

SOCIÉTÉ GÉNÉRALE DE BELGIQUE GENERALE MAATSCHAPPIJ VAN BELGIË

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INTRODUCTION

1988 – 1998: in the space of just ten years Société Générale de Belgique has gone through one of the most radical transformations ever experienced throughout its long history.

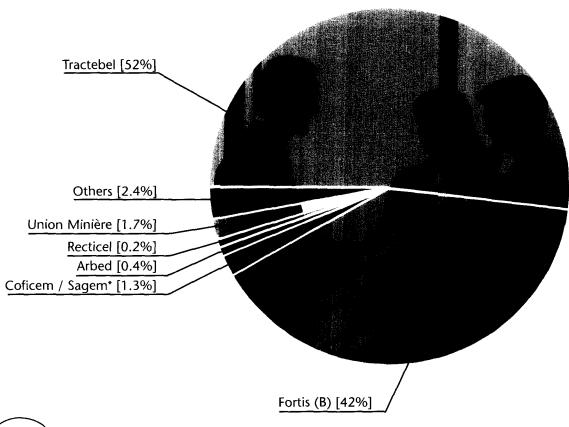
From its beginnings as a conglomerate holding minority shares in numerous companies, it has evolved into a performant group, primarily focused on two major participating interests, Tractebel and Fortis. But, nonetheless, the Générale continues to support its other industrial interests, i.e. Union Minière, Recticel, Arbed and Coficem/Sagem*.

Two very significant developments took place at Société Générale de Belgique in 1998. Firstly, the Générale sold its holding in Generale Bank to the Fortis Group and, secondly, the Générale itself was taken over by its majority shareholder, the French group Suez Lyonnaise des Eaux.

Société Générale de Belgique now forms an integral part of Suez Lyonnaise des Eaux, where it plays a key role as the leading shareholder of the energy group comprising Tractebel, Electrabel, Distrigas and the French company Elyo, which the Générale has just acquired.

^{*} In March 1999 the decision was taken to sell the 20% holding in Coficem/Sagem to Suez Lyonnaise des Eaux.







Tractebel

42.9%

7.5%

FORTIS

21.7%

0.2%

20%*

25.2%

RECTICEL

3.5%

5%

0.8%

8.6%

Remark:

Upper figures indicate direct holdings; lower figures denote indirect holdings.

*In Coficem

Fully consolidated company

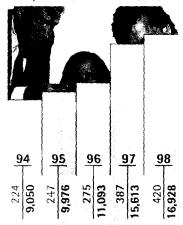
Companies included under the equity method

Non-consolidated companies

Financial highlights OF THE GROUP

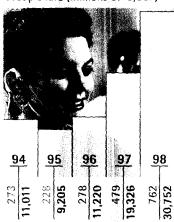
PROFIT ON ORDINARY ACTIVITIES

Group share (Millions of €/BEF)



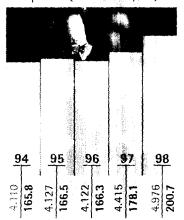
NET PROFIT

Group share (Millions of €/BEF)



CAPITAL AND RESERVES

Group share (Billions of €/BEF)



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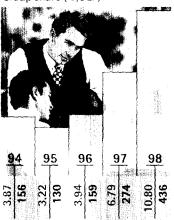
EXCEPTIONAL PROFIT (LOSS)

Group share (Millions of €/BEF)



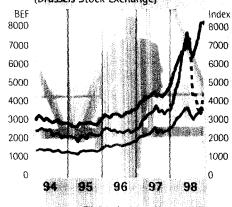
NET EARNINGS PER SHARE

Group share (€/BEF)



SHARE PRICES AND NET ASSET VALUE 1994-1998

(Brussels Stock Exchange)



■ Net asset value per share (BEF)

Générale share (BEF)

■ Brussels Market Bel-20 index



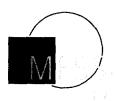
	1998	1998	1997	1996	1995	1994
	€					
Résults* (millions of BEF/€)						
Net profit on ordinary activities	1 277	51 524	48 068	420	766	1 263
Exceptional profit (loss)	344	13 858	2 466	(97)	(1 828)	2 240
Profit of companies included under the equity method	313	12 627	8 676	11 983	10 780	9 488
Consolidated profit	1 557	62 792	46 920	11 948	9 482	12 323
Total net profit - Group share	762	30 752	19 326	11 220	9 205	11 011
Balance sheet (millions of BEF/€)						
Tangible fixed assets	11 657	470 260	327 289	29 975	28 007	30 041
Financial fixed assets	6 925	279 339	279 827	167 769	143 946	138 582
Total capital and reserves	11 127	448 874	395 417	196 887	196 402	196 360
Group capital and reserves	4 976	200 736	178 079	166 335	166 470	165 769
Amounts payable after one year	5 087	205 201	143 855	56 219	15 357	15 054
Working capital	221	8 922	(3 679)	33 765	39 431	37 975
Number of shares issued and Market capitalisation						
Shares outstanding at 31.12		70 601 069	70 601 069	70 601 069	70 601 069	70 601 069
Market capitalisation at 31.12 (1) (millions of BEF/€)	7 263	292 994	239 338	175 797	173 679	152 498
Figures per ordinary share, adjusted (BEF/€)						
Total net profit - Group share	10.80	436	274	159	130	156
Gross dividend	2.67	108	120	116	116	114
Group capital and reserves	70.48	2 843	2 522	2 356	2 358	2 348
Estimated net asset value at 31.12 (2)	188.23	7 593	4 392	3 443	2 998	2 769
Market price: high	173.77	7 010	3 865	2 590	2 475	2 636
low	78.58	3 170	2 435	2 220	1 805	2 025
at 31.12	102.88	4 150	3 390	2 490	2 460	2 160
Ratios						
Return on Equity: (Group net profit) (Group capital and reserves (3))		17.3%	11.6%	6.7%	5.6%	6.7%
Debt ratio (gearing): (amounts payable after one year) (total capital and reserves)		45.7%	36.4%	28.6%	7.8%	7.7%
Yield: (gross dividend) (year-end market price 31.12)		2.6%	3.5%	4.7%	4.7%	5.3%
Market return: (price variation + gross dividend) (year-end market price 31.12)		21.2%	30.0%	6.0%	20.0%	(6.3%)

⁽¹⁾ Number of shares outstanding multiplied by year-end Brussels stock market price of ordinary shares.

⁽²⁾ Total capital and reserves after appropriation of profit + gross dividend + potential gains on portfolio.

⁽³⁾ At 31.12 + newly created shares in proportion to their dividend entitlement.

^{*} These amounts are taken from the Consolidated Income Statement and include minority interests, unless specified otherwise; the figures given in the press release of 26 March 1999, and the data on the previous page on the profits on ordinary activities and exceptional profits only include the Group share.





1998 was no ordinary year!

Of course, there was our 175th anniversary, which we duly commemorated, by commissioning historians to recount our eventful past and by organising two major cultural events which highlighted our role as patrons of the arts.

But the achievement which really marked 1998 was that we proved – if proof were needed – that by following the clearly defined, precisely targeted strategy we have adopted, we are definitely on the right track.

1. RESULTS

For the seventh year running our net profit on ordinary activities (group share) registered a significant increase (+ 8.4%), moving up from BEF 15.6 billion (\in 386.7 million) to BEF 16.93 billion (\in 419.7 million).

Our consolidated net profit (group share) increased from BEF 19.32 to BEF 30.75 billion (€ 478.9 to 762.3 million), which includes an exceptional profit of BEF 13.82 billion (€ 342.6 million)

lion), up 59.1%. This is an all-time record.

Similarly, on 30 March 1999 the value of the Générale based on the stock market prices of its participating interests stood at BEF 530 billion (€ 13.1 billion), compared with BEF 403 billion (€ 10 billion) on 30 April 1997.

The positive cash balance at 30 March 1999 stood at BEF 38 billion (€ 942 million).

The Générale's profitability also improved significantly, with a return on equity of 9.5% and a return on assets of 17.3%.

2. STRATEGY

■ The main event in 1998 was obviously the Generale Bank-Fortis amalgamation.

We strongly believe that tomorrow's winners will be those who best anticipate change today, and so, determined to gain a head start in Europe, we supported Fortis' plan to transfer its banking operations to Generale Bank, i.e. CGER/ASLK, MeesPierson, VSB.

Without being under any illusion as to the difficulties inherent in any merger operation, we felt that, with the change-over to the euro on the horizon, a major initiative, which would generate added value, was needed in order to create the right conditions for our Belgian bank to fulfil its European ambitions.

Reflecting its belief in the value of this industrial project, our Board of Directors wanted us to remain the leading shareholder in this new banking unit and to play to the full our part as stable shareholder in order to guarantee the success of this new unit.

As with any other large-scale undertaking of this nature, this initiative was viewed with scepticism and attracted criticism from various quarters, but today the operation is thriving, as is illustrated by the excellent results posted by the Fortis group.

The synergies generated are more positive than originally foreseen and the integration process is going ahead smoothly.

Fortis Bank will soon become a reality, with the merger between Generale Bank and CGER/ASLK scheduled to take place as planned before the summer recess.

And, whilst considerable energy is being devoted to the integration process, the bank is also actively working on consolidating its leading market position.

The Fortis group is now ideally placed to take part in the on-going consolidation of the banking and insurance sectors in Europe and the rest of the world. The acquisitions of John Alden and American Bankers Insurance were a step in this direction.

Société Générale, as the group's leading shareholder, will continue to support its development.

- Tractebel continued its international expansion programme, making a major investment in the Brazilian company, Gerasul.
 - Société Générale de Belgique has decided to take over from Suez Lyonnaise des Eaux the interest it holds in the French group, Elyo, in order to be able to create around Tractebel a single division in charge of developing all Suez Lyonnaise des Eaux activities in the energy sector. The liberalisation of the European gas and electricity markets has created a highly competi-

The liberalisation of the European gas and electricity markets has created a highly competitive situation, with the result that Electrabel and Distrigas will now be looking beyond their domestic markets.

- Tractebel's aim, which Société Générale de Belgique fully supports, is to develop into one of the world's leading energy groups.
- Union Minière was hard hit by the Asian crisis and the drop in the price of raw materials, which fell to an all-time low. The results posted for the year were also negatively impacted by the problems encountered with the new technology for extracting precious metals.
 - Although the economic outlook is not very promising, UM has some far from negligible assets at its disposal: competent management, its own technologies and processes in numerous different fields and significant market shares.
 - Société Générale has every confidence in Union Minière's future, and fully supports its strategy.
- Arbed had an excellent year and has started to reap the benefits of its recent partnership with Aceralia. It remains one of the world's top steelmakers.
- The Générale sold the interest it held in Recticel to a group of private investors brought together by the company's CEO, Luc Vansteenkiste. In line with the undertaking it had given to Recticel the Générale waited for the company's fortunes to take a turn for the better before giving a positive reply to the management's take-over plans.
- The Générale has sold its holding in Coficem/Sagem to Suez Lyonnaise des Eaux.

3. SHARE EXCHANGE OFFER MADE BY SUEZ LYONNAISE

Following the share exchange offer, Suez Lyonnaise des Eaux now holds a 99.6 % participating interest in Société Générale.

As a member of the Suez Lyonnaise des Eaux group, the Générale has been entrusted with specific missions. Suez has decided to use the structure of Société Générale de Belgique as a launchpad for its general strategy in Belgium, particularly in the energy sector.

This means that via Société Générale de Belgique the Belgian companies'mission is to contribute to the group's expansion and also to asserting its European identity and its Franco-Belgian character.

Société Générale de Belgique will therefore continue to play its current role as regards its subsidiaries and will remain responsible for monitoring their management, within the framework of the methodology applied by the whole group.

With the future of the role traditionally played by Société Générale de Belgique secured in this way, all the conditions are in place for achieving its strategic objectives.

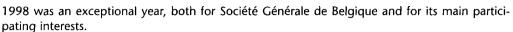
Christine Morin-Postel
Chief Executive Officer

Etienne Davignon Chairman

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Directors' report on the CONSOLIDATED ACCOUNTS



On 1 June the Board of Directors of the Générale gave a favourable opinion on the exchange offer made by Suez Lyonnaise des Eaux for all the Générale's shares.

By the time this offer closed, Suez Lyonnaise des Eaux held a 99.4% interest in our company. The Générale's shares were removed from the Brussels Stock Exchange's official list on 30 December 1998.

The Générale's primary mission, as part of the Suez Lyonnaise des Eaux group, is to hold shares in – and contribute towards the development of – companies with a European and international dimension whose decision-making centre is located in Belgium.

TRACTEBEL

Tractebel carried out several large-scale operations as part of its international development strategy in the energy sector, headed by its **International Electricity and Gas** division.

The most important was the acquisition of a majority share (42% increased to 68% in January 99) in Centrais Geradoras do Sul do Brasil SA (Gerasul in short). Gerasul is the largest electricity producer in southern Brazil.

Other operations in Latin America included a licence to build and operate a new hydroelectric power plant (450 MW) in Brazil. Tractebel also carried out investments in Argentina, Chile and Mexico (gas distribution licence for Querétaro).

The Tractebel group consolidated its position in the Far East by making new investments and increasing its shareholdings in companies where it already had a participating interest.

The increasing liberalisation of the energy sector in North America has opened up new opportunities for Tractebel's International Electricity and Gas division, both in the field of trading and new generating capacities.

The projects realised by International Electricity and Gas in 1998 represent investments totalling nearly € 1.8 billion (BEF 72 billion).

Liberalisation is also on the agenda in Europe, both on the electricity and on the gas market. The European directive on the liberalisation of the **electricity** market was transposed into Belgian law and duly adopted by the House of Representatives in 1999.

Electrabel took the initiative of opening up its network to foreign producers with effect from 1 January 1999.

Electrabel's upgraded production facilities, which are very cost-effective (owing to CCGT power stations coming on stream, among other things) have enabled it to maintain its competitive edge in the deregulated market.

In February 1998 Electrabel was awarded a contract in the Grand Duchy of Luxembourg to build and operate a CCGT power station at Esch-sur-Alzette, and in July it acquired a 7.8% interest in Cegedel, which supplies 64% of the Luxembourg market's electricity.

Following the deregulation of the market, the group has also established itself as a trader, enabling it to purchase electricity at the best price. The company is present on the Nord Pool in Scandinavia and since September it has been present on the forward electricity market in Spain. Electrabel is also a founder member of the Amsterdam Power Exchange, which has been operational since the beginning of 1999.

In the gas sector, the Council of Ministers reached an agreement on 29 January 1999 on a bill to transpose the European directive on liberalising the energy sector into Belgian law.

Sales on the Belgian market increased by 10% in 1998. There are an increasing number of cogeneration projects between Distrigas and Electrabel, mainly for industrial clients. Within the group's own network, a cogeneration unit came on stream at the liquefied natural gas terminal in Zeebrugge.



Against the background of a deregulated market, Distrigas is continuing its international expansion programme, which includes looking at new opportunities for energy trading in Europe.

On 1 October the RTR network (Réseau de Transport Renforcé) came into operation. This 300 km long pipeline, which is connected to the Interconnector (the underwater gas pipeline linking Bacton and Zeebrugge) has extended the Distrigas network along an east-west axis. With both the RTR network and the Interconnector coming into operation, Distrigas' transit activities have increased. At the time these two transport facilities came into operation, contracts involving 15 billion cubic metres per year had already been concluded.

In the **services** sector, the Tractebel group took over Sulzer-Infra, a French heating and airconditioning group, at the beginning of 1998.

The interest in the Watco group was increased to 100% in February.

Other acquisitions in the services sector include Ecotechniek, Holwerda and Van Bennekom in the Netherlands, and the controlling interest taken in Schelde Industriële Constructie b.v., Scetauparc, Bianchi in France and Services Environnementaux A.E.S. and Services Sanitaires Transvick Inc. in Canada.

As regards its **financial holdings** the Tractebel group decided on 1 December to transfer the interest it held in PetroFina to Total, for the purpose of creating the TotalFina group.

FORTIS (B)

There is no doubt that the most important event which took place in the Fortis group in 1998 was the amalgamation between the Belgo-Dutch group and Generale Bank.

On 17 May Generale Bank's stable shareholders, i.e. the Générale, Mutuelle Solvay and Union Financière Boël, undertook to transfer to Fortis AG the 32.8% interest they held in Generale Bank.

The basis for the exchange was 7 Fortis AG shares for 3 Generale Bank shares.

The transfer of shares from the stable shareholders was only subject to one condition, i.e. it had to be approved by the European Commission.

This operation formed part of Fortis' proposed industrial plan, which is designed to enable it to develop a financial services group on a European scale, which is either the leading company or one of the top three on most markets in the Benelux countries. This operation will generate considerable synergies on the cost and income front. Following this transfer, Fortis made an exchange offer for the Generale Bank shares it did not hold. At the close of this offer Fortis held a 98.24% interest in Generale Bank.

The other large-scale operation carried out by Fortis was the purchase of the remaining shares (25%) in CGER/ASLK Bank and Insurance. Its participating interest now stands at 100%.

At the end of 1998 banking operations accounted for 57%, and insurance operations for 43% of the group's net profit.

Following the share exchange offer for Generale Bank, the Fortis group was restructured. A banking division and an insurance division were set up and a different management structure was put in place.

Since 1 January 1999 Fortis has been managed by a Board of Directors, consisting of 18 executive and non-executive members.

The Boards of Directors of Fortis (B) (formerly Fortis AG) and Fortis (NL) (formerly Fortis Amev) also consist of the Board of Directors of Fortis, plus a maximum of 7 additional non-executive members.

The economic rights accruing to shares (profits, shareholder's equity and dividends) were also made equal between the Fortis (B) and Fortis (NL) shares by applying an equalisation ratio.

Since the beginning of 1999 the economic rights accruing to the Fortis (B) and Fortis (NL) shares

have been equal, following the division of the two shares representing the Fortis group. The management of the Fortis group is still based on a \$0/50 division between Fortis (B) and Fortis (NL), although the relative economic weight of the two parent companies can fluctuate between 30 and 70%, At 31 December 1998 Fortis (B) held 64.49% of the economic rights of

the Fortis group.

In the insurance sector Fortis also made major acquisitions on the American market.

Fortis inc. securing Pierce National Life, one of the largest funeral insurance companies.

Al the end of August John Alden Financial Corp. joined the group. John Alden is an independent acquisition of the largest funeral insurance sector. Following the acquisition of nsurance company operating in the group health insurance sector. Following the acquisition of

can Alden, Fortis Health has become one of the leading independent insurers in the USA.

1. The Segmenting of March 1999, Fortis purchased American Bankers Insurance (ABI), a common operating in the same sector as American Security Group (ASG), which is a subsidiary of crisis in the fleid of credit insurance products for mancial institutions and large retail companies in the USA.

During the second half of the year the Générale sold part of its holding in Fortis (8), generating an exceptional profit.

At 31-12,1998 the Générale held a 21,74% interest in Fortis (8), making it the largest shareholder. The Générale has since signed the "Protocol on the autonomy of banks" and holds a stable participating interest of 20% in Fortis (8).

On 7 July 1998 the Générale and Rec-Hold S.A. (a company comprising Recticel's management and Several Beigian private investors) concluded an agreement under which S.A. Rec-Hold purchased a 55% interest in Recticel for BEF 5.6 billion.

At the end of September Rec-Hold took up the option offered by the Générale and acquired an additional 596 interest in Recticel.

The sale of the Recticel shares generated an exceptional profit for the Générale.

Under the initial agreement concluded on 7 July, Recticel's management can also acquire, on the same containings, an additional interest of almost 5% in their company, over a period of 5 years.

At the close of the 1998 financial year the Générale held an 8.5% interest in Recticel.

The explanation was particularly bad for the non-ferrous metals industry in 1998. Owing to the sharp drop in the price of metals, particularly zinc and copies, substantial write-downs had to be booked on inventories.

The results for the year were also negatively impacted by the delay in starting up the Hoboken

Confidence of the consolidated its position in its Bulgarian copper producing subsidiary, UM Pirdop is 1998, by increasing its holding from \$6 to 97.5%, the acquisitions include Phase4, an American zinc selected producer, and the creation of venture with Grupo Net-Rep in Mexico to produce high glade zinc gastian site been restructured around four operational groups topper and precious and advanced materials and diamonds:

ARBED

Arbed posted a marked improvement in results in 1998, inter alia owing to Aceralia being consolidated for the first time.

SAGEM

Sagem merged with its subsidiary SAT (Société Anonyme de Télécommunication) at the beginning of 1998 to consolidate its position in the telecommunications sector.

FIBELPAR

At the beginning of April the Générale, Finoutremer, Tractebel and AG 1824 sold the interest they held in Fibelpar, totalling 19%, to the Frère-Bourgeois group for an amount of nearly BEF 7 billion. The vendors all realised a capital gain on this sale.

The consolidated accounts are stated in the same way as at 31.12.1997 apart from:

- The participating interest in Generale Bank: the transfer of Generale Bank shares to Fortis was considered as a reorganisation of the Générale's financial sector. As a result, no exceptional profit was carried in the accounts on this transfer.

 When Fortis AG shares were sold, after the close of the exchange offer for Generale Bank shares, the Générale realised exceptional capital gains, which were carried as such in the accounts.
- The participating interest held in Recticel: up to 30 June 1998 Recticel was fully consolidated. Since 1 July this interest has not been included in the scope of consolidation. However, Recticel's income and charges pertaining to the first half of 1998 have been included in the Générale's consolidated accounts as at 31 December 1998.

GROUP SHARE IN THE INCOME FROM ORDINARY ACTIVITIES PER COMPANY (UNAUDITED)

	1998	1998	1997
Millions of	€	BEF	BEF
	21.5	0.601	7 531
Tractebel	215.2	8 681	7 521
Generale Bank	•	-	4 590
Fortis (B)	255.1	10 291	3 402
Union Minière	(8.9)	(357)	1 542
Coficem/Sagem	8.5	342	285
Recticel	2.3	95	268
SGB and subsidiary holding companies	(52.7)	(2124)	(1 995)
Group share in the net income from			
ordinary activities	419.6	16 928	15 613
Group share in exceptional income	342.7	13 824	3 713
Group share in net income	762.3	30 752	19 326
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IMPORTANT EVENTS SINCE THE BEGINNING OF 1999

At the meeting held on 26 March the Board of Directors of Société Générale de Belgique decided to:

- acquire a 100% interest in Elyo held by Suez Lyonnaise des Eaux. This acquisition forms part of the strategy to build up the group's Energy division in Belgium.
- sell to Suez Lyonnaise des Eaux its participating interest (20%) in the French company Coficem (which controls Sagem).





Board of Directors*

Chairman

■ Etienne Davignon

Deputy Chairmen

- Maurice Lippens ∆ Chairman-Chief Executive Officer, Fortis (B)
- Gérard Mestrallet ◆
 Chairman of the Executive Board,
 Suez Lyonnaise des Eaux

Chief Executive Officer

■ Christine Morin-Postel

Board Members

- Philippe Bodson ▲
 Board Member, Tractebel
- Patrick Buffet ◆ (since 20/5/98)
 Deputy General Manager,
 Suez Lyonnaise des Eaux
- Philippe Brongniart ◆ (since 20/5/98) Member of the Executive Board, Suez Lyonnaise des Eaux
- Valère Croes ▲ Chairman, Sabena
- Jean-Claude Dehovre ▲ Chairman, SRIW
- François de Laage de Meux ▲
 Chairman, Comité national français de la
 Chambre de Commerce internationale
- Thierry de Rudder ●
 Chief Executive Officer, Groupe Bruxelles Lambert
- Jean Gandois ▲
 Chairman, Cockerill-Sambre (until 6/4/99)
- François Jaclot ◆ Member of the Executive Board, Suez Lyonnaise des Eaux
- Joseph Kinsch △ Chairman, Arbed
- Philippe Liotier Deputy Chairman, Recticel
- Philippe Malet ◆ Member of the Supervisory Board, Suez Lyonnaise des Eaux
- Xavier Moreno ◆
 Chairman-General Manager, Suez Industrie

- Patrick Ponsolle Executive Chairman, Eurotunnel Group
- Hugo Vandamme ▲
 Chief Executive Officer, Barco
- Piet Van Waeyenberge ●

 Chairman-Chief Executive Officer, De Eik
- Karel Vinck △ Chief Executive Officer, Union Minière
- Gérard Worms Partner, Rothschild et Cie Banque

Secretary

■ Jean-Pierre Standaert

*The periods of office of the members of the Board of Directors expire at the close of the Annual General Meeting of 2000, except for François Jaclot and Hugo Vandamme, whose periods of office expire at the close of the Annual General Meeting of 1999.

- ◆ De facto representative of Suez Lyonnaise des Eaux
- △ Member of the management of Group companies
- ▲ Independent
- Does not belong to any of the above categories

Executive Committee

Chairman

■ Gérard Mestrallet

Members

- Philippe Bodson (until 18/3/99)
- Patrick Buffet
- Philippe Brongniart (since 20/5/98)
- Valère Croes
- Etienne Davignon
- Jean-Pierre Hansen (since 19/3/99)
- François Jaclot
- Maurice Lippens
- Xavier Moreno
- Christine Morin-Postel
- Karel Vinck

Secretary

■ Jean-Pierre Standaert

Audit Committee

Chairman

■ François de Laage de Meux

Members

- Valère Croes
- Hugo Vandamme



rom left to right:

tienne Davignon Ilaus Wendel Ihristine Morin-Postel Jain Chaigneau ean-Jacques Massart ean-Pierre Standaert

Remuneration Committee

- Etienne Davignon
- François Jaclot (since 29/9/98)
- Maurice Lippens (until 29/9/98)
- Gérard Mestrallet
- Christine Morin-Postel

Group Committee

Chairman

■ Etienne Davignon

Deputy Chairman

■ Christine Morin-Postel

Members

- Philippe Bodson (until 18/3/99)
- Ferdinand Chaffart (until 1/7/98)
- Jean-Pierre Hansen (since 19/3/99)
- Joseph Kinsch
- Maurice Lippens or Herman Verwilst (since 22/9/98)
- Luc Vansteenkiste (until 30/9/98)
- **■** Karel Vinck

and the Management Committee

Secretary

■ Jean-Pierre Standaert

Management Committee

Chairman

■ Christine Morin-Postel Chief Executive Officer

Members

- Alain Chaigneau Finance Director
- Etienne Davignon Chairman of the Board
- Jean-Jacques Massart Communications Director Human Resources Director
- Jean-Pierre Standaert Secretary General Director Legal Affairs
- Klaus Wendel

 Director Shareholdings

also participates in the Management Committee

■ Vincent Bribosia

Head of the Energy Department

Secretary

■ Jean-Pierre Standaert

Advisers

- Paul De Keersmaeker
- Philippe de Woot de Trixhe
- Jean Van Marcke

Representatives Abroad

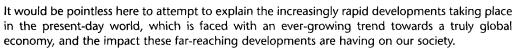
- Japan / Southeast Asia

 SGB Representative Office, Tokyo
- People's Republic of China Lino Giudice
- Democratic Republic of the Congo Representative Office
- Coordination in Belgium Georges Nève

Joint Statutory Auditors

- ARTHUR ANDERSEN (since 20/5/98) Company Auditors, SC C Represented by Henri Lemberger Montagne du Parc 4 1000 Brussels
- DELOITTE & TOUCHE
 Company Auditors, SC C
 Represented by Claude Pourbaix
 Avenue de la Renaissance 20, P.O. Box 25
 1040 Brussels
- PRICE WATERHOUSE (until 20/5/98) Company Auditors SC C Represented by Robert Peirce Woluwedal 30 1932 Sint-Stevens-Woluwe

The Générale AND CORPORATE CITIZENSHIP



Société Générale de Belgique is concerned to keep pace with changes in its environment and to actively contribute to a process of harmonious development. This is the philosophy underlying the approach which Société Générale de Belgique has adopted for many years, in other words assuming the responsibility which comes with its position as a key economic player.

A UNIQUE PATRONAGE FUND

The Patronage Fund of Société Générale de Belgique is unique in Belgium in that it is expressly mentioned in the company's articles of association. This fund invests in medium-term, and even long-term projects, paying strict attention to preserving a balance between the various "partner sectors", in other words culture in the widest sense of the term, including protection of the national heritage, scientific research and aid for the least fortunate members of society. In 1998 more than fifty different associations received financial assistance from the Fund.

The Fund gives priority to projects which promote certain aspects of Belgian culture (leading Belgian artists, such as Horta and Magritte, the work of Belgian archaeologists in Syria, etc.), offering assistance of a structural nature, rather than assistance merely for individual projects or events.

IT IS NOT ALWAYS MONEY WHICH IS NEEDED

Experience has shown that financial assistance does not always provide a solution to the problems encountered by charitable, scientific or cultural associations. In some cases skills are needed in addition to, or instead of, a financial contribution. The Générale regularly makes available the skills of its staff working in fields such as communication, organisation of events, contacts with the press, financial assessment of projects, etc.

THE PROBLEM OF SOCIAL EXCLUSION

Reflecting its concern for the problem of social exclusion, Société Générale de Belgique was one of the joint founders of the Belgian Enterprise Network for Social Cohesion, whose aim is to increase awareness among people in work of the problem posed by the lack of job opportunities, through encouraging different sectors to swap experiences in this field. It is also a member of EBNSC, the European network set up following the adoption of the European Companies' Charter against Social Exclusion.

In practical terms, these networks have set up a data base on the Internet which provides companies with:

- actual examples of measures implemented to stimulate employment
- the names of companies who are aware of this problem, with a view to exchanging opinions
- documentation on a wide range of subjects, such as management methods, job creation, training, funding, etc.
- link-ups with other associations and institutions working in this field
- links with sites of national networks.



YOUNG PEOPLE

Société Générale de Belgique's innovatory graduate employment scheme has now been running for five years. Under this scheme the company takes on five university graduates with no previous job experience for a period of twelve months. The young graduates all rapidly integrate into their new environment and make a creative contribution to the company. But the most important thing is that all of them easily find a job at the end of their training period. This has encouraged the company to continue this scheme, which benefits everyone involved.

Société Générale de Belgique also retains an open approach to other types of training schemes, and takes on numerous students for different periods throughout the year.



From left to right:

Frédéric Gothier

University Diploma in Law, Université Catholique de Louvain Post-Graduate Diploma in Business Law, University of Paris I Post-Graduate Diploma in Commercial Law, Université Catholique de Louvain Legal Affairs Department

Gaëtane Scavée

University Diploma in Commercial and Consular Sciences Institut Catholique des Hautes Etudes Commerciales (Brussels) Energy Department

Communications Department

Dorian Leynen University Diploma in Philosophy Université Libre de Bruxelles

A UNANIMOUSLY RECOGNISED PATRONAGE POLICY

In 1998 Société Générale de Belgique was awarded the "Prix Spécial du Jury du Concours des Caïus" organised by the Promethea Foundation. This special prize was awarded in recognition of SGB's outstanding contribution to the cultural sector on the occasion of its 175th anniversary celebrations.



This prize was not only awarded for the company's contribution to the Magritte exhibition, and especially for the exhibition held at the company's head office, "Syria and the origins of writing", it also rewards the constancy of its patronage policy and its consistency in the choice of projects over the past ten years.

The Générale had already received an award in 1991, the Caïus Grande Entreprise from the Promethea Foundation, and was also nominated for the K-Trofee of the Stichting voor Kunstpromotie (Foundation for the Promotion of the Arts).



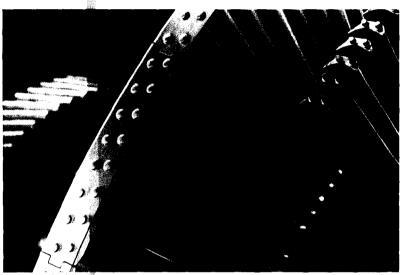


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Notes on the figures on pages 24, 32 and 39:

- Figures are in millions of BEF or €, unless specified otherwise.
- The "net profit" includes the Group's share and that of minority shareholders.
- "Capital and reserves" include the Group's share and that of minority shareholders and are given after appropriation of the profit.
- The "stock market capitalisation" is obtained by multiplying the total number of shares by the market price of ordinary shares at 31 December.
- The "dividend per share" is the figure after tax.

TRACTEBEL



Tractebel is an international group operating in the energy and services sectors. It employs 63,000 people, more than half of them working outside Belgium.

Its core businesses are electricity and gas, both on the Belgian market, via its subsidiaries Electrabel and Distrigas, and on the international markets. As an integrated company Tractebel can offer a range of inter-related services, including engineering, technical installations, waste management and communications. Its outstanding specialist know-how in these fields, coupled with the fact that these activities dovetail perfectly with each other, have been a key factor in the group's successful international expansion.

In an operating environment marked by the recent liber-

alisation of European markets, the trend towards privatisation in the rest of the world and growing concern for the environment, Tractebel has been able to exploit to the full the competitive advantages it has gained through the strategy it has followed, i.e. establishing a presence in both the gas and the electricity sectors.

Drawing on its expertise in one of its core businesses, gas, which is now the most economical fuel, Tractebel's electricity generation is not only extremely energy efficient it is also environmentally friendly.

Tractebel's energy activities cover the generation, transport and distribution of electricity, the transport and distribution of gas, and energy trading operations. The group has a multi-fuel generating capacity of 37,000 megawatts of electricity and manages a gas transport network with a capacity in excess of 100 billion cubic metres per year.

KEY EVENTS

ENERGY

■ January 98

Electrabel and PetroFina signed a contract to build and operate a combined heat and power plant in Antwerp (126 MW and 165 tonnes of steam/hour).

Acquisition of electricity generating units in the United States (approximately 640 MW) in Massachusetts, New Jersey and California.

■ February 98

In Belgium, two CCGT power stations came into operation: Herdersbrug (460 MW), followed by Gent-Ringvaart (350 MW).

Electrabel signed a contract to build and operate a 350 MW CCGT power station in the Grand Duchy of Luxembourg.

■ June 98

Tractebel and Electrabel jointly acquired Scandic Energy, an energy broker and trader operating on the Scandinavian market, which was well in advance of other markets as regards the liberalisation of the energy sector.

■ July 98

Electrabel acquired a 7.8% interest in the Luxembourg electricity company, Cegedel (Compagnie Grand-Ducale de l'Electricité du Luxembourg).

■ August 98

A contract was signed to build and operate a hydro-electric power station (450 MW) at Cana Brava (Brazil).

■ September 98

Acquisition of a 42% interest in Gerasul, the largest electricity generating company in southern Brazil (4,528 MW). This interest was increased to 68% in January 99.

■ October 98

Interconnector, the underwater gas pipeline linking Bacton (United Kingdom) and Zeebrugge (Belgium) and the RTR network (Réseau de Transport Renforcé) came into operation.

■ November 98

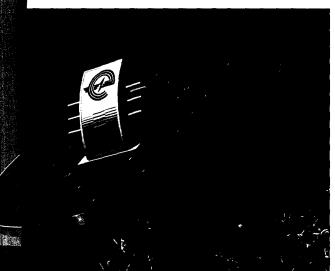
Electrabel obtained a licence to purchase and sell electricity in Spain.

Tractebel was awarded a concession contract to distribute gas in Querétaro (Mexico).

Tractebel Engineering signed a turn-key contract for an 80,000 cubic metre LPG storage facility in Taiwan.







KEY EVENTS (CONTINUED)

SERVICES

■ February 98

A contract was obtained on a consortium basis to carry out a feasibility study on interconnecting the electricity networks in Western and Eastern Europe.

■ March 98

Acquisition of the Dutch group, Ecotechniek, which specialises in soil treatment and the management of hazardous waste, plus two other companies, Holwerda and Van Bennekom, both of which collect and sort waste.

Acquisition of Scetauparc, the third largest French car park operator. Its name was changed to "Européenne de Stationnement".

■ May 98

A joint venture agreement was concluded with Suez Lyonnaise des Eaux to build a waste water treatment plant north of Brussels.

A waste management contract was awarded by Kirklees district (United Kingdom), which includes the design, construction, financing and operation of an incineration plant.

Acquisition of Services Sanitaires Transvick Inc. (Canada), which specialises in collecting and sorting waste.

■ June 98

Agreement on acquiring control of Schelde Industriële Constructie in the Netherlands and amalgamation with the Dutch technical installations and pipe operations of Fabricom, a subsidiary of Tractebel.

■ August 98

Acquisition of A&J Bull, a waste company based in London (United Kingdom), which has its own landfill sites and a network of transfer centres.

■ January 99

Tractebel acquired the division, KNP Vastgoed Installatieservice (the Netherlands), which provides maintenance services for technical installations and buildings.

PARENT COMPANY

■ December 98

Signature of a protocol with Total on the sale of its PetroFina shares.



EMMANUEL VAN INNIS

Director, Member of the General Management Committee, Head of Administration and Finance Tractebel

Tractebel's international expansion in the past few years has been quite remarkable. How do you finance such projects?

When we started to look beyond our national boundaries, we preferred to adopt an opportunistic approach. This means we assessed projects in terms of their own merits and we resorted to "non-recourse" funding, in other words at the lender's risk. Also, the fact that banks agreed to lend us money reassured us that we had made the right choice. Their (positive) view of our projects provided us with additional security.

However, I should point out that for 7 to 8 years our projects were relatively modest, they rarely involved a financial commitment of more than 6 or 7 billion francs for the Group. We were able to apply our opportunistic approach more or less anywhere in the world, and if the market had carried on developing in this way Tractebel could have continued to invest using its own resources for a long time.

But recently there has been a trend towards larger projects and gas and/or electric "systems" have appeared on the scene. For example, we made our first really large acquisition last year in Brazil, in Gerasul. This investment amounted to around one billion US dollars! Obviously, if many openings on this scale – which we feel are sound – come our way, our own resources will not be sufficient and, together with our shareholders, we shall have to look at how best to finance such acquisitions.

In addition, we always work in association with a local partner. This is important if the project is to succeed, especially in countries which we do not know very well. But we always want to be in charge of operations, so that we can influence the way in which the project is managed. Our business is producing or distributing electricity and gas, not acting as a pure finance company.

Have the financial crises which have hit the emerging economies affected the future profitability of your investments?

It would be oversimplifying things to say that we are not affected by financial crises. A crisis by its very nature is negative, not just because of devaluation problems, but also because of its indirect impact of the demand for energy.

I should like to make one point in this connection:

Our investments are geared to the long term, i.e. 20 or 30 years. If the possibility that a financial crisis might occur at some time or other were seen as an obstacle, then we would never go anywhere, not even in Europe. We have to live with the knowledge that economies go through periods of growth and periods of recession, and financial crises. Having said this, I should like to point out that a power plant does not fluctuate in the same way as the local currency; it has an intrinsic value and this value will depend more on the profitability of the plant than the trend shown by a given local currency.



For example, in Brazil we have purchased a production company which produces cheap electricity as 80% of its generating facilities consist of hydro-power dams. If the market continues to expand—and we are convinced it has potential—hydro-power will become increasingly competitive. If there is a crisis, growth may be slowed down, but sooner or later the potential will be realised.

What gives Tractebel the edge over its main competitors?

On the international market one of our major assets lies in the fact that we were one of the first European groups to expand internationally. We felt hemmed in by our national market and if we wanted to grow we had no choice but to expand internationally. And we did this at just the right time, just when the market had started to open up.

Another strong point is that we have never lost touch with the international markets thanks to our group's engineering activities. Our engineers have never stopped travelling around the world, selling their know-how and consultancy services in various sectors, including the energy sector.

Tractebel is also a private group. This is always an advantage. Ten years ago electricity was still nationalised in many countries, as it still is in France and Italy today.

The group's major strength lies in the fact that it has always specialised in both electricity and gas.

The state-owned companies have neither the flexibility nor the profitoriented approach of the private companies. We are also often helped by the fact that we come from a small country without any "imperialist" aims.

On the operational front the group's major strength lies in the fact that it has always specialised in both electricity and gas. This is a significant asset today as these two types of energy are becoming increasingly complementary. Gas is now the preferred fuel for power stations. This experience and complementarity work in our favour.

On the domestic market we have a sound base, which is very profitable for the time being, but which will have to be consolidated as the market is deregulated.

In actual fact, Electrabel ranks number one in the world in terms of the performance of its nuclear power stations. In addition, it has more or less covered the cost of these plants and in the next few years they will be fully amortised, with the result that electricity generating costs will go down significantly. Electrabel is also in the process of replacing its conventional power stations with CCGT

power stations, which need fewer staff and a much lower investment input. This is also a factor in our favour.

Electricity charges in Belgium are said to be among the highest in Europe. How do you explain this? Will this change following the liberalisation of the market? How does the private consumer stand here?

This statement is only partly true. It is not true in the case of industrial customers, where our prices are the lowest in Europe, but it is true for domestic consumers, where we are one of the most expensive.

This contradictory situation can be explained by the fact that large industrial customers have always been able to negotiate the conditions of their contracts directly as there is no monopoly on the electricity market in Belgium. Competitive pressure has always existed.

The only monopoly which does exist in Belgium is the monopoly of the "communes" (= local administrative area) on electricity distribution to private customers. In most cases the communes join together to form "intercommunal" electricity distribution companies. The communes receive payment for their intangible input to the intercommunal companies, in other words their exclusive distribution rights.

Year in, year out, 18 billion francs are paid to the communes. If we deduct this amount from the total bill, then the prices we charge private consumers are well within the European average.

Energy trading is a relatively new development. Could you tell us something about it? What does this involve for the people at Tractebel?

Trading itself is as old as the hills, but it is true that in certain respects it's a new development in the electricity sector.

Trading can mean many things. So far, actually selling electricity was not a major concern as power stations were built to meet a specific level of demand on domestic markets. In Belgium we also worked on the basis of a national grid system.

Nowadays there is a growing trend to differentiate between the various aspects of the electricity business, in other words generation, transport of the supplies and distribution. In the near future distributors will be able to choose their suppliers depending on the price they charge. This is already the case in Scandinavia, in certain parts of the US and in Chile, for example.

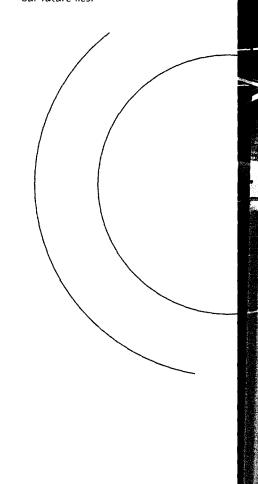
The emergence of "merchant plants" is a new development in our sector. These plants aim to produce electricity as cheaply as possible and to sell it on at the best possible margin, unlike power plants which are linked to, or which form part of, a specific market

Another development due to liberalisation is the arrival of new players on the market, who are simply brokers acting as intermediaries between producers and buyers. There is also a purely financial aspect here, in that positions are taken without the brokers having any electricity assets or clients.

We should not lose sight of the fact that once the electricity market has been completely deregulated it will probably be extremely volatile, since electricity cannot be stored and distribution capacities are limited. Factors such as plants being shut down for maintenance or breaking down, the weather and other market-specific factors result in sharp fluctuations in the supply and demand for electricity and, consequently the prices charged. Distance will also play an important part in a deregulated market as distributors will have to be paid for the use of their network.

Tractebel has decided that it does not want to stay on the sidelines and so it has branched out into these new businesses. For example, we have set up trading companies in Houston, Malmö and Oslo. We are a founder member of the Amsterdam Energy Exchange and we are starting to supply electricity to foreign pools, in Spain for example.

We have already embarked upon this course, as this is the way the sector is heading and this is where our future lies.



RESULTS AND OUTLOOK

Once again, Tractebel achieved a significant increase in its results, with sales climbing to € 11.1 billion (BEF 446.7 billion) in 1998, up 16.3% on 1997, and net profit on ordinary activities (group share) standing at € 452.5 million (BEF 18.2 billion), an increase of 15.4% compared with the previous year. This performance is even more outstanding in that it was achieved against the background of a difficult international operating environment, marked by severe competition, in a sector where results generally take a long time to come through.

The contribution from the two Belgian market operations, "Electricity in Belgium" and "Gas in Belgium" increased by 2.5% and 4.6%, respectively, to € 315.9 million (BEF 12.7 billion) for electricity and € 15.2 million (BEF 612 million) for gas. "International Electricity and Gas", Tractebel's spearhead division posted a 28.3% increase to € 51.9 million (BEF 2 billion).

But the highest growth rate was registered by the operating unit "Technical Installations and Community Services", whose contribution climbed from € 31.76 million (BEF 1,281 million) in 1997 to € 41.85 million (BEF 1,688 million) in 1998 (+31.8%).

This performance was achieved despite the fact that substantial provisions (€ 121 million - BEF 4.9 billion) were set aside to cover sovereign risks. Barring unforeseen events, the company's results are expected to show a further increase in 1999.

	1998	1998	1997
In million	€	BEF	BEF
Turnover	11,073	446,677	384,018
Net profit (loss)	1,039	41,924	37,803
Profit (loss) per share (BEF & €)	5.88	237.1	194
Shareholders' equity	8,273	333,736	294,017
Stock market capitalisation	14,049	566,750	272,838
Dividend per share (BEF & €)	2.10	84.71	80.75
Personnel		60,446	42,613





PHILIPPE CACHEUX

Chief Executive Officer Trasys (Tractebel group)

Trasys is the "hidden face" of Tractebel, so to speak. Could you tell us about your company?

We are software engineers. This means we work in the intellectual services sector and offer our clients a wide range of services developed to meet their specific requirements. A special feature of our company, as engineers, is that we only sell our own services. When we sell hardware or other software then it is because our clients have asked us to do so to provide them with integrated systems, for which we assume sole liability. We are quite independent of products which exist on the market. This is one of our strong points.

Our line of business is increasingly important since computers and information technology are now an essential management tool for companies and the public sector. In the not so distant past these tools were a sort of peripheral aid to management and were used in fields such as stock control or accounting. Now they are vitally important. Our job is to help clients find their way through the increasingly vast, complex computer and IT market and also to simplify things for them by offering tailor-made solutions.

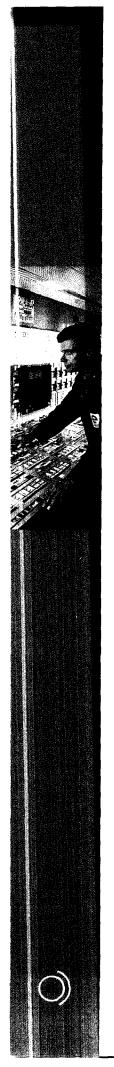
I think that once we have got through the Y2K change-over and the introduction of the euro, which are currently occupying most IT specialists, the next major trend will be towards companies and the public sector using information technology to get closer to the people they deal with, either private individuals, customers or suppliers. One of the main issues,

which will be linked to the expected development of e-commerce, will be to find out more about the target group so as to be able to offer them products which are not only top quality but which are also geared to their personal requirements. Trasys is in an exceptionally good position as regards this "new" business line, since our approach has always been to get close to our clients and offer them tailor-made solutions, which for them turns information technology into a strategic asset. Our two lines of activity, software engineering and telecommunications, are becoming increasingly closely linked. This means that our added value could turn out to be a crucial, strategic asset for our clients' future.

Another characteristic feature of Trasys is that out of the 530 people who work for us, 91% have completed higher or university education. The average age, 35, is also typical for our business. We take on a lot of young people straight from university – this is vital for us – who are immersed in computer culture. We are a "young" company.

Trasys' approach is also qualityoriented. It is based on our company's three original principles:

- Firstly, we need to know our clients' business inside out so that we can understand the sort of problems they are faced with.
- Secondly, simply saying we're IT specialists is not enough, we've also got to prove it. In other words we've got to be on top of our business.



Our approach and our image tie in perfectly with those of Tractebel: they reflect a dynamic group, with qualified staff, which is close to its clients and listens to their requirements, which is future-oriented and which employs many young people.

- The working method we have developed guarantees a very rigorous approach to the projects we deal with. It goes without saying that we have to comply with the specifications, stay within budget and meet the deadlines. Project management at Trasys is based on a method which is ISO 9001 certified.

In a nutshell, these three factors have made our company a recognised expert in the field of designing and setting up information systems.

Our clients are mainly large and medium-sized companies, and large central and local government departments. In order to meet their specific requirements, we are organised around six market segments:

- industry and the retail sector, which are by far the largest client group
- energy and community services, which are linked to our origins at Tractebel
- 3. the financial sector (banks and insurance companies)
- 4. the public sector in Belgium (federal and regional authorities)
- international organisations, such as the European Communities and the European Parliament

 space information technology in connection with European programmes.

In what way are Tractebel and Trasys complementary? What's involved here?

There is an organic link, as it were, between Tractebel and Trasys. On the one hand, because we are a spin-off from Tractebel's consultancy bureau, and on the other because we are still one of the group's major service providers, although this work now only accounts for around 19% of our turnover. We provide services for Tractebel Engineering's consultancy bureau and we also work for Electrabel, Distrigas and Fabricom, in applications which are of strategic importance for the group. For example, together with Tractebel Energy Engineering, we designed and set up the monitoring systems for the Doel nuclear power station in Belgium and we are currently working on the control centres for Electrabel's electricity distribution network. This project includes more than 100 interconnected computers. We have also set up the control systems for Distrigas' gas distribution network.

Although some people may find it strange, there is a degree of logic behind our affiliation to Tractebel. It is certainly quite useful for Tractebel to have a company like ours in its group which can help it

with numerous projects. For Trasys, being part of Tractebel can give it an edge over its competitors: many clients have seen their suppliers close down or taken over by other companies. As far as we are concerned, being part of a sound company like Tractebel not only gives us a topquality image it is also a guarantee of durability.

However, our relationship with Tractebel is quite open, we have absolutely no exclusive rights in the group, we are under no obligation to provide services to Tractebel, and we do not have any captive clients.

"Last but not least", our approach and our image tie in perfectly with those of Tractebel: they reflect a dynamic group, with qualified staff, which is close to its clients and listens to their requirements, which is future-oriented and which employs many young people.

How do you see the future of Trasys against the background of market deregulation?

Ever since our company was first set up in 1981, we've operated in a highly competitive market, so I don't think that we ourselves are going to be directly affected by market deregulation. On the other hand, our clients, such as electricity and gas companies, telecommunications operators and public and semi-public services, will be affected. And this is where we come in, since our mission is to deal with our clients'problems and help them cope with the challenges facing them. This last point

also includes helping them deal with the ever-increasing competition which is the inevitable outcome of market liberalisation. For many sectors IT is the key to their future survival. Just think of banks and large retail chains; they simply couldn't work without information technology. So, our clients need to be sure that they can rely on us to help them gain the edge over their competitors by using information technology.

Out of all the projects carried out by Trasys, which one are you the most proud of?

Before answering your question, I should like to say that the standard of service we offer our clients is a source of considerable pride to us here at Trasys. We feel that our strength lies not just in the calibre of our team but also in the way we listen to our clients and get close to them. We work on the principle that you cannot understand each other properly if you're thousands of kilometres apart. Just think of the language and cultural problems and then put them in the context of such a complex area as information technology.

This is why we are close to our clients, both in geographical and cultural terms and this is the reason why we have no less than 4 centres of operations within a radius of only 300 km: Brussels, Zaventem, Charleroi, and Paris. We think that being close to our clients is vitally important.

To come back to your question. Naturally enough, we are proud of all the projects which we bring to a successful conclusion and of the assistance we offer our clients with realising their objectives, and in their turn satisfying their own clients.

The project which makes the biggest impression, despite giving an overly narrow view of what Trasys does - though having said that, it does show what we are capable of, since this is a long, complex project - is the European "Vegetation" programme. We set up the centre for processing the images from the Vegetation satellite (Spot 4) which takes continuous pictures of the earth in order to monitor plant growth cycles. And we also designed and installed the software which process the raw image data from the satellites so that they can be used by researchers. This project also includes an e-commerce aspect, since users can consult a catalogue of images, order the ones they are interested in and have them delivered via the Internet.

Another large-scale project which we developed was for DG XXI at the European Commission. This is the Directorate General which deals with customs matters. DG XXI is faced with the enormous challenge of collecting, processing and making available, at the same time and in an integrated manner — in 12 different languages, no less! — a vast quantity of information, and in particular information on inward and outward movements of goods in the Schengen area. This is a huge, extremely complex project.

We serve around 300 customers, made up of large companies and public institutions, for whom we develop a tailor-made, original solution each and every time. This is our strength and our top selling point.

FORTIS



The international Fortis group operates in the insurance, banking and investment sectors. The group was one of the first to offer bancassurance services.

On its domestic market, the Benelux countries, the group is one of the leading providers of integrated financial services, offering a comprehensive range of services to retail customers, corporate customers and the public sector. In other European countries and also in the United States and the Far East Fortis concentrates on niche markets.

Fortis focuses on markets or market segments where it can acquire a significant market share and continue to expand. The group's key assets are its companies which are firmly established in their markets, close to their

customers. The combined companies are the group's strength; it is through them that Fortis can offer a wide range of products, draw on substantial financial resources, spread risks and build up a skills pool. As a result, the group combines flexibility at local level with significant force at international level.

Fortis offers two identical shares: Fortis (B) and Fortis (NL). Fortis (B) shares are listed on the Brussels, London and Luxembourg stock exchanges. Fortis (NL) shares are listed on the Amsterdam, London, and Luxembourg stock exchanges and are also traded under a sponsored ADR program in the United States.

Through the merger with Generale Bank, Fortis has become a coherent unit, seen from the strategy angle. The group has also succeeded in significantly boosting its market share. In the Benelux countries, in particular, Fortis is now the leader in the field of asset management, services to small and medium sized businesses and private banking. It ranks third in retail banking and corporate banking. Fortis is the market leader for bancassurance in the Benelux countries.

Elsewhere, the group has substantially consolidated its market positions, particularly in the United States, where its recent (March 99) acquisition of American Bankers Insurance Group Inc. has made it a key player in the credit insurance sector.





HERMAN VERWILST

Chairman of the Management Committee of Generale Bank Vice-Chairman of Fortis

Fortis was formed as a result of the partnership established in 1990 between two major companies, Fortis AG in Belgium and AMEV in the Netherlands. Does the fact that the status of a "European company" is not recognised cause any problems for you? Would you like to see such a company status created in Europe?

Yes, I do think that we would have had more scope if we had enjoyed the status of a "European company". All we have seen is that this issue has been debated for years now, but very little progress has been made in this direction. At Fortis, following the recent restructuring, we have just had to do the best we could within the present framework. This means that with two companies existing together but operating on a different basis we are constantly coming up against barriers in various fields, such as company law, taxation systems, regulations governing staff matters, participating interests, the manner in which works councils operate and take part in the company's business, etc. Fortis has attempted to maximise cooperation between the legal entities making up the Group wherever this has been possible under present circumstances, in the absence of official status as a "European company".

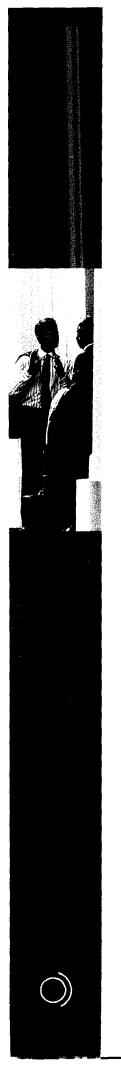
I feel that this status would offer a solution to a number of problems of a practical nature. As far as I, personally, am concerned, I hope that this status will be recognised in the very near future.

And where do you think the registered office of such a company would be located?

Of course, this will always be a difficult issue. We have already discussed this at Fortis. It will never be an easy choice, given national and local feelings. The only thing we can hope for is that if the European Union continues to grow and develop, and if there are no other complications, then the choice might become somewhat easier.

What are the advantages and problems inherent in a crossborder marriage, as in the case of Fortis? Does such a thing as a "European mentality" already exist?

Fortis has always tried to make the most of cultural differences and enhance the value of what they offer. If you want to work outside vour national frontiers then you will be faced with different sets of values, beliefs, ways of looking at things, etc. In short, everything which goes to make up a specific culture. One way of tackling this issue is to say "we have a problem here and we must do everything possible to make everyone the same and eliminate all these differences". Well, I think that is the wrong approach. In the Fortis group we start out from the position that cultural differences and other systems of values form part of the individual's rich heritage, and that we should build on these riches. People are increasingly coming round to the point of view that you can build up something better if you use a variety of materials, in other words you don't



just work with young people but with a range of different age groups, both men and women. There is growing awareness in the company that the monolithic, one-dimensional approach does not add anything - just the opposite, in fact.

What Fortis is trying to do is to benefit from, and maximise the value of, these differences. Of course, when people with different nationalities, differently coloured skin and very different cultures come together there is a tendency to say "there could be problems here, we must make everyone the same as quickly as possible". But instead of adopting this approach, we should use these rich cultural differences as the starting point for building something stronger.

I think we not only have room for people from different cultures, we also need them. It is this which contributes to our strength.

You used a very graphic image, when you referred to using a range of materials to build a house...

In actual fact, this is what our logo is intended to represent: lots of different colours and different shapes. We do not want to fall into the trap of uniformity, with only one type of personality, and one single set of values and references... but, of course, what is easy in theory turns out to be far more complicated in practice. It is difficult because we are faced with

two challenges: on the one hand we have to understand the other culture, and on the other hand we have to learn to respect it.

"Understanding" a culture means being prepared to listen and to accept that there may be a different way of doing things.

In the Fortis group we start out from the position that cultural differences and other systems of values form part of the individual's rich heritage, and that we should build on these riches.

"Respecting" other people means that you do not adopt the point of view that the other person is wrong just because he does something in a different way from you. In my opinion, understanding a culture and respecting it are part and parcel of the same thing. The challenge lies in trying to maximise the value of the strong points of all these different cultures. Taking Fortis as an example, there is no end to the prejudices, character assassination and stereotyping which the Belgians and Dutch could resort to if they had a mind to do so, but this would get us nowhere. Let us simply start from the point of view that the Belgians and the Dutch are different. And when you look more closely at the Dutch, they are not all the same either, and neither are the Belgians. Instead let us look at how a given individual deals with a problem. This way we can all learn from each other and, in my opinion, this is the only way we'll build up a truly European company.

What, in your opinion, will be the biggest challenge facing the European banking sector in the 21st century?

Above all, I think that banks, as companies, are facing an increasingly rapid series of changes. There is the euro and the European monetary union, of course, and then there are also the developments which are taking place in the computer and information technology sectors. The changes have also been

triggered by deregulation, followed by re-regulation, and the need to align products and services on the requirements of consumers, who are becoming increasingly demanding. I think that now, more than ever before, banks and financial institutions are coming up against the perception that banking is essential, but banks, maybe, are not so essential. To put it another way, we shall have to totally rethink our role. We must continually provide proof that we create added value for our customers. In areas such as payments, loans, investment advice and insurance products we must show that we are capable of offering our customers an intelligent response to their financial requirements. We must start by identifying and categorising the requirements of our customers, be they private individuals, companies or international customers. What we need to know is exactly who the customer is and what his financial requirements are. Then we have to be able to offer him the financial services he needs. Customers' requirements are now increasingly interrelated. Before, we had banking products, insurance products, savings or investment products. Now these products are all gradually merging into each other, with one product easily taking over from another. The approach we have to adopt is "whatever your financial needs, we can satisfy them"(sic). This is the challenge facing us: how can we best offer our customers an answer to their growing requirements which evolves in line with changes in the business environment.

The preparations for the merger between CGER/ASLK and Generale Bank were one of the key events which marked the Belgian economic scene in 1998. How do you carry out a merger between two such different institutions in practice?

Everyone thinks that Generale Bank and CGER/ASLK have a totally different corporate culture and, although this is true, I think the differences between MeesPierson and VSB, for example, were just as marked, as were the differences between Amev and AG, at least at the beginning. What we are trying to emphasise, and this goes back to your first question, is that there exist many complementary factors

and that we must exploit to the full the strong points offered by each partner and all the different corporate cultures. We adopt the benchmarking approach. We are organised on the basis of business lines and product groups. We are trying to build up product groups based on skills which exist within the group, and we take the best skills wherever they might be. For example, we would tend to draw on the skills of MeesPierson in the field of private banking and call on Generale Bank for corporate banking, and CGER/ASLK's experience in the retail banking sector. This makes maximum use of complementary qualities.

Fortis (B) currently accounts for the largest share of the Bel-20 index on the Brussels stock exchange. What are the implications of this for the Group?

Obviously, it is very positive to rank so high in the Bel-20. This stimulates investors' interest in our shares, as is illustrated by the demand coming from those people who are trying to mirror the Bel-20 trend in their own portfolio. This means we are in a very good position if we want to make a call on the capital markets. On the other hand, it also means that we are being closely watched, so to speak. If something negative happens, then all our actions are immediately put under a microscope, as it were, by the regulatory bodies, the general public and the government. This is one of the disadvantages of being important. As they say "the biggest trees feel the full force of the gale".

But I still feel that occupying an important position offers more advantages than disadvantages. When we announce a capital increase, the market reaction is usually very positive. This means that we don't really have any problems if we want to expand and develop. As you know, Fortis is aiming for both internal and external growth. To achieve external growth, we need the capital markets. This is one of the advantages of our structure: we have access to the capital market in the Netherlands via Fortis (NL) and the capital market in Belgium via Fortis (B). The important position occupied by Fortis (B) in the Bel-20 is an additional advantage.

KEY EVENTS

■ April 98

Acquisition of Pierce National Life Insurance Co., a subsidiary of The Liberty Corp. and one of the largest funeral insurance companies in North America.

■ May 98

A representative office was opened in Singapore with a view to stepping up bancassurance operations in the Far East.

The merger between Fortis and Generale Bank created one of the largest international financial services groups based in the Benelux countries. The new group ranks in the Top 10 European financial institutions in terms of market capitalisation.

■ August 98

Finalisation of the acquisition of the American company, John Alden Financial Corp., a leading independent life assurance company. John Alden will join Fortis Health, a Milwaukee-based company which offers health insurance to small businesses and individuals.

October 98

Successful issue by Fortis (NL) of convertible bonds maturing in November 2003, for a total amount of NLG 1.5 billion.

Group management structures were reorganised and simplified to meet the challenges posed by the "new" Fortis.

■ December 98

With the same aim in mind, the names of the two listed companies were changed to Fortis (B) and Fortis (NL) and the shares of the two companies were divided in order to make them perfectly identical, and so improve the group's transparency on the capital markets.

Acquisition of the final tranche of 25.1% in CGER/ASLK-Bank and 0.1% in CGER/ASLK-Insurance, bringing Fortis' participating interest in this bancassurance group up to 100%.

RESULTS AND OUTLOOK

In 1998 the group posted a net profit of \in 1,786 million, up 20%, with total assets of \in 338 billion at the end of the year. The group's aim is to achieve a return on equity of at least 12% and an annual increase in earnings per share of 7 to 12%. At the end of 1998 the total market capitalisation of Fortis amounted to \in 24.6 billion.

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JOZEF DE MEY

Chief Executive Officer of AG

In the light of the recent changes which have taken place, what are the new challenges now facing the Fortis group in the insurance sector?

Before answering your question, I should like to draw attention to one very important fact, in other words the total transformation which took place in the Fortis group in 1998. With the arrival of Generale Bank, Fortis underwent a radical change and reconsolidated its position.

Fortis follows a multi-channel strategy, starting from the premise that "if you control distribution channels, you control the future". This means that in future insurance products will be offered to consumers via two different channels: independent insurance brokers and bank branches.

It is clear that following the integration of Generale Bank in the Fortis group, the bank will play an increasingly important role as a distribution channel, offering significant growth potential not only in Belgium but also in the Netherlands.

In the Fortis group's insurance market we are faced with a twofold challenge: achieving growth – both internal and external – and enhancing cooperation between the various units operating in the insurance sector. Thanks to our position in the Benelux countries and Spain, we can expect a high level of internal growth.

In the Benelux countries, we have developed into a group of

appreciable size and occupy the leading position in our sector. In Spain, we are the leading company in the rapidly expanding life assurance sector, via our 40% holding in "la Caixa".

As far as external growth is concerned, we feel that Europe still offers considerable potential.

Unlike the banking sector, where we have built up a truly European bank, in the insurance sector we are still conducting business through several operational units which work alongside each other.

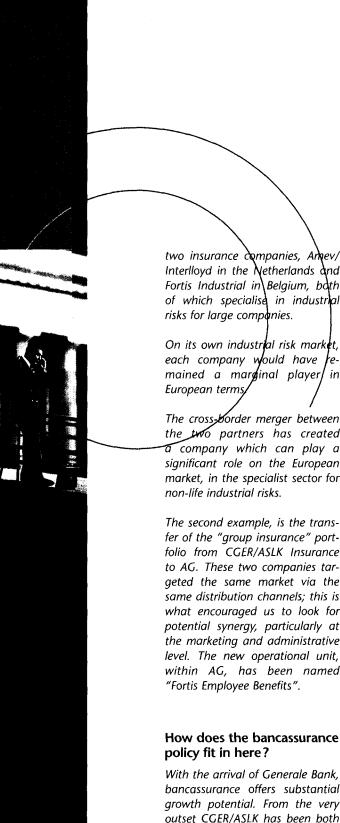
There is not much we can do to change this situation since, for the time being, and no doubt for the foreseeable future, the European insurance market is organised on a national basis. The products we sell are still designed with local requirements in mind.

In order to enhance the operating efficiency of the various units in the insurance sector we actively encourage the exchange of "best practices" between the individual units.

In other words, you expect significant synergies to be developed between the various insurance companies belonging to the group?

Of course! And I can give two recent examples which illustrate this perfectly:

On 18 January of this year we officially formed "Fortis Corporate Insurance". This is the concrete outcome of the merger between



two insurance companies, Amev/ Interlloyd in the Netherlands and Fortis Industrial in Belgium, both of which specialise in industrial

On its own industrial risk market, each company would have remained a marginal player in

The cross-border merger between the two partners has created a company which can play a significant role on the European market, in the specialist sector for

The second example, is the transfer of the "group insurance" portfolio from CGER/ASLK Insurance to AG. These two companies targeted the same market via the same distribution channels; this is what encouraged us to look for potential synergy, particularly at the marketing and administrative level. The new operational unit, within AG, has been named "Fortis Employee Benefits".

With the arrival of Generale Bank, bancassurance offers substantial growth potential. From the very outset CGER/ASLK has been both a bank and an insurance company. The well-established insurance culture at CGER/ASLK is one of its major assets; other banks, by contrast, did not start to develop bancassurance activities until much later.

This trend has gathered considerable momentum in the past few years. In the Netherlands we are also trying to promote the development of this bancassurance approach. We are also looking into the possibility of exporting the bancassurance models used by CGER/ASLK and "la Caixa" to Asia. This would give us an opportunity to export our skills and experience to the Far East.

public for long-term savings products, and not only the banks but also the insurance companies can offer a number of products which meet these requirements perfectly.

Doubts as to the state's ability to meet its pension obligations in

With the arrival of Generale Bank. in 1998 Fortis underwent a radical change and reconsolidated its position.

Europe there is a growing trend away from state funding for social security. How do you see the role of the private sector in this context?

Against the background of the trend towards reduced state intervention, the general public now feel that it is better not to rely too much on the national system and to make provision for their own social security cover.

This opens the door for private insurance companies. And for Fortis too, this represents the major source of potential growth. If we look at the growth achieved by the AG insurance company, we can see that their life assurance business has expanded significantly and, what is more, AG's individual life assurance business increased by more than 80% last year.

There is obviously a strong demand on the part of the general future are also encouraging the public to subscribe to pension savings plans.

The same question has also been raised in connection with health insurance: will the state continue to provide the same level of health cover as in the past? The general feeling is that the amount refunded is bound to go down in future.

The widening gap between the real cost of health care and the amount refunded by the social security organisations could be covered by private health care insurers.

Finally, there is another aspect to health care related to the ageing population. Elderly people are increasingly being obliged to make their own arrangements to cover the care they need, and they cannot always rely on their family as they did in the past. Here too, there is an opening for private insurance companies to develop

specific products tailor-made for the requirements deriving from this growing trend towards individuals arranging their own cover.

It is essential that the state play a role here if it wishes these requirements to be adequately covered by private insurance companies. The present government, and the government in power after the forthcoming elections, must understand that it has a duty to establish a legal framework which will encourage the public to take the initiative to cover its future requirements.

With time, this asset management will become one of our key business lines and in the increasingly competitive European market, it is this activity which will set us apart from our competitors.

I am very optimistic as regards the Fortis group's future.



What are the short and medium-term prospects for asset management? How does this activity fit in with the role of an insurer?

Banks and insurance companies attract the same type of savings, i.e. the savings of private individuals. Insurance companies offer longer term products than banks. But the differences between the two will diminish with time. The quality of these products will be what sets them apart.

At Fortis we approach customers via two distribution channels, banks and brokers. Our aim is to attract the highest volume of savings possible to Fortis Asset Management and invest them to produce the best possible return. This is a simple, pragmatic concept and it is something which Fortis can do exceptionally well. At Fortis Asset Management, we have one of the top ten asset managers in Europe.



Union Minière's (UM) operations include the extraction, smelting, refining, transformation, and recycling of non-ferrous metals.

The group is a world leader in this sector, producing and marketing more than 20 precious and special metals, which are used, in particular, by the advanced technology industry. It has centres of operations in several European countries (mainly in Belgium, France and Bulgaria) and also in North America and the Far East.

Union Minière also holds an 80.4% interest in the capital of Sibeka, which operates in the diamonds sector.

The group currently employs 8,851 people.

KEY EVENTS

■ February 98

UM acquired the American company, Phase4Infrared, which produces zinc selenide, which is used in lasers.

■ March 98

A take-over bid was made for the Sibeka shares which were not held by UM and De Beers; following this bid, UM holds a 80.44% interest in Sibeka.

■ July 98

UM and Grupo Met-Ref set up a joint venture in Mexico, Unimet, with a view to consolidating the group's position on the American market for special zinc products for galvanisation and pressure casting.

■ September 98

A minority share was acquired in Vertex, a French company specialising in the manufacture of infra-red glass.

■ In the course of the year

Three new production units for advanced materials were started up: the first at Olen, in Belgium (sub-micron cobalt powder and Cobalite), the second in the United States – Nanodyne – for advanced materials based on tungsten carbine, and the third in Shanghai (Shanghai Blue Lotus Metals) for zinc powder.



PHILIPPE ROMBAUT

Chief Executive Officer UM Pirdop Copper (Bulgaria)

The purchase of the Bulgarian copper smelter was a step in the direction of upstream integration for UM. But the general trend with other metals is more towards downstream integration. What's the reason for this?

Union Minière's investment in Pirdop goes a long way towards solving one of the major problems which has faced the Copper BU for the past two decades: securing supplies for the Olen refinery. Over the years UM has looked at taking over or acquiring an interest in 7 different primary copper smelters or copper smelter projects all over the world. UM had already known of the Pirdop plant for a couple of years, but it was not until 1997, after the government changed, that Bulgaria decided to privatise its industry. This was our chance and we took it.

So we should consider the acquisition of Pirdop as a near necessity, but it cannot be interpreted as a strategy of going upstream only, or as a decision not to invest further downstream.

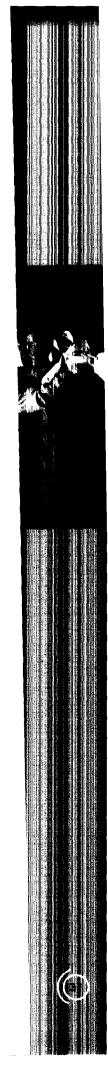
What problems did you come up against in the field, and what are UM's strong points?

Working in Pirdop is extremely challenging: we are faced with almost every problem imaginable, and the problems are not just related to the factory. In fact a lot of energy is being spent on trying to manage what I would call the peripheral issues. UM Pirdop is one of the largest plants in Bulgaria

and is notorious as one of the worst polluters in the Eastern bloc. It was, and still is, part of a whole industrial chain of companies, such as mines and fertiliser companies, most of which are still state-owned. So besides looking at what happens in our factory, we also need to carefully monitor the related companies.

UM is implementing a pilot project in Bulgaria to clean up long-standing pollution and has earmarked a budget of USD 25 million for this. UM helped the Bulgarian government to obtain funding from the World Bank for this rehabilitation work. There is an enormous amount of work to be done but it is very encouraging to see the site change week by week; if things go according to plan, by 2002 this should be a relatively clean site.

UM was also one of the first companies to invest in an industrial complex in Bulgaria and because of this we are playing a pioneering role in nearly all aspects of running an industrial complex: environmental issues, health, safety, labour relations, management of human resources. We are also frequently asked by the Government to give our opinion on scheduled changes to legislation, such as a new labour code. The biggest challenge is to change the mentality of the people: after forty years of communism, when initiative and assuming responsibility was not encouraged, the general approach is passive, to say the least. It takes a lot of communication efforts to make the employees understand that from now on they are working for their own future and that





The key factor for success is to have a good, balanced team on the ground and to increase the team as quickly as possible by taking on local staff.

it is in their best interest to be as productive and competitive as possible. We started with 2600 people in September 1997 and we are now down to 2000. But everybody knows that productivity at Bulgarian industrial complexes is only one quarter of what it is in Western Europe. It is going to be a difficult process, not only industrially but also socially. A very positive point, though, is that we have hired 15-20 young people who are intelligent, motivated and capable of shaking up the company. This is very promising. The key factor for success is to have a good, balanced team on the ground and to increase the team as quickly as possible by taking on local staff. UM has sent 8 expatriates out here (four Flemings, one Walloon, one Frenchman, one Englishman and one Greek-Canadian) together with their families. We have now appointed 70 Bulgarian managers, at all levels of the hierarchy, and there is a lot of interaction between the expats and the Bulgarians. All the expats are committed to learning Bulgarian and some of us already speak it quite fluently. Another critical point for success is to get sufficient support from the parent company. Know-how, not just technical but also organisational

know-how, needs to be trans-

ferred as quickly as possible: Western Europeans come here and Bulgarians visit UM's plants in Belgium and France. We don't feel we've been left on our own with all our problems, and this is important to keep

everybody motivated and keen to tackle problem after problem.

What was the objective in establishing a presence in the non-ferrous sector in Eastern Europe?

The UM plant in Bulgaria is an important plant in south-eastern Europe. It might become the only primary copper smelter in the area if all the other heavily polluting and outdated facilities close down. Our presence here provides us with a lot of information about what is going on in the non-ferrous business not only here but also in Turkey. The Balkans and the Black Sea region is changing rapidly, and not only in view of the political problems. Bulgaria can become a good production base, and in any case the infrastructure and the people we have here will enable us to quickly take up opportunities as and when they occur. For the time being though, we've got our hands more than full with Pirdop.

KEY EVENTS (CONTINUED)

■ January 99

The decision was taken to buy back some of the company's own shares and a take-over bid was also made for the Sogem shares held by the general public. Following this bid, UM holds a 100% interest in Sogem.

RESULTS AND OUTLOOK

In 1998 the group's results were impacted by the particularly negative operating environment: metals prices at an all-time low, deteriorating treatment and refining charges and worsening market conditions. This situation was compounded by the Asian crisis and increasingly severe competition. The delay in starting up the new precious metals smelter at Hoboken (Belgium) also had a significant negative impact on operating income.

The combination of these factors is reflected in the loss posted for the 1998 financial year (group share) of \in 47 million (BEF – 1.9 billion), which includes an amount of \in 34.7 million (BEF 1.4 billion) in write-downs on inventories and which also reflects the drop in metals prices. Sales revenues also declined, falling to \in 3.45 billion (BEF 139 billion) in 1998 compared with \in 3.87 billion (BEF 156 billion) in 1997.

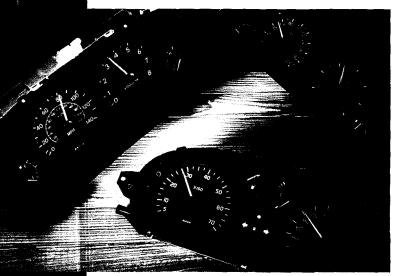
Union Minière immediately took appropriate action, setting aside additional provisions to cover operating risks and reorganising its core operations into four business groups: copper and precious metals, zinc, advanced materials and diamonds.

The group is still confident in the future and should gradually re-establish a position where it can achieve the targets initially set in the Industrial Plan.

To reflect the confidence it feels, the Board of Directors will propose to the Annual General Meeting of Shareholders that the same dividend be paid out for 1998 as for 1997.

KEY FIGURES	1998	1998	1997
In million	1996	BEF	BEF
Turnover	3,449	139,132	156,912
Turnover Net profit (loss)	(47)	(1,922)	4,265
Profit (loss) per share (BEF & €)	(2)	(81)	144
Shareholders' equity	962	38,804	44,854
Stock market capitalisation	831	33,508	66,363
Dividend per share (BEF & €)	1.09	44	44
Personnel		8,851	10,023

COFICEM/ SAGEM



International operations account for 42% of the sales of the advanced-technology Sagem group, which employs a total of 14,000 people, including 6,700 senior executives and technicians. Sagem is the second largest telecommunications group in France and a leader in the field of auto electronics and defence electronics. It has centres of operations in more than 20 countries and manufacturing units in Germany, Brazil, Spain, the United States and the Czech Republic.

Its operations are split into three divisions:

- The Telecommunications Division, which accounts for 58% of the group's sales, is the leading producer of fax machines in Europe. It also plays a key role in the manufacture of mobile telephones and digital decoders.
- The Automotive and Cable Division (24% of sales) is an important player in the sector of auto electronics for vehicle interiors, and electrical and control components for engines.
- Via its Defence Division (18% of the Group's sales), Sagem is the leading European manufacturer of navigation and inertia guidance systems and optronic systems.

In March 1999 the decision was taken to sell the 20% holding in Coficem/Sagem to Suez Lyonnaise des Eaux.

RESULTS AND OUTLOOK

Consolidated sales for 1998 stood at \in 2.9 billion (FRF 18.775 billion), an increase of 12% compared with 1997. This increase was solely generated through internal growth. The share of international operations continued to expand significantly, climbing from \in 1.019 billion (FRF 6.670 billion) in 1997 to \in 1.216 billion (FRF 7.955 billion) in 1998 (+ 19.3%). Consolidated net profit (group share) stood at \in 121.9 million (FRF 797 million), an increase of 14.1% over the 1997 figure.

ARBED

Arbed is an international group comprising eight complementary industrial sectors operating worldwide. Through its strategic alliance with the Spanish company, Aceralia, the group has become one of the leading steelmakers on the world market. Crude steel output stands at more than 20 million tonnes per year.

The Arbed group has consolidated its position as one of the most important producers of flat products in Europe and as a major supplier of the automotive industry.

On the long products market it is the leading producer of beams and sheet piling. It is an important player on the European market for stainless steel flat products, one of the world's leading producers or iron ore and steel cord, and the number-one produ-



cer of drawn products in South America. It also produces super-thin copper sheet and provides engineering services. Its sales, marketing and trading network has centres in more than sixty countries.

RESULTS AND OUTLOOK

The first six months of 1998 were excellent for Arbed, but the group was subsequently negatively impacted by the financial and economic crises which hit South-east Asia, Russia and Latin America. Despite this reversal in economic trends, Arbed achieved a 51.5% year-on-year increase in sales in 1998, which climbed to \leq 10,087 million (LUF 406.9 billion) and a consolidated net profit, group share, of \leq 203.4 million (LUF 8,206 million), 59.8% higher than in 1997. This significant increase in profits is due to Aceralia being consolidated for the first time; it also reflects the positive impact of the group's on-going internal growth plans and its dynamic marketing policy.

By targeting its external growth and consolidating its industrial and financial position, the group should be in a strong position to weather the negative market situation and poor selling prices, which were at an all-time low, prevailing in the first quarter of 1999.

RECTICEL

Recticel is a European group, based in Belgium, which specialises in the production of polyurethane foam. Its products, either finished or semi-finished, are used in the furniture industry, the building sector and the automotive industry, where Recticel supplies carmakers, such as BMW, Mercedes and Volvo with skins for fascia boards and moulded seats.

Following the take-over of Lattoflex in 1998 and, more recently, Swissflex, Recticel is now one of the leading European manufacturers and distributors of mattresses and slat bases, some of which are marketed under its own, well-known brands, such as Literie Bultex, Beka, Schlaraffia and Lattoflex.

In 1998, a group of Belgian shareholders belonging to a new company, Rec-Hold, proposed taking over almost all of the shares the Générale held in Recticel, with the result that the Générale's participating interest was brought down to 8.5%.

RESULTS AND OUTLOOK

The Recticel group's sales increased by 8% (5.8% on a constant consolidation basis) to € 981.6 million (BEF 39.6 billion) in 1998, against € 907.3 million (BEF 36.6 billion) in 1997. The net profit (group share) registered a significant rise, of 45%, climbing to € 10.73 million (BEF 433 million) in 1998.

These results reflect the dynamic, external growth policy implemented by the group, together with the major efforts to further improve product quality, develop new products and optimise the use of production capacities. The general upturn in the furniture, bedding and automotive sectors in Western Europe has made up to a large extent for the problems encountered in the industrialisation phase of the group's "Spray" technology (polyurethane coatings for interior trim for cars).

Recticel has decided to take a 25% interest in Orsafoam in Italy; it has also acquired a controlling interest in Matra AG, the manufacturer of the top-of-the-range Swissflex brand, and taken over the remaining 50% in Correcthane. This reflects Recticel's commitment to developing into a key player in its sector, and indicates that its net profit should show a steady increase in the future.









1999-2000 FINANCIAL CALENDAR

Publication of the results for the 1998 financial year: 26 March 1999

Annual General Meeting: 19 May 1999 Dividend payment: 20 May 1999

Publication of interim results: 28 September 1999

Publication of the results for the 1999 financial year: March 2000

Annual General Meeting: 17 May 2000

INFORMATION FOR SHAREHOLDERS

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Additional information is available on the Générale's Internet site at the following address:

http://www.generale.be

GENERAL INFORMATION

REGISTERED NAME

"Société Générale de Belgique" or "Generale Maatschappij van België"

REGISTERED OFFICE

Rue Royale 30 B-1000 Brussels - Belgium Brussels Trade Register No. 17.487 VAT No. BE 403.203.264

LEGAL STATUS

A public limited company incorporated under Belgian law.

DATE OF INCORPORATION

Company incorporated in Brussels on 16 December 1822, pursuant to Royal Decree No. 118 of 28 August 1822.

DURATION

Unlimited

OBJECTS

"The objects for which the company is established consist, both in Belgium and abroad, in:

- the acquisition of participating interests, in any form whatsoever, in all types of companies, partnerships and establishments, both present and future, which carry out activities of an industrial, financial, commercial or civil nature, or activities involving immovable property;
- the management and value enhancement of such participating interests, in particular by means of promoting, organising and co-ordinating the development of the companies, partnerships and establishments in which it holds a participating interest;
- the purchase, sale, disposal and exchange of any transferable securities, shares, no-par-value shares, debentures, state bonds, and any other rights in movable and immovable property;
- the performance of any financial, industrial, commercial or civil transactions or transactions involving transferable securities or immovable property which are conducive to the development of the company.

The company may carry out any studies on behalf of third parties, in particular the companies, partnerships and establishments in which it holds, either directly or indirectly, a participating interest, it may provide technical, managerial or financial assistance, grant any loans, advances or guarantees and perform any financial transactions. It may also acquire, manage, rent out or sell any movable or immovable property.

The company may realise its objects directly or indirectly, on its own behalf or on behalf of third parties, alone or with other parties, by carrying out any transactions whatsoever which are conducive to the attainment of the said objects or those of the companies, partnerships and establishments in which it holds a participating interest."

(Article 6 of the Memorandum and Articles of Association – free translation)

AUTHORISED CAPITAL

"Pursuant to a decision taken at the Extraordinary General Meeting held on 17 May 1995, the Board of Directors is authorised to increase the company's capital in one or more instalments up to an amount of forty-five billion (45,000,000,000) Belgian francs, on the terms and conditions it shall define. (...)

This authorisation shall be valid for a period of five years with effect from the date of publication of the amendment to the memorandum and articles of association decided by the aforementioned Extraordinary General Meeting; however, it shall be renewable in accordance with the conditions laid down in law. (...)

Whenever a capital increase for cash is effected, existing shareholders will be given preferential rights to subscribe the new shares pro rata to the interest they hold in the company. (...) the Board of Directors is expressly authorised, in the interest of the company, to restrict or cancel the shareholders' preferential rights whenever a capital increase is effected within the framework of the authorised capital, including the rights enjoyed by one or more specific persons, members of the company's staff or its subsidiaries' staff or otherwise.

(Article 3 of the Memorandum and Articles of Association – free translation)

MAIN CHARACTERISTICS OF THE SHARES

The company's capital is represented by 70,601,069 shares without par value, known as "parts de réserve". (Article 3 of the Memorandum and Articles of Association – free translation)

At the general meetings of shareholders each "part de réserve" share shall entitle the holder to one vote. (Article 19 of the Memorandum and Articles of Association – free translation)

In principle, the dividend will be distributed for the calendar year and therefore, with the exception of partial dividend entitlements, covers the period from 1 January to 31 December. However, the Board of Directors shall be authorised to effect interim dividend payments.

(Article 18 of the Memorandum and Articles of Association - free translation)

DE-LISTING OF THE "PART DE RESERVE" SHARES

Following the exchange offer made by Suez Lyonnaise des Eaux for Société Générale de Belgique shares in July 1998, the Management Committee of the Brussels Stock Exchange decided to remove the "part de réserve" shares from the official list after the close of business on 30 December 1988. The shares were also de-listed on the other exchanges on which they were traded.

Since this date it has still been possible to trade the "part de réserve" shares through the Public Sales system.

CORPORATE GOVERNANCE

The information given in this section completes the information given elsewhere in this report.

1. Membership of the Board of Directors

Rules governing the appointment of directors and the renewal of their period of office

Pursuant to the articles of association directors are appointed for a period of 3 years by the Annual General Meeting of shareholders. They may be re-elected.

If a director's post falls vacant, owing to the death or resignation of the director or for any other reason, the other members of the Board of Directors may appoint a temporary director to replace him/her until the next Annual General Meeting, which will make a definitive appointment.

There are no other rules governing the appointment of directors and the renewal of their period of office.

Age limit for the Board of Directors

The Board has set an upper age limit of 65 years for its members. Directors retire on 31 December of the year they reach the age of 65.

However, the Board may waive these rules.

2. Board of Directors working procedures

Number of meetings of the Board of Directors per year

The articles of association stipulate that the Board shall meet at least 4 times per year. In 1998 it held 8 meetings.

Most significant issues discussed by the Board of Directors

The Board's duties include setting the main strategic guidelines and defining the general policy of the company. It approves the consolidated and non-consolidated accounts and the wording of reports to be submitted to the shareholders. It convenes shareholders' meetings and sets the agenda for such meetings. It approves investments and disposals in excess of BEF 1 billion. At each meeting it deliberates on the Group's business development.

In 1998, the Board's deliberations covered the merger between the banking activities of Fortis and Generale Bank, the disposal of the interest held in Fibelpar, the exchange offer made by Suez Lyonnaise des Eaux for the Société Générale de Belgique "part de réserve" shares it did not hold at the time and the disposal of the interest in Recticel.

It also received reports on the organisation, activities and projects of certain Group companies.

Specific rules governing the decision-making powers of the Board of Directors

The articles of association stipulate that the quorum shall comprise at least half of the members of the Board, either present or represented. Each member may authorise, in writing, a co-member to represent him/her at a Board meeting and to vote on his/her behalf. However, such proxies may only represent one member of the Board. Decisions are taken by a majority vote.

In exceptional cases allowed by law, the Board's decisions may be taken on the basis of the unanimous consent of all the directors given in writing.

There are no other specific rules governing the decision-making powers of the Board of Directors.

Supervision of day-to-day management

The Board has mandated the Executive Committee to supervise the day-to-day management entrusted to the Chief Executive Officer and the due implementation of any delegation of special powers.

The Chief Executive Officer reports regularly to the Board on business developments and provides the Board with explanations of preliminary work to be carried out prior to the Board taking decisions.

Monitoring of business developments in subsidiaries and investments

The Board is provided with regular reports on the business developments and projects of its main subsidiaries and investments and in this way can monitor how their activities are progressing.

Société Générale de Belgique is also represented on their management bodies, providing it with further means of monitoring business developments.

Rules governing the performance of Board members'duties

The Board of Directors has not adopted any specific rules governing the performance of Board members'duties.

Rules and procedures governing the determination of total emoluments and fees paid to directors

Article 16 of the articles of association stipulates that directors shall receive an emolument, the amount of which is determined by the Annual General Meeting. These emoluments are deducted from the basic fees provided for in article 8 of the articles of association, the amount of which is divided among the members of the Board in accordance with an internal ruling.





For 1998 the Board has taken the initiative of proposing to the Annual General Meeting that the fees paid to the Board be kept at the 1997 level.

Emoluments paid to directors for special duties or special missions are deliberated by the Remuneration Committee.

3. Committees set up by the Board of Directors

Pursuant to article 13 of the articles of association, the Board of Directors has set up an Executive Committee. The Chairman and Chief Executive Officer are members of this Committee by right. The other members are appointed by the Board from among its members, unless stipulated otherwise. This Committee finalises the proposals to be submitted to the Board, gives an opinion on important decisions regarding the implementation of the policy decided by the Board and on the manner in which it is represented on the management bodies of the main subsidiaries and investments and supervises the day-to-day management and the due implementation of special delegations of power. A quorum comprises at least half of its members, either present or represented. Decisions are taken by majority vote. The Executive Committee meets at least once every 2 months.

In April 1995 Société Générale de Belgique established an Audit Committee, comprising three independent Board members, whose mission is to make recommendations to the Board of Directors with regard to the appointment and dismissal of external auditors, to make a thorough examination, before the Board of Directors, of the annual and interim accounts of the Group and the company, to examine, with the external auditors, the nature, scope and results of their audits and the conclusions drawn from these audits, and to examine changes and amendments to the accounting principles and valuation rules used for drawing up the accounts, prior to such changes and amendments being approved by the Board of Directors. The Audit Committee meets at least three times a year, two of these meetings being devoted to the annual and interim accounts. It reports to the Board of Directors and the Executive Committee on the outcome of the work and examinations it has carried out and, where applicable, makes recommendations to the Board.

A Remuneration Committee has also been set up. It consists of 4 members. This Committee met once in 1998.

Since Suez Lyonnaise des Eaux acquired a participating interest of almost 100% in Société Générale de Belgique, the Shareholders' Advisory Committee, which was made up of 20 individual shareholders, was wound up. Five individual Belgian shareholders, who became shareholders in Suez Lyonnaise des Eaux following the exchange offer for Société Générale de Belgique shares, were invited to join the Shareholders' Advisory Committee of Suez Lyonnaise des Eaux, which comprises 15 members. Information on this Committee and the "Espace Actionnaires" of Suez Lyonnaise des Eaux can be found in the annual report of Suez Lyonnaise des Eaux and also on the Internet at: http://www.actionnaires.suez-lyonnaise.com

4. Day-to-day management

Pursuant to article 13 of the articles of association, the Board has entrusted the day-to-day management of the company to a Chief Executive Officer, who also represents the company for management purposes and who is responsible for implementing the decisions taken by the Board.

The Chief Executive Officer is assisted by the Management Committee, the members of which, together with their remuneration, are decided by the Chief Executive Officer and the Chairman of the Board of Directors.

The Management Committee meets once a week, unless stipulated otherwise.

There are no other significant individual delegations of power at day-to-day management level.

A Group Committee, consisting of members of the Management Committee and the Chief Executive Officers of the main subsidiaries and holdings, has also been put in place. It deals with matters of common interest to the various companies represented.

The Group Committee met 8 times in 1998.

5. Income appropriation policy

The company accounts contain detailed comments on the appropriation of income.

Income is appropriated in accordance with article 8 of the articles of association, which stipulates that:

"The net profit shall be appropriated in the following manner:

- 1. To the reserve fund, 5%; this allocation shall cease to be required when the reserve fund stands at one tenth of the capital;
- 2. An initial dividend equal to 7% of the nominal capital;
- 3. To the patronage fund, BEF 0.33 maximum per share.

In addition:

- 4. To the Board of Directors, 2% to be distributed among the members in accordance with an internal ruling. The Annual General Meeting may decide to amend this amount within the above-mentioned limit by means of a simple majority vote.
- 5. To the shares, the surplus by way of a dividend.

However, further to a proposal by the Board of Directors, the Annual General Meeting may decide to allocate all or part of the profit either for the purpose of increasing the reserve funds or for creating or increasing a special provision fund, or to carry it forward."(free translation)

6. Relationship with main shareholders

Following the exchange offer made by Suez Lyonnaise des Eaux for Société Générale de Belgique shares, the Suez Lyonnaise des Eaux Group now holds an interest of almost 100% in Société Générale de Belgique.

A joint Committee has been set up. It consists of the members of the Management Board of Suez Lyonnaise des Eaux and the members of the Management Committee of Société Générale de Belgique. This Committee meets once every 2 months, alternating with the Executive Committee. It deals with issues of common interest to Société Générale de Belgique and its major shareholder.

DOCUMENTS AVAILABLE TO THE GENERAL PUBLIC FOR CONSULTATION

The Memorandum and Articles of Association of Société Générale de Belgique may be consulted at the office of the clerk of the court of Brussels and at the company's registered office. The annual accounts are deposited with the National Bank of Belgium. Decisions to appoint or dismiss members of the governing bodies of Société Générale de Belgique are published in the Riders to the Belgian Official Gazette. Financial announcements and invitations to attend the general meetings of shareholders are also published in the press.

The annual reports of Société Générale de Belgique may be obtained from the company's registered office. They are sent each year to registered shareholders, shareholders who have deposited their shares for the purpose of attending a general meeting of shareholders and to any person who has expressed a wish to receive these reports. The are also available for immediate consultation on the Générale's Internet site.

Consolidated ACCOUNTS

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER*

ASSETS	MILLIONS OF €	millions of BEF	millions of BEF
	1998	1998	1997
FIXED ASSETS	20 075	809 813	660 307
Intangible fixed assets	144	5 808	3 051
Goodwill	1 349	54 406	50 140
Tangible fixed assets	11 657	470 260	327 289
Financial fixed assets	6 925	279 339	279 827
CURRENT ASSETS	7 213	290 987	253 811
Amounts receivable after one year	305	12 286	8 424
Stocks and contracts in progress	2 111	85 188	89 602
Amounts receivable within one year	2 710	109 332	111 606
Current investments	1 317	53 119	16 823
Cash at bank and in hand	452	18 244	19 503
Deferred charges and accrued income	318	12 818	7 853
TOTAL ASSETS	27 288	1 100 800	914 118

CONSOLIDATED INCOME STATEMENT*

	MILLIONS OF € 1998	millions of BEF	millions of BEF
		998 1998	1997
Operating income	11 743	473 702	514 406
Operating charges	11 261	454 252	496 709
Operating profit	482	19 450	17 697
Financial income	1 329	53 624	51 632
Financial charges	534	21 550	21 261
Financial profit (loss)	795	32 074	30 3 <i>7</i> 1
Profit (loss) on ordinary activities	1 277	51 524	48 068

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER*

LIABILITIES AND SHAREHOLDERS' EQUITY	MILLIONS OF €	millions of BEF	millions of BEF
	1998	1998	1997
CAPITAL AND RESERVES	11 127	448 874	395 417
Group capital and reserves	4 976	200 736	178 079
Minority interests	6 151	248 138	217 338
PROVISIONS AND DEFERRED TAXES	4 387	176 946	125 780
Provisions for liabilities and charges	4 341	175 096	124 385
Deferred taxes	46	1 850	1 395
CREDITORS	11 774	474 980	392 921
Amounts payable after one year	5 087	205 201	143 855
Amounts payable within one year	6 130	247 295	231 883
Accrued charges and deferred income	557	22 484	17 183
TOTAL LIABILITIES AND			
SHAREHOLDERS' EQUITY	27 288	1 100 800	914 118

CONSOLIDATED INCOME STATEMENT*

	MILLIONS OF €				
	1998	1998	1997		
Exceptional income	667	26 932	24 420		
Exceptional charges	324	13 074	21 953		
Exceptional profit (loss)	343	13 858	2 467		
Profit for the year before tax	1 620	65 382	50 535		
Income taxes	(377)	(15 217)	(12 921)		
Profit for the year of consolidated companies Group share of results of companies included	1 243	50 165	37 614		
under the equity method	313	12 627	8 676		
Consolidated profit	1 556	62 792	46 290		
Minority interest	794	32 040	26 964		
Group share	762	30 752	19 326		

^{*} Abridged accounts; the complete accounts may be obtained on demand.

Non-consolidated ACCOUNTS

BALANCE SHEET OF SOCIÉTÉ GÉNÉRALE DE BELGIQUE S.A. AS AT 31 DECEMBER*

ASSETS	THOUSANDS OF €	thousands of BE F	thousands of BEF
	1998	1998	1997
FIXED ASSETS	5 785 160	233 372 767	166 976 501
Intangible fixed assets	33	1 341	0
Tangible fixed assets	1 768	71 329	65 274
Financial fixed assets	5 783 359	233 300 097	166 911 227
CURRENT ASSETS	510 428	20 590 632	2 464 424
Amounts receivable after one year	18 749	756 330	807 262
Amounts receivable within one year	140 873	5 682 801	1 004 935
Current investments	347 160	14 004 409	516 905
Cash at bank and in hand	1 534	61 879	74 029
Deferred charges and accrued income	2 112	85 213	61 293
TOTAL ASSETS	6 295 588	253 963 399	169 440 925

INCOME STATEMENT OF SOCIÉTÉ GÉNÉRALE DE BELGIQUE S.A.*

CHARGES	THOUSANDS OF €	thousands of BEF	thousands of BEF
	1998	1998	1997
Interest and similar charges	10 363	418 059	1 190 543
Other financial charges	6 385	257 554	443 874
Services and other goods	12 453	502 372	556 448
Remuneration, social security costs and pensions	8 081	326 004	355 676
Other operating charges	1 500	60 519	77 386
Depreciation and amounts written off formation			
expenses, intangible and tangible fixed assets	592	23 867	21 782
Amounts written off	44 844	1 808 983	2 721 453
Provisions for liabilities and charges	15 433	622 575	923 365
Losses on disposal	43 136	1 740 071	809 283
Exceptional charges	22 748	917 660	92 429
Taxes	814	32 826	40 489
Profit for the year	2 575 276	103 886 390	22 640 132
TOTAL CHARGES	2 741 625	110 596 880	29 872 860
Profit for the year available for appropriation	2 575 276	103 886 390	22 640 132
APPROPRIATION ACCOUNTS	THOUSANDS OF €	thousands of BEF	thousands of BE F
Transfer to reserves	2 385 218	96 219 466	14 080 573
Result to be carried forward	981	39 590	38 729
Distribution of profit	190 038	7 666 063	8 543 418
of which dividends	188 270	7 594 774	8 472 128



BALANCE SHEET OF SOCIÉTÉ GÉNÉRALE DE BELGIQUE S.A. AS AT 31 DECEMBER*

LIABILITIES	THOUSANDS OF €	THOUSANDS OF BEF	THOUSANDS OF BEF
	1998	1998	1997
CAPITAL AND RESERVES	6 021 103	242 890 720	146 670 394
Capital	1 460 800	58 928 523	58 928 523
Share premium account	1 059 734	42 749 561	42 749 561
Reserves	3 499 588	141 173 046	44 953 581
Profit carried forward	981	39 590	38 729
PROVISIONS FOR LIABILITIES AND			
DEFERRED TAXATION	54 088	2 181 904	1 559 3 29
Provisions for liabilities and charges	54 088	2 181 904	1 559 329
CREDITORS	220 397	8 890 775	21 211 202
Amounts payable after one year	10 090	407 025	541 137
Amounts payable within one year	204 890	8 265 230	20 421 489
Accrued charges and deferred income	5 417	218 520	248 576
TOTAL LIABILITIES	6 295 588	253 963 399	169 440 925

INCOME STATEMENT OF SOCIÉTÉ GÉNÉRALE DE BELGIQUE S.A.*

INCOME	THOUSANDS OF €	thousands of BEF	THOUSANDS OF BEF
	1998	1998	1997
Income from financial fixed assets	245 963	9 922 125	7 989 062
Income from current assets	3 784	152 633	331 395
Other financial income	6 057	244 330	502 081
Income from services rendered	1 231	49 661	123 387
Other operating income	1 982	79 952	60 538
Reinstatement of amounts written off	25 269	1 019 353	1 899 151
Release of provisions for liabilities and charges	0	0 -	86 500
Gains on disposal	2 456 076	99 077 885	18 868 397
Exceptional income	0	7	1 408
Adjustment of income taxes and release			
of tax provisions	1 263	50 934	10 941

TOTAL INCOME	2 741 625	110 596 880	29 872 860
Transfer from untaxed reserves	0	0	0
APPROPRIATION ACCOUNTS	THOUSANDS OF €	THOUSANDS OF BE F	THOUSANDS OF BEF
Profit to be appropriated	2 576 236	103 925 119	22 662 720

^{*} Abridged accounts; the complete accounts may be obtained on demand.





Head Office

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