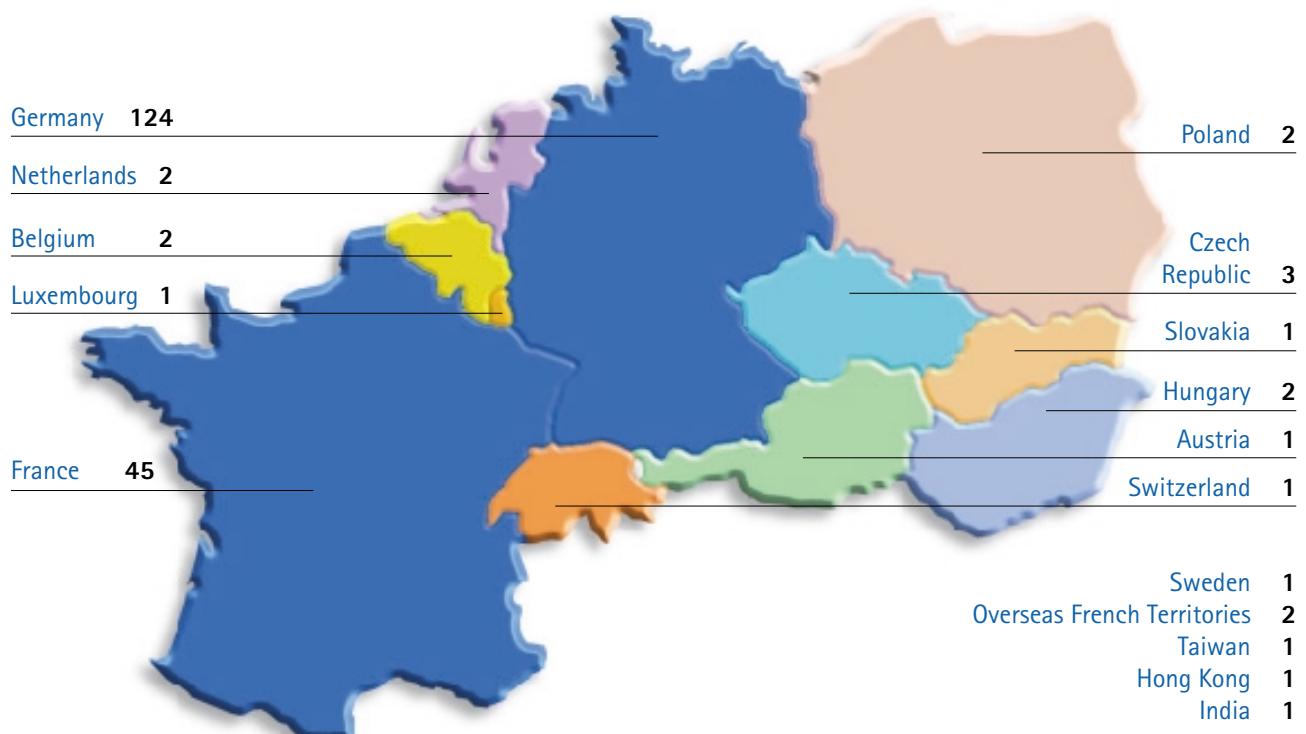


Breakdown of net sales by sector

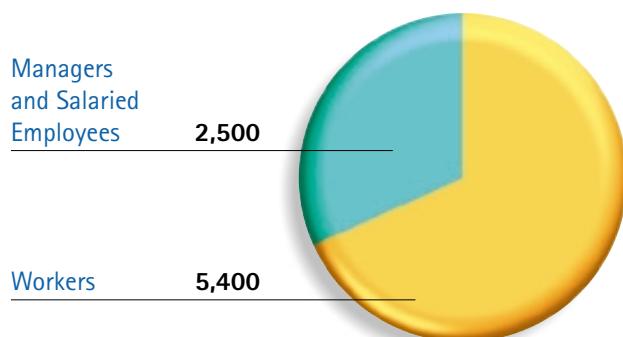




Establishments around the world



Number of employees (consolidated) in 1998



In a nutshell

Sophiane is one of the leading Thermal and Mechanical Engineering Groups in Europe, thanks to its expertise in all the technical trades, to its 190 establishments spread over 16 countries, and to the men and women who make up the Group. Its net sales, which stand at close to one billion euros, are concentrated mostly in the industrial sector and on its domestic market, which consists of France and Germany.

An Integrator of complete solutions

Thanks to its wide-ranging internal competence, Sophiane offers combined answers that are carefully tailored to the needs of industrial or tertiary clients, thereby positioning itself an integrator of complete solutions.

Fire Protection

Active: sprinklers, foam, flooding, vaporised water, gas, smoke clearing.
Passive: fireproofing, protection of structures and of cable conduits, fireproof chute sealing.

Noise control

Sound-insulated enclosures, acoustic baffles, anti-vibration systems, test beds, anti-noise rooms and walls, turbine intake and exhaust silencers.

Industrial Insulation

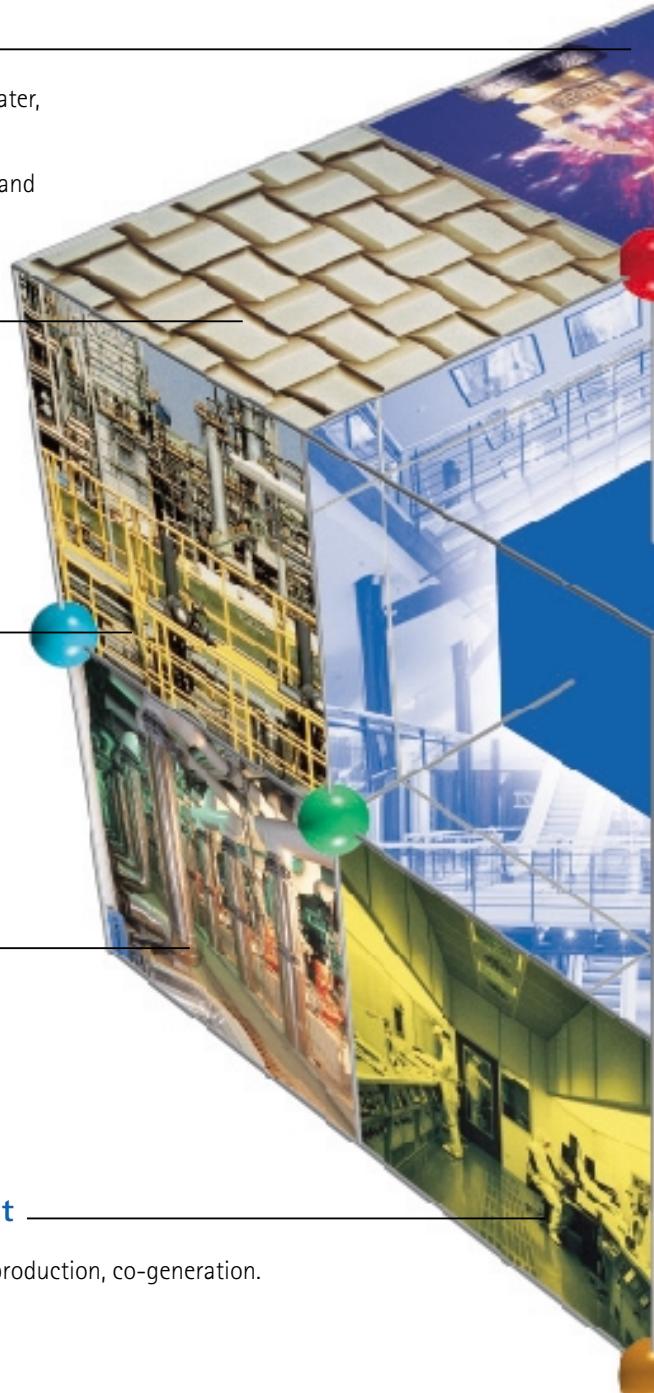
Thermal lagging, decontamination of technical facilities, asbestos removal, high temperature insulation, scaffolding.

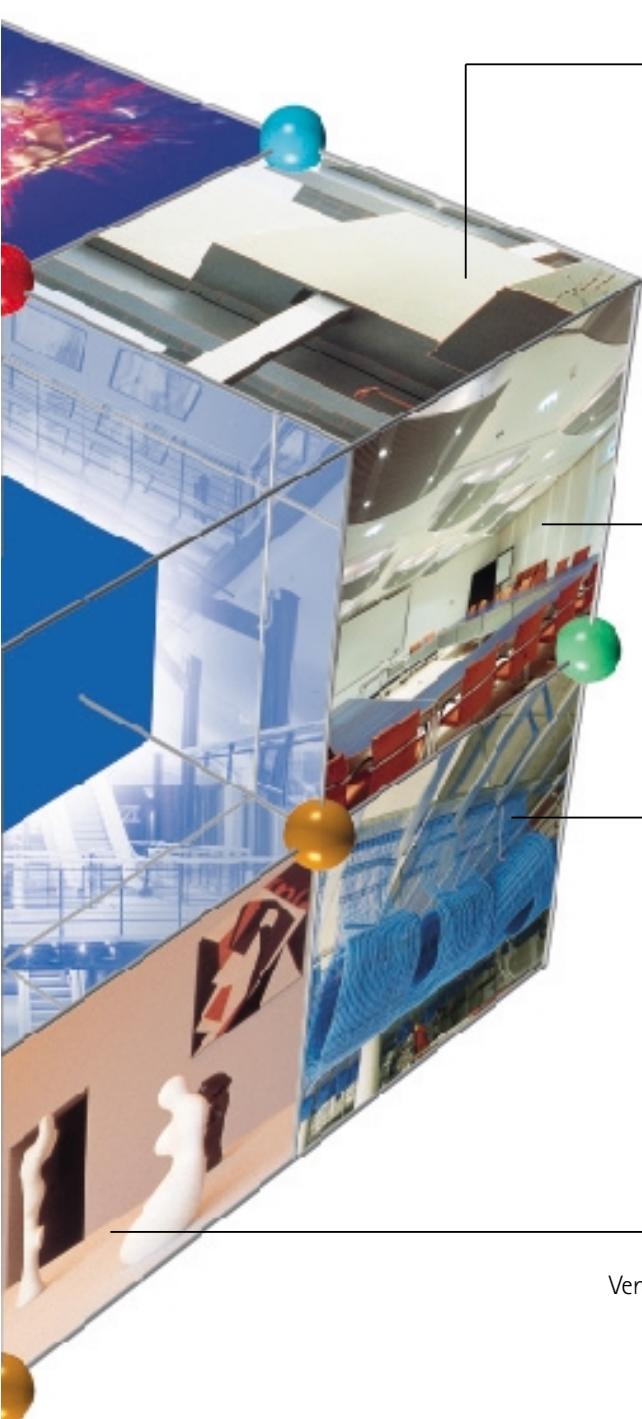
Fluids

Transport of hot or cold fluids for the processing, extraction and treatment of acid vapours and processes gasses, urban heating networks.

Energy Production and Management

Heat generating production, cold generating production, co-generation.





Façades

Curtain walls in metal, glass and ceramics, renovation of concrete and masonry structures, rear-ventilated glass façades, sound-insulated façade claddings for power stations.

Interior outfitting

Ceilings, walls, partitions, floor coverings, complete clean room systems.

Cold Ceilings

Matting (polypropylene capillary tubes) within which water flows at 16° C. When incorporated in a ceiling, they freshen up the room through a radiation effect.

Air conditioning

Ventilation, climate control, filtration, clean rooms.

The complete-solution approach meets the demands of domestic French and German markets, but also that of the export market. By limiting the number of interlocutors and the interface problems, Sophiane simplifies construction site co-ordination and optimises the overall service.



Sophiane Insulation

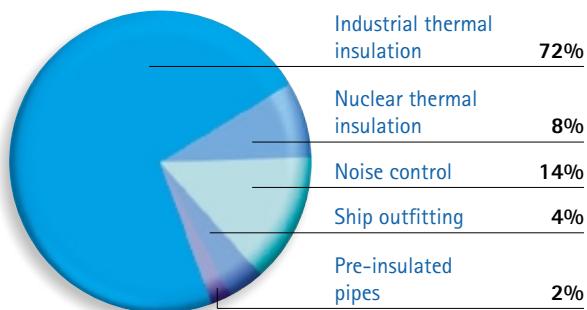


Dieter SUBRYSS



Michael RADECKE

**Breakdown of net sales
by line of business**



Thermal insulation (both industrial and nuclear) represents 80% of the business in this line.

With consolidated net sales of 445 million euros in 1998, 4,600 employees and 90 establishments in Europe (notably in France, Germany, the Netherlands, Belgium and Sweden), the Insulation line accounts for about half of the Sophiane Group's business.

In 1998, industrial and nuclear thermal insulation markets, on which Sophiane's companies occupy leading positions in their respective segments, were not very dynamic in France and Germany, but offered substantial growth in Eastern Europe.

The ship outfitting and pre-insulated piping activities, which have solid technical expertise, took advantage of a favourable market environment and won several large contracts. The industrial noise control activity, having positioned itself in more promising niches, also had a satisfactory year.



Industrial thermal insulation

Thermal lagging, fireproofing, decontamination of technical installations, high-temperature insulation systems, asbestos removal, etc.

These industrial thermal insulation lines of business are exercised in Germany by G+H MONTAGE Energie- und Umweltschutz and its subsidiaries, such as Isolierungen Leipzig and the Schuh Group, and on the French market by Wanner Industrie.

Sophiane's French and German companies have leading positions on their respective markets, with a consolidated business volume of 320 million euros and a market share on the order of 20% in each of the two countries.

Business activity

The industrial thermal insulation market, in both France and Germany, was adversely affected in 1998 by declining capital expenditure by the main industrial clients, especially in the chemical, petrochemical and steel sectors.

This weak demand was accompanied by continued downward pressure on prices, considered by clients to take priority over quality.

In Germany, the market slowdown, especially in the area of industrial maintenance, made 1998 difficult for G+H MONTAGE Energie- und Umweltschutz, which nevertheless posted a healthy bottom line.

Measures to adapt organisational structures made it possible for the company to preserve a leading position on its main markets. In the new Länder, Isolierungen Leipzig managed to defend its position, even though its industrial clients' capital expenditure did not reach expected volumes.

As for the Schuh Group, its profitability was restored through a selective order taking policy, which was reflected in a 20% reduction in its net sales, including substantial cutbacks in its asbestos removal business.

The recovery process is continuing, allowing for greater optimism for 1999.

The noteworthy achievements of Sophiane's German companies in 1998 include the following: thermal insulation of the household waste incineration plant in Hamburg; thermal lagging and fire protection lining of the Dresdner Bank in Berlin; thermal lagging of rising air ducts in the ICE shop in Berlin; improvements to two thermal power stations in Georgia and Slovakia.

In France, Wanner Industrie was confronted with market conditions similar to those of G+H MONTAGE in Germany, with investment cutbacks and declining prices.

In the asbestos removal business, in particular, very strong competition from small

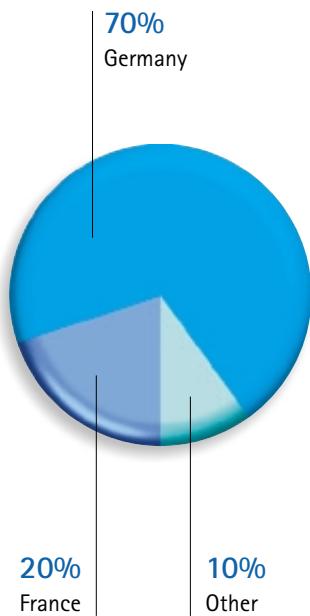


Thermal insulation of the household waste incineration plant in Hamburg, Germany.

The teams of G+H MONTAGE installed 24,000 m² of insulation in the waste treatment plant in Hamburg, Germany.



Breakdown of net sales by geographical area



and medium enterprises made it impossible to obtain satisfactory margins. Moreover, clients on the maintenance contract market tended to favour a general contractor policy, concentrating their annual works budget with a single partner. As a result, Wanner Industrie ran into the same profitability difficulties as many other sub-contractor companies.

Wanner Industrie's main projects in the year included: asbestos removal at the Evreux air base; the second stage of thermal lagging for the Michelin facility at Bassens, near Bordeaux; thermal lagging as part of a ten-year overhaul at the Copenor petrochemical plant at Loon Plage, near Dunkirk; insulation of boilers for Rhône-Poulenc at Pont-de-Claix; thermal lagging of the Toray PVC film production facility at Saint-Maurice-de-Beynost.

Thermal insulation of process and structural installations for boilers at the Kronospan plant in Luxembourg.

Outlook

In a regressing market, which is at best stable in certain sectors, Sophiane is concentrating on operations where the expertise and capacity of its companies constitute decisive criteria for the client.

The Group intends to solidify its technical advances and to convince its clientele of the unquestionable quality of its services. This strategy requires giving new impetus to the sales

networks of its companies in the field, with strengthening of its presence with budget decision makers, and stressing its hands-on service.

The preservation of Sophiane's position on the French and German markets also depends on the ability to offer clients complete solutions, by playing the role of general contractor, especially on the occasion of technical interruptions of power plants and stations.





Nuclear thermal insulation

This line of business includes all new or maintenance work (thermal lagging, scaffolding, reflecting insulation, fire protection) undertaken in sensitive areas of nuclear sites or in adjacent premises dedicated to electricity generation, research, waste treatment or fuel production. The dismantling of nuclear installations is also part of this line.

Two Sophiane companies are active on this market: Wanner Industrie, which occupies the number one position in France in thermal lagging and scaffolding, having conducted 40% of such operations at 19 of the 20 operational nuclear sites in France, and G+H MONTAGE Energie- und Umweltschutz, which does heat insulation maintenance and repair work on 80% of Germany's operational reactors.

Business activity

In France, the completion of new nuclear programmes by EDF, Cogema and CEA has resulted in a declining market. Under the circumstances, dismantling operations are the growth niche for the future. In 1998, Wanner Industrie completed its first project in this field, with the dismantling of the graphite gas reactor at Chinon A3.

This type of activity requires fully mastered know-how in the management of complex projects, as well as obtaining qualifications for cutting and welding in a radio-active environment.

In the course of the year, Wanner Industrie also conducted several maintenance operations in existing plants, such as the complete heat lagging replacement on the vapour generators of one stage each at Gravelines and Tricastin, on the occasion of a vapour generator replacement operation, and the replacement of main primary circuit heat lagging at the Tihange 3 nuclear

power plant in Belgium for Tractebel. Wanner Industrie also completed six projects for EDF to modify reactor vessel cover heat lagging, for the installation of leak detection systems.

In addition, Wanner Industrie won several orders at the Marcoule site, such as the provision and installation of a sodium fire protection system for the vapour generators of the Phoenix fast neutron reactor.

Among its larger projects in Germany, G+H MONTAGE Energie- und Umweltschutz did heat lagging work at the Philippsburg plant for one of the country's main private electricity generators, ENBW Kraftwerk A.G.

Reactor at
the Chinon A3
nuclear power plant
in France.

Apart from the
nuclear reactor
dismantling
operation
at Chinon A3...



... Wanner
does maintenance
work on this site
under an annual
contract.

750

Sophiane
staff members
are qualified
for direct
assignment
to work under
radiation.

This figure,
the highest in
the profession,
is representative
of the high
qualification
levels of
Sophiane's
people.

Outlook

Sophiane's companies will be seeking to keep their positions on the nuclear thermal insulation market, while improving profitability. Achieving this aim will require the acquisition, under economically healthy conditions, of new decommissioned nuclear installation dismantling business, which requires in turn that the Group's companies master all the techniques involved and work directly with the client, with no intermediary.

In order to offer the full range of services, G+H MONTAGE and Wanner Industrie will be developing the concept of global service, by growing stronger in areas related to their basic technical expertise of thermal lagging and scaffolding.

Radiography of
a vapour generator
replacement operation.



Noise control

In the sound insulation business, Sophiane is mainly involved in two sectors. Industrial noise control on the one hand, including the production and installation of sound-insulating enclosures, of silencing and anti-vibration systems for machines, production units and work stations, of equipment for acoustic measurement rooms, and of sound-insulated test beds or hangars. On the other hand, the sound insulation of power plants, with the design and supply of turbine intake and exhaust silencing systems.

These are markets where Sophiane occupies first place in Europe and one of the first three places in the world, through its companies G+H MONTAGE Schallschutz, Wanner G+H Acoustique and G+H MONTAGE Indira Industries PVT Ltd.

Business activity

In Germany, the business of G+H MONTAGE Schallschutz in the sector of noise control equipment for gas turbines was stagnant, as a result of a rigorous project selection policy and a particularly ferocious competitive environment.

Nevertheless, G+H MONTAGE Schallschutz should benefit from expected growth in the German power generation market, in connection with plans to abandon the nuclear sector.

However, it will have to solve the problem of its shortage of qualified employees in this field.

At the same time, the industrial noise control market posted satisfactory growth on the basis of strong domestic growth, especially in new lines of business.

This favourable environment had the effect, however, of pushing Sophiane's companies to the limits of their capacity.

Several projects were completed internationally, among others in the power plants at Faridabad

in India, at Phu My in Vietnam, at Haina in the Dominican Republic, and at Salta in Argentina.

In Europe, apart from work at the power plants of Peterhead in Scotland, and of Cottam in England, the noteworthy projects on the German market included silencing systems for MTU's aircraft turbine testing at Ludwigsfelde, near Berlin, the construction at Emden of a facility for testing the water tightness of passenger cars, and the design and construction in Stuttgart of two test beds, one for engines and the other for assembled vehicles, both equipped with an acoustic measuring room.

Outlook

Substantial effort is being put into research on new techniques, especially in the areas of processing low-frequency sounds, imperceptible to the human ear, produced by gas turbines, and of improving intake and exhaust systems, with a view to standardisation and cost reduction.

Sound insulation to a height of 20 m for MTU at Ludwigsfelde in Germany.



Anti-noise wall with a length of 600 m and a height of 25 m for the Dow Chemical plant at Terneuzen in Holland.



Sound-insulated enclosure for the Claas company near Münster in Germany.



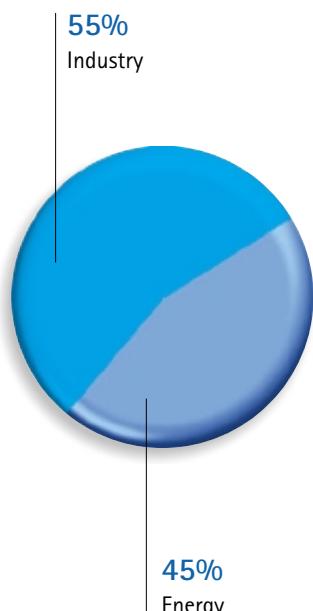
Co-operation with a major European partner has also made it possible to progress with and almost complete the first facilities with active noise insulation, based on the principle of interference (neutralisation by phase opposition).



In 1999, these technical developments will strengthen Sophiane's strategic orientation in the field of industrial noise control, serving to consolidate its position on the European market, with the objective of becoming its leader in the short term, and of extending its business into Central and Eastern Europe.

Construction of an anechoic room for Ford car engine testing at Cologne in Germany.

Breakdown of net sales by sector





Ship outfitting

With its ship outfitting specialisation, G+H MONTAGE Schiffsausbau does the interior outfitting of cruise ships and merchant ships from its own furnishing production shops. The company is also involved in the production and installation of insulating materials for methane carriers and LNG terminals in Asia, and in the thermal and sound insulation of merchant ships and navy vessels.

The world leader in insulation down to very low temperatures and in the interior outfitting of methane carriers, the number two in conventional insulation of ships, G+H MONTAGE Schiffsausbau operates in both Europe and Asia. It accounts for about 30% of the German market, and China represents 10% of its business.

Business activity

The ship outfitting market benefited in 1998 from strong demand for specialised shipbuilding of passenger liners, military vessels and carriers of energy sources.

In order to take the best possible advantage of this favourable environment, G+H MONTAGE Schiffsausbau launched a large number of sales initiatives: opening of an office in Shanghai; participation in the Miami and Dubai fairs; extension of its interior outfitting business into France, with the support of Wanner; creation of a sales team dedicated to the navy clientele, in anticipation of substantial orders from the German Federal Navy and from the Blohm + Voss shipyard for the international market.

G+H MONTAGE Schiffsausbau's 1998 consolidated net sales came to 17 million euros.

The noteworthy events of the year include completion of the ships Star Leo and Star Vigo, and equipment of the Norwegian Sky and of several frigates for the Turkish Navy.

At the same time, the company consolidated its technical expertise, equipping itself with state-of-the-art facilities for the design and production of furniture and furnishings for ship interior outfitting, and for the computer controlled production of insulation panels for gas tanks.

Outlook

The excellent present workload of shipyards, especially in the building of specialised ships (passenger liners, ferries and frigates), holds out the promise of business growth and good profitability for 1999. In the area of conventional insulation of container ships, G+H MONTAGE Schiffsausbau will be hardly affected at all by the decline in prices resulting from South Korea's dumping.

All in all, the company will pursue its strategy of specialisation and strengthening of expertise in the following areas: insulation and interior outfitting for passenger liners;



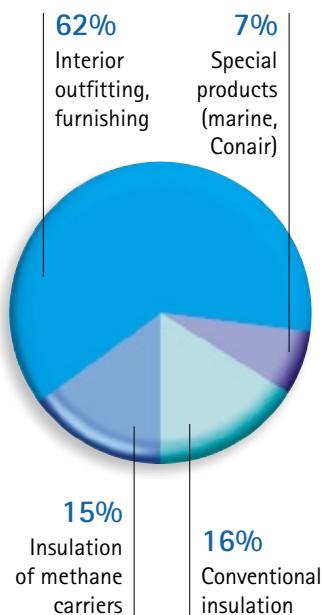
Insulation
of liquid gas tanks
for a shipyard
in Shanghai, China.

Interior and exterior
outfitting of the
Superstar Leo
passenger liner,
built near Emden
in the North Sea
in Germany.



heat lagging, thermal insulation
and noise control for frigates;
insulation for LNG tanks;
development of off-shore
facilities and insulation for the
Kvaerner-Warnow-Werft ship
yard.

Breakdown of net sales by product

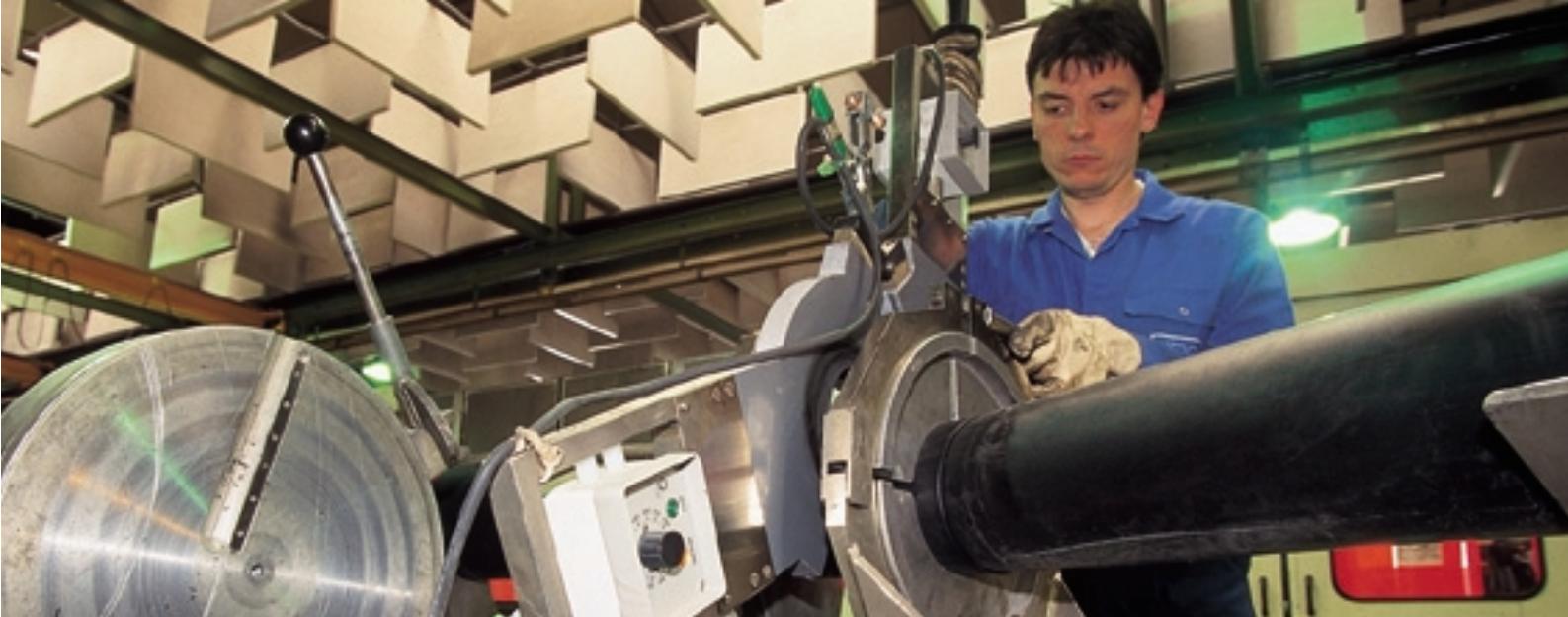


In addition, G+H MONTAGE
Schiffsausbau will be
committing all of its branches to
an ISO 9001 quality campaign, in
particular with a view to
meeting the requirements of the
military sector.

This certification campaign will
be supported in the field by the
development of work-site
management, and by the
development of information
technology of the new
generation.



G+H MONTAGE has
its own furnishing
production shops
for cruise ships.



Pre-insulated pipes

Sophiane is represented on this market by Wannitube, which designs, manufactures and markets pre-insulated pipes for the long-distance conveyance of hot and cold liquids used in district heating and air conditioning networks, or in industrial plants. The Company offers its customers, in both construction and industry, a wide range of piping products made of plain steel, galvanised steel, stainless steel and copper.

As the leading French producer, with a market share of 50%, Wannitube is now seeking further growth on foreign markets.

Business activity

Wannitube's business volume grew in 1998 by almost 20% over the previous year, but if one uses the average of the three previous fiscal years as the base line, the growth rate comes down to 10%.

Apart from manufacturing conventional products such as its rigid heat-bearing conduit made of carbon steel, galvanised steel or copper (suitable for average temperatures running up to 120° C), or its flexible pre-insulated tube, Wannitube has worked at developing special solutions for non-traditional applications: implementation of a high-temperature technique operating at 180° C, based on a double steel envelope network combining mineral wool insulation with air space insulation; insulation of a polyvinyl chloride heat-bearing conduit for conveying hot water at 40° C as input to a thermal spa; development of a pre-insulated tube with an exterior galvanised steel envelope, allowing for "M1" fire protection classification,

and hence for application in the renovation of ascending pipes.

In parallel with these technical developments, Wannitube has gradually expanded its traditional offering to make it more global, with the inclusion of civil engineering, installation and supply of equipment.

Wannitube successfully completed several significant projects in 1998: renovation of the district heating network of the Beau Marais "ZUP" Zone in Calais; replacement of the high-temperature district heating network of the town of Autun by a low-temperature network; conveyance of drilled well water for the thermal spa of Gréoux-les-Bains; installation of a network for co-generation at Berck Hospital; restructuring of the underground heating network at the military camp of Valdahon; finally, the installation of a network at the co-generation plant in Le Havre.

Wannitube's plant at Sens in the Yonne area produced 160 km of piping in 1998.

The operation of injecting (polyurethane) insulation between the outer (polyethylene) membrane and the steel tube.



The diameters of pipes produced at Sens range from DN 20 to DN 400.



Replacement of the district heating network in the town of Autun in the Burgundy Region of France.



50%
market
share
in France.

Installation of a network for the co-generation plant at Le Havre in France.



partners sharing the same strategy.

In addition, Wannitube intends to strengthen its position vis-à-vis its industrial clientele, by adapting its products to the specific needs of individual sectors, such as food processing, petrochemical plants and others.

Outlook

Sophiane's ambition for Wannitube is to see it reach out beyond its present business area, which is limited to France, by establishing a presence in Germany and in the countries of Eastern Europe, which are very promising for the future. Market share will be gained, on the one hand, by relying on the network of Sophiane enterprises, but also through co-operation with industrial and commercial



Sophiane Energy and Climate Control

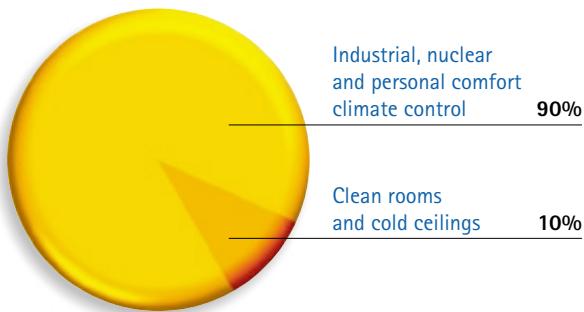


Jean-Claude RAYMOND



Patrick O'KANE

**Breakdown of net sales
by line of business**



Clean rooms and cold ceilings are a major development thrust for Sophiane's energy and climate control businesses.

Combining dynamic thermal engineering activities required for technically sophisticated works (hospitals, auditoriums, complex industrial sites, etc.), the Energy and Climate Control line consists of two companies of comparable size: Tunzini Industrie in France, and Nickel in Germany.

Consolidated net sales in 1998 came to 210 million euros, generated by 1,600 employees spread over 40 establishments.

In France, Tunzini Industrie found itself working on stable markets, with the exception of the poorly oriented nuclear and telecommunications sectors, and continued its re-positioning in favour of high technology content projects for the industrial and energy generation sectors. In Germany, Nickel was confronted with a marked deterioration of the tertiary construction market, but consolidated its recovery on the strength of very positive contributions by its service subsidiaries and its Czech and Luxembourg entities.



Industrial, nuclear and personal comfort climate control

The design, production, maintenance and repair of systems for air conditioning, heat or cold generating energy production, ventilation, filtration and transport of fluids: this line of business includes a wide range of activities in industry and in administrative or functional construction, and in France, in the nuclear sector as well (energy generation, fuel production and re-processing, dismantling of installations, waste treatment and storage, vessel opening and closing).

Sophiane is present on these variegated markets through Tunzini Industrie, the French leader in personal comfort and industrial applications, and in particular for maintenance activities in the nuclear sector, and through Nickel, which occupies fourth position on the German tertiary market.

Business activity

The industrial climate control and energy market had a marked upturn in 1998, especially in sectors related to co-generation. The tertiary market, on the other hand, declined yet again, because of the gloomy environment that continues to prevail in the building sector. In the nuclear sector, business grew in the case of vessel opening and closing operations, and of new works. However, the latter experienced downward pressure on margins.

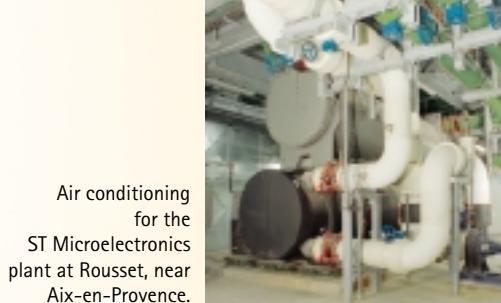
All in all, despite the regrouping of several professionals in the sector, the Group continued to be exposed to particularly strong competition. Moreover, the market is still dominated by generalist enterprises.

Among the buildings and industrial sites equipped by Sophiane's companies in 1998, it is worth mentioning, on the French side, the production facilities of ST Microelectronics in Aix-en-Provence, of Hewlett-Packard in Lyon, and of Sanofi in Aramon and Sisteron, as well

as the Court of Justice in Grasse and the Modern Art Museum in Strasbourg, and on the German side, the Reichstag in Berlin, the airport of Düsseldorf, the InterCity railway station in Frankfurt, the Hospital of Siegburg, and the Dresdner Bank in Berlin.

In addition, the nuclear climate control business in 1998 included 18 vessel opening and closing operations for EDF, the delivery for operational testing of ventilation and air treatment systems for the hull densification shop at La Hague, the end of the ventilation system installation at CEA's liquid effluent treatment shop in Saclay, and the delivery for testing and operational use of ventilation systems for the Melox fuel production shop in Marcoule.

Tunzini and its subsidiaries, SGMNI for maintenance and SNMT Industrie for the La Hague site, have also won several orders for 1999, covering 25 vessel opening and closing operations (thereby becoming the French leader in this field),



Climate control installations for Terminal A at the airport of Düsseldorf in Germany.



a laboratory at the Eurodif plant in Pierrelatte, a ventilation-filtration system on the CEA site in Cadarache, and a design study contract regarding the implementation of EDF's Fire Action Plan for the P4 and P'4 programmes.

operating areas, laboratories, clean rooms, etc.).

In the nuclear sector, the end of substantial investments in new works is driving Tunzini Industrie to seek new markets with a high level of technical expertise, such as the space or aeronautical sectors.

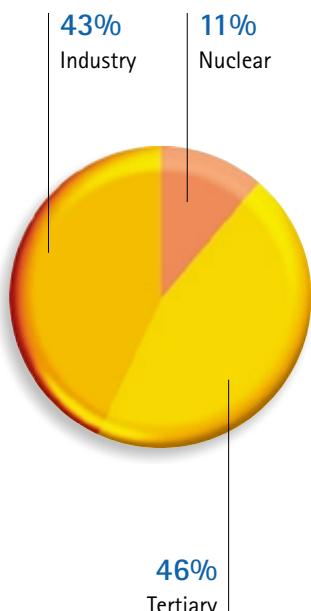
In parallel, the company has the ambitions of consolidating its market share in vessel opening and closing operations, of making progress in specialised maintenance associated with reactor ageing, and of developing the concept of global service, on the basis of the experience of its subsidiary SGMNI.

Sophiane will also be seeking to expand, through external growth operations, into new lines of business, such as mechanics, robotics and work in hostile environments (offshore, powder chemistry, chemical processes requiring close control).

Nuclear reactor vessel opening and closing operation.



Breakdown of net sales by sector



Outlook

In the field of industrial climate control and energy, co-generation is still a significant development vector, despite a new legislative environment with fewer incentives. Moreover, the recent European standard on air quality in buildings, with its consequences for noise control, filtration and diffusion, will modify techniques used in the tertiary sector, and will probably generate new business.

On the industrial and tertiary markets, Sophiane intends to improve its service to clients, and to develop its sales efforts among industrialists, while seeking, in personal comfort climate control, to favour specialised high technology works (auditoriums, hospital



Clean rooms and cold ceilings

The clean room sector includes the turn-key installation of complete systems for dust controlled or microbiologically controlled areas, for all high technology activities, such as microelectronics, nuclear, optics, pharmaceuticals, hospitals, cosmetology and food processing. The companies active on this market are Tunzini Industrie in France and Nickel in Germany.

As for cold ceilings, they are used to cool premises through radiation, by means of a system of matting with tubes, in which water flows at 16° C. This matting can be incorporated in any type of metal or staff ceiling. Nickel has one quarter of the cold ceiling market in Germany, where the Group is the leading supplier.

Business activity

The market for clean rooms had its ups and downs in the year: after years of sustained growth, capital expenditure in the microelectronics sector almost came to a halt, while growth continued in the pharmaceutical and food processing sectors. At the same time, the demand for cold ceilings was stagnant on the German market and remained marginal in France.

These developments went hand in hand with a broadening of the supply of available products and techniques, in connection with the market entrance of new suppliers. As for Sophiane's clients, they expressed the need to be offered a more vertical range, with integration of energy design and management into the maintenance of facilities or energy savings.

Among the noteworthy events in 1998, Nickel installed cold ceiling systems at the Reichstag in Berlin, at the Toyox plant in Japan, and for an international bank in Prague, while Tunzini Industrie built clean rooms

at the Sanofi plants in Aramon and Sisteron, in the Provence Region, and in CEA's LIL building in Bordeaux.

Outlook

The further growth of Tunzini Industrie and Nickel on the clean room and cold ceiling markets will require the design and marketing of complete systems, developed fully in house, through recourse as required to capital investments or exclusive partnerships with other industrialists.

The cold ceiling business is expected to develop in France, through inclusion as of works design, and through extension of the applications of the tube matting system.

This system can be used, in particular, as a heat exchanger for collectors, or inserted into building components (partitions and floors), after increasing the diameter of the polypropylene tubes.

On the clean room market, in order to satisfy the demand for a global service, a specialised

The pharmaceutical sector, one of the main areas of application of clean rooms.



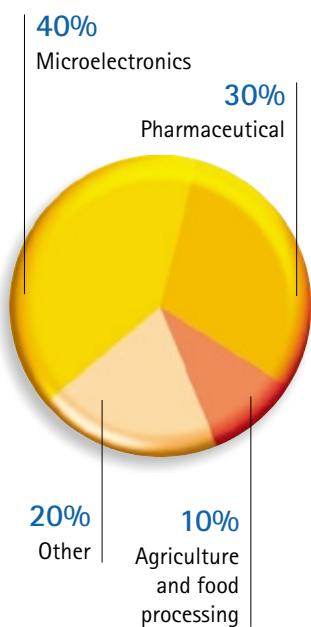
Climate control in the Reichstag is partly based on 8,000 m² of cold ceilings.



Microelectronics, another key sector for clean rooms.



Breakdown of clean room net sales by sector



company, Nickel-Tunzini Cleanroom systems (NTC), was created in January of 1999. With premises near Cologne, it offers its industrial clientele the turn-key design of clean room units. NTC offers all the infrastructure (ventilation, interior outfitting, fluids, electricity, security techniques), including the construction of buildings.

In a more general way, development of this business depends, on the one hand, on demand growth in the information and communication technology sectors, and on the

other, on the intensification of the Sophiane Group's marketing and technical efforts to broaden this market.

The hospital sector is promising ground for the search for systems to combat the increase in nosocomial or gangrenous infections.

Installation of clean rooms for the Hoechst laboratories in Frankfurt, Germany.





Sophiane Fire Protection



Denis FONTAINE



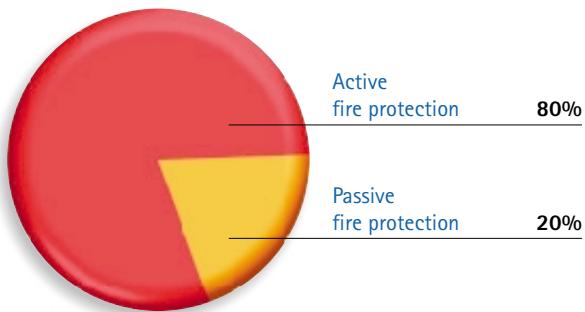
Georg HACHE



Hans MALLECK

In offering its clients a complete range, intended primarily for "strategic" sites, this line of business benefits from the highly reputed expertise of Tunzini Protection Incendie, the French market leader for new installations. This expertise was further strengthened by the acquisition in the year of Calanbau, the number three active fire protection company in Germany: through this external growth operation, Sophiane has confirmed its will to develop on safety related markets.

**Breakdown of net sales
by line of business**



Sophiane seeks to increase its business volume in all safety-related areas, in particular by strengthening its position in passive fire protection.

The Fire Protection line of business, which relates to sectors as diverse as electronics, food processing, automotive and large-scale retailing outlets, had a satisfactory year in 1998. The German companies of Sophiane benefited from Tunzini Protection Incendie's know-how to establish a presence on markets east of the Rhine.



Active fire protection

Active fire protection includes the design, installation, maintenance and repair of automatic fire extinguishing systems (by sprinklers or systems based on gas, foam, flooding or sprayed water), for businesses in the food processing sector, for shopping centres, for automated central warehouses or for the automotive industry.

The business also includes smoke-clearing devices, fire plugs with hoses and spouts, and fire barrier flaps in the conduits of climate control networks.

Several Sophiane businesses are active on these markets: Tunzini Protection Incendie (TPI), Nickel Brandschutz, Tunzini-Nickel Protiporzani, and, with specialised expertise in smoke clearing, Tunzini Industrie et Nickel. Moreover, the Group acquired the German company Calanbau at the end of the fiscal year.

Business activity

Sophiane plays a leading role on the French market, with consolidated net sales for TPI of 40 million euros in 1998, representing a market share on the order of 20%. In Germany, the recent acquisition of Calanbau puts the Group in third place, with 15% of the domestic market. All in all, the Group is now involved in this sector in France, Germany, Poland and the Czech Republic.

In 1998, TPI consolidated its marketing structure in Eastern France, with the objective of increasing its net sales in that area from 3 to 4.5 million euros. The company also launched a certification procedure, rewarded at the beginning of 1999 by the granting of ISO 9001 certification for the head office and for the central agency of Sannois.

In Germany, Nickel Brandschutz intensified its efforts to win customers and decided to hire a number of specialised project leaders. Then in the Czech Republic, Sophiane's subsidiary Tunzini-Nickel Protiporzani was

strengthened with the help of Tunzini-Nickel, and should reach cruising speed in 1999.

In the course of the year, Sophiane's companies provided active fire protection equipment at a number of industrial and commercial sites.

The noteworthy examples in France include a manufacturing and bottling plant for Volvic's mineral waters, the Moréac curing plant in the Morbihan area, and a poultry slaughterhouse in Brignan, also in the Morbihan area.

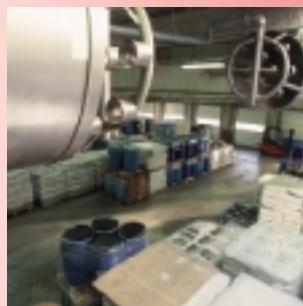
In Germany: the new seat of the Federal Parliament in Berlin, and the shopping centre at Potsdam's railway station.

In Poland, yet another shopping centre, the King Cross Center, in Gdansk. Finally, orders have come in for a plant of the L'Oréal Group in Poland, and for two premises of the Skoda automotive company in the Czech Republic.

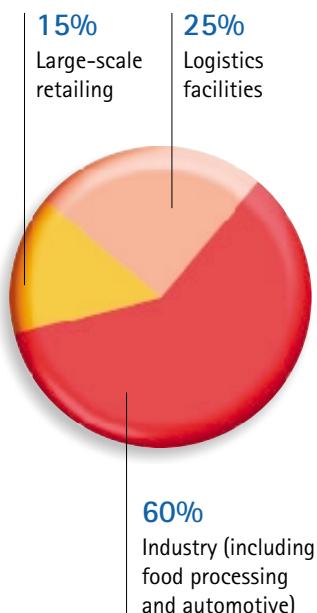


In the case of special risks, TPI installs foam-based fire protection systems.

Main distribution collectors in the technical premises of a sprinkler system.



Breakdown of net sales by sector



The SPCI pharmaceutical production plant in Beauvais, France, protected against fire by sprinklers.



Outlook

The fire protection sector is a major thrust of Sophiane's development strategy. The Group has the ambition of appearing, at the end of its three-year strategic plan, among Europe's leaders in this specialised sector, with a business volume on the order of 300 million euros.

The acquisition of Calanbau is a touchstone of this strategy. With this new company, the Group intends to broaden its position on the German market, while continuing to develop its

subsidiaries in Poland and elsewhere in Central Europe.

In order to achieve its growth objectives, Sophiane will seek not only to broaden the range of its line of fire protection products (especially extinguishers, fire plugs with hoses and spouts, and fire barrier devices), but also to take advantage of all development opportunities in services, such as post-fire intervention, and in all other fields related to the safety of persons and property.

In addition, the maintenance activities of Nickel Brandschutz

and Tunzini-Nickel Protiporzarni are going to be developed.

As for TPI, it will offer a "network and water treatment" service, including the testing of installations after ten years of operation, with injection of substances to inhibit, treat and prevent continued corrosion of piping, caused by the type of steel used and the aggressively corrosive properties of water.



Passive fire protection

Passive fire protection consists in preventing fire from spreading, or limiting its consequences for property and persons, by installing static systems: fireproof sealing of partition crossing by cables and pipes, fireproof chute sealing, protection of electrical cable conduits, protection of metallic or concrete structures.

Four Sophiane companies are active on this market: G+H MONTAGE Energie- und Umweltschutz, Schuh, Isolierungen Leipzig and Wanner Industrie.

They occupy second place on the French market and third in Germany.

Business activity

Passive fire protection equipment is now attracting more and more attention on the part of industrialists, builders and developers, because insurers and design consultants are becoming more vigilant in this regard. Under the circumstances, the Group is developing solutions aimed at preventing fire propagation in buildings, and at limiting heat emission or build-up in a given sector.

The techniques brought to bear (fibrous flocking, mortars, fibre panels or epoxy resins) make it possible to ensure functionality for a given period, and hence to contribute to the protection of works.

The "bandaging" of cables by the company G+H MONTAGE Energie- und Umweltschutz GmbH is a particular type of fireproofing.

In addition, Sophiane is developing special products for the protection of metallic and glass structures, a new trend in materials for major projects.

A major part of Sophiane's business in this area is in thermal and nuclear power plants, and in the chemical industry.

Among its significant references, Sophiane has won a fireproofing order for the new Dow Chemical plant at Böhlen, in the eastern part of Germany. With a value of 4 million German marks, this contract calls for the coating of beams and pillars with a "vermiculite" mortar, which has outstanding fireproofing characteristics.



Fire protection coating of electrical cable conduits.

Installation of fire protection along cable and piping conduits.



Outlook

Recent news of catastrophic fires in a public building, a historical monument and a tunnel should contribute to raising the awareness of developers, industrialists and public authorities as to the importance of fire protection, and therefore point to increasing future demand for passive fire protection.

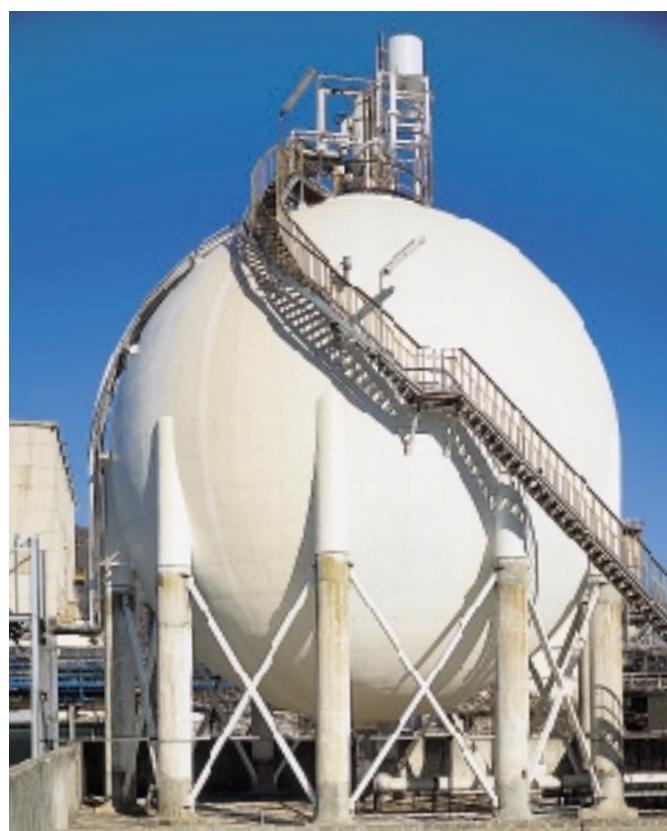
Through this line of business, Sophiane contributes to improved public safety and to better protection of the environment.

In Europe, passive fire protection measures represent a significant share of the fire protection sector, and there is good reason to expect that share to increase.

In this context, growth of this business will depend not only on technical innovation, but also on the active search for partners in France and Germany, in a position to broaden the Group's offering. With the same aim of ensuring coherency of the offering, this business, which is presently practised in a diffuse

way by different entities of the Group, will benefit from centralised co-ordination of the marketing approach, of implementation techniques and of the choice of products to be deployed.

Another area of intervention is the fireproofing of spherical storage tanks for chemical products.



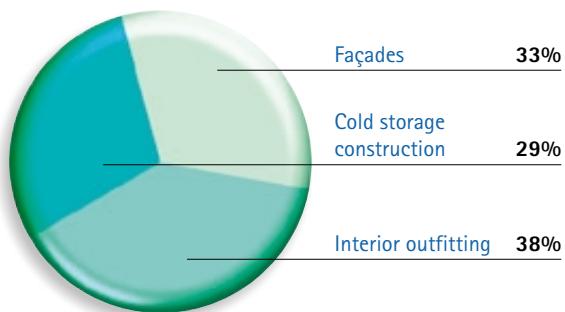


Sophiane Construction



Dr. Volker PETERSEN

Breakdown of net sales
by line of business



Despite a 15% decline
in net sales in 1998,
interior outfitting is still
Sophiane Construction's
main line of business.

Working mostly on the German market through three G+H MONTAGE subsidiaries, Sophiane Construction draws together a wide range of lines of business, from the complete development of commercial, tertiary or industrial sites, to the construction of cold storage chambers, and including the installation of high-performance façades, such as outer coatings at airports or sound-proof façades for power plants.

The consolidated net sales in 1998 amounted to 260 million euros, generated by 1,200 employees spread over 45 establishments. The interior outfitting and cold storage construction businesses, which are subject to very strong competition, experienced a difficult year, and contributed to the implementation of a rigorous business selection policy. On the other hand, façade installation had a spectacular recovery, following on profound restructuring.



Façades



Aloys WALTER

Practised in Germany, in the Benelux, in Switzerland and in Austria, through G+H MONTAGE Fassadentechnik and its subsidiaries, this business includes the design, production and installation of façade coatings made of metal, glass, asbestos cement and ceramics, with integrated heat lagging and sound insulation. As the leading supplier of technical façades, Sophiane has almost one third of the German market for outside coatings on power plants and household waste incineration plants.

The Group is also highly reputed for its rear-ventilated glass façades, which combine innovative technical performance with aesthetic qualities.

Business activity

The façade business represented consolidated net sales in 1998 of 85 million euros, on a market comparable to that of 1997, but characterised by much stronger demand on the part of general contractors.

Sophiane's German companies have concentrated on the sectors of industry (chemical in particular), of power generation and distribution, and of tertiary construction (banks, administrative buildings).

They confirmed their technical prowess and their leadership in soundproof façades for large power stations, and also, in the new Länder, in the rehabilitation of concrete slab buildings by means of high quality ceramic façades.

G+H MONTAGE Fassadentechnik had many references to be proud of in 1998. The most noteworthy ones include renovation of the façades of 38 buildings, with almost 4,000 apartments, in Berlin, as the first phase of a 10,000 apartment contract

running to 2002; the renovation, again in Berlin, of two residential buildings classified as historical monuments; work on Berlin's Debis building and the building housing the Chamber of Commerce and Industry; the construction in Hamburg and Cologne of two waste incineration plants; the completion for Siemens of six medical instrument manufacturing halls in Erlangen, near Nuremberg; finally, several contracts at the VEAG power plant in Boxberg, and at various thermal power stations in Germany.

Installation of roofing on the so-called "Tattoo" Chamber of Commerce and Industry building in Berlin, Germany.



Installation of façades for the coal-fired power plant at Schkopau near Leipzig in Germany.



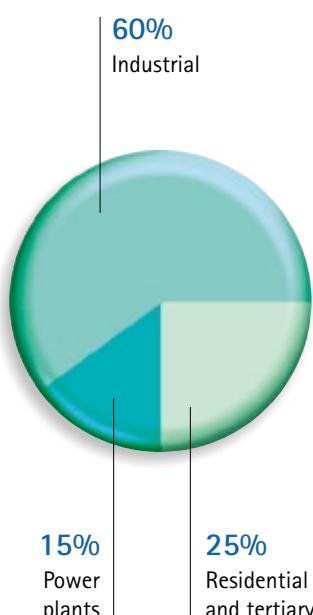
G+H MONTAGE participated in the vast Potzdamer Platz development project in Berlin, Germany.

Outlook

After a year of even financial results, which is a sign of spectacular recovery following a period of profound restructuring, the objective of the Sophiane Group is to consolidate these achievements by concentrating the positioning of façade business on the most technical niches.

These include the development of "sub-structures", to which façade components are attached, and coatings made of Opratec glass, developed and produced in co-operation with G+H Isover and Vegla, subsidiaries of the Saint-Gobain Group.

Breakdown of net sales by type of construction



G+H MONTAGE produced 4,000 tailor-made pieces of stainless steel to cover the "Tattoo" roof in Berlin, Germany.





Cold storage construction



Jürgen NÜSSELER

With 30% of the market east of the Rhine, the Sophiane Group, through G+H MONTAGE Kühltagertechnik, Industrie- und Gewerbebau GmbH, is number one in Germany in cold storage construction.

This business includes the design and turn-key delivery of cold storage chambers and warehouses, in production units and commercial premises for food processing sectors, in transport logistics centres and in large-scale retail outlets. As a result, the meat and fish processing industries and large operators of cold storage warehouses are among Sophiane's main clients.

Business activity

On a market whose downward capital expenditure trend is intensifying competition that was already very severe, Sophiane posted net sales in 1998 of 75 million euros. In competition with more and more active general contractors, who offer turn-key projects, the specialised subsidiary of G+H MONTAGE concentrated most of its sales efforts on the meat and frozen food industries, and confirmed its technological leadership in the implementation of integrated projects and in the assembly of cold insulators.

Among 1998's achievements and new markets, it is worth mentioning the turn-key construction of a sugar production and packaging plant for Nordzucker at Uelzen, near Hamburg; the completion of a butchery products processing unit for Houdek at Arzberg, near Bayreuth; the construction of a garden furniture warehouse for Metallwerke at Helmstadt, and of cold storage warehouses and ice-cream production

facilities for Rosen-Eiskrem at Haaren; finally, an order for a ham processing unit at Schütteldorf.

Outlook

The particularly difficult competitive environment in this line is driving Sophiane to intensify its policy of rigorous business selection, with precedence given to large turn-key projects in food processing sectors.

G+H MONTAGE Kühltagertechnik, Industrie- und Gewerbebau is also going to intensify its export attempts, but with the same selective approach as on the German market. In addition, as a way of enhancing its added value, it will seek to enter into new industrial and technical partnerships.

Interior outfitting of a meat processing plant and turn-key construction of vertical storage warehouses for Westfleisch Hamm in Westphalia.

Cold storage construction services also include the installation of shelving to a great height.



Sandwich assembly of insulation components for the construction of a cold warehouse.



Turn-key intervention (in modules) for the Nordzucker sugar production plant near Hamburg, Germany.

N° 1
in
Germany

with 30%
market
share.



Interior outfitting

Dr. Volker PETERSEN

Sophiane masters a vast range of techniques in this field, designing, marketing and installing all interior fixtures, ceilings, partitions, flooring and floor covering for administrative buildings, shopping centres, banks, hotels, railway stations, airports and other public and private premises. The Group is also active in the industrial sector, in particular at sites where interior fixtures and air quality are subject to extreme cleanliness requirements.

Sophiane is number two on this market in Germany, through its companies G+H MONTAGE Innenausbau and G+H MONTAGE Reinraumtechnik.

Business activity

On a market with ferocious competition (and whose techniques are becoming commonplace), Sophiane has reacted by implementing a far-reaching restructuring plan, accompanied by a policy of strict order-taking selection. In this context, the interior outfitting business volume posted a 15% reduction in 1998 in its consolidated net sales, which came to 100 million euros.

To remain consistent with the approach of greater selectivity, Sophiane's companies concentrated on the technically most ambitious projects. In parallel, they strengthened their quality systems and developed new computerised project management tools. These organisational and technical efforts were combined with improvements in the qualifications of the sales force, which now plays more of a consultant role.

As to the achievements that marked 1998, one should certainly mention: the work

done for the Nuremberg fair and for the Higher School of Engineering at Ingolstadt in Bavaria; the future administrative building of the Reconstruction Credit Institute of Berlin; the building of the Concordia insurance company in Hanover; the Debitel data processing centre in Stuttgart; finally, as an illustration of the Group's expertise in sites subject to extreme cleanliness requirements, a group of clean rooms built for the Böhringer company at Penzberg in Bavaria.

Outlook

Continuing efforts made in previous years, Sophiane will seek better profitability for its interior outfitting business, by concentrating even more on lines of business with high technology content and on markets with the greatest added value, such as clean rooms, cold ceilings, and radio and television studios.



Interior fixtures
at Frankfurt airport
in Germany.

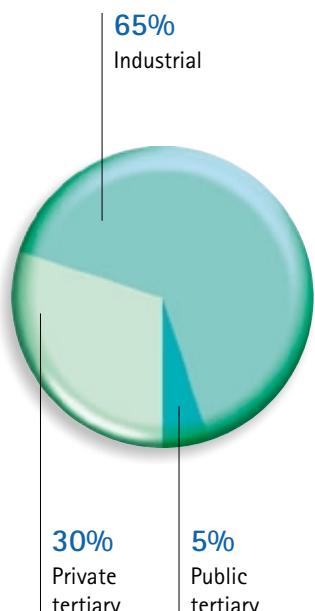


Installation of
ceilings, flooring
and partitions in
Daimler Chrysler's
conference rooms
in Stuttgart,
Germany.



Interior outfitting
for Berlin's
television tower
(Germany).

Breakdown of net sales by type of building



Financial picture of the Sophiane Group

Characteristic figures and key events

The structure of Sophiane

The new identity of SGE's Thermal and Mechanical Engineering Division is now broken out into four lines of business, Sophiane Insulation, Sophiane Energy and Climate Control, Sophiane Fire Protection and Sophiane Construction. These lines of business group together, by type of expertise, the various business activities of the sub-groups Tunzini, Nickel, Wanner Industrie and G+H MONTAGE, about which succinct information is provided on page 48. For 1998 and for Sophiane as a group, combined financial statements have been drawn up by adding together the consolidated financial statements of the sub-groups mentioned above, to reflect the organisational structure put in place in 1998. These sub-groups, whose financial statements have been validated by Statutory Auditors,

are directly or indirectly wholly owned by Sophiane's parent company, SGE, which is a listed company under French law and which publishes certified financial statements.

As a result, the combined statements presented in this document have been prepared in accordance with accounting principles determined by SGE, and are consistent with legal provisions governing consolidated financial statements.

These combined financial statements have not been certified by our Statutory Auditors.

External growth in Fire Protection

The company Calanbau, number three in the sprinkler system Fire Protection sector in Germany, was acquired at the end of the year. Its business volume is on the order of 40 million euros. It was not included in the scope of consolidation for fiscal 1998.

Changes in accounting policies

Capital leases

Fixed assets financed by capital leases were restated in the course of 1998.

As of December 31, 1998, the corresponding balance sheet items were modified as follows:

• Financial fixed assets	5,475
• Reserves	-1,191
• Income/expense	-157
• Long- and short-term debt	-6,823

The percentage of completion method

As of January 1, 1998, income and losses from contracts are posted by the percentage of completion, rather than the completed contract method. This policy change is consistent with prospective analysis, and pertains only to contracts carried out in 1998; the impact of this change is not restated in the net position, as it is not significant for the net income or loss.

This policy change also modifies the individual components of the working capital requirement.



	In thousands of French francs		In thousands of euros	
	1998	1997	1998	1997
Net sales	6,322,527	6,606,480	963,863	1,007,151
Operating income/expense	22,277	-189,632	3,396	-28,909
Operating income/expense plus net financial income	79,686	-122,200	12,148	-18,629
Net income/expense	32,692	-292,529	4,984	-44,596
Net position of the Group	46,466	-330,799	7,084	-50,430
Provisions for liabilities and charges	1,744,546	1,811,859	265,954	276,216
Capital employed	1,835,663	1,483,001	279,845	226,082
Fixed assets	503,687	424,458	76,786	64,708
Net financial surplus/debt	1,311,245	1,403,567	199,898	213,972
Cash flow from operations	44,812	-111,964	6,831	-17,069
Capital expenditure and investments	132,648	48,600	20,222	7,409
Disposals of assets	30,820	126,915	4,698	19,348
Average number of employees	7,837	8,377	7,837	8,377

Financial picture of the Sophiane Group

Statement of income

The change in net sales, which were down 4% on the previous year, is a consequence of the Group's policy to re-focus on its core expertise and to reduce loss-making activities, especially in the Construction line. In this line of business, measures have been adopted to select contracts more rigorously and to close down business sectors or geographic sites that consistently post losses; this has led to an overall business volume decline of 7% in comparison with 1997.

The operating income/expense has improved greatly to 3.4 million euros, against -28.9 million euros in 1997, mainly due to the recovery of the Construction line of business (Interior Outfitting, Cold Storage Construction, Façades), as well as that of the insulation subsidiary Schuh, whose bottom line is still slightly negative. The other lines of business repeated or even improved their

performances, in an economic environment that is not very favourable.

The net financial income/expense, which stands at 8.8 million euros against the previous year's 10.3 million euros, gives witness to the good financial health of the Group, which has a strongly positive net cash position of almost 200 million euros. The slight decrease with respect to 1997 is due to depreciation of financial holdings in connection with on-going restructuring.

The exceptional income/expense stands at -5.8 million euros against -25.1 million euros in 1997, as most restructuring in loss-making sectors was provisioned in 1997. It reflects exceptional revenue of 2 million euros, generated by the sale of non-strategic assets, consisting of real-estate property and financial holdings.

The net income/expense went back into the black at 4.9 million euros, after heavy losses in 1997. This recovery, whose magnitude is due to a faster turn-around than expected of loss-making businesses, is also due to the contribution of other lines of business.

Having been restructured and having a solid financial base, the Sophiane Group is in a position to continue its development under the strategic plan set out in 1998.

The outlook for 1999 is extension of the 1998 performance, with net income at least at the same level and continuation of the external growth policy.



In thousands of euros

	1998	1997
Net sales	963,863	1,007,151
Other operating revenue	21,450	27,023
Goods and services procured	-566,800	-598,190
Wages, salaries and benefits	-325,948	-343,012
Taxes	-5,687	-6,581
Other operating expenses	-91,075	-85,664
Net operating depreciation and provisions	7,593	-29,636
Operating income/expense	3,396	-28,909
Financial income	9,842	10,390
Net financial depreciation and provisions	-1,090	-110
Net financial income/expense	8,752	10,280
Operating income/expense plus net financial income	12,148	-18,629
Exceptional losses and gains	-13,216	-5,970
Net exceptional depreciation and provisions	7,966	-16,685
Amortisation of goodwill	-575	-2,419
Exceptional income/expense	-5,825	-25,074
Employee profit-sharing	-684	-173
Income taxes and deferred taxes	-786	-198
Other revenue and expenses	-1,470	-371
Net income/expense of subsidiaries and affiliates	4,853	-44,074
Group share of net income/expense of companies accounted for by the equity method	143	-517
Minority interest	-12	-5
Net income/expense	4,984	-44,596

Financial picture of the Sophiane Group

Balance sheet

Fixed assets increased by 12.1 million euros, which reflects, in particular, the acquisition at the end of the year of Calanbau, the number three company in Germany's sprinkler system Fire Protection sector, whose 40 million euros of net sales will not be included in the statements until 1999.

The net position of the Group is positive at 7.1 million euros, largely due to capitalisable advances in the amount of 12.8 million euros, corresponding to a share in net income, as in the case of Tunzini in France, returned by the shareholder.

The capital employed of 279.8 million euros includes 266 million euros of provisions for liabilities and charges, of which 232 million euros relate to operations. These operating provisions have remained constant from 1997 to 1998, and they include pension commitments

in the amount of 182.8 million euros.

The working capital requirement did not change much in the year. The changes in accounting policies described under "Key events" above explain most of the movements in its individual components.

The overall financial structure has improved markedly in comparison with 1997. Its salient features are capital employed of almost 280 million euros, a prudent level of risk provisioning, a negative working capital requirement and a cash position very much in surplus.



In thousands of euros

	1998	1997
ASSETS		
Intangible fixed assets	1,906	1,694
Goodwill	8,179	6,365
Tangible fixed assets	38,929	36,791
Investments in subsidiaries and affiliates	14,647	6,933
Other financial assets	13,125	12,925
Total fixed assets	76,786	64,708
Inventories and work in process	12,283	273,162
Trade accounts receivable	407,174	313,317
Short-term financial receivables	235,530	222,237
Marketable securities and cash	9,389	16,417
Total current assets	664,376	825,133
Total assets	741,162	889,841
SHAREHOLDERS' EQUITY AND LIABILITIES		
Capital stock	63,597	63,597
Reserves	-74,364	-73,347
Net income/expense for the year	4,984	-44,596
Shareholders' equity	-5,783	-54,346
Capitalisable advances	12,760	3,785
Minority interest	107	131
Net position	7,084	-50,430
Provisions for liabilities and charges	265,954	276,216
Long-term debt	6,807	296
Capital employed	279,845	226,082
Accounts payable	423,103	639,373
Short-term debt	38,214	24,386
Total current liabilities	461,317	663,759
Total shareholders' equity and liabilities	741,162	889,841

Financial picture of the Sophiane Group

Cash flow

The operating cash flow, at 6.8 million euros, is much improved over 1997, when the bottom line was heavily negative.

It reflects positive movement in the gross operating surplus, which reached 12.9 million euros against 0.7 million euros in 1997.

The amount of -4.2 million euros, shown in the table for 1998, has to be corrected for the impact of the accounting policy change regarding depreciation of work in process and end-of-contract losses.

Investment transactions are up in comparison with 1997, at 15.7 million euros of net investments in 1998 against the previous year's -4.6 million euros, due to substantial sales of non-strategic assets in 1997.

This policy was continued into 1998, with 4.7 million euros of disposals, broken down into 2.3 million euros worth of real-estate and 2.4 million euros of securities.

The financial investments of 12.1 million euros include the acquisition of the company Calanbau.



In thousands of euros

	1998	1997
OPERATING TRANSACTIONS		
Gross operating surplus/deficit	-4,197	727
Financial and exceptional transactions	-5,422	-8,349
Taxes and contributions	-1,471	-371
Allocations to and recoveries from short-term items	17,921	-9,076
Operating cash flow	6,831	-17,069
Net change in the working capital requirement	-2,490	66,381
Total (I)	4,341	49,312
INVESTMENT TRANSACTIONS		
Capital expenditure	-8,126	-6,251
Disposals of fixed assets	2,318	3,940
Net capital expenditure	-5,808	-2,311
Acquisition of investments	-12,096	-1,158
Disposal of securities	2,380	15,408
Net financial investments	-9,716	14,250
Increase in other financial fixed assets	-284	-6,343
Decrease in other financial fixed assets	100	2,969
Net change in other financial fixed assets	-184	-3,374
Total (II)	-15,708	8,565
FINANCING OPERATIONS		
Issues of parent company stock	—	—
Net income/expense attributed to the parent company	-5,258	16,172
Movement in capitalisable advances	8,975	12,779
Other long-term liabilities	-83	-1,521
Total (III)	3,634	27,430
Cash flows for the financial year (I+II+III)	-7,733	85,307
Net financial surplus on January 1	213,972	139,050
Impact of exchange rates, scope of consolidation and other	170	-10,385
Change of accounting policy relating to capital leases	-6,511	—
Net financial surplus on December 31	199,898	213,972

Financial picture of the Sophiane Group

Comments on the Sub-Groups

Tunzini

With a volume of business comparable to that of the previous year – 139 million euros compared to 147 million euros –, Tunzini maintained a **high level of performance with a Group share of net income of 6.2 million euros**, that is, 4.4% of net sales.

In 1997, Tunzini posted income of 5.3 million euros, which was augmented by exceptional income of 12.2 million euros, reflecting the sale of an equity holding.

Nickel

In an unfavourable economic environment, especially in the tertiary building sector in Germany, Nickel stood its ground with a business volume of 108 million euros (102 million euros on a like-to-like consolidation basis) against 99 million euros in 1997, and a net income of 0.8 million euros against 0.6 million euros in 1997.

The fiscal year was marked by work on the prestigious construction site at the Reichstag, inaugurated on April 19, 1999.

Wanner

The traditional markets of Industrial and Nuclear Insulation in France were weak once again, as reflected in the net sales down-turn to 89 million euros, against 93 million euros in 1997. The bottom line, at -0.6 million euros, was also adversely affected.

In 1997 it had been just positive at 0.2 million euros.

In the course of the year, Wanner carried out a first equipment dismantling operation at the nuclear power plant in Chinon.

measures launched during the previous year and continued into 1998, especially in the Construction line of business.

Thanks to the new senior management and the good reactivity of staff members and sales representatives, the financial recovery was faster than expected. With net sales down by a slight 3% to 625 million euros, against 642 million euros in 1997, the G+H MONTAGE Group posted a bottom line close to the black, at -1.4 million euros, compared with a loss of 63 million euros in 1997.

G+H MONTAGE

The G+H MONTAGE Group, which had a large deficit in 1997, took advantage of rationalisation

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