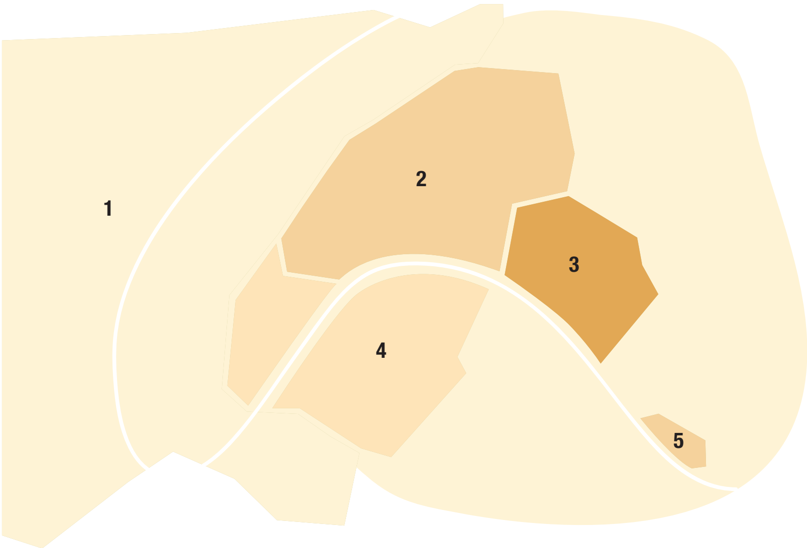
2005 annual report

SOCIETE FONCIERE LYONNAISE



3%
(€69 M)

OTHER DISTRICTS

7%
(€195 M) 5

GARE DE LYON
Market covering the Gare de Lyon Station and the Bercy area.

20%
(€525 M) 1

THE GOLDEN CRESCENT
Market located on the western side of Paris, outside the Boulevard Périphérique ring-road, excluding La Défense. It includes Issy-les-Moulineaux, Sèvres, Boulogne-Billancourt, Rueil-Malmaison, Suresnes, Nanterre, Puteaux, Courbevoie, Neuilly, Levallois, Saint-Cloud and Clichy.

33%
(€857 M) 2

THE GOLDEN TRIANGLE
Market covering part of the 8th, 16th and 17th *arrondissements*, between Avenue Raymond Poincaré and Boulevard Gouvion St Cyr on the west, Avenue de Villiers and Boulevard Malesherbes on the north, Rue Tronchet on the east and the banks of the Seine up to Trocadéro on the south.

36%
(€943 M) 3

THE FINANCIAL DISTRICT
Market covering part of the 1st, 2nd and 9th *arrondissements*, between Rue Tronchet on the west, Rue de Châteaudun on the north, Rue du Sentier and Rue du Faubourg Poissonnière on the east and Rue de Rivoli on the south.

1%
(€26 M) 4

WEST OF PARIS
Market covering the south part of the 16th *arrondissement*.

With more than €2.6 billion in exceptional property assets located primarily in the Central Business District (CBD) of Paris, SFL is the preferred vehicle for investors wishing to invest in the French capital's commercial property market.

A VERY HIGH QUALITY PORTFOLIO

SFL's property portfolio includes a number of multi-tenant office complexes, such as Centre d'Affaires Le Louvre, Edouard VII, Washington Plaza and Paul-Cézanne. The properties are leased to first-class covenants, mainly businesses operating in a wide range of industries. The occupancy rate, excluding properties undergoing renovation, stands at more than 96%.

UNIQUE EXPERTISE

SFL ranks among the leaders in Paris for its expertise in renovating office and retail properties. Instead of simply accumulating assets, we carefully select and purchase buildings with high reversionary potential, which we then renovate and actively manage.

STRATEGIC LOCATIONS

The retail portfolio comprises units on some of the best known shopping streets in Paris, including rue Saint Honoré and avenue des Champs-Elysées. They are let to leading names in luxury goods and other upscale retailers.

SFL, a benchmark leader

IN THE PARIS COMMERCIAL PROPERTY MARKET

SFL owns one of the finest portfolios of properties in the Paris Central Business District. Representing a total of 509,134 square meters, the portfolio is valued at over €2.6 billion excluding transfer costs. It is invested mainly in fully modernised office properties and premium retail units in prime locations.

Leveraging our expertise in renovating and improving major office complexes, we select and manage properties with high reversionary potential.

Since electing for the new REIT-style (SIIC) structure in 2003, we have managed the portfolio even more actively, enabling us to pay significant dividends to shareholders.

With COLONIAL, the backing of the Caixa Group and the presence among our shareholders of PRÉDICA, a subsidiary of the Crédit Agricole Group, SFL is a member of one of Europe's leading property groups specialised in commercial property in the central business districts of Paris, Barcelona and Madrid.

SFL is listed on the Euronext Paris market, in compartment A of the Eurolist.

€2.6
billion portfolio
(Group share, at valuation)

€153.3
million in rental

0.3%
Net profit
(attributable
to equity holders)

15.9%
growth in current
cash flow
(excl. capital gains)

2.4%
increase
in the net
dividend

Contents

SFL STRENGTHENS ITS STRATEGY OF

profitable growth

YVES MANSION
Chairman and Chief Executive Officer

“SFL had a very good year in a generally favourable market, delivering excellent results which attest to the quality of our strategy.”

HOW WOULD YOU SUM UP THE PAST YEAR?

We reaped the full benefits of our strategic choices in last year’s favourable market, achieving excellent growth in both asset yields and revenue. After several years devoted to actively restructuring the portfolio, we are in even better shape to increase our profitability and cut costs, as evidenced by last year’s 15.9% growth in current cash flow before capital gains to €103.1 million.

THIS WAS YOUR FIFTH CONSECUTIVE YEAR OF DOUBLE-DIGIT CASH FLOW GROWTH. IS THIS PACE OF GROWTH SUSTAINABLE?

To keep up the momentum, we have set three priorities. The first is to actively leverage our lease portfolio, by continuously optimizing the occupancy rate and continuing to attract first class covenants through a marketing policy that is increasingly responsive to customer needs. Our second priority is to invest in properties where we can add significant value through large-scale renovation and modernisation. The most recent example is the project underway at 103 rue de Grenelle, which promises to mirror the outstanding success of the Cézanne-Saint Honoré renovation. Lastly, we are as committed as ever to strictly controlling costs and processes.

DO YOU INTEND TO PURSUE THE STRATEGY THAT HAS UNDERPINNED YOUR SUCCESS TO DATE?

Up to now, we have focused on commercial property, which offers higher returns than residential property. We have chosen to invest in Paris and the Paris area, a wide market offering good yields, and to acquire the types of high quality properties for which there is strong demand among our customers. These market characteristics have shaped our business and there’s no reason to think that they will change in the near future. Admittedly, immediate yields on prime commercial properties in Paris fell significantly in 2005. However, we believe that we can buck the trend by undertaking more complex projects in new districts that target customers in a broader range of sectors, while continuing to capitalize on our existing lease portfolio.

WHAT ARE THE UNDERLYING TRENDS IN THE COMMERCIAL PROPERTY MARKET?

The market was very active in 2005, particularly in the Paris area where some €15 billion worth of properties changed hands and over 2 million square meters were let during the year. These very large volumes make Paris one of the world's leading property markets. While growth in asset values remained modest and rent yields contracted slightly, supply and demand remained evenly balanced and there were no signs of a speculative bubble. The outlook depends on the economy, which looks set to grow faster than in 2005, and on the interest rate environment, where moderation remains the order of the day.

HOW DID YOUR STOCK PERFORM?

Since our election to be taxed as an SIIC, SFL is firmly positioned as a yield stock offering shareholders consistently high dividends. Our share price gained around 10% last year, a clear sign of investor approval, and we intend to hold firm to our dividend policy. We also hope to further increase the free-float, to widen the market for our stock and boost its performance.

WHAT ARE YOUR GOALS FOR 2006?

We intend to keep up the pace of growth by purchasing properties in the Paris Central Business District or extending our reach to other districts and other categories of property offering satisfactory yields.

Holding firm TO A WINNING STRATEGY

We are following a four-pronged growth strategy:

- **Continue to grow the business** by leveraging our very strong balance sheet. We are reaping the full benefits of our strategic focus on office and retail property in the central business districts of Paris.
- **Optimise the existing portfolio** by actively managing assets to enhance the overall return.
- **Seize market opportunities** to purchase, renovate and refurbish properties that offer a high reversionary potential but require extensive modernisation, creating considerable added value in the process.
- **Generate substantial current cash flow** to finance high dividend yields for our shareholders.

COLONIAL, A LEADING PLAYER IN THE EUROPEAN COMMERCIAL PROPERTY MARKET

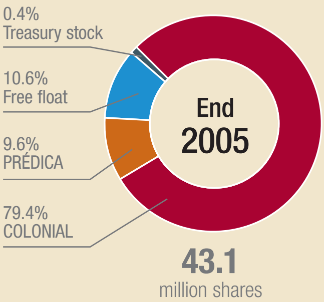
COLONIAL is one of Europe's largest commercial property companies. As well as integrating SFL, during 2005 COLONIAL also purchased an 80,000-square meter portfolio, comprising seven of the finest office properties in Madrid, from Mutua Madrilena, Spain's leading insurance company in terms of both profitability and solvency capital. The share-based transaction led to Mutua Madrilena becoming a significant COLONIAL shareholder, alongside Caixa.
Following this purchase, the COLONIAL-SFL Group now has a portfolio valued at just under €5 billion, spread more evenly between Paris, Madrid and Barcelona and consisting predominantly of office and retail properties in the three cities' central business districts.

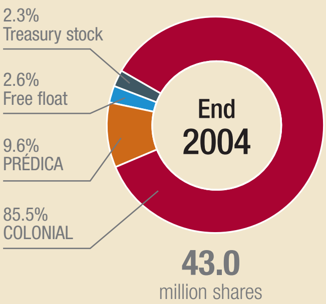
Key figures

2005 was a record year, with current cash flow up by a strong 15.9% to €103.1 million, making it the sixth consecutive year of double-digit growth. Profit for the year held firm at €89.5 million, reflecting a sharp rise in operating profit compared with 2004, when the bottom line was boosted by exceptional gains of some €10 million.

Ownership structure:

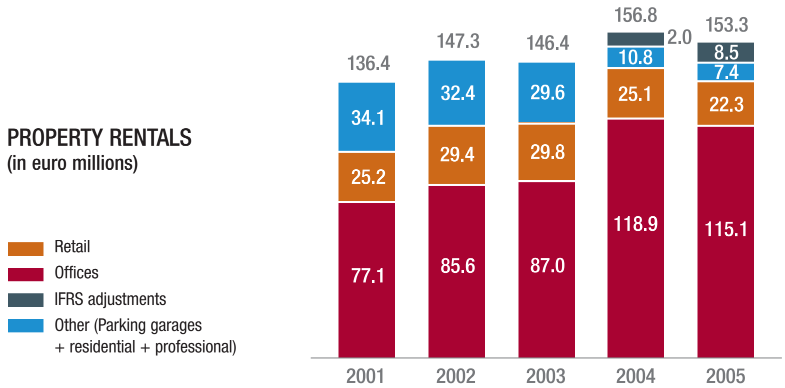
FREE-FLOAT INCREASED TO OVER 10%

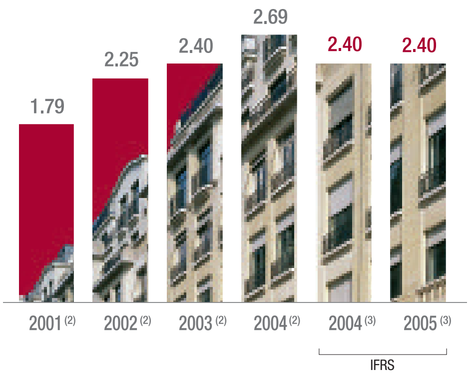


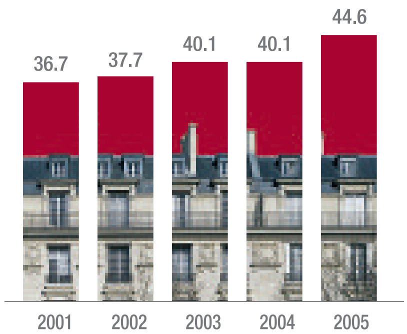


In March 2005, COLONIAL sold 2,579,505 SFL shares and SFL sold 671,854 treasury shares in a private placement priced at €40.5 per share.

PROPERTY RENTALS
(in euro millions)







CURRENT CASH FLOW PER SHARE(1)
(in euros)

Current cash flow per share held firm compared with 2004, the dilutive effect of share issues having been offset by growth in net cash provided by operating activities.

(1) Based on the average number of shares outstanding during the year (with shares issued during the year taken into account from the issue date).

(2) Current cash flow (before applying IFRS).

(3) Current cash flow before capital gains and taxes, including margin on sales as a property trader.

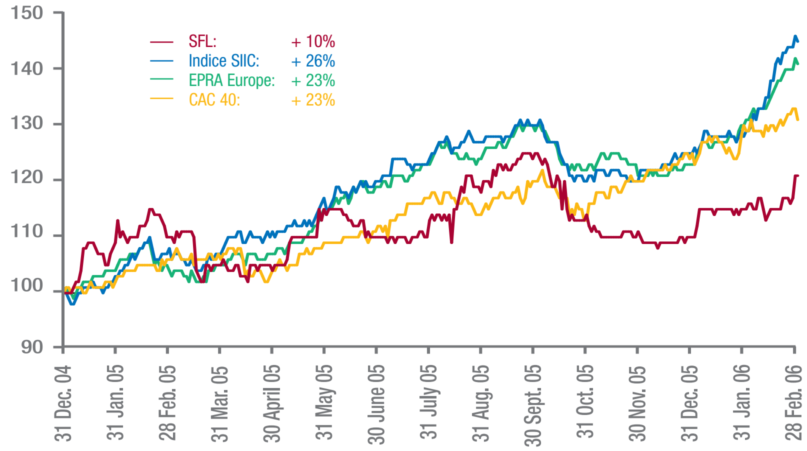
NAV PER SHARE
(in euros, including transfer costs)

The increase in the value of the property portfolio combined with stable debt drove a significant rise in NAV. At 31 December 2005, NAV per share including transfer costs amounted to €44.6, an increase of 11.2% over the year-earlier figure.

10% GAIN IN THE SHARE PRICE[(1)]

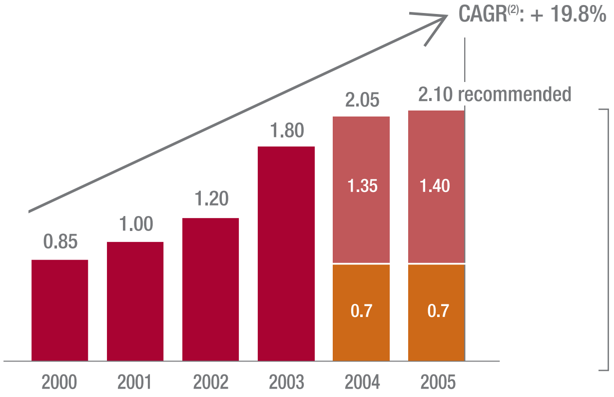
Despite the small free-float, which dampened SFL's stock market performance, growth in the share price was once again in double digits. The stock went from a low of €40.06 on 3 January to a high of €49.85 on 4 October, ending the year at €44, a gain of 10%.

(1) Base 100 : 31/12/04 - Source Euronext



SFL, A YIELD STOCK

The recommended dividend of €2.10 represents 93.3% of current cash flow. This will be the fifth successive increase in the dividend, which has risen by an average of nearly 20% since 2001. At 4.8%, the dividend yield is among the highest on the Paris stock exchange, confirming SFL's status as a yield stock in line with the strategy underpinning the Group's election for the SIIC (REIT-style) tax regime.

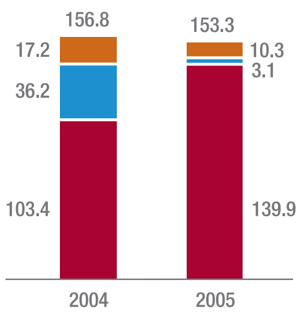


2005 dividend yield
4.8%

NET DIVIDEND PER SHARE
(in euros per share)

Final dividend
Interim dividend

(2) CAGR: Compound Annual Growth Rate



PROPERTY RENTALS
(in euro millions)

In 2005, property rentals amounted to €153.3 million. The 4.7% underlying increase on a comparable portfolio basis was offset by the loss of revenue from sold properties.

Other (disposals/renovations)
Purchases for the year
Let properties

Debt characteristics

Net debt[(1)]:	**€740 million**
Average maturity:	**6 years**
Average borrowing cost[(2)]:	**4.7%**
Loan To Value:	**25.8%**
Standard & Poor's rating:	**BBB- A-3 stable outlook**

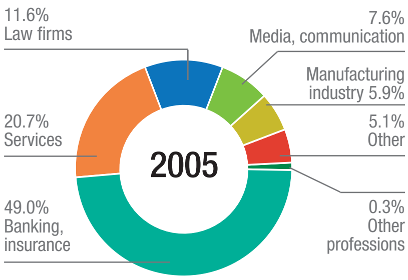
(1) Net of cash and cash equivalents
(2) After hedging, based on the official Euribor and Eonia rates at 31 December 2005

key figures

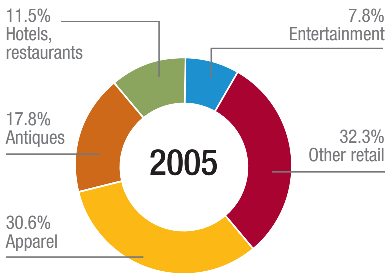
The portfolio

At 31 December 2005, the market value of the portfolio was estimated by CBRE at €2,615 million (Group share, excluding transfer costs), up 8.7% over the year-earlier figure. The average price per square meter excluding transfer costs stood at €6,648 (€6,662 for offices and €7,096 for retail units), and the average spot yield[1], excluding transfer costs, at 6.38%. Property sales for the year totalled €143.4 million, representing 6% of the portfolio's market value at 31 December 2004. Property purchases amounted to €159 million and leases signed or renewed during the year represented annual revenue of €46.7 million (on a 100% basis), reflecting very active management of the portfolio.

(1) : Passing rents + assumed rents/appraisal value excluding transfer costs.



TENANT BASE OFFICE by business sector



TENANT BASE RETAIL by business sector

portfolio highlights[2]

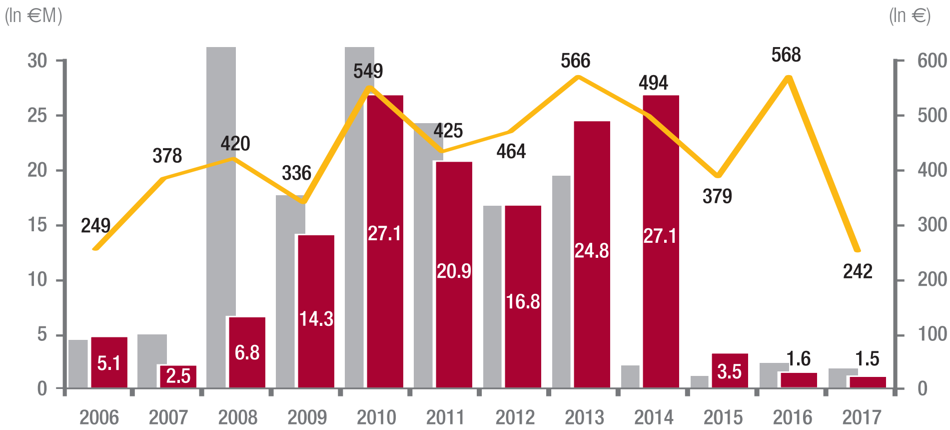
- **€2.615 billion** [3] total appraisal value
- **509,134 square meters** in total, including Group share of 401,014 square meters
- **95%** [3] invested in office and retail property
- **69%** [3] located in the Paris Central Business District
- **€153.3 million** in property rentals
- **96.1%** [4] occupancy rate
- **7.1%** [5] reversionary potential

(2) At 31 December 2005, Group share
(3) At valuation, excluding transfer costs
(4) Excluding properties undergoing renovation and modernisation
(5) Difference between gross rent at renewal and current rent. Group share

First-class COVENANTS

SFL's tenant base is made up of first-class covenants, such as Uni Location (Calyon Group), Citibank, Natexis, GIE Cartes Bancaires, Lyonnaise des Eaux, Atos Origin, TV5 Monde, Areva, Thomson Multimedia and the Freshfields, Ashursts, Allen & Overy and Norton Rose law firms, which all have a reputation for sound financial management. The base is spread across a number of sectors with different business models and cycles, balancing our exposure to economic risks. On the other hand, such premium tenants expect us to meet exacting standards in terms of the quality of the buildings and the associated services, and a growing number of them appoint property experts to conduct lease negotiations.

a lease portfolio offering good visibility



COMMERCIAL LEASE EXPIRY DATES

2005 rent roll for leases expiring in the year indicated (in €m)
2004 rent roll for leases expiring in the year indicated (in €m)
Average annual rent on leases expiring in the year indicated (in €/sp.m)

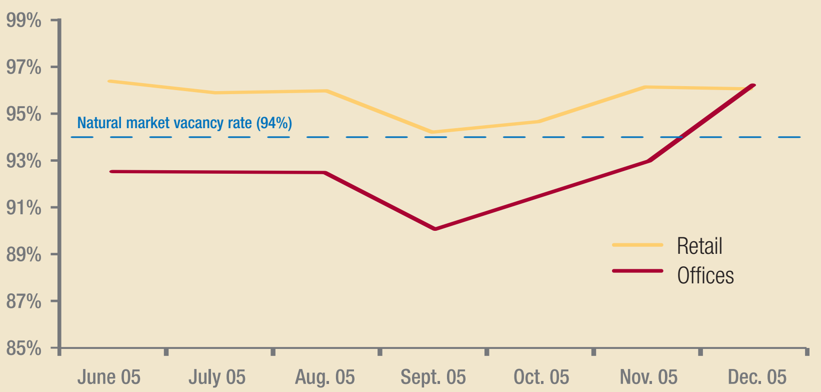
Calculation based on the commercial lease rent roll of €152 million

Average rents on SFL offices as of end 2005

€454 per square meter per year

a record high occupancy rate

At 31 December 2005, the occupancy rate for let and lettable properties was a very high 96.1%. This was significantly above the 94.2% average rate for commercial property in the Paris area as a whole. During the year, leases were signed on 99,900 square meters of offices (on a 100% basis), representing annual rental revenues of €46.7 million. The total includes new lettings, lease renewals and renegotiations of existing leases. This rental activity, combined with an extension of the average life of the lease portfolio to more than 6 years, means that no significant leases will come up for renewal before 2010.



TREND IN OCCUPANCY RATES*

OCCUPANCY RATE BY TYPE OF PROPERTY

* Month-end spot rate

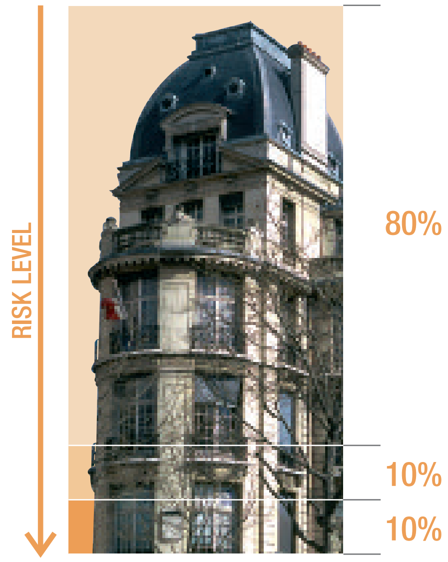
A PORTFOLIO OF

prime Paris office properties

generating significant current cash flow

SFL is well known for its experience and skill in managing prime properties, as well as for the considerable technical expertise deployed in restructuring large, high quality office complexes. Our policy is designed to unlock sustainable reversionary potential, in order to maximise yields and capital values. Recognising each tenant's need to contain occupancy costs, we partner customers throughout the lease period by offering an extensive "after-sales service" to ensure that technical amenities operate to the highest standards of efficiency.

a measured approach to actively managing the portfolio



3 CATEGORIES OF PROPERTIES

LET PROPERTIES: 80%

These properties generate cash flows that we work to maintain through regular contacts with tenants and pro-active remarketing of units that have fallen vacant.

PROPERTIES UNDERGOING RENOVATION, MODERNISING, REPOSITIONING: 10%

These properties are being repositioned in the rental market, as well as from a legal and administrative standpoint. The work includes upgrading technical amenities and applying the highest environmental standards.

NEW PROJECTS: 10%

We are constantly on the look-out for opportunities to purchase new properties to which we can add value through works (including by converting the property to another use, where appropriate) and/or the assumption of tenant risk.

SIIC 3:
NEW MOMENTUM FOR LISTED PROPERTY COMPANIES

In 2005, the SIIC tax regime for listed property companies came into its own, with the entry in the market of new players, a large volume of property and stock market transactions and market recognition of the system's benefits.

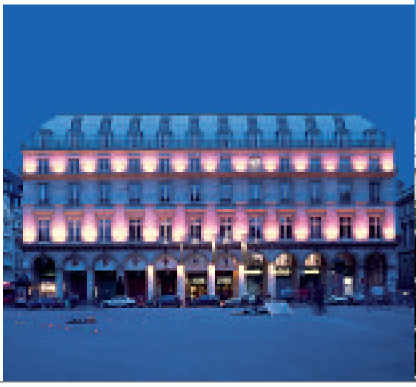
The French government played its part by introducing in the December 2005 amended Finance Act a reduced capital gains tax rate on properties sold to listed property companies. Under the new law, capital gains on properties sold to an SIIC (or a property investment vehicle such as an SCPI or OCPI) are now taxed at 16.5% as opposed to 33.5% previously. This measure represents the third phase of the REIT-style tax regime introduced on 1 January 2003. Under this regime, listed property companies such as SFL that elect to be taxed as an SIIC are exempt from income tax on their profits, including capital gains. In exchange, they are required to pay a 16.5% exit tax on their total unrealised gains at the election date.

The introduction, at the beginning of 2005, of a reduced tax rate on sales of property to SIICs in exchange for shares – corresponding to phase 2 of the new system – paved the way for a number of major transactions during the year. By extending this reduced rate to include cash transactions, SIIC 3 will provide new impetus to the trend among companies to remove property assets from their balance sheets. This will significantly speed up asset turnover rates and help to boost shareholders' return on investment in listed property companies.

The portfolio continued to be actively managed in 2005. Properties that had achieved their full reversionary potential were sold, along with low-yielding and small properties. We also acquired occupied properties, such as the Tour les Miroirs in La Défense, offering guaranteed future cash flows. Some of the new properties, including rue Alfred de Vigny and the rue de Grenelle project, will be extensively renovated and upgraded before being put back on the rental market. We were also very active on the marketing front, signing several major new leases. These included a 12-year lease on 131 avenue de Wagram with TV5 Monde, replacement of existing leases on Tour Areva in La Défense with a single 9.5-year lease, and renewal of the lease on Centre d'Affaires Le Louvre with Uni Location (Calyon Group). In a period of declining rents, this activity enabled us to lock-in rental revenues while also enhancing the properties' value. We continued to modernise, redefine and renovate our assets, in order to offer customers high quality equipment, safety features and maintenance in line with the latest standards. Renovation spending in 2005 totalled just under €40 million, representing 1.3% of the total portfolio value. This policy helps to optimise each property's reversionary potential and yield, while preserving its capital value.

Looking ahead to 2006, we intend to continue adding to our portfolio, provided that the price is right. We will maintain our focus on prime properties in the Paris Central Business District, as well as in mature neighbouring markets. We will also continue to sell assets that have achieved their full potential and no longer offer any real scope for adding value or for capital appreciation. Lastly, we will hold firm to our policy of anticipating lease renewals and maintaining or extending the average maturity of the lease portfolio, in order to preserve our high occupancy rate.

CENTRE D'AFFAIRES le louvre



2, Place du Palais-Royal - 75001 PARIS

Purchased in 1995

Let properties

Total surface area: 47,802 sq.m.

- Offices:	28,219 sq.m.
- Retail units:	7,090 sq.m.
- Other: (archives, stock rooms, staff restaurant)	3,929 sq.m.
- Common areas:	8,563 sq.m.
- Parking spaces:	234

Main tenants:
Banque de France, Conseil d'État, Calyon, Devarrieux, headquarters SFL

A TARGETED INVESTMENT IN THE HEART OF THE RENTAL MARKET

Following work to upgrade the building's technical amenities, the Business Centre remains a prime property in a district where high quality office space is hard to come by. Its central location attracts many first-class covenants. Work scheduled for 2006 includes renovating the common areas and restructuring part of the retail space with the creation of a new exhibition gallery.

washington plaza

38-44, rue Washington - 75008 Paris
29-31, rue de Berri - 75008 Paris
43-45, rue d'Artois - 75008 Paris

Purchased in 2001 by PRÉDICA and SFL (66%)

Let properties

Total surface area: 45,063 sq.m.

- Offices:	39,441 sq.m.
- Retail units:	460 sq.m.
- Other: (archives, staff restaurant and other)	4,513 sq.m.
- Common areas:	2,649 sq.m.
- Parking spaces:	662

Main tenants:
GIE Cartes Bancaires, Norton Rose, Poweo, Dexia, Hammerson

A NEW GENERATION OF TENANTS

Located just off the Champs-Elysées, on an 8,000-square meter plot, the Washington Plaza is one of the capital's finest office complexes. Extensively renovated in 1993, the property offers a standard of services in keeping with the current expectations of the Paris rental market and has attracted new, fast-growing companies such as Lasalle Investment and Poweo. The HVAC system and system of access controls are currently undergoing a major upgrade, while an engineering study is underway to optimise use of the parking garage and executive dining area.

104-110, BOULEVARD haussmann

104-106, 108-110, boulevard Haussmann
75008 Paris

50%-owned by SFL in partnership with Ile de France Investissements SA

New projects

Total surface area: 11,897 sq.m.

- Offices:	10,152 sq.m.
- Retail units:	1,745 sq.m.

Building under renovation and modernisation

A NEW BUSINESS CENTRE IN THE HAUSSMANN-SAINT AUGUSTIN DISTRICT

The four buildings are being converted into an upscale 14,000-square meter business centre located in the heart of the Central Business District, a stone's throw from Boulevard Malesherbes and the Saint Augustin church. The centrepiece of the complex will be a vast entrance hall flooded with natural light from a glass roof.
A 100-space private parking garage will also be built. The property is scheduled for delivery in 2007 and will be marketed as from the end of this year. This should ensure that we benefit from the current upward trend in prime rents in the Central Business District, where competing properties are currently letting-up.

90 and galerie des Champs-élysées

82-90, avenue des Champs-Élysées
75008 Paris

50%-owned by SFL in partnership with Ile de France Investissements SA

Renovation, modernising, repositioning

Total surface area: 5,661 sq.m.

- Retail units and stock rooms:	5,661 sq.m.
- Parking spaces:	260

Main tenants:
Club Med, Boulangerie Paul, Promod, Etam, Minelli, MacDonalds

REDEFINING ONE OF PARIS'S BEST RETAIL LOCATIONS

The Galerie des Champs-Elysées shopping arcade is located at one of the busiest points on the sunny side of the Champs-Elysées but its current market positioning is dated. A vast programme is being launched to renovate and modernise the arcade and reposition it in the retail market. The aim is to create architectural features and services in keeping with the property's prime location. When the programme is completed, the arcade should be home to three medium-sized retail outlets alongside the existing boutiques.

92, Champs-élysées

92, avenue des Champs-Élysées
75008 Paris

Purchased in 2000

Renovation, modernising, repositioning

Total surface area: 7,641 sq.m.

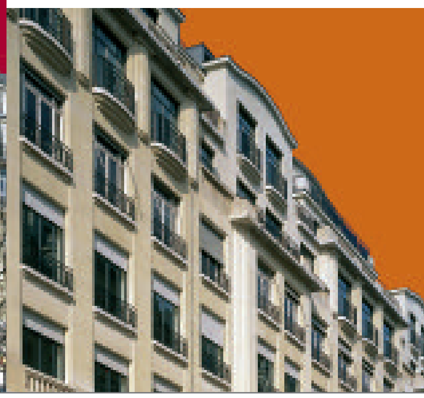
- Offices:	4,209 sq.m.
- Retail units:	3,396 sq.m.
- Common areas:	35 sq.m.

Main tenants:
Solaris, Yves Rocher, Cartesis, Ittiere

EXCEPTIONAL SERVICES FOR AN EXCEPTIONAL BUILDING

Number 92 is one of the best placed buildings on the Champs-Elysées, on the corner of rue de Berri. It comprises retail units on the ground floor and offices on the upper floors. The project, which is currently in the start-up phase, will involve replacing the current retail units with two or three medium-sized stores, reorganising the layout of the office areas, upgrading the building's technical amenities and renovating the facade, to restore the property to the glory it deserves.

cézanne saint-honoré



1-6, rue Paul-Cézanne - 75008 Paris
27, rue de Courcelles - 75008 Paris
168, rue du faubourg Saint-Honoré - 75008

Purchased in 2001 by PRÉDICA (50%) and SFL (50%)

Let properties

Total surface area: 27,022 sq.m.

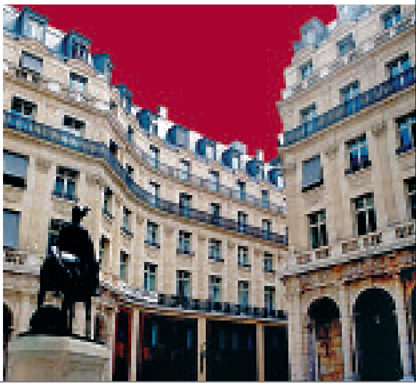
- Offices:	24,445 sq.m.
- Retail units:	1,816 sq.m.
- Archives and stock rooms:	1,257 sq.m.
- Common areas:	1,504 sq.m.
- Parking spaces:	125

Main tenants:
Freshfields, Citibank, Caisse Centrale de Réassurance, 3I

A PRIVATE STREET JUST A SHORT WALK FROM PLACE DE L'ÉTOILE

The Cézanne Saint-Honoré complex delivered in March 2005 has already won two awards. It was named renovation of the year at the 2005 SIMI Awards and received the European Grand Prize in The Urban Land Institute's Awards for Excellence 2005.
After a textbook renovation, the complex has been let to companies who demand very high quality offices and expect faultless round-the-clock services seven days a week. Comprehensive renovation of the last 1,250 square meters will begin in 2006. The final retail units are in the process of being marketed, following a technical upgrade.

édouard VII



16-30, boulevard des Capucines
75009 Paris
2-18, rue Caumartin - 75009 Paris

Purchased in 1999

Let properties

Total surface area: 54,119 sq.m.

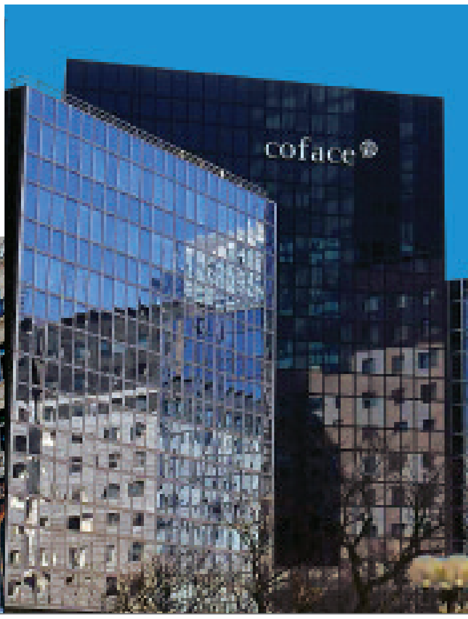
- Offices:	28,112 sq.m.
- Retail units:	7,331 sq.m.
- Residential units:	4,571 sq.m.
- Theatres:	8,019 sq.m.
- Residential hotel:	3,125 sq.m.
- Other (archives, workshops, store rooms, staff restaurant):	2,961 sq.m.
- Parking spaces:	509

Main tenants:
L'Olympia, Théâtre Édouard VII, Citadines, Zara, Habitat, Pronuptia, Ashursts, Allen & Overy, Lyonnaise des Eaux, Affine

ONE OF THE CAPITAL'S BUSINESS LANDMARKS

Built on a one-and-a-half hectare plot, the Haussmann-style complex is in the heart of a district which boasts the capital's densest concentration of French and international businesses. The Edouard VII complex has been extensively renovated and modernised and now houses a unique collection of high quality offices, legendary theatres, well-known retailers, a residential hotel, luxury apartments, and a variety of eating outlets.

tour Coface la défense



12, cours Michelet
92800 Puteaux

Purchased in April 2004

Let properties

Total surface area: 28,418 sq.m.

- Offices:	26,716 sq.m.
- Archives and staff restaurant:	1,702 sq.m.
- Parking spaces:	235

Tenant:
Coface

A BENCHMARK SINGLE OCCUPIER HIGH-RISE

The Coface building is located in the Michelet quarter of La Défense, which has specific amenities including access to private parking garages. The long-term lease with a first-class covenant and the property's central location in Europe's leading business district guarantee the sustainability of revenues from this investment.

AVENUE DE LA grande-armée

12-14, avenue de la Grande-Armée
75017 Paris

Purchased in 1999 and 2001

New projects

Total surface area: 6,536 sq.m.

- Offices:	3,436 sq.m.
- Residential units:	2,179 sq.m.
- Retail units:	765 sq.m.
- Other (archives and stock rooms):	156 sq.m.

Main tenants:
Cricket & Co, Santarelli, Pixtel

A SUCCESSFUL RENOVATION

These two freestone Haussmann-style buildings stand proudly in a prime location close to Place de l'Étoile. The properties have been renovated and repositioned, offering a pleasant and original work environment.

rives de Seine

63, BOULEVARD
haussmann

AVENUE DE
Wagram

63, boulevard Haussmann
75008 Paris

Purchased in 2000

Renovation, modernising, repositioning

Total surface area: 2,776 sq.m.

- Offices:	2,415 sq.m.
- Retail units:	165 sq.m.
- Archives:	196 sq.m.

Property under renovation

CONVERTING A MAGNIFICENT PROPERTY INTO AN INTELLIGENT BUILDING

Set in the centre of one of Europe's largest business districts, opposite Saint Lazare railway station, this magnificent building no longer offered services in keeping with the quality of its location. After negotiating the departure of existing tenants, we are now renovating the entire complex while enabling the retail units to remain open. The property will be delivered in the first quarter of 2007, with all the amenities of an intelligent building. The marketing programme has already begun, targeting companies looking for a single-occupier building at a prestigious address.

68-74, quai de la Rapée
75012 Paris

Purchased in 2004

Let properties

Total surface area: 22,670 sq.m.

- Offices:	19,362 sq.m.
- Staff restaurant, archives and other:	3,308 sq.m.
- Parking spaces:	366

Tenant:
Natexis

A SINGLE-OCCUPIER PROPERTY IN EASTERN PARIS

Located on the banks of the Seine, not far from the Gare de Lyon and opposite the Paris Rive Gauche business district, this property is emblematic of the revival of the Eastern Paris commercial property market. Its recent renovation has made it one of the district's landmarks. Let to Natexis, it also represents an extension of the banking district that has developed rapidly on the other side of the Seine, where Ixis and Banques Populaires have set up base.

131, avenue de Wagram
75017 Paris

Purchased in 2000

Renovation, modernising, repositioning

Total surface area: 9,186 sq.m.

- Offices:	7,100 sq.m.
- Other (staff restaurant, archives, technical facilities):	2,086 sq.m.
- Parking spaces:	124

Tenant:
TV5 Monde

FROM SONY TO TV5

After Sony, the world's leading music company, moved out, the property was extensively renovated and the layout changed to meet the needs of TV5 Monde for its future headquarters. Boasting 6,650 square meters of offices, 2,000 square meters of meeting rooms, an auditorium, store rooms and a restaurant, the building was delivered at the end of October, in time to enable the new tenant to equip its studios for the market launch of TV5 Monde scheduled for 1 July 2006. The lease is for a period of 12 years.

QUAI le gallo

46, Quai Le Gallo
92100 Boulogne-Billancourt

Purchased in 2000

Let properties

Total surface area: 33,417 sq.m.
- Offices, workshops and other: 29,712 sq.m.
- Common areas: 3,705 sq.m.
- Parking spaces: 426

Main customer:
Thomson Multimedia

A BENCHMARK PROPERTY IN A STRATEGIC DISTRICT

This property is located in a high potential area, adjacent to the 50-hectare site of the former Renault factory and opposite the future telecoms and media centre of excellence along the banks of the Seine. The former industrial building has been extensively renovated and converted into a modern office complex flooded with natural light from its huge windows. With interior fittings designed by Philippe Starck, the building offers all the high quality services required by 21st century businesses. Utilities management has been outsourced to the building's historical occupier, Thomson Multimedia.

tour areva la défense

1, place de la Coupole
92400 Courbevoie - La Défense

Purchased
in 2001 (4 floors) 25%-owned,
in 2002 (25 floors) 15%-owned,
in 2005 (1 floor) 25%-owned
in joint ventures with TIAA-CREF.

Let properties

Total surface area: 64,828 sq.m.
- Offices: 58,803 sq.m.
- Archives, staff restaurant and other: 6,025 sq.m.
- Parking spaces: 213

Main tenant: Areva

AN EMBLEMATIC HIGH-RISE IN THE HEART OF LA DÉFENSE

Located in the heart of La Défense, Europe's largest business district, Tour Areva was for many years the district's the tallest building, at 184 meters. Originally named Tour Fiat, it was subsequently renamed Tour Framatome and then Tour Areva in 2003 as the various Areva Group companies moved in. SFL and TIAA-CREF are the majority owners of 30 of the building's 44 floors (including the 24th floor purchased in December 2005).
At the end of 2005, the Areva Group decided to rationalize its office facilities in the Paris area by replacing its existing leases on 47,600 square meters of offices in the building with a new nine-and-a-half-year lease. The new lease provides for the joint construction of a corporate child care centre on the ground floor and redecoration of the entrance hall.

RUE alfred de vigny

5, rue Alfred de Vigny
75008 Paris

Purchased in 2005

New projects

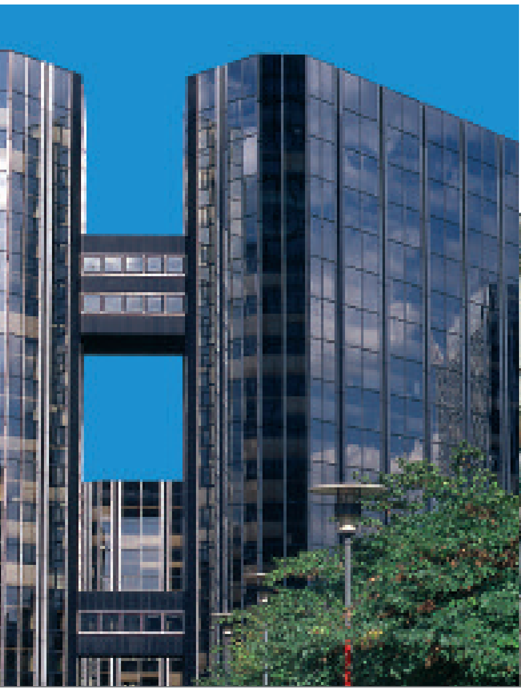
Total surface area: 2,698 sq.m.
- Offices: 2,698 sq.m.
- Parking spaces: 12

Property scheduled for renovation

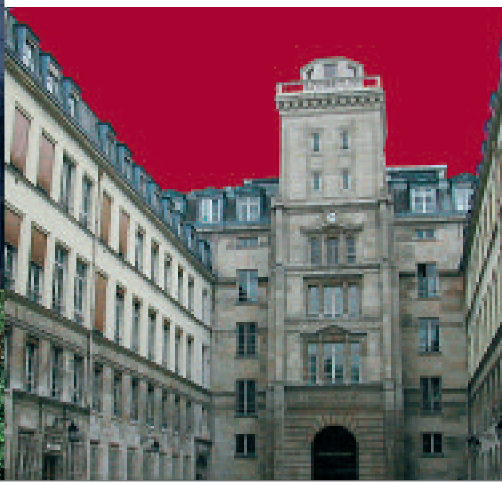
GIVING A MATURE BUILDING A FACE-LIFT

Located in the heart of the Paris Central Business District, close to Parc Monceau, the building was originally the headquarters of Coface. It was vacated at the end of last year and plans are currently being drawn up to rationalize the layout and install all the technical equipment needed to create a pleasant and efficient working environment. The property is scheduled to be delivered and remarketed at the end of this year. It is expected to attract a tenant looking for a single-occupier building in this central district with its distinctive mix of high quality office and residential properties.

tour les miroirs C la défense



103, RUE DE grenelle



18, avenue d'Alsace
92400 Courbevoie - La Défense

Purchased in 2005

Let properties

Total surface area: 19,874 sq.m.

- Offices:	19,432 sq.m.
- Staff restaurant:	442 sq.m.
- Parking spaces:	220

Tenant:
Atos Origin

A STABLE SOURCE OF RENTAL REVENUE

Tour les Miroirs C is part of a flagship complex in La Défense. The building is 97-meters tall and offers spectacular 360-degree views of La Défense from its upper storeys. The parking garage can be accessed directly from the Boulevard Circulaire ring-road around La Défense. Work is currently being completed in preparation for the arrival of IT consulting firm Atos Origin, which has leased the entire building under a 9-year lease.

103, rue de Grenelle
75007 Paris

Purchase in progress

New projects

Net floor space: 20,500 sq.m.

- Offices:	14,500 sq.m.
- Parking spaces:	108

Office building scheduled for renovation

BIRTH OF THE NEW LEFT BANK BUSINESS CENTRE

In 2005, we acquired an option to purchase the former headquarters of the French Post Office from CGW. Ideally located close to the official residence of the French Prime Minister, Hôtel Matignon, in the district that is home to many French Ministries, the building offers views of the Ministry of Agriculture gardens. The exchange of contracts is scheduled for mid-2006, once the necessary permits have been obtained. Following a major renovation program that is expected to be completed in 2008, this prestigious real estate complex will offer 14,500 square meters of fully modernised office space in the heart of Paris' government district on the Left Bank of the Seine.

Safety and the environment:

PRACTICAL AND EFFECTIVE POLICIES

The SFL environmental charter is designed to guarantee to tenants, shareholders and buyers that environmental risks are properly managed and that building services are consistently aligned with the very high quality of the Group's properties. We have defined exacting, ambitious policies in this area, reflecting both the rapid turnover of our properties and the impact of increasingly strict environmental regulations.

AN EFFECTIVE POLICY FRAMEWORK

For several years now, our environmental risk management activities have been guided by a charter designed to promote early recognition of potential risks and the implementation of effective preventive measures. The charter prescribes a disciplined approach organised in four phases: identifying risks and areas of concern, checking the applicable regulations, defining and regularly updating measurable targets, and developing a methodology to continuously monitor and log results. The Technical Department is responsible for implementing these policies and coordinating the various teams. In 2005, our teams were given on-line access to management information schedules and indicators covering the full range of environmental issues. Summary schedules presenting the status of our properties in relation to each environmental issue are also available for consultation on line, together with the results of environmental diagnostic reviews which are now digitized. The charter and the underlying procedures have been posted on the intranet, in a dedicated section, and a summary for each individual property has been prepared.

PREVENTION AND ANTICIPATION

The environmental charter comprises a public health action plan covering health and pollution issues, and a maintenance and safety plan addressing safety issues. The two plans set out the measures to be taken and describe the responsibilities of the people involved.
During the year, we pressed ahead with the many practical initiatives launched in 2004, concerning lead paint, asbestos, the quality of drinking water and other matters, as well as performing the checks required under environmental and public health regulations.
In addition, a series of preventive measures have been developed for the properties managed by the Group, to assess and anticipate potential environmental risks.

- Public health action plan

The public health action plan deals with issues directly related to the environment. It provides an overview of the current situation and sets detailed short and medium-term objectives in each area covered. For example:
- All properties were tested for asbestos one year ahead of the 31 December 2005 regulatory deadline. Asbestos-removal projects have been implemented at four properties, including part of the Galerie des Champs-Elysées shopping arcade. This programme will be pursued in 2006, with the elimination of asbestos detected during our tests already planned.
- All of our properties built before 1948 have been inspected to ensure that occupiers are at no risk from lead content

Removing asbestos

FROM THE GALERIE DES CHAMPS SHOPPING ARCADE

Built in the 1960s, the Galerie des Champs contains asbestos products, which we have decided to remove although the arcade's users are currently not at any risk. The first phase of the project was completed in 2005 and work on the next phases will continue this year. The work site is sealed off from the rest of the arcade, negative pressure techniques are used to ensure complete containment, the air quality is tested at regular intervals to ensure complete absence of pollution, and recognised specialists have been hired to oversee the work. Thanks to these precautions, the retail units have remained open and the public have continued to visit the arcade while the work is going on. This has proved to be a textbook example of how to conduct an asbestos-removal project. Tests for asbestos fibres in the air were completely negative, a result that was far better than required under the standards, attesting to the Group's ability to carry out complex projects in occupied premises.

in paint. Additional tests are carried out periodically as part of our annual surveillance programmes.
- Physico-chemical tests of drinking water supplies are performed each year.
- Cooling towers are tested for the presence of the legionella bacterium at monthly intervals. All open towers will be replaced, starting with three sites in 2006.
- As part of the programme to help prevent damage to the ozone layer, all air-conditioning systems using R22-type cooling liquids containing HCFCs are being replaced.
- Environmental audits are performed at all of our properties.
- All of our renovation projects include work to improve the buildings' energy efficiency through better heat insulation and sound-proofing.
- Lastly, we require building contractors to comply with strict waste management standards and all companies working under contract to SFL must adopt selective waste sorting systems.

- Maintenance and safety plan

Rigorous preventive maintenance programmes are implemented to control and minimize health risks.
These programmes enable us to anticipate breakdowns, avoid accidents, guarantee the safety of building users and enhance the performance of technical amenities, while also generating substantial cost savings.
In 2005, the focus was on safety, with audits performed of all the properties in the portfolio and of the private areas of each building. The findings showed that safety standards in our properties were generally high, while also providing a basis for further improvements.
The programme of seminars and information meetings was stepped up, with particular emphasis on safety issues.
The programme will be continued in 2006.
Technical audits are also carried out on all the properties in the portfolio. The results of these audits are used to plan large-scale maintenance operations and update rolling maintenance plans for each property.
Lastly, in 2005 we initiated a programme to review properties at risk of flooding if the Seine were to break its banks, in order to determine and implement appropriate protective measures.
This programme will also be pursued in 2006.

ENVIRONMENTAL EXPENDITURE 2005

(in euro)	Commitments, excluding tax	Group share
TESTS (I)	**162,993**	**151,718**
WORK (II)		
Asbestos removal	1,559,550	859,773
Replacement of lead pipes with copper pipes	13,211	13,211
Work to isolate coatings that contain lead particles	1,134,249	821,397
Strengthening of heat insulation and sound-proofing (double glazing, installation of thicker glass)	1,454,120	875,808
Modernisation of air conditioning and heating systems to reduce energy consumption	5,246,902	3,317,077
Installations to prevent the multiplication of legionalla bacteria (disinfection of boiler room circuits with chlorine, modification of networks, etc.	146,450	146,450
Expenditure to improve security installations and related compliance work (sprinklers, fire extinguishers, videosurveillance systems, etc.	1,019,898	826,451
TOTAL INITIATIVES (I + II)	**10,737,373**	**7,011,885**

Economic and Financial Information

I. CONTRIBUTION TO RESULTS OF OPERATIONS

In accordance with the EPRA Best Practice Committee's recommendation, the following table shows the contribution of each property to consolidated Ebitda, on a comparable portfolio basis.

Contribution to consolidated Ebitda by property (excluding IFRS adjustments)

(100% basis – in € thousands)

Property	2005 Contribution	2005	2004 French GAAP presentation*	Comments
Beaubourg 62	1.0%	1,405	1,159	
Beaubourg 82	0.5%	790	498	
Boétie 3	1.4%	1,997	1,814	
Champs-Élysées 118	1.1%	1,617	1,248	
Champs-Élysées 90	0.8%	1,098	1,036	
Call LDA	11.3%	16,470	17,346	
Capucines	1.4%	1,981	1,875	
Édouard VII	16.5%	23,909	22,365	
Faisanderie 89	0.9%	1,342	1,243	
Grande-Armée 12-14	0.8%	1,138	1,150	
Hanovre	0.8%	1,161	1,094	
Kléber 46	0.7%	986	1,036	
Malesherbes 19	0.4%	564	528	
Neuilly	1.0%	1,448	2,008	
Pavillon Henri IV	0.3%	393	396	
Prony 11	0.6%	845	1,445	
Quai Le Gallo	4.2%	6,170	7,166	
Sébastopol	1.5%	2,127	1,960	
Vélasquez	0.3%	434	430	
Washington-Plaza	16.6%	24,155	21,332	
Michelet La Défense	8.1%	11,798	11,320	
Richelieu	10.0%	14,515	13,068	
Rives de Seine	8.3%	12,090	12,064	
Total, comparable portfolio	**88.4%**	**128,434**	**123,581**	
Cézanne St-Honoré	2.8%	4,054	726	2002-2005: renovation
Prony-Wagram	(0.7%)	(1,056)	3,165	2004-2005: renovation
Champs-Élysées 82-88	1.9%	2,728	1,942	2004-2006: renovation
Champs-Élysées 92	2.1%	3,027	3,379	2005-2007: renovation
Haussmann 104-110	0.2%	234	672	2005-2007: renovation
Haussmann 63	0.0%	46	686	2005-2006: renovation
Total, renovations	**6.2%**	**9,034**	**10,570**	
Les Miroirs	0.0%	15	0	
Vigny	0.2%	317	0	
Total, acquisitions	**0.2%**	**332**	**0**	
132 Haussmann	0.4%	530	672	9 months in 2005
Grande-Armée 80	0.0%	11	956	1.5 months in 2005
Saint-Augustin	0.8%	1,211	2,926	5.5 months in 2005
Saint-Florentin	0.2%	298	624	5.5 months in 2005
Rome-Vienne	0.5%	784	1,533	5.5 months in 2005
Vauban	2.7%	3,870	3,622	Sales as property trader
Champs-Élysées 77	0.0%	(10)	503	4 months in 2004
Chalgrin 16-18	0.0%	7	65	3 months in 2004
Cirque	0.0%	9	785	8.5 months in 2004
François Ier	0.0%	(21)	3,180	8.5 months in 2004
Montaigne 19	0.6%	885	2,342	8.5 months in 2004
Université Schumann	0.0%	0	206	Sales as property trader
Other assets	(0.1%)	(91)	(24)	Balance of sales
Total disposals	**5.1%**	**7,482**	**17,390**	
Total contribution of properties to EBITDA	**100%**	**145,281**	**151,541**	

* For information. Figures are not comparable to those for 2005 (excluding IFRS adjustments) due to IFRS reclassifications in the profit and loss account

Consolidated EBITDA (excluding IFRS adjustments)

(100% basis – in € thousands)

	2005 IFRS	2004 IFRS	2004 French GAAP presentation	2003 French GAAP presentation
EBITDA from properties (excluding IFRS adjustments)	145,281	155,491	151,541	151,478
Overheads	(18,786)	(30,991)	(16,950)	(14,448)
EBITDA after overheads (excluding IFRS adjustments)	126,495	124,500	134,591	137,030

Note: in addition to the impact on EBITDA, certain items have been reclassified in the IFRS profit and loss account compared with the French GAAP presentation

II. DETAILS OF DEBT

With substantial financing resources available to the Group, we optimised our current cash flow in 2005. We rationalised debt by exercising the purchase option on nine finance leases representing liabilities of €97 million at 31 December 2004. We also rolled over our syndicated line of credit and increased the amount to €600 million as from 26 January 2006. The nominal amount of debt remained largely unchanged, at €769 million at 31 December 2005 compared with €771 million at the previous year-end.

Strict control over risks

SFL has always exercised strict control over liquidity, market and counterparty risks.

1. Liquidity risks

Our liquidity management policy consists of maintaining long maturities of debt (at 31 December 2005, the average maturity was just under six years), in order to be in a position to efficiently roll over or replace borrowings without having to contend with market distortions which, while rare, nevertheless exist. In 2005, the syndicated line of credit was rolled over and increased to €600 million as from 26 January 2006, providing us with the borrowing capacity needed to respond to market opportunities.

2. Market risks

Market risks are managed on a conservative basis, without taking any speculative positions. Currency risks are hedged in full, while interest rate risks are managed with due consideration of changing macro-economic conditions in the euro zone. In response to last year's modest rise in interest rates, the percentage of debt hedged against interest rate risks was increased to 77% (including caps) at 31 December 2005 from 58% at the previous year-end. The average cost of debt at 31 December 2005, after hedging, stood at 4.66%. Straight-line increases of 1 and 2 points in interest rates would increase borrowing costs to 5.40% and 6.15% respectively.
Debt in the amount of €400 million is hedged by a cap and therefore remains highly sensitive to a fall in short-term rates. All of our currency and interest rate hedges are qualified as effective under IFRS, and help to reduce the earnings volatility resulting from the application of the fair value method.

3. Counterparty risks

All financial instrument contracts are entered into with leading financial institutions.
Cash reserves, which are limited due to the use of revolving credit facilities, are invested with high quality banks and are not exposed to the risk of any loss of capital.

DEBT AND RELATED HEDGES
(100% basis – in € thousands)

Description	Company	Amount	Due	Rate	Hedge
US Private Placement Notes	SFL	100.0	10 Dec. 2012	6.47%	Cross-currency swap
		25.0	10 Dec. 2009	6.09%	Cross-currency swap
HSBC/Calyon (SFL share: 50%)	PARCHAMPS	9.7	29 Dec. 2009	3-month Euribor + 90 bps	(2)
	PARHAUS	10.7	29 Dec. 2009	3-month Euribor + 90 bps	(2)
	PARHAUS	4.8	29 Dec. 2009	3-month Euribor + 90 bps	(3) on €3.8 million
	PARHAUS TRAV	1.1	29 Dec. 2009	3-month Euribor + 90 bps	(4)
	PARHAUS TVA	0.7	29 Mar. 2008	3-month Euribor + 90 bps	(4)
	PARSHERBES	5.8	29 Dec. 2009	3-month Euribor + 90 bps	Not hedged
	PARHOLDING	5.8	29 Dec. 2009	3-month Euribor + 90 bps	Not hedged
	PARELYS	12.2	29 Dec. 2009	3-month Euribor + 90 bps	(2)
	PARCHAR	2.4	29 Dec. 2009	3-month Euribor + 90 bps	(2)
	PARGAL	22.4	29 Dec. 2009	3-month Euribor + 90 bps	(2)
		75.6			
Syndicated loan	SFL	296.0	26 Jan. 2012	3-month Euribor + 40 bps	(1)
Lease financing					
131, Wagram	SFL	64.1	15 June 2009	3-month Euribor + 75 bps	Not hedged
Quai Le Gallo	SFL	75.8	28 Feb. 2012	3-month Euribor + 75 bps	Not hedged
Rives de Seine	SFL	123.9	29 Oct. 2013	6-month Euribor + 75 bps	(1) on €104 million
		263.9			
Overdraft facility		8.2			
Total debt		**768.7**			
Accrued interest		**0.5**			
Current account advances		**61.3**			
Deposits		**15.8**			
Impact of IFRS adjustments		**57.0**			
Total reported debt		**903.2**			
Loan-To-Value		**26**			

(1) Swapped for 12-month Euribor + 141.5 bps post-set, with 12-month Euribor capped at 5.0850%
(2) Swapped for 3.85% fixed rate
(3) Swapped for 3.56% fixed rate
(4) Swapped for 3.1250% fixed rate

Breakdown between fixed and variable rate debt
(100% basis – in € millions after hedging)

	31 December 2005			
	Amount (€m)	Rate (%)	Maturity (years)	Percentage
Fixed rate	125.0	6.39%	6.34	100%
Variable rate	643.7	4.32%	5.91	73%
Total	768.7	4.66%	5.98	77%

4. Debt covenants and acceleration clauses.

See in the financial report.

III. NAV AND VALUE CREATION

Change in NAV

The portfolio valuation carried out by CBRE Bourdais puts the appraisal value of the portfolio at €2,615 million excluding transfer costs at 31 December 2005, an increase of 8.7% compared with €2,406 million at the previous year-end. Based on a comparable structure and excluding properties undergoing renovation, the portfolio's appraisal value was up by 7.9%, as follows:

Offices and parking spaces	+ 7.7%
Retail	+ 9.4%
Residential	+ 6.8%

Average values per square meter were as follows:

Average appraisal value per square meter, excluding transfer costs, in 2005	Excluding transfer costs
Offices and parking spaces	€6,662/sq.m.
Retail	€7,096/sq.m.
Residential	€4,393/sq.m.

The spot yield net of transfer costs for the portfolio as a whole was 6.38%, as follows:

Spot yield = (passing rent + assumed rent)/Appraisal value excluding transfer costs	Excluding transfer costs
Offices	6.48%
Retail	6.09%
Residential	4.58%
Parking spaces	6.49%

At 31 December 2005, NAV excluding transfer costs stood at €1,779 million or €41.3 per share, an increase of 10.4% over 2004:

(in euros thousands)	31 Dec. 2005 IFRS	31 Dec.2004 IFRS	% change
NAV excluding transfer costs	1,779	1,596	+ 11.5%
NAV/share excluding transfer costs	41.3	37.0	+ 11.6%
Number of shares (thousands)	43,104	43,109	(0.0%)

Independent
VALUATIONS AND NAV CALCULATIONS

An independent expert
CBRE Bourdais

Valuation method
Capitalised net revenues or comparable transactions

Frequency
Entire portfolio valued at 6-monthly intervals (in December and June)

NAV calculation
Before and after transfer costs, fully diluted, net of exit tax, with financial instruments marked to markets

Appraisal values excluding transfer costs per square meter, 2005 versus 2004

2005 appraisal values excluding transfer costs per square meter* - Portfolio at 31 December 2005

Area	Offices €/sq.m.	Retail €/sq.m.	Residential €/sq.m.	Parking spaces €/unit
Financial district	6,825	7,066	5,835	31,992
Eastern Paris	4,568	2,436	2,957	28,867
Western Paris	8,099	1,974	3,793	22,617
Golden Triangle	8,004	12,389	3,981	27,505
La Défense	6,273	-	-	14,446
Golden Crescent	3,475	6,392	-	13,838
Outer suburbs	-	1,250	-	-
Paris Left Bank	8,100	-	-	30,821

2004 appraisal values excluding transfer costs per square meter* - Portfolio at 31 December 2004

Area	Offices €/sq.m.	Retail €/sq.m.	Residential €/sq.m.	Parking spaces €/unit
Financial district	6,656	5,558	5,572	27,748
Eastern Paris	3,932	2,561	2,666	24,713
Western Paris	4,857	2,522	4,857	27,666
Golden Triangle	7,320	8,809	2,264	23,539
La Défense	5,484	-	-	15,482
Golden Crescent	4,225	549	-	11,842
Outer suburbs	-	897	-	-
Paris Left Bank	7,693	-	-	28,973

Year-on-year change**

Area	Offices	Retail	Residential	Parking spaces
Financial district	2.54%	27.13%	4.72%	15.29%
Eastern Paris	16.17%	(4.88%)	10.92%	16.81%
Western Paris	66.75%	(21.73%)	(21.91%)	(18.25%)
Golden Triangle	9.34%	40.64%	75.84%	16.85%
La Défense	14.39%	-	-	(6.69%)
Golden Crescent	(17.75%)	1,064.30%	-	16.86%
Outer suburbs	-	39.35%	-	-
Paris Left Bank	5.29%	-	-	6.38%

* Based on independent valuations

** Resulting from changes in both portfolio structure and market values

Value creation

NAV per share amounted to €41.3 at 31 December 2005, an increase of 11.6% compared with the previous year-end. Value created in 2005 came to €6.4 per share, an increase of 17.3% over the previous year.

Increase in NAV	+ €4.3 per share
2005 dividend*	+ €2.1 per share
Value created	+ €6.4 per share

* Dividend recommended at the Annual General Meeting, including the interim dividend of €0.7 and a final dividend of €1.4 per share

directors and auditors

board of directors

YVES MANSION Chairman and Chief Executive Officer (8)
JEAN ARVIS Director (6)
JUAN JOSÉ BRUGERA CLAVERO Director (7)
JACQUES CALVET Non-voting Director (15)
GABRIEL CASTELLO Director (2)
PHILIPPE CHAREYRE Non-voting Director (4)
YVES DEFLINE Director (11)
JEAN-JACQUES DUCHAMP Director (16)
JOSÉ MARIA GRAU GREOLES Director (9)
PIERRE LHERITIER Director (13)
EDUARDO MENDILUCE FRADERA Director (1)
FRANCISCO EMILIO RUIZ ARMENGOL Director (3)
TONY WYAND Director (5)

Board meetings are also attempted by:

ALEC EMMOTT Managing Director (10)
JEAN-LUC HOFER Work council representative (12)
NATHALIE PALLADITCHEFF Secretary to the Board (14)

The Board of Directors met five times in 2005

honorary chairmen

YVES DEFLINE
HENRI KATZ
TONY WYAND

auditors

DELOITTE & ASSOCIÉS (SA) (Statutory Auditor)
PRICEWATERHOUSECOOPERS AUDIT SA (Statutory Auditor)
BEAS (Substitute Auditor)
PIERRE COLL (Substitute Auditor)

DIRECTORS' CHARTER: THE MAIN PRINCIPLES

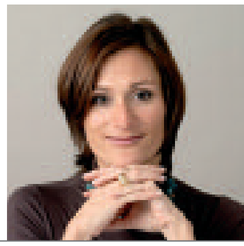
The Directors' Charter is more than a simple description of directors' statutory rights and obligations, it is also a code of ethics dealing with such issues as directors' transactions in SFL shares, potential conflicts of interest, multiple directorships, regular attendance at Board Meetings and professional secrecy.
Each director, non-voting director and permanent representative of a corporate director is required to hold at least 25 SFL registered shares. Twice a year, they are required to write to the Chairman of the Board informing him of all transactions carried out in the Company's shares over the previous six months.
At the end of each year, each director is also required to disclose to the Chairman all the directorships and other functions held in other (named) companies during the year, as well as any related changes.
Directors must act in all circumstances in the Company's best interests, notify the Board of any and all conflicts of interest, attend all General Meetings of shareholders, and treat all information received from the Board as strictly confidential.
When a new director or non-voting director takes office, he or she is given a copy of the Company's Articles of Association and the Board of Directors' internal rules by the Chairman of the Board.

executive committee

YVES MANSION
Chairman and Chief Executive Officer

ALEC EMMOTT
Managing Director

PHILIPPE DEPOUX
Deputy Managing Director
Chief Operating Officer



NATHALIE PALLADITCHEFF
Deputy Managing Director
Chief Financial Officer

FRANÇOIS SEBILLOTTE
Company Secretary

JOAN TORREGUITART
Director, Control and Coordination

FRANCK DATTÉE
Technical Director

OLIVIER ROCHEFORT
Director, Profit Centres

JEAN-LUC POTIER
Development Director

remuneration and Selection Committee

Chairman: **JUAN JOSÉ BRUGERA CLAVERO**

Members: **JEAN ARVIS**
YVES MANSION (Except for decisions concerning him)
TONY WYAND

The Remuneration and Selection Commitee met twice in 2005

ROLE:

- Make recommendations to the Board concerning remuneration packages for executive directors, directors' fees, stock option schemes and other specific profit-related incentive schemes.
- Recommend candidates for election as directors, or Executive Chairman and Managing Director, in particular if a seat on the Board unexpectedly falls vacant or the number of directors is increased.

audit Committee

Chairman: **JOSÉ MARIA GRAU GREOLES**

Members: **JACQUES CALVET**
PHILIPPE CHAREYRE
YVES DEFLINE
JEAN-JACQUES DUCHAMP
FRANCISCO EMILIO RUIZ ARMENGOL

The Audit Commitee met twice in 2005

ROLE:

- Formulate recommendations concerning the appointment or re-appointment of the Auditors.
- Review the financial statements to be submitted to the Board.
- Verify the effectiveness of internal control systems, with particular emphasis on procedures, risk management and ethical issues.
- Review the external and internal audit plans.
- Discuss the financial statements with the Auditors, without any member of SFL being present.

Property portfolio at 31 December 2005

Total portfolio at 31 December 2005

	Surface area attributable to the Group	Offices (useable area)	Retail (useable area)	Hotels (useable area)	Cinemas/ Theatres (useable area)	Residential (useable area)	Staff restaurants and other infrastructure	Common areas and other	Parkings spaces (number)	2005 rental attributable to the Group (€ thousands)
Freehold property	322,642 sq.m.	216,546 sq.m.	31,104 sq.m.	7,999 sq.m.	9,682 sq.m.	11,576 sq.m.	20,389 sq.m.	12,851 sq.m.	2,149	122,183 K€
Properties subject to financial leases	65,273 sq.m.	54,883 sq.m.	–	–	–	–	5,509 sq.m.	4,881 sq.m.	916	19,329 K€
Properties currently for sale	128 sq.m.	–	–	–	–	128 sq.m.	–	–	–	109 K€
Properties sold during the year	–	–	–	–	–	–	–	–	–	3,701 K€
TOTAL AT 31/12/2005	**388,042 sq.m.**	**271,429 sq.m.**	**31,104 sq.m.**	**7,999 sq.m.**	**9,682 sq.m.**	**11,704 sq.m.**	**25,898 sq.m.**	**17,731 sq.m.**	**3,065**	**145,321 K€**
For reference: Properties accounted for by the equity method	12,972 sq.m.	11,630 sq.m.	–	–	–	–	945 sq.m.	396 sq.m.	107	–
TOTAL AT 31/12/2005	**401,014 sq.m.**	**283,059 sq.m.**	**31,104 sq.m.**	**7,999 sq.m.**	**9,682 sq.m.**	**11,704 sq.m.**	**26,843 sq.m.**	**18,128 sq.m.**	**3,172**	**145,321 K€**

Freehold property

	Surface area attributable to the Group	Offices (useable area)	Retail (useable area)	Hotels (useable area)	Cinemas/ Theatres (useable utile)	Residential (useable area)	Staff restaurants and other infrastructure	Common areas and other	Parkings spaces (number)	2005 rental attributable to the Group (€ thousands)
1st 2, place du Palais-Royal	47,801 sq.m.	28,219 sq.m.	7,090 sq.m.	–	–	–	3,929 sq.m.	8,563 sq.m.	234	17,653 K€
CALL/LDA complex	**47,801 sq.m.**	**28,219 sq.m.**	**7,090 sq.m.**	–	–	–	–	–	**234**	**17,653 K€**
1st rue de Richelieu	38,207 sq.m.	24,392 sq.m.	–	–	–	–	5,095 sq.m.	8,720 sq.m.	52	13,839 K€
2nd 6, rue de Hanovre	4,761 sq.m.	3,003 sq.m.	–	–	–	61 sq.m.	1,697 sq.m.	–	–	1,155 K€
2nd 91-93-95, boulevard de Sébastopol	12,417 sq.m.	3,616 sq.m.	3,564 sq.m.	–	–	2,750 sq.m.	2,487 sq.m.	–	–	2,357 K€
3rd 62, rue Beaubourg	3,810 sq.m.	2,844 sq.m.	597 sq.m.	–	–	–	119 sq.m.	250 sq.m.	18	1,344 K€
3rd 82, rue Beaubourg	2,387 sq.m.	1,821 sq.m.	314 sq.m.	–	–	–	58 sq.m.	194 sq.m.	16	688 K€
8th Washington Plaza (66%)	31,061 sq.m.	26,031 sq.m.	303 sq.m.	–	–	–	2,979 sq.m.	1,748 sq.m.	433	15,504 K€
8th 6, avenue Vélasquez	1,496 sq.m.	1,323 sq.m.	–	–	–	–	173 sq.m.	–	3	473 K€
8th 63, boulevard Haussmann	2,776 sq.m.	2,415 sq.m.	165 sq.m.	–	–	–	196 sq.m.	–	–	261 K€
8th 104-110, boulevard Haussmann (50%)	5,949 sq.m.	4,678 sq.m.	908 sq.m.	–	–	–	364 sq.m.	–	–	124 K€
8th 19, boulevard Malesherbes (50%)	1,484 sq.m.	1,086 sq.m.	–	–	–	331 sq.m.	68 sq.m.	–	23	570 K€
8th Ilôt Saint-Augustin	–	–	–	–	–	–	–	–	10	–
8th 3, rue la Boétie	6,261 sq.m.	4,090 sq.m.	913 sq.m.	–	–	785 sq.m.	473 sq.m.	–	–	2,319 K€
8th 39-41, rue de Rome – 1-10, rue de Stockholm	1,630 sq.m.	–	261 sq.m.	405 sq.m.	–	961 sq.m.	3 sq.m.	–	20	–
Rome complex	**1,630 sq.m.**	–	**261 sq.m.**	**405 sq.m.**	–	**961 sq.m.**	–	–	20	–
8th Galerie des Champs-Elysées (50%)	2,831 sq.m.	–	2,831 sq.m.	–	–	–	–	–	130	2,857 K€
8th 90, avenue des Champs-Elysées (50%)	3,018 sq.m.	3,018 sq.m.	–	–	–	–	–	–	–	1,192 K€
8th 92, avenue des Champs-Elysées	7,641 sq.m.	4,209 sq.m.	1,949 sq.m.	–	1,447 sq.m.	–	–	36 sq.m.	–	3,285 K€
8th 118, avenue des Champs-Elysées (50%)	1,994 sq.m.	1,267 sq.m.	471 sq.m.	–	216 sq.m.	–	29 sq.m.	12 sq.m.	–	1,894 K€
8th 1-6, rue Paul Cézanne (50%)	14,511 sq.m.	12,223 sq.m.	908 sq.m.	–	–	–	628 sq.m.	752 sq.m.	63	6,381 K€
8th 5, rue Alfred de Vigny	2,698 sq.m.	2,698 sq.m.	–	–	–	–	–	–	12	317 K€
9th Édouard VII	54,119 sq.m.	28,112 sq.m.	7,331 sq.m.	3,125 sq.m.	8,019 sq.m.	4,509 sq.m.	3,023 sq.m.	–	509	25,579 K€
9th 12, boulevard des Capucines	2,243 sq.m.	–	2,243 sq.m.	–	–	–	–	–	–	2 040 K€
16th 38-44, avenue Bugeaud	–	–	–	–	–	–	–	–	1	–
16th 46, avenue Kléber (50%)	1,677 sq.m.	1,560 sq.m.	–	–	–	–	117 sq.m.	–	3	992 K€
16th 87-89, rue de la Faisanderie	2,403 sq.m.	2,217 sq.m.	–	–	–	–	115 sq.m.	72 sq.m.	–	1,213 K€
17th 11, rue de Prony	2,661 sq.m.	2,521 sq.m.	–	–	–	–	41 sq.m.	99 sq.m.	24	1,259 K€
17th 12-14, avenue de la Grande-Armée	6,537 sq.m.	3,436 sq.m.	765 sq.m.	–	–	2,179 sq.m.	157 sq.m.	–	–	1,537 K€
Neuilly - 176, avenue Charles-de-Gaulle	7,381 sq.m.	5,621 sq.m.	492 sq.m.	–	–	–	426 sq.m.	842 sq.m.	144	2,050 K€
Puteaux - 12, cours Michelet - Tour Coface	28,418 sq.m.	26,716 sq.m.	–	–	–	–	1,702 sq.m.	–	235	12,046 K€
La Défense - 18, avenue d'Alsace - Les Miroirs	19,874 sq.m.	19,432 sq.m.	–	–	–	–	442 sq.m.	–	220	2,788 K€
Saint-Germain - 21, rue Thiers Pavillon Henri IV (hôtel)	4,596 sq.m.	–	–	4,469 sq.m.	–	–	–	127 sq.m.	–	467 K€
TOTAL	**322,642 sq.m.**	**216,546 sq.m.**	**31,104 sq.m.**	**7,999 sq.m.**	**9,682 sq.m.**	**11,576 sq.m.**	**20,389 sq.m.**	**12,851 sq.m.**	**2,149**	**122,183 K€**

Properties subject to financial leases

	Surface area attributable to the Group	Offices (useable area)	Retail (useable area)	Hotels (useable area)	Cinemas/ Theatres (useable area)	Residential (useable area)	Staff restaurants and other infrastructure	Common areas and other	Parkings spaces (number)	2005 rental attributable to the Group (€ thousands)
12th Quai de la Rapée	22,670 sq.m.	19,362 sq.m.	–	–	–	–	3,118 sq.m.	190 sq.m.	366	12,505 K€
17th 131, avenue de Wagram	9,186 sq.m.	7,100 sq.m.	–	–	–	–	1,100 sq.m.	986 sq.m.	124	336 K€
Boulogne - 46, quai Le Gallo	33,417 sq.m.	28,420 sq.m.	–	–	–	–	1,292 sq.m.	3,705 sq.m.	426	6,488 K€
TOTAL	**65,273 sq.m.**	**54,883 sq.m.**	–	–	–	–	**5,509 sq.m.**	**4,881 sq.m.**	**916**	**19,329 K€**

Properties currently for sale (part unsold at 31 December 2005)

7th Vauban complex	128 sq.m.	–	–	–	–	128 sq.m.	–	–	–	109 K€
TOTAL	**128 sq.m.**	–	–	–	–	**128 sq.m.**	–	–	–	**109 K€**

For reference:

Properties accounted for by the equity method

	Surface area attributable to the Group	Offices (useable area)	Retail (useable area)	Hotels (useable area)	Cinemas/ Theatres (useable area)	Residential (useable area)	Staff restaurants and other infrastructure	Common areas and other	Parkings spaces (number)	2005 rental attributable to the Group (€ thousands)
16th 96, avenue d'Iéna (25%)	2,214 sq.m.	1,824 sq.m.	–	–	–	–	105 sq.m.	366 sq.m.	73	–
La Défense - Tour Areva (25%)	2,583 sq.m.	2,465 sq.m.	–	–	–	–	118 sq.m.	–	7	–
La Défense - Tour Areva (15%)	8,175 sq.m.	7,342 sq.m.	–	–	–	–	722 sq.m.	124 sq.m.	27	–
La Défense - Cumul Tour Areva	10,757 sq.m.	9,806 sq.m.	–	–	–	–	839 sq.m.	426 sq.m.	34	–
TOTAL	**12,972 sq.m.**	**11,630 sq.m.**	–	–	–	–	**945 sq.m.**	**916 sq.m.**	**107**	–

For reference:

Properties sold during the year

17th 80, avenue de la Grande-Armée	143 K€
8th 273, rue Saint-Honoré	318 K€
8th 132, boulevard Haussmann	554 K€
8th Ilot Saint-Augustin	1,612 K€
8th 35-37-39, rue de Rome	
8th 16-18, rue de Vienne	1,083 K€
8th 6-8, rue de Stockholm	
8th 69, avenue Franklin Roosevelt (25%)	–
8th François 1er	– 9 K€
TOTAL	**3,701 K€**

Stock Market

SFL shares are quoted on the Premier Marché of Euronext Paris:

ISIN code: 0000033409

Reuters: FLYP.PA

Bloomberg: FLY.FP

Website:

www.fonciere-lyonnaise.com

Financial Information and Investor Relations:

Nathalie PALLADITCHEFF: Chief Financial Officer

Tel.: + 33 (0)1 42 97 27 00

Investor Information:

The press releases and annual reports published by Société Foncière Lyonnaise can be downloaded from the Company's website. Printed versions will be sent on request.

2006 Investor Calendar:

Annual General Meeting:	4 May 2006
Payment of the dividend:	10 May 2006
First-half 2006 consolidated results announcement:	26 July 2006

SFL
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