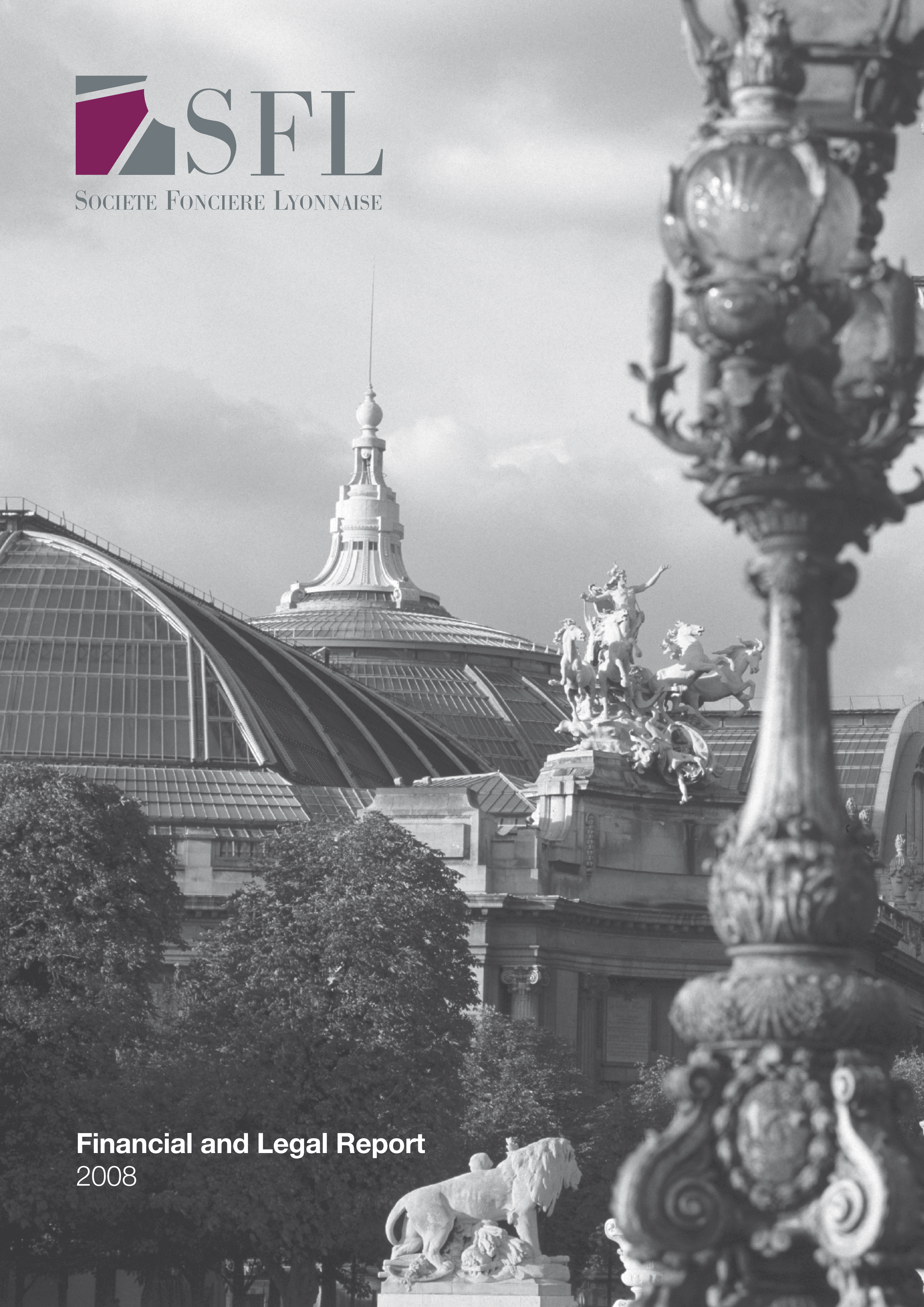

SFL
SOCIETE FONCIERE LYONNAISE

Financial and Legal Report
2008

Contents

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This registration document was filed with the French securities regulator (Autorité des Marchés Financiers – AMF) on 15 May 2009, in accordance with Article 212-13 of the AMF's Règlement Général. It may be used for a financial transaction provided that it is accompanied by an Information Memorandum approved by the AMF.

Management report for the year ended 31 December 2008

General Meeting of 15 June 2009

Management report for the year ended 31 December 2008

The Board of Directors has called the Annual General Meeting in accordance with the Company's Articles of Association and the French Commercial Code to report to shareholders on Société Foncière Lyonnaise's operations and earnings for the year ended 31 December 2008 as well as its future outlook, and to submit for shareholder approval the 2008 financial statements of the Company and the Group. All documents required by law were sent or made available to shareholders within the applicable time frames.

1. Business review and significant events of the year

1.1. Property Portfolio Value

The appraisal value of SFL's property portfolio totalled €3.5 billion excluding transfer costs (€3.7 billion including transfer costs) at 31 December 2008, an 11% decrease over the year-earlier figure. Substantially all of the properties are located in Paris and the Paris region, with 72% (representing €2.5 billion excluding transfer costs) located in the Paris Central Business District.

The portfolio essentially comprises fully modernised office properties and retail units, which account for 79% and 17% respectively. Residential units now represent just 1% of the total and are mostly located in mixed-use buildings primarily made over to retail space. Parking garages account for 3% of the portfolio.
The average value per square metre excluding transfer costs was €8,184 in 2008 and the spot yield1 was 5.8%

The portfolio includes a number of major office complexes, such as the Louvre Business Centre, Edouard VII, Washington Plaza and Cézanne Saint-Honoré. The properties are leased to first-class covenants, mainly businesses operating in a wide range of industries. The occupancy rate, excluding properties undergoing renovation, is an exceptionally high 98.3%, reflecting the assets' strategic location in Paris's main business districts.

Marketing programme

2008 was a very active year on the marketing front, with the signature of leases on some 43,384 square meters. The total included 40,179 sq.m. of office space let at an average rent of €572 per sq.m. per year representing annual revenue of €23.0 million (of which €22.4 million attributable to SFL) and 2,002 sq.m. of retail space let at an average rent of €769 per sq.m. per year for a total of €1.1 million (of which €0.8 million attributable to SFL).

The average rent for SFL's office properties at 31 December 2008 was €559 per sq.m. per year. The average remaining life of leases in progress rose to 3.5 years, reflecting the signature or renewal of major long-term leases such as with Natixis at Rives de Seine, the Ministry of Culture at 62 Beaubourg, GIE CB, Proparco and the Louvre Museum at Louvre des Entreprises, W Finance at Iéna, Servocorp and Lyonnaise des Eaux at Edouard VII and Powéo at Washington Plaza.

Based on appraisals performed by the Group's valuers[2], reversionary potential was 27.4%, breaking down as 16% for offices and 101.2% for retail units.

Since electing for the REIT-style (SIIC) structure in 2003, we have managed the portfolio even more actively, with offices and retail properties now generating 96.4% of rental revenues.

1 Passing rents + market rent on vacant properties)/(Appraisal value excluding transfer costs + discounted capex
2 CBRE, JLL and AtisReal

1.2. Property purchases and sales during the year

In 2008, we completed the off-plan purchase of a complex located at 108-112 avenue de Wagram and 66-72 rue de Prony in the 17th *arrondissement* of Paris. With the exception of the ground floor, which is occupied by the French Post Office, the complex is undergoing extensive renovation and is scheduled for delivery in March 2011. Once the renovations are completed, the complex will offer 5,500 sq.m. of useable floor area (6,000 sq.m. net floor area), mainly for use as offices. The transaction represented an investment of some €56 million including transfer costs.

The only property divested during the year was 19 boulevard Malesherbes in the 8th *arrondissement* of Paris, which was sold on 5 November for €25.5 million excluding transfer costs.

Jointly owned by SFL and IDF on a 50/50 basis, the building comprises around 2,300 sq.m. of office space and 650 sq.m. of residential units.

Sale of 19 boulevard Malesherbes: €12.75 million excluding transfer costs (SFL's share)

The boulevard Malesherbes property represented approximately 0.33% of the total portfolio appraisal value of €3.9 billion excluding transfer costs at 31 December 2007.

The gross spot yield on the divested property was 5.35%, representing the ratio of spot revenue to the sale price including transfer costs.

SFL's share of the sale price was €278 thousand (2.2%) higher than the property's appraisal value at 30 June 2008, excluding transfer costs in both cases.

As investment properties are measured at fair value, the gain recognised on the sale was not material.

1.3. Investments in progress

Acquisition of construction rights for T8 project

Located at the intersection of rue Tolbiac and avenue de France, in front of the François Mitterrand National Library, the new development will rise above the cover built by SEMAPA over the Gare d'Austerlitz railroad tracks. Designed by architect **Rudy Ricciotti**, the complex will comprise **36,800 sq. m** (net floor area) of office, retail and housing space. Nexity will be in charge of developing the property, under a contract signed with SFL on 16 July 2008. The building permit application was filed on 24 October 2008 and the planning application on 3 March 2009.

Forecast timeline

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2009:

- Second quarter – building permit to be issued
- Fourth quarter – end of the compulsory waiting period under the building permit

2010:

- April – delivery of the cover
- May – acquisition of construction rights
- May – start of construction

2012:

- Second quarter – delivery of the building

This project will be financed by the Group's general debt facilities.

To learn about the investments made in the previous two years, see page 13 of the 2006 Annual Report and page 4 of the 2007 Financial and Legal Report.

2. Results

2.1. Consolidated Results

Accounting methods

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At 31 December 2006, SFL decided to measure investment properties using the fair value model, as provided for in IAS 40. Prior to that date, investment properties were measured using the cost model, in accordance with IAS 16.

This change of method was adopted to facilitate comparisons with other property companies, the majority of which apply the fair value model.

The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. It reflects market conditions at the balance sheet date and not those prevailing at any past or future date. It does not reflect future capital expenditure that will improve or enhance the property or the future benefits from this future expenditure.

No deduction is made for transaction costs that may be incurred on sale or other disposal.

The fair values of investment properties carried in the balance sheet at 31 December 2008 correspond to the prices including transfer costs obtained from independent valuations performed by the method described in Note 2-3 to the consolidated financial statements, less a 6.20% discount for transfer costs.

Changes in fair value, which are recognised in the profit and loss account under "Gains and losses from remeasurement at fair value of investment properties", are calculated as follows:

Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

The Group decided not to early adopt the following standards, interpretations and amendments to existing standards that are effective for annual periods beginning on or after 1 January 2009:

- IAS 1 (Revised 2007) – Presentation of Financial Statements
- IAS 23 (Revised 2007) – Borrowing Costs
- IFRS 2 (Revised 2008) – Share-based Payment
- IFRS 8 – Operating Segments (applicable for annual periods beginning on or after 1 January 2009).
- IFRIC 11 – IFRS 2: Group and Treasury Share Transactions (applicable for annual periods beginning on or after 1 March 2007 and, under European Commission regulation 611/2007, no later than from the start of the 2009 financial year).
- IAS 40 (Revised 2008) – Investment Property (subject to adoption by the European Union, investment property under construction will be accounted for using the fair value model from 1 January 2009).

Revenue growth

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Property rentals rose 6.5% to €181.5 million in 2008, and the Group also earned management fees of €380 thousand, bringing total revenue for the year to €181.9 million, up 6.2% from €171.2 million in 2007.

Profitability analysis

In 2008, the Group reported a €393.0-million loss attributable to equity holders of the parent, compared with a €416.5-million profit in 2007. The unfavourable swing was mainly due to the decline in the property portfolio's appraisal value, which resulted in a €529-million loss from remeasurement at fair value of investment properties in 2008, compared with a €365.1-million gain in 2007.

All other profit indicators increased year-on-year:

- Property rentals for the year amounted to €181.5 million, an increase of 6.5% compared with €170.4 million in 2007. On a comparable portfolio basis, property rentals were up 3.6% for the year or 8.5% excluding the Louvre des Entreprises-Louvre des Antiquaires (LDE-LDA) complex, part of which has been undergoing renovation since the beginning of the year.
- Operating profit before fair value adjustments stood at €152.3 million, up 3.4% on the previous year's €147.3 million.
- Current cash flow attributable to equity holders of the parent (excluding disposals) rose 2.8% to €100 million in 2008 from €97.2 million the previous year, primarily led by higher rents. Current cash flow per share – based on the average number of shares outstanding during the year – climbed 0.9% to €2.15 from €2.13 in 2007.

NAV and financing

The appraisal value of the portfolio at 31 December 2008 was €3,477 million excluding transfer costs, down 11.05% from €3,909 million a year earlier. The estimated replacement value (including transfer costs) was €3,672 million. On a like-for-like basis, portfolio value contracted 11% over the year.

SFL continues to focus on high quality office properties in the prime business districts of Paris.

Net debt at 31 December 2008 amounted to €1,159 million, representing a loan-to-value ratio of 31.5%. The average cost of debt was 4.4% and the average maturity was 2.6 years.

On this basis, at 31 December 2008, fully diluted NAV including transfer costs totalled €2,386 million, down 19.3% on 31 December 2007. NAV excluding transfer costs was €2,191 million, representing a year-on-year decrease of 19.9%.

Fully diluted NAV per share stood at €51.3 including transfer costs, down 19.3% from €63.6 at 31 December 2007, and €47.1 excluding transfer costs versus €58.8 at 31 December 2007.

2.2. Parent company results

Changes in accounting methods

The 2008 parent company financial statements were prepared on a going concern basis in accordance with French generally accepted accounting principles, including the principles of prudence and segregation of accounting periods. Accounting policies have been applied consistently from one year to the next.

Parent company results and financial position

Net revenue rose 4.01% in 2008 to €128.9 million from €123.9 million in 2007.
Total operating income came to €153.4 million versus €152.7 million, representing an increase of 0.44%, and total operating expense rose by 13.84% to €118.5 million from €104.1 million.

Operating profit fell 28.27% to €34.8 million from €48.6 million the previous year.

Wages and salaries totalled €6.4 million, down 15.98% on the 2007 figure of €7.7 million Payroll taxes amounted to €3.3 million. The average number of employees at the parent company was 74.04, a 0.91% decrease on 2007 when the average was 74.72.

The Company ended the year with net financial expense of €14.7 million, compared with net financial income of €32.4 million in 2007. The negative swing fuelled a 75% decrease in profit before tax and other income and expense, which came in at €20.2 million versus €81.0 million in 2007.

Other income and expense amounted to a negative €14.0 million, employee profit-sharing totalled €105.8 thousand and income tax expense on an adjusted basis came to €9.2 million. As a result, the Company ended the year with a net loss of €3.1 million compared with net profit of €100.8 million in 2007.

At 31 December 2008, the Company's total assets amounted to €2.4 billion, up 4.86% from €2.3 billion at the previous year-end.

The risks associated with economic conditions and the property market are discussed on pages 21.
A five-year financial summary for the parent company is provided in the appendix to this Management Report (as required pursuant to Article R225-102 of the French Commercial Code).

Appropriation of net profit (loss)

The Company reported a net loss for the year, after tax and provision charges, of €3,141,109.23.

The Board of Directors recommends:

(i)Charging €1,431,460.40 of the net loss for the year to retained earnings, reducing the balance to zero, and the remaining €1,709,648.83 to the general reserve, reducing this reserve from €87,961,109.76 to €86,251,460.93.

(ii)Paying a dividend of €1.90 per share, representing a total payout of €88,354,371.90, of which:
- €86,251,460.93 will be paid out of the General reserve, reducing the account to zero; and
- the remaining €2,102,910.97 will be paid out of Additional paid-in capital, reducing this account from €1,182,915,646.20 to €1,180,812,735.23.

If approved the dividend will be paid as from 22 June 2009. Dividends on SFL shares held by the Company on that date – which are stripped of dividend rights – will be credited to retained earnings.

Individual shareholders resident in France for tax purposes would normally be eligible for the 40% tax relief referred to in paragraph 3-2 of Article 158 of the French Tax Code on their total dividend. However, Article 112-1 of the French Tax Code stipulates that the portion of the dividend paid out of additional paid-in capital is not eligible for the 40% relief.

Non-deductible expenses

The SFL parent company financial statements do not include any expenses that cannot be deducted for tax purposes (disclosure made in accordance with Articles 223 quater and 223 quinquies of the French Tax Code). The 2008 financial documents required under Article L.2323-8 of the French Labour Code were provided to the Works Council at its April 2009 meeting.

2.3. Review of the Group's main subsidiaries

The consolidated financial statements for the year ended 31 December 2008 were prepared using the fair value model. The scope of consolidation was as follows:

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully-consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS SB1	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	484 425 450	100	100
SCI Washington	432 513 299	66	66
SCI 5 de Vigny	327 469 607	100	100
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SNC FLY Tolbiac	507 436 921	100	100
Proportionately consolidated companies			
SAS Parholding	404 961 351	50	50
SC Parsherbes	413 175 639	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
SC Parchar	414 836 874	50	50

SAS Iéna, SNC Iéna 1 and SNC Iéna 2, which were included in the scope of consolidation at 31 December 2007, were merged into SFL with retroactive effect from 1 January 2008.
SNC FLY Tolbiac was created on 28 July 2008 for the purchase, sale and rental of the T8 housing units.
At 31 December 2008, Société Foncière Lyonnaise was 76.72%-owned by the Spanish company Inmobiliaria Colonial SA.

SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2008

Company	Share capital	Reserves before appro-priation of profit	% interest	Carrying amount of investment		Outs-tanding loans and advances granted by SFL	Gua-rantees provided by SFL	2008 net revenue	2008 net profit/ (loss)	Divi-dends paid to SFL in 2008	Fair value adjust-ments to the in-vestment during the year
				Gross	Net						
A - INVESTMENTS WITH A GROSS VALUE IN EXCESS OF 1% OF SOCIÉTÉ FONCIÈRE LYONNAISE'S CAPITAL											
Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56 934 400	116 693 166	100,00 %	291 847 234	291 847 234	-	-	18 750 716	14 790 569	-	-
SCI 5 DE VIGNY	1 926 448	110 021	100,00 %	20 111 069	20 111 069	6 606 475	-	1 256 710	104 330	-	-
SEGPIM SA	1 292 500	2 086 693	100,00 %	2 987 373	2 987 373	-	-	-	396 452	2 241 201	-
SCI 103 GRENELLE	150	(21 520 644)	100,00 %	1 169 740	1 169 740	192 499 206	-	71 143	(16 969 897)	-	-
SNC FLY TOLBIAC	150	(28 483)	90,00 %	135	135	1 556 853	-	-	(28 483)		-
SCI WASHINGTON	94 872 000	16 359 483	66,00 %	79 788 878	79 788 878	104 989 027	-	29 225 063	14 716 423	-	-
Associates (10-50%-owned)											
SAS PARHOLDING	15 000 000	2 552 583	50,00 %	18 400 300	18 400 300	28 177 761	-	-	(304 923)	7 364 850	-
B - AGGREGATE INFORMATION ABOUT INVESTMENTS NOT LISTED IN A											
Subsidiaries (at least 50%-owned)				121 500	121 500	-	-			-	
Associates (less than 50%-owned)				2 286 735	1 114 127	-	-			-	

Related party transactions correspond to transactions between fully and proportionately consolidated companies.
Related party transactions in 2008 were as follows:

RELATED PARTY TRANSACTIONS AT 31 DECEMBER 2008

	Between fully consolidated companies	Between fully consolidated companies and proportionately consolidated companies	Between proportionately consolidated companies
Balance sheet			
Trade receivables	6 205	1 453	-
Current account advances (assets)	335 276	28 178	78 673
Other receivables	58	-	2 578
Trade payables	(6 205)	(1 453)	-
Current account advances (liabilities)	(335 276)	(28 178)	(78 673)
Other liabilities	(58)	-	(2 578)
Profit and loss account			
Property rentals	1 398	-	-
Service revenue	4 582	1 471	-
Other income	201	-	-
Interest on loans and receivables	15 928	9	419
Other interest income	6	-	-
Rent (operating leases)	(1 398)	-	-
Fees	(4 582)	(1 471)	-
External personnel costs	(201)	-	-
Interest on current accounts	(15 934)	(9)	(419)

3. Corporate governance

3.1. Members of the Board of Directors and Management Committee at 31 December 2008

Members of the Board of Directors

—

Yves Mansion: Chairman and Chief Executive Officer
Jean Arvis: Director
Juan José Brugera Clavero: Director
Jacques Calvet: Director
Yves Defline: Director
Jean-Jacques Duchamp: Director
Manuel Fernando Menendez Lopez: Director
Pedro Ruiz Labourdette: Director
Julian Zamora Saiz: Director
Pere Viñolas Serra: Director
Tony Wyand: Director
Francisco José Zamorano Gomez: Director
Carlos Fernandez-Lerga Garralda: Director
José Maria Sagardoy Llonis: Director
Reig Capital Group Luxembourg: Director represented by José Caireta Riera

At the Board meeting of 25 September 2008, the Board appointed Nicolas Reynaud as Managing Director, effective as of 24 October, to replace Philippe Depoux who had stepped down from the position.

Members of the Management Committee

—

Yves Mansion: Chairman and Chief Executive Officer
Nicolas Reynaud: Managing Director, Chief Financial Officer
Secretary to the Board of Directors
François Sebillotte: Company Secretary
Franck Dattée: Technical Director
Olivier Rochefort: Asset Management Director
Jean Luc Potier: Development Director
Marc Stravopodis: Marketing Director

Yves Mansion, 58, joined SFL in 2002 as Chairman and Chief Executive Officer. He has over 30 years' experience in financial and property management. He began his career with the French Treasury Department, as Inspecteur des Finances (1977-1981) before becoming assistant to the Budget Minister (1981-84) in charge of the transportation, industry and international trade budgets, and then deputy head of the French Treasury Department's Inspection Générale des Finances unit. He then joined Finance Minister Pierre Beregovoy's team as Technical Advisor on the budget and finance acts (1984-86) and later became the Minister's deputy Principal Private Secretary (1988-89). In 1989, he moved to Assurances Générales de France (AGF) as Deputy Managing Director, becoming Managing Director in 1990, a position he held until 2001. He has been a member of the Board of the French securities regulator AMF since 2003.

Nicolas Reynaud, 47, is SFL's Managing Director and Chief Financial Officer. He began his career at Sophia, where he held various positions between 1988 and 2005, including Deputy Managing Director and Chief Financial Officer. He then joined SFL as a member of the Management Committee and Chief Financial Officer, Secretary to the Board and Deputy Managing Director.

François Sebillotte, 53, has been Company Secretary since 2001. He began his career in 1982 by joining law firm KPMG Fidal. He then worked as Director of Legal Affairs at Liaisons from 1987 to 1992, and as Director of Legal Affairs and member of the Management Committee at Unigrains until joining SFL.

Franck Dattée, 41, is SFL's Technical Director. A graduate of France's ESTP engineering school, he joined the Group in 2003.

Olivier Rochefort, 41, the Group's Asset Management Director, is a graduate of the ESLSCA and ICH business schools and has an Executive MBA from HEC business school, formerly CPA. He joined the Group in 2002.

Jean-Luc Potier, 52, has been Development Director since 2002. With an engineering degree from ENSTIMD, a post-graduate degree in business administration from IAE Nantes and a degree in property valuation from Paris University, he joined the Group in 1997.

Marc Stravopodis, 47, Marketing Director, holds a degree in economics and joined the Group in 2005.

3.2. Role and practices of the Board of Directors

The role and practices of the Board of Directors are described in the Chairman's report on internal control provided in Appendix 7.5 to this Management Report.

3.3. Directorships and other positions held by the Chairman and Chief Executive Officer and the Managing Director

Yves MANSION - Chairman and Chief Executive Officer - First elected in 2002 - Current term expires in 2011

Directorships and other positions at 31 December 2008

- Chairman and Chief Executive Officer, Société Foncière Lyonnaise
- Legal Manager of SCI Paul Cézanne*
- Legal Manager of SCI Washington*
- Legal Manager of SCI de la Sorbonne*
- Member of the Board of the French securities regulator, Autorité des Marchés Financiers (AMF) and Chairman of the Issuers Advisory Committee*
- Member of the Supervisory Board and Audit Committee of Euler Hermes, S.A.

- Chairman of Mansions, SAS*
- Member of the Board of Directors and Audit Committee of Aviva.

Nicolas REYNAUD - Managing Director - First elected in 2008

- Managing Director, Société Foncière Lyonnaise
- Chairman and Chief Executive Officer and Director of Segpim SA*

* Directorships not taken into account to determine compliance with Articles L.225-1 and L.225-77 of the French Commercial Code on multiple directorships

Directors	Number of SFL shares held at 31 December 2008(1)
Yves MANSION	15 000
Jean ARVIS	500
Yves DEFLINE	362
Jean-Jacques DUCHAMP	25
Tony WYAND	100
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA	2 038 955
Jacques CALVET	825
Pedro RUIZ LABOURDETTE(2)	25
Julian ZAMORA SAIZ(2)	50
Manuel Fernando MENENDEZ LOPEZ(3)	25
Francisco José ZAMORANO GOMEZ(3)	25
José Maria SAGARDOY LLONIS(3)	25
Juan José BRUGERA CLAVERO(4)	25
Pere VIÑOLAS SERRA(4)	25
Carlos FERNANDEZ-LERGA GARRALDA(4)	50
TOTAL	**2.056.017**

(1) The Directors' Charter stipulates that each Director must disclose to SFL the shares held directly and indirectly (Article L.225-109 of the French Commercial Code). Under Article 17 of the Articles of Association, each Director is required to hold at least 25 shares.
(2) Since 5 February 2008.
(3) Since 23 May 2008.
(4) Since 23 July 2008.

The attendance fees paid to Directors in 2007 and 2008 are disclosed in paragraph 3.5 of this Management Report (see pages 14 & 15).

Since 1 January 2005, Directors' fees are as follows:

Directors and non-voting directors: €12,000 per year
Member of a Committee of the Board: €18,000 per year
Chairman of the Board or of a Committee of the Board: €24,000 per year

Directors' fees are prorated to the number of months served on the Board, with no reductions for not attending meetings.
The Board of Directors asks that the shareholders set the total amount of attendance fees to be distributed among the members of the Board of Directors for 2009 and subsequent years at €400,000 (compared with €300,000 since 2004), to take into account the new allocation principles decided by the Board of Directors on 9 December 2008 that came into effect on 1 January 2009, as follows:

- Directors and non-voting directors: €18,000 per year
- Members of Committees of the Board: €24,000 per year
- Chairman of the Board or of a Committee of the Board: €36,000 per year

Re-election/election of directors

As the term of office as director of Francisco José Zamorano Gomez is due to expire at the close of this Annual General Meeting, shareholders are invited to re-elect him for a further three-year term expiring at the close of the Annual General Meeting to be called in 2012 to approve the 2011 financial statements.

The terms of office of Jean Arvis, Jacques Calvet and Yves Defline are also due to expire at the close of this Annual General Meeting. Shareholders are invited to re-elect these directors for a further one-year term expiring at the close of the Annual General Meeting to be called in 2010 to approve the 2009 financial statements.
Shareholders are also invited to ratify the Board of Directors' deci-

sion on 23 July 2008 to appoint Juan Jose Brugera Clavero, Carlos Fernandez-Lerga Garralda and Pere Viñolas Serra as Directors.

3.4. Committees of the Board

A description of the Committees of the Board is provided in the Chairman's report on internal control in Appendix 7.5 to this Management Report.

3.5. Remuneration

Remuneration paid to executive directors

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The following information on remuneration paid to executive directors was prepared in accordance with the AFEP/MEDEF recommendations of October 2008 and the AMF recommendations of December 2008.

The amounts in the tables below are presented in euros.

TABLE 1 - SUMMARY OF REMUNERATION PAID AND STOCK OPTIONS AND SHARES GRANTED TO EACH EXECUTIVE DIRECTOR

Yves Mansion Chairman and Chief Executive Officer	2007	2008
Remuneration due for the year(1)	1.829.474,00	883.158,00
Fair value of stock options granted during the year(2)	87.717,00	0,00
Fair value of performance shares granted during the year	0,00	0,00
TOTAL	**1.917.191,00**	**883.158,00**

(1) Remuneration due for 2008 = Total remuneration due during 2008 (table 2) – 2007 bonus paid in 2008 + 2008 bonus paid in 2009, taking into account the directors' fees due for each year:
- For 2007: €9,000 paid in July 2007 and €9,000 paid in January 2008.
- For 2008: €9,000 paid in July 2008 and €12,000 paid in January 2009.
(2) Based on a unit value of €9.90 for the 44,000 stock options granted to Yves Mansion under the stock option plan adopted by the Board of Directors on 13 March 2007.

Philippe Depoux Managing Director	2007	2008
Remuneration due for the year(1)	386.101,00	471.132,00
Fair value of stock options granted during the year(2)	69.775,00	0,00
Fair value of performance shares granted during the year	0,00	0,00
TOTAL	**455.876,00**	**471.132,00**

Philippe Depoux did not receive any remuneration in his capacity as a director. The remuneration described above corresponds to amounts paid to him under his employment contract during his term as Managing Director, from 9 May to 31 December 2007 and from 1 January to 24 October 2008.
(1) Remuneration due for 2008 = Total remuneration due during 2008 (table 2) – 2007 bonus paid in 2008 + 2008 bonus paid in 2009.
(2) Based on a unit value of €9.90 for the 35,000 stock options granted to Philippe Depoux under the stock option plan adopted by the Board of Directors on 13 March 2007.

Nicolas Reynaud Managing Director	2007	2008
Remuneration due for the year (1)	0,00	208.038,00
Fair value of stock options granted during the year (2)	49.839,00	0,00
Fair value of performance shares granted during the year	0,00	0,00
TOTAL	**49.839,00**	**208.038,00**

Nicolas Reynaud does not receive any remuneration as a director. The remuneration described above corresponds to amounts paid to him under his employment contract while holding office as Managing Director, from 24 October to 31 December 2008.
(1) Remuneration due for 2008 = Total remuneration due during 2008 (table 2) – 2007 bonus paid in 2008 + 2008 bonus paid in 2009.
(2) Based on a unit value of €9.90 for the 25,000 stock options granted to Nicolas Reynaud under the stock option plan adopted by the Board of Directors on 13 March 2007.

TABLE 2 – BREAKDOWN OF REMUNERATION PAID TO EACH EXECUTIVE DIRECTOR

Yves Mansion Chairman and Chief Executive Officer	2007		2008	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary	400.000,00	400.000,00	440.000,00	440.000,00
Bonus(1)	343.200,00	343.200,00	405.035,00	405.035,00
Compensation for loss of office(2)	1.000.000,00	1.000.000,00	0,00	0,00
Directors' fees(3)	20.000,00	20.000,00	18.000,00	18.000,00
Benefits in kind(4)	4.039,00	4.039,00	4.039,00	4.039,00
Other(5)	2.400,00	2.400,00	2.880,00	2.880,00
TOTAL	**1.769.639,00**	**1.769.639,00**	**869.954,00**	**869.954,00**

(1)The method for calculating Yves Mansion's bonus was decided by the Board of Directors on 2 March 2006 for his 2006 bonus paid in 2007 and on 13 March 2007 for his 2007 bonus paid in 2008. His 2008 bonus paid in 2009 – which was calculated according to the method decided by the Board of Directors on 14 February 2008 – amounted to €415,239.
The criteria and methods used for calculating this bonus are described on page 19.
(2) Compensation for loss of office paid to Yves Mansion following termination of his duties as Chairman of the Board on 26 October 2006, in accordance with the decisions taken by the Board of Directors at its meetings of 31 January 2002, 3 February 2004 and 26 October 2006.
(3) For 2007: €11,000 paid in January 2007 and €9,000 paid in July 2007.
For 2008: €9,000 paid in January 2008 and €9,000 paid in July 2008.
(4) Company car
(5) Matching payment from the Company on voluntary contributions to the SFL Group Pensions Savings Plan (PERCO) set up on 31 January 2005.

Philippe Depoux Managing Director (from 9 May 2007 to 24 October 2008)	2007		2008	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary	155.769,00	155.769,00	205.667,00	205.667,00
Bonus(1)	0,00	0,00	207.858,00	207.858,00
Exceptional bonus	0,00	0,00	0,00	0,00
Directors' fees	0,00	0,00	0,00	0,00
Benefits in kind(2)	1.802,00	1.802,00	2.252,00	2.252,00
Other(3)	20.672,00	20.672,00	66.604,00	66.604,00
TOTAL	**178.243,00**	**178.243,00**	**482.381,00**	**482.381,00**

Philippe Depoux did not receive any remuneration in his capacity as a director. The remuneration described above corresponds to amounts paid to him under his employment contract during his term as Managing Director, from 9 May to 31 December 2007 and from 1 January to 24 October 2008..

Prior to becoming an executive director, Philippe Depoux received the following remuneration in 2007 under his employment contract:
Salary: €69,231.00
Bonus: €127,500.00 (for 2006)
Benefits in kind: €901.00

(1) The method for calculating Philippe Depoux's 2007 bonus (paid in 2008) was decided by the Board of Directors on 13 March 2007. His 2008 bonus paid in 2009 – which was calculated according to the method decided by the Board of Directors on 14 February 2008 – amounted to €196,609.
The criteria and methods used for calculating this bonus are described on page 19.
(2) Company car
(3) Matching payment from the Company on voluntary contributions to the SFL Group Pensions Savings Plan (PERCO) set up on 31 January 2005, statutory and discretionary profit-sharing for 2006 and 2007 and termination benefits paid in accordance with the applicable legislation and the collective bargaining agreement.

Nicolas Reynaud Managing Director (from 24 October 2008)	2007		2008	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary	0,00	0,00	51.923,00	51.923,00
Bonus(1)	0,00	0,00	0,00	0,00
Exceptional bonus	0,00	0,00	0,00	0,00
Directors' fees	0,00	0,00	0,00	0,00
Benefits in kind(2)	0,00	0,00	599,00	599,00
Other(3)	0,00	0,00	2.160,00	2.160,00
TOTAL	**0,00**	**0,00**	**54.682,00**	**54.682,00**

Nicolas Reynaud does not receive any remuneration as a director. The remuneration described above corresponds to amounts paid to him under his employment contract while holding office as Managing Director, from 24 October to 31 December 2008. Prior to becoming an executive director, Nicolas Reynaud received the following remuneration under his employment contract:

	2007	2008
Salary:	180,324.00	153,846.00
Bonus(1)	47,472.00 (for 2006)	136,699.00 (for 2007)
Benefits in kind:	3,591.00	2.993.00
Other	13,851.00	20,213.00

(1) The method for calculating Nicolas Reynaud's 2007 bonus (paid in 2008) was decided by the Board of Directors on 13 March 2007. His bonus for 2008 paid in 2009 – which was calculated according to the method decided by the Board of Directors on 14 February 2008 – amounted to €153,356.
The criteria and methods used for calculating this bonus are described on pages 19 & 20.
(2) Company car
(3) Matching payment from the Company on voluntary contributions to the SFL Group Pensions Savings Plan (PERCO) set up on 31 January 2005.

TABLE 3 – DIRECTORS' FEES AND OTHER REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Non-executive directors [1]	Amounts paid in 2007	Amounts paid in 2008
Yves DEFLINE		
Directors' fees	18.000,00	18.000,00
Other remuneration	0,00	0,00
Tony WYAND		
Directors' fees	18.000,00	18.000,00
Other remuneration	0,00	0,00
Jean ARVIS		
Directors' fees	18.000,00	18.000,00
Other remuneration	0,00	0,00
Jean-Jacques DUCHAMP		
Directors' fees	18.000,00	18.000,00
Other remuneration	0,00	0,00
Jacques CALVET		
Directors' fees	18.000,00	18.000,00
Other remuneration	0,00	0,00
REIG Capital Group Luxembourg [2]		
Directors' fees	2.000,00	12.000,00
Other remuneration	0,00	0,00
Juan José BRUGERA CLAVERO		
Directors' fees	8.000,00	0.00
Other remuneration	0,00	0,00
Pere VIÑOLAS		
Directors' fees	0.00	0.00
Other remuneration	0,00	0,00
Carlos FERNANDEZ LERGA GARRALDA		
Directors' fees	0.00	0,00
Other remuneration	0,00	0,00
Pedro RUIZ LABOURDETTE		
Directors' fees	0.00	7.500,00
Other remuneration	0,00	0,00
Julian ZAMORA SAIZ		
Directors' fees	0,00	5.000,00
Other remuneration	0,00	0,00
Francisco ZAMORANO GOMEZ		
Directors' fees	0,00	1.500,00
Other remuneration	0,00	0,00
José Maria SAGARDOY LLONIS		
Directors' fees	0,00	1.000,00
Other remuneration	0,00	0,00
Manuel MENENDEZ LOPEZ		
Directors' fees	0,00	1.000,00
Other remuneration	0,00	0,00

Non-executive directors [1]	Amounts paid in 2007	Amounts paid in 2008
Mariano MIGUEL VELASCO		
Directors' fees	18.000,00	24.000,00
Other remuneration	0,00	0,00
Josep Manuel BASANEZ VILLALUENGA		
Directors' fees	4.000,00	8.000,00
Other remuneration	0,00	0,00
Antonio LOPEZ CORRAL		
Directors' fees	0,00	5.000 ,00
Other remuneration	0,00	0,00
Francisco MOLINA CALLE		
Directors' fees	18.000,00	20.000,00
Other remuneration	0,00	0,00
Juan RAMIREZ BALTUILLE		
Directors' fees	0,00	3.000,00
Other remuneration	0,00	0,00
Enrique MONTERO GOMEZ		
Directors' fees	0,00	3.000,00
Other remuneration	0,00	0,00
José Ramon CARABANTE DE LA PLAZA		
Directors' fees	2.000,00	7.000,00
Other remuneration	0,00	0,00
Domingo DIAZ DE MERA		
Directors' fees	2.000,00	7.000,00
Other remuneration	0,00	0,00
Aurelio GONZALEZ VILLAREJO		
Directors' fees	2.000,00	7.000,00
Other remuneration	0,00	0,00
Luis Emilio NOZALEDA ARENAS		
Directors' fees	13.500,00	10.500,00
Other remuneration	0,00	0,00
Luis PORTILLO MUNOZ		
Directors' fees	18.000,00	14.000,00
Other remuneration	0,00	0,00
Diego PRADO PEREZ-SEOANE		
Directors' fees	13.500,00	10.500,00
Other remuneration	0,00	0,00
Maria Jesus VALERO PEREZ		
Directors' fees	9.000,00	7.000,00
Other remuneration	0,00	0,00
TOTAL	**182.000,00**	**226.000,00**

(1) In office in 2008.
(2) Represented by José Caireta Riera

TABLE 4 – STOCK OPTIONS GRANTED DURING THE YEAR TO EXECUTIVE DIRECTORS BY SFL OR OTHER GROUP COMPANIES

Executive director	Plan no. and date	Type of stock options (purchase or subscription)	Fair value of stock options as calculated in the consolidated accounts	Number of stock options granted during the year	Exercise price	Exercise period
Yves MANSION	No stock options were granted during the year					
Philippe DEPOUX	No stock options were granted during the year					
Nicolas REYNAUD	No stock options were granted during the year					

TABLE 5 – STOCK OPTIONS EXERCISED BY EXECUTIVE DIRECTORS DURING THE YEAR

Executive director	Plan no. and date	Number of options exercised during the year	Exercise price
Yves MANSION	No stock options were exercised during the year		
Philippe DEPOUX	No stock options were exercised during the year		
Nicolas REYNAUD	No stock options were exercised during the year		

TABLE 6 – PERFORMANCE SHARES GRANTED TO EXECUTIVE DIRECTORS

Performance shares granted to executive directors by SFL or other Group companies	Plan no. and date	Number of shares granted during the year	Fair value of shares as calculated in the consolidated accounts	Vesting date	End of lock-up period	Performance criteria
Yves MANSION	No performance shares were granted during the year					
Philippe DEPOUX	No performance shares were granted during the year					
Nicolas REYNAUD	No performance shares were granted during the year					
Directors	No performance shares were granted during the year					

TABLE 7 – PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE YEAR

Performance shares that became available during the year	Plan no. and date	Number of performance shares that became available during the year	Vesting conditions
Yves MANSION	No performance shares became available during the year		
Philippe DEPOUX	No performance shares became available during the year		
Nicolas REYNAUD	No performance shares became available during the year		
Directors	No performance shares became available during the year		

TABLE 8 – SUMMARY OF STOCK OPTIONS GRANTED IN PREVIOUS YEARS

Date of General Meeting	17/10/1997	17/10/1997	16/05/2002	21/04/2005
Date of Board meeting	06/04/2000	21/03/2002	25/04/2003	13/03/2007
Number of shares under options exercisable by:	280.952	309.000	346.000	273.000
Executive directors in office at the grant date	85.340	165.000	165.000	79.000
Executive directors in office at 31 December 2008	0	100.000	100.000	69.000
Yves MANSION	0	100.000	100.000	44.000
Nicolas REYNAUD	0	0	0	25.000
Starting date of exercise period	06/04/2005	21/03/2002	25/04/2003	13/03/2007
Expiry date	05/04/2010	20/03/2012	24/04/2013	12/03/2015
Exercise price (in €)	27,59	27 ,78	26,41	62,60
Exercise periods (plans comprising several tranches)	-	-	-	-
Number of options exercised at 31 December 2008	227.131	306.000	311.000	0
Number of options cancelled or forfeited at 31 December 2008	27.148	0	0	15.000
Number of options outstanding at 31 December 2008	26.673	3.000	35.000	258.000

TABLE 9 – STOCK OPTIONS GRANTED TO AND EXERCISED BY THE TEN EMPLOYEES OTHER THAN EXECUTIVE DIRECTORS WHO RECEIVED THE GREATEST NUMBER OF OPTIONS IN 2008

	Number of options granted/exercised	Weighted average price	Plan
Stock options granted in 2008 to the ten employees other than executive directors who received the greatest number of options	none	-	-
Stock options exercised in 2008 by the ten employees other than executive directors who exercised the greatest number of options	none	-	-

TABLE 10 – INFORMATION ABOUT EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION BENEFITS, TERMINATION BENEFITS AND NON-COMPETE INDEMNITIES

Executive directors	Employment contract		Supplementary pension benefits		Termination benefits		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
Yves Mansion Chairman from 21 March 2002 to 26 October 2006 and since 23 July 2008 Chief Executive Officer since 21 March 2002		X		X	X (1)			X
Nicolas Reynaud Managing Director since 24 October 2008	X (2)			X		X (3)		X

(1) Yves Mansion
The terms and conditions governing this benefit were decided by the Board of Directors on 4 April 2008 and approved by the shareholders at the General Meeting of 23 May 2008 (see page 19 for details).

(2) Nicolas Reynaud has an employment contract that covers his duties as Chief Financial Officer, a position he has held since 15 May 2006.
The position of Managing Director, to which he was appointed by the Board on 25 September 2008, is not covered by the AFEP-MEDEF recommendations of 6 October 2008, according to which, in a company with a Board of Directors, the Chairman of the Board and/or the Chief Executive Officer should not have an employment contract with the company.

(3) Nicolas Reynaud is not entitled to any compensation for loss of office in the event that his appointment as Managing Director is terminated.

At its meeting on 9 February 2004, the Board of Directors decided to insert a change of control clause in the employment contracts of the executives who were members of the Company's Management Committee. Nicolas Reynaud is covered by this clause, which was updated at the Board meetings of 25 July 2006 and 4 April 2008.
Under the clause, if Nicolas Reynaud is dismissed (unless for gross misconduct) or resigns within 18 months following a material direct or indirect change in the reference shareholders of the Company or of its controlling shareholder resulting in a significant change in his responsibilities, he will receive compensation in addition to the termination benefit due by law or under the collective bargaining agreement, provided that he undertakes not to encourage other Company employees to leave. The amount of said compensation has been set at double his gross annual remuneration for the financial year preceding his dismissal or resignation.

Terms and conditions for setting the remuneration of executive directors for 2007 and 2008
—

At its 13 March 2007 meeting, the Remuneration and Selection Committee approved the terms and conditions for setting the 2007 remuneration of executive directors (other than the Chairman of the Board of Directors).

Their total remuneration includes a salary and a variable bonus, which is calculated as a percentage of the salary and is tied to an annual performance target.
The performance target used to determine executive directors' bonuses for 2007 was budgeted operating profit before fair value adjustments for 2007, set by the Board of Directors at €102.2 million.

Executive directors' bonuses for 2007 were calculated as follows:

Actual performance as a % of the target	2007 bonus calculated as a percentage of salary		
	Chief Executive Officer Managing Director	Deputy Managing Director	Other executive directors
A. 115% and over	116 %	87 %	58 %
B. 100%	80 %	60 %	40 %
C. 80%	48 %	36 %	24 %
D. less than 80%	0	0	0

Less than 80%: No bonus
Between 80% and 100%: Linear calculation between rates C and B
100%: Rate B
Between 100% and 115%: Linear calculation between rates B and A
Above 115%: Rate A

At its 14 February 2008 meeting, the Remuneration and Selection Committee renewed these terms and conditions and set the performance target for 2008 at €145.5 million, corresponding to budgeted operating profit for the year before fair value adjustments.

The following information concerns remuneration, indemnities and benefits granted to executive directors and any other commitments made to them in connection with, or subsequent to, their appointment, termination or transfer.

Agreement with Yves Mansion, Chief Executive Officer (Article L.225-42-1 of France's Commercial Code)
—

Authorised at the Board meeting of 4 April 2008 and approved by shareholders at the General Meeting of 23 May 2008

Terms of the agreement:
Yves Mansion will be paid compensation for loss of office in the event of a change in the ownership structure of Société Foncière Lyonnaise or its controlling shareholder (following a takeover bid, a merger, a rights issue or otherwise), directly or indirectly that (i) results in Yves Mansion being dismissed or forced to resign from his position as Chief Executive Officer or (ii) significantly alters the substance of his responsibilities, making it difficult for him to continue his activities as Chief Executive Officer and to exercise his normal prerogatives. The compensation for loss of office will be payable at Yves Mansion's request during the 18-month period that follows the direct or indirect change in ownership structure.

It will be equal to twice the total gross annual remuneration paid to him in his capacity as Chief Executive Officer – including any and all bonuses and benefits in kind – for the calendar year that precedes the direct or indirect change in ownership structure.
However, payment will be made only if the Group's average operating profit before fair value adjustments for the three financial years preceding his loss of office exceeds operating profit before fair value adjustments for the fourth year preceding his loss of office. In effecting the comparison, account will be taken of changes in the property portfolio in the years concerned.

The compensation will be paid after the Board of Directors has formally acknowledged that the above performance criterion has been met, within two months of payment being claimed. If the Board fails to notify Yves Mansion of its decision within said two-month period, the performance criterion will automatically be considered as having been fulfilled.

Agreement with Philippe Depoux, Managing Director (Article L.225-42-1 of France's Commercial Code)
—

Authorised at the Board meeting of 4 April 2008 and approved by shareholders at the General Meeting of 23 May 2008

Terms of the agreement:
As Managing Director, Philippe Depoux was both an executive director and an employee of the Group.

Although he did not receive any remuneration in his capacity as an executive director, the same protection was offered to him as that given to Yves Mansion, in the event that he be remunerated in the future.
Subject to the same time limit for claiming the compensation and the same performance criterion as for Yves Mansion, Philippe

Depoux would have been paid compensation for loss of office equal to twice the total gross annual remuneration paid to him in his capacity as Managing Director – including any and all bonuses and benefits in kind – for the calendar year that preceded the direct or indirect change in ownership structure.

The agreement was terminated when Mr. Depoux resigned on 24 October 2008.

Amendment to employment contracts (Article L.225-38 of France's Commercial Code)

—

At its meeting on 9 February 2004, the Board of Directors decided to insert a change of control clause in the employment contracts of the members of the Company's Management Committee.
The clause, which was updated in 2006, provides for the payment of compensation in addition to the termination benefit due by law or under the collective bargaining agreement in the case of (i) dismissal or (ii) resignation as a result of a significant change in responsibilities following a material direct or indirect change in the reference shareholders of the Company or of its controlling shareholder. The amount of said compensation was set at double the individual's annual remuneration for 2006, expressed in euros. As a member of the Management Committee, Nicolas Reynaud is covered by this clause.
On 4 April 2008, the Board approved a proposal to set the gross compensation at double the individual's total remuneration for the calendar year preceding the significant direct or indirect change in the reference shareholders of the Company or its controlling shareholder.

At the same meeting, the Board also approved a proposal to reduce the time limit for claiming compensation from two years to eighteen months, as from the next direct or indirect change in the ownership structure.

REMUNERATION AND BENEFITS PAID TO SENIOR MANAGEMENT OTHER THAN EXECUTIVE DIRECTORS

The total gross remuneration for 2008 paid by Société Foncière Lyonnaise to members of the Executive Committee other than executive directors was as follows:

	2008
Salary	577.710,00
Bonus	268.962,00
Benefits in kind	12.775,00
Statutory/discretionary profit sharing for 2008	98.460,00
Matching payments to the Group Pensions Savings Plan (PERCO)	7.920,00

4. Outlook and risk management

4.1. Subsequent events

Significant events since 31 December 2008

SFL's ownership structure changed significantly in January 2009, due to the partial withdrawal of the controlling shareholder Colonial, announced in September 2008.

Colonial's creditor banks exercised the calls on SFL shares received from Colonial, leading to changes in ownership structure without any changes in the members of the Board of Directors. The new ownership structure as of 17 February 2009 is as follows:

	Percent interest	Percent voting rights
COLONIAL	53,41%	53,99%
CRÉDIT AGRICOLE GROUP	13,89%	14,04%
of which: - PREDICA	5,09%	5,15%
- CALYON	8,80%	8,89%
ORION	7,25%	7,33%
EUROHYPO AG	7,25%	7,33%
ROYAL BANK OF SCOTLAND	7,25%	7,33%
REIG CAPITAL GROUP	4,38%	4,43%
Other	6,57%	5,55%

The reduction in Colonial's interest to below 60% ensures that SFL will continue to qualify for the SIIC tax regime.

4.2. Outlook

Forecast developments and outlook

We intend to continue actively managing and enhancing the value of the property portfolio in 2009, adopting the same strategic approach as in previous years. However, we will also need to respond to the impact of the global financial crisis on the property market and the uncertainty surrounding the controlling shareholder by reducing risks and managing the portfolio even more conservatively. In a market shaped by declining asset values and market rents, as well as by the reduced availability of bank financing, we will focus on protecting rather than growing current cash flow, at least until the market begins to recover.

4.3. Risk factors and insurance

Financial risk management objectives and strategy

The risk factors described below are those which could have a material adverse effect on SFL, its business, financial position, results or share price and which are important to take into account when making investment decisions. There may be other risks in addition to those shown below which are not known to the Company at this time or which may not be considered material now but could turn out to be material in the future.

At a time when the global economic environment is particularly difficult, we are more committed than ever to applying a prudent risk management strategy.

1- LIQUIDITY RISK

For a number of years, SFL has staggered its financing needs over time to ensure that sufficient funds are available in times of turmoil or when credit becomes more expensive or harder to obtain. Despite the sharp increase in lending margins, the average spread on our total debt remains low, at 57 basis points. We have two debts falling due in 2009 – the finance lease on 131 avenue de Wagram for €45,767 thousand in June and the Parholding joint venture's debt of €66,647 thousand in December. Although we still have undrawn lines of credit, we are already working on rolling over existing debts.
Our liquidity risk is also limited by our low loan-to-value ratio of 31.5%, which serves us very well in the current climate.
At 31 December 2008, we had €60 million in undrawn credit lines, including €30 million in confirmed facilities.

2- COUNTERPARTY RISKS

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the

investment of available cash in money market funds. We have not incurred any losses on money market funds or other investments as a result of the current crisis and will continue to invest in these instruments, which are not exposed to any risk of a loss of capital.
Our counterparty risk is minimal because available cash is generally used to repay borrowings under our revolving lines of credit and interest rate risks are hedged using conventional instruments and strategies.
The rental deposits obtained from tenants offer protection against the risk of rent default. We consider that our exposure to counterparty risk on our operations is not material.

3- MARKET RISK

Following the retirement of the US Private Placement Notes on 6 March 2007 and the unwinding of the joint hedge, we currently have no exposure to currency risks. Where applicable, our strategy is to hedge currency risks in full. Unlike interest rate risks, currency risks can be hedged in full without any negative interaction, thanks to the nature of our business.

Interest rate risks are clearly identified and monitored. We have an information system that allows us to track changes in all financial markets and calculate the fair value of our hedging instruments in real time. The system enables us to manage, quantify and analyze the risks associated with changes in interest rates.

a. Objectives and strategy
Our objectives and strategy consist of:
- Using only interest rate derivatives that qualify for hedge accounting under IFRS, such as plain vanilla swaps, caps and collars. No derivative instruments are acquired for speculative purposes. No use is made of hedging instruments with embedded written options, which could jeopardise the Company if something happened to disrupt the markets.
- Hedging most of our debt via plain vanilla swaps or caps. At 31 December 2008, 79% of our debt was hedged. Our hedge portfolio comprises 56% plain vanilla swaps and 44% caps. In addition to the non-hedged portion of our debt, the use of caps in our hedging strategy enables us to benefit from lower market rates. For example, the current interest rate environment will enable us to fix very low rates either by increasing our debt hedging ratio or by converting caps into plain vanilla swaps. We want to maintain control over our finance costs and our performance against the budget, while seizing opportunities to actively and prudently manage our interest rate risk.

b. Risk assessment
- The average spot cost of our debt after hedging stood at 4.39% at 31 December 2008, versus 5.29% at 31 December 2007.
- A 100-basis point rise or fall in interest rates across the yield curve would have the effect of increasing our borrowing costs to 4.87% or reducing them to 3.91%, compared with 5.66% and 4.67% respectively at 31 December 2007.
- As for the sensitivity of our hedging instruments at 31 December 2008, a 100-basis point increase in interest rates would lift their fair value by €15,955 thousand (€20,643 thousand at 31 December 2007), while a 100-basis point drop in rates would reduce their fair value by €16,273 thousand (€15,547 thousand at 31 December 2007).

INTEREST RATE RISK

The following table provides an analysis by maturity of the notional amount of financial instruments exposed to interest rate risk:

Fixed rate	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Swap on Calyon-HSBC loan at 3.85%	42,780	–	–	–	–	–	42,780
Swap on Calyon-HSBC loan at 3.56%	3,800	–	–	–	–	–	3,800
Swap on Calyon-HSBC loan at 3.1250%	15,000	–	–	–	–	–	15,000
Swap on Calyon loan at 3.7850%	–	–	100,000	–	–	–	100,000
Swap JPMorgan with cap	–	–	–	–	–	400,000	400,000
Swap on RBS loan at 3.89%	–	–	–	–	12,200	–	12,200
Swap on RBS loan at 3.89%	–	–	–	–	28,600	–	28,600
Swap on Natixis loan at 4.4325%	–	200,000	–	–	–	–	200,000
Swap on BNP-PARIBAS loan at 3.33%	–	50,000	–	–	–	–	50,000
Swap on BNP-PARIBAS loan at 2.6350%	–	50,000	–	–	–	–	50,000
Total	**61,580**	**300,000**	**100,000**	**–**	**40,800**	**400,000**	**902,380**

Floating rate	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Natixis syndicated loan	–	200,000	200,000	200,000	–	–	600,000
BECM revolving credit facility	–	–	–	140,000	–	–	140,000
RBS loan	–	–	–	–	12,200	–	12,200
RBS loan	–	–	–	–	28,600	–	28,600
Deutsche Hypothekenbank loan	–	–	–	30,000	–	–	30,000
BancoSabadell loan	–	–	–	50,000	–	–	50,000
HSBC/Calyon/CFF loan	68,447	–	–	–	–	–	68,447
Current account advances	–	–	54,090	–	–	–	54,090
Lease liabilities	59,623	14,207	14,821	65,874	53,668	–	208,193
Total	**128,070**	**214,207**	**268,911**	**485,874**	**94,468**	**–**	**1,191,530**

The other financial instruments used by the Group are not listed in the above table because they do not bear interest and are therefore not exposed to any interest rate risk.

NET UNHEDGED POSITION

The Group's net exposure to interest rate risks can be analysed as follows for the period between 31 December 2008 and 31 December 2012:

	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012
Natixis syndicated loan	600,000	600,000	400,000	200,000	–
BECM revolving facility	140,000	140,000	140,000	140,000	–
RBS loan	12,200	12,200	12,200	12,200	12,200
RBS loan	28,600	28,600	28,600	28,600	28,600
Deutsche Hypothekenbank loan	30,000	30,000	30,000	30,000	–
BancoSabadell loan	50,000	50,000	50,000	50,000	–
HSBC/Calyon/CFF loan	68,447	–	–	–	–
Current account advances	54,090	54,090	54,090	–	–
Lease liabilities	208,193	148,570	134,363	119,542	53,668
Total debt	1,191,530	1,063,460	849,253	580,342	94,468
Swap on Calyon-HSBC loan at 3.85%	42,780	–	–	–	–
Swap on Calyon-HSBC loan at 3.56%	3,800	–	–	–	–
Swap on Calyon-HSBC loan at 3.1250%	15,000	–	–	–	–
Swap on Calyon loan at 3.7850%	100,000	100,000	100,000	–	–
JP Morgan swap and cap	400,000	400,000	400,000	400,000	400,000
Swap on RBS loan at 3.89%	12,200	12,200	12,200	12,200	12,200
Swap on RBS loan at 3.89%	28,600	28,600	28,600	28,600	28,600
Swap on Natixis loan at 4.4325%	200,000	200,000	–	–	–
Swap on BNP Paribas loan at 3.33%	50,000	50,000	–	–	–
Swap on BNP Paribas loan at 2.6350%	50,000	50,000	–	–	–
Total interest rate hedges	902,380	840,800	540,800	440,800	440,800
NET EXPOSURE TO INTEREST RATE RISK	**289,150**	**222,660**	**308,453**	**139,542**	**(346,332)**

The Group's floating rate exposure represented €289 million at 31 December 2008.

The Company is exposed to changes in the economic climate and the property market

—

Our Company's performance depends on several factors, including:

- The level of rental revenues, which depends on the financial condition of tenants. A major decline in economic growth or consumer demand, or a spike in inflation or rent indices could lead to cash flow problems for tenants who could have difficulty in paying their rent, potentially resulting in a fall in our rental revenues.

In addition, the sharp increase in the construction cost index (ICC) over the past few years puts part of our revenue at risk, as tenants whose rent represents more than 1.25 times the amount stipulated in the original lease could ask for it to be reduced to a level in line with the market rent for their premises, in accordance with Article L.145-39 of the French Commercial Code.

Two new indices have been created to replace the construction cost index, a commercial rent index (ILC) for retail properties and an office rent index (ILAT) for offices. These have been validated by the various federations and representative bodies concerned.

- The property cycle, which is affected by the national, and even global, economic and financial situation.

The property cycle can trigger a reversal of the rental and/or investment markets, as can be seen by the current situation in France. The financial crisis has snowballed into an economic crisis and spread to the property market over the past few months, leading to declining transaction volumes, slower growth in market rents and rising vacancy rates.

Like many other property companies, both in France and internationally, SFL has had to recognise the negative impact on appraisal values of higher interest rates, tighter rental market conditions and the growing prevalence of deal sweeteners.

- The difficulty in obtaining bank financing due to the credit crunch.

These challenging conditions will probably continue in 2009 and may have a significant impact on our portfolio management strategy and on the programme for developing some of our assets.

The Company has to contend with a highly competitive property investment market

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The competitive landscape of the French property investment market shifted in 2008, as it became increasingly complicated and difficult to arrange leveraged deals as a means of boosting profitability and flattening risk premiums.

As a result, our main competitors are:

- Investors with a strong capital base, such as certain sovereign wealth funds, private equity funds and hedge funds.

- Investors that are continuing to attract satisfactory levels of new money, such as German open-ended real estate funds and SCPI/OPCI property funds. Life insurance companies, on the other hand, started to experience net outflows of funds for the first time in 20 years at the end of 2008.

Risks associated with tenants

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We derive most of our revenue from renting out property assets to tenants. Therefore, any delay or default in rental payments would have an unfavourable impact on operating profit. At 31 December 2008, our top ten tenants accounted for around 52% of the total rent roll and the top two tenants for 9.3% and 8.1% respectively. Around 36% of tenants are from the banking and insurance sectors, which are bearing the brunt of the current crisis.

Our ability to collect rent depends on our tenants' solvency and liquidity position. Tenants may be unable to pay their rent on time or may default on their payments, or we may be obliged to reduce the rent charged to certain tenants to take into account their financial position.

Risks associated with the availability and cost of financing

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We need to borrow money to (i) finance investments and acquisitions in line with our strategy, (ii) pay dividends beyond our self-financing capacity and (iii) refinance existing debt that is coming up to maturity.

However, we may find it difficult or even impossible to raise debt or equity capital on attractive terms. This situation may arise due to (i) market conditions, such as the current crisis in the global financial market, which has restricted access to debt financing and significantly reduced the potential for raising funds through share issues, (ii) changes in the property market or (iii) any other change in our business or financial position or the financial position of our majority shareholder, which could change how investors view our Company's creditworthiness or any fund raising exercises.

We could raise funds by selling assets, but this source of financing is subject to market risk. Reduced sales and troubled markets could lead to financial losses, while the premature sale of assets could hinder our long-term strategy and result in lost opportunities. In addition, our ability to sell assets may be curtailed if the property market is no longer liquid.

Our inability to borrow money or obtain financing due to unfavourable market conditions, a generally depressed economic environment or other factors specific to the Company could limit our ability to acquire new assets, finance the renovation of properties in the portfolio and refinance existing debt.

Our financing needs could increase if any debt acceleration clauses are triggered. Certain loan agreements include clauses whereby the debt becomes immediately repayable if certain financial ratios or other covenants are not met, or in the event of a change of control. A change of control is defined, for certain lines of credit, as the transfer of control from the current majority shareholder to a third party, and for others (representing €200 million), as a reduction in the majority shareholder's interest to less than 50%.

Risks associated with the loss of key personnel

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The departure of a member of our senior management team or any other manager could result in a loss of critical know-how and, in certain cases, give our competitors and tenants access to sensitive information. The Company's success depends, in part, on our ability to retain the members of the Executive Committee and other key employees, and to continue to attract, motivate and retain highly qualified personnel. If we do not manage to retain key personnel, our business, financial position, results or future growth could be affected.

Risks associated with subcontractors and other service providers

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We use contractors and other service providers for major renovation projects and for the day-to-day maintenance of our properties. There are a limited number of construction companies able to carry out major property renovation or development projects in Paris. We are therefore dependent on these companies for the timely completion of our projects. In addition, if a company involved in one of our projects were to go out of business or file for bankruptcy, or if the quality of its services were to decline, this could result in the project concerned being completed late and over budget. At 31 December 2008, major renovation or refurbishment work was being carried out on four of our properties, representing 22% of the total value of our assets excluding transfer costs and 22% of the total surface area at that date. Unexpected delays in renovation or refurbishment could extend the period during which our properties are unavailable for rent, which could have an adverse effect on our business, financial position or results. Insolvency could also affect a contractor or service provider's ability to meet performance guarantees.

Risks associated with the regulatory environment

—

As the owner of office buildings and properties designed for commercial use, in addition to the tax rules associated with the SIIC regime, we are also required to comply with many other regulations relating in particular to construction, public health, the environment, safety, commercial leases and administrative authorisations. Failure to comply with such regulations and with any changes thereto, including increasingly stringent environmental standards, that make compliance more difficult and more expensive, could have an adverse effect on our results, profitability, growth or development prospects.

Complying with the applicable regulations and our own risk management strategy could result in significant additional costs and have a negative impact on our profitability. In certain circumstances, particularly in the case of environmental damage, a public health threat or reckless endangerment, we could be faced with a civil or even a criminal liability claim that would adversely affect our reputation.

In addition, like most property owners, we cannot guarantee that our tenants comply with all of the regulations applicable to them, particularly environmental, public health and safety regulations.

SFL is subject to environmental and public health regulations. We can be held liable for failing to comply with such regulations whether we are the current or former owner or developer of the property in question. These regulations often confer strict liability on the owner or developer regardless of whether they were aware of or responsible for the existence of hazardous or toxic substances. They may impose the reduction or elimination of material containing asbestos when a property is damaged, demolished, renovated, rebuilt or extended, and they also apply to asbestos exposure or its release to the atmosphere. Some of our properties contain or once contained materials containing asbestos. The significant costs involved in identifying and eliminating hazardous or toxic substances could have a negative impact on our results, business or financial position. Failure to comply with the applicable environmental and public health regulations and changes to those regulations could lead to additional operating expenses and maintenance costs or hinder the development of our business, which could adversely affect our results. In addition, if we cannot comply with regulations or prevent an environmental incident, our properties could lose their appeal and we could be subject to sanctions that could generate additional costs and damage our reputation. We may also incur legal costs in mounting a defence against environmental claims or be obliged to take measures to remedy newly identified environmental risks.

Risks associated with the majority shareholder

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Colonial holds the majority of SFL's share capital and voting rights and therefore has considerable influence over the Company and can control the decisions made by the Board of Directors, the Annual General Meetings and the Extraordinary General Meetings. Colonial can therefore make decisions on issues that are important for SFL, such as the appointment of directors, the approval of the financial statements, the distribution of dividends and changes to the Company's share capital or other organizational documents.

In recent months, Colonial's financial position has been severely weakened by worsening conditions in the Spanish property market and it has been obliged to restructure its debt and accept certain additional obligations towards its creditors.

Currently, Colonial's priority is to gain access to cash, and this could remain a priority for the company in the future. Colonial's need for cash could lead it to manage its business in a way that conflicts with the interests of our other shareholders, which could have an adverse effect on our business, financial position, results or growth prospects.

Risks associated with the SIIC tax regime

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Conditions of eligibility for the SIIC tax regime

On 29 September 2003, SFL elected to be taxed under the REIT-style SIIC tax regime, with retroactive effect on 1 January 2003. Under this regime, SFL is exempt from paying corporate income tax on the portion of its profit generated by renting its properties, as well as on the capital gains made on qualifying property sales or sales of shares in property companies and on dividends received from qualifying subsidiaries.

Eligibility for the regime depends on certain conditions and distribution obligations.

Conditions for eligibility

SFL's eligibility for the SIIC tax regime depends on its ongoing compliance with all of the following conditions:
- The Company must be listed on a regulated market in France.
- It must have share capital of at least €15 million.
- Its main corporate purpose must be either to acquire or construct rental property or to take direct or indirect ownership interests in entities with an identical corporate purpose that are taxed as look-through partnerships or are subject to corporate income tax.
- No single shareholder or group of shareholders acting in concert may hold 60% or more of the share capital or voting rights of an SIIC, apart from certain exceptions expressly provided for by law, in particular when the shareholder or shareholders acting in concert that hold, directly or indirectly, more than 60% of the capital or voting rights of a company with SIIC status are themselves SIICs.

Distribution obligations

An SIIC must distribute to shareholders:
- 85% of profits derived from the rental of property either directly or through companies governed by Article 8 of the French Tax Code.
- 50% of capital gains realised on (i) sales of property either directly or through companies governed by Article 8 of the French Tax Code and (ii) sales of qualifying interests in property companies.
- 100% of the dividends received from subsidiaries that have elected to be taxed as an SIIC.

Non-compliance with the conditions of eligibility for the SIIC tax regime

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Non-compliance with the basic conditions

Non-compliance with conditions other than the 60% ownership ceiling

If any of these conditions were no longer fulfilled, the Company and its SIIC subsidiaries would lose their SIIC status. The main consequences of exiting the regime would be as follows:
- The Company and its subsidiaries would not benefit from the SIIC regime for the year during which the conditions were no longer fulfilled or for subsequent years. As a result, all of the profits generated during those years would be subject to corporate income tax.
- If the Company were to exit the SIIC regime within the first 10 years, any capital gains taxed at the reduced rate of 16.5% would be taxed at the full corporate income tax rate at the exit date, less the tax paid at the time of the sale.
- All capital gains realised after the Company exited the SIIC regime would be calculated by reference to the market value used to calculate the 16.5% exit tax paid when the Company elected for taxation as an SIIC.
- All dividends paid after the Company exited the SIIC regime out of tax-exempt profits generated while the Company was an SIIC would not qualify for the affiliation privilege.
- However, the affiliation privilege would continue to apply to dividends paid out of profits taxed at the standard corporate income tax rate while the Company was an SIIC.

Non-compliance with the 60% ownership ceiling

If the 60% limit were to be exceeded, the Company would be considered in breach of this condition for the entire fiscal year during which the limit was exceeded and would therefore be subject to corporate tax at the standard rate on that year's profit.

However, if the limit were to be exceeded due, for example, to a public tender offer or a transaction governed by the tax rules applicable to mergers, the rule would not be considered to have been breached provided that the shareholder's interest was brought back to below 60% by the deadline for reporting the SIIC's results for the year concerned (i.e. for an SIIC with a 31 December year-end, no later than 31 March of the following year).

Note: It is not at all clear how these rules should be interpreted because the wording is vague and no guidelines have been issued. It would appear, however, that failure to comply with the 60% limit would affect not only the Company but also any of its subsidiaries that have elected to be taxed as SIICs.

Non-compliance with the distribution obligations

In the event of failure to comply with the distribution obligation for a given year, corporate income tax would be payable on the Company's total profit for the year concerned, at the standard rate.

If the Company were to comply with its distribution obligation for a given year but its tax-exempted profit were to be reassessed, only the undistributed portion of the reassessment would be subject to corporate income tax, after deducting any "excess" dividend already paid.

The 20% deduction under the SIIC tax regime was introduced only recently and its tax and accounting treatment remains unclear

—

If a corporate shareholder holds, directly or indirectly, at least 10% of the dividend rights and the dividends received by that shareholder are exempt from tax or are taxed in France or abroad at a rate that is more than two-thirds lower than the standard French corporate income tax rate, the Company must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by the activities governed by the SIIC tax regime.

The 20% tax is due by the Company and not the shareholder. However, SFL's Articles of Association stipulate that the 20% tax will be deducted from dividends paid to the shareholder concerned, to avoid the Company and the other shareholders having to bear the cost.

No 20% tax was paid in 2007 or 2008 because Colonial issued a statement attesting that dividends paid by SFL out of profits generated by the activities governed by the SIIC regime would be taxed in Spain at a rate in excess of 11.11%.

As the tax was introduced only recently, we cannot be certain how the rules will be interpreted by the French tax authorities. The stipulation in our Articles of Association transferring the burden of the 20% tax to the shareholder at the origin of its payment may dissuade certain funds and other tax-exempt investors from acquiring a significant interest in our Company, and this in turn could adversely affect the share price.

Future changes to the SIIC regime

The SIIC eligibility criteria and the resulting tax exemption may change as a result of changes to the law or new interpretations by the tax authorities.

These could be dealt with in one or several instructions issued by the tax authorities, the content of which was not known as of the date when this report was drawn up.

Further changes in the SIIC regime could have a material adverse effect on the Company's business, financial position and results.

4.4. Insurance

Introduction

In 2008, when the insurance market was much tighter than in previous years, we consolidated our insurance programmes with a view to maintaining the guarantees and conditions obtained from insurers and continuing to benefit from the financial advantages associated with its long-term policy set up on 1 January 2007.

A. Property insurance

I. COMPREHENSIVE POLICY FOR PROPERTIES IN THE PORTFOLIO

The properties are insured on an all-risk basis with named exclusions, with a maximum insured value of €300 million. The policy covers reconstruction or replacement costs as well as loss of revenue for a maximum of 36 months, or 48 months for the following properties:
- Washington Plaza
- Paul Cézanne
- 46 quai Le Gallo
- Square Edouard VII
- 90 avenue des Champs Elysées
- 104/110 boulevard Haussmann
- 12 cours Michelet
- 81/83 rue de Richelieu
- 62/76 quai de la Rapée
- 91/95 boulevard Sébastopol
- 151 rue Saint-Honoré
- 18 avenue d'Alsace (Tour Les Miroirs)

For properties managed by an external manager, the policy kicks in solely in the event that the cover taken out by the manager is inadequate or the manager has failed to take out insurance.
Since 1 January 2007, cover has been extended to losses incurred during repair and maintenance work that are not covered by a contractor's all risks policy. The cap on this cover is €7.5 million.

II. PROPERTY OWNER'S LIABILITY

The property owner's liability policy was renewed for two years effective as of 1 January 2009, with a 25% reduction in premiums.
The policy covers SFL's liability for bodily injury and material and non-material losses, whether consequential or inconsequential, caused by:
- SFL's properties or any of the equipment installed in those properties.
- Errors committed by the personnel in charge of the surveillance or maintenance of those properties.

The policy covers a maximum of €20 million per underwriting year, including:
- Inconsequential non-material losses for up to €3.5 million per claim per underwriting year.
- Consequential bodily injury, material and non-material losses caused by legionella for up to €6 million per claim per underwriting year.

B. Corporate Insurance

I. ALL-RISKS OFFICE AND IT

The all-risks office and IT policy covers the equipment used in the business as well as related losses and expenses.
In parallel, the Group has set up a policy covering all the costs that would be required to restore lost data as well as any supplementary IT costs incurred as a result of malicious damage including computer viruses, or a loss of data due to error, an accident or a natural catastrophe.

II. GENERAL LIABILITY

A single liability policy has been taken out covering all of the Group's operations, including both property management and trading, with improved cover.
As of 1 January 2009, the policy covered:

- Third-party liability during operations and works, capped at €15 million (combined single limit) and including €1.5 million in cover for accidental environmental damage.

- Professional liability insurance for the Group, up to a maximum of €3 million per claim per underwriting year (combined single limit) of which €1 million corresponds to professional liability insurance for the property management and trading activities carried out by Locaparis.

Locaparis also has a specific insurance policy covering (i) liability arising from activities as the principal in property renovation and refurbishment projects, and (ii) the principal's liability towards the developer. The combined limit per claim under this policy is €3 million with a €915,000 cap for losses other than bodily injury.

III. DIRECTORS' AND OFFICERS' LIABILITY

Directors' and officers' personal liability insurance programmes have been restructured, based on higher insured amounts applicable from 1 January 2009.

Claims and litigation

To the best of the Company's knowledge, no claims or litigation are in progress or pending that would be likely to have a material adverse effect on the business, assets and liabilities, financial position or results of the Company or the Group.

5. SFL and its shareholders

5.1. Information about the Company's capital

CHANGES IN CAPITAL

Date	Description	Issues			New capital	
		Number of shares	Par value	Gross premium	Number of shares	New capital
From January 1st, 1992 till January 1st, 1995		-	-	-	3,714,251	FF 185,712,550
November 1995	Scrip dividend	86,085	FF 4,304,250	FF 42,009,480	3,800,336	FF 190,016,800
December 1995 (1)	Shares issued in payment for properties acquired from Abeille Assurances	421,607	FF 21,080,350	FF 320,421,320	4,221,943	FF 211,097,150
December 1995 (1)	Shares issued in payment for 100% of the shares of FIPARIM acquired from POSSF Paris Nominees Limited and SCIPAR-Montparnasse	1,333,294	FF 66,664,700	FF 1,013,303, 440	5,555,237	FF 277,761,850
August 1996	Scrip dividend	105,302	FF 5,265,100	FF 51,387,376	5,660,539	FF 283,026,950
August 1997	Scrip dividend	25,518	FF 1,275,900	FF 16,101,858	5,686,057	FF 284,302,850
October 1997(2)	Issuance of shares for cash	1,007,042	FF 50,352,100	FF 664,647,720	6,693,099	FF 334,654,950
July 1998	Conversion of bonds	1,050	FF 52,500	FF 787,500	6,694,149	FF 334,707,450
August 1998(3)	Issuance of shares to EXOR	1,575,000	FF 78,750,000	FF 1,283,625,000	8,269,149	FF 413,457,450
August 1998	Exercise of share warrants	22	FF 1,100	FF 25,300	8,269,171	FF 413,458,550
May 1999	Redemption of Société Générale equity notes	650,773	FF 32,538,650	FF 467,461,243.14	8,919,944	FF 445,997,200
1999	Exercise of share warrants	4	FF 200	FF 4,600	8,919,948	FF 445,997,400
1 July 2000	Conversion of par value of shares from FF 50 to €8	0	€3,367,718.68	-	8,919,948	€71,359,584.00
6 November 2000	Four-for-one stock split – par value of shares reduced from €8 to €2	0	-	-	35,679,792	€71,359,584.00
2000	Exercise of share warrants	52	€104.00	€2,274.20	35,679,844	€71,359,688.00
27 December 2001	Employee share issue	16,076	€32,152.00	€311,874.40	35,695,920	€71,391,840.00
2001	Exercise of share warrants	60	€120.00	€2,624.10	35,695,980	€71,391,960.00
December 2002	Exercise of stock options	9,164	€18,328.00	€217,461.72	35,705,144	€71,410,288.00
2002	Exercise of share warrants	5,092	€10,184.00	€222,697.11	35,710,236	€71,420,472.00
First half of 2003	Exercise of stock options	66,767	€133,534.00	€1,584,380.91	35,777,003	€71,554,006.00
Second half of 2003	Exercise of stock options	32,168	€64,336.00	€763,346.64	35,809,171	€71,618,342.00
2004	Conversion of bonds	6,927,523	€13,855,046.00	€195,273,912.64	42,736,694	€85,473,388.00
2004	Exercise of stock options	250,493	€500,986.00	€6,505,485.85	42,987,187	€85,974,374.00
2005	Conversion of bonds	2,278	€4,556.00	€64,229.00	42,989,465	€85,978,930.00
2005	Exercise of stock options	74,323	€148,646.00	€3,041,230.46	43,063,788	€86,127,576.00
2006	Exercise of stock options	12,164	€24,328.00	€312,205.90	43,075,952	€86,151,904.00
30 March 2007	Issuance of shares for cash	3,425,349	€6,850,698.00	€191,819,544.00	46,501,301	€93,002,602.00
2007	Exercise of stock options	1,000	€2,000.00	€25,590.00	46,502,301	€93,004,602.00
2008(4)					46,502,301	€93,004,602.00

(1) Described in the information document registered with the COB on 20 November 1995 under no. E 95-008.
(2) Described in the information document registered with the COB on 17 October 1997 under no. 97-570. Part of a broad-based fund raising exercise.
(3) Described in the information document registered with the COB on 23 July 1998 under no. 98-665.
(4) No transactions took place in the period to 31 December 2008.

5.2. Ownership Structure

OWNERSHIP STRUCTURE AND VOTING RIGHTS AT 31 DECEMBER 2008

Main shareholders		Total	Total voting rights	Group total	% interest	% voting rights [2]
INMOBILIARIA COLONIAL SA		35,675,525	35,675,525	35,675,525	76.72%	77.56%
EUROHYPO AG		3,372,714	3,372,714	3,372,714	7.25%	7.33%
PREDICA		2,368,509	2,368,509	2,368,509	5.09%	5.15%
REIG CAPITAL GROUP		2,038,955	2,038,955	2,038,955	4.38%	4.43%
RC PRIVATE		689,655	689,655	689,655	1.48%	1.50%
Sub-total, main shareholders				44,145,358	94.93%	95.97%
TREASURY SHARES	SFL	505,297	0	505,297	1.09%	
TOTAL SHARES AT 31 DECEMBER 2008		31-dec-08		46,502,301	100.00%	
	Capital at 31 December 2007 [1]	46,502 301				
	Shares issued between 1 January and 31 December 2008	0				
TOTAL VOTING RIGHTS			**45,997,004**			**98.91%**
OF WHICH FREE FLOAT		1,851,646	1,851,646	1,851,646	3.98%	4.03%

(1) As placed on record by the Board of Directors on 14 February 2008.
(2) No shares carry double voting rights. Treasury shares are stripped of voting rights.
Based on these figures, SFL's outstanding share capital at 31 December 2008 was €93,004,602.

Disclosure thresholds

The following disclosures were made to the Company during the year:
On 16 December 2008, Crédit Agricole SA (91-93, boulevard Pasteur, 75015 Paris, France) disclosed that it had increased its indirect interest – within the meaning of Article L.233-9-I-4 of the French Commercial Code[2] – to over 10% of SFL's capital and voting rights, held through its subsidiaries Calyon, Prédica and Crédit Agricole Cheuvreux[1] and that, at 11 December 2008, it indirectly held – within the meaning of Articles L.233-7 and L. 233-9-1-4 of the French Commercial Code – 5,742,223 shares and voting rights, representing 12.35% of SFL's capital and voting rights[3], as follows:

	Capital and voting rights	% of capital and voting rights
Calyon *	3,372,714	7.25%
Predica **	2,368,509	5.09%
Crédit Agricole Cheuvreux **	1,000	NM
Total Crédit Agricole SA	5,742,223	12.35%

*Includes shares that may be acquired upon exercise of currently exercisable call options.
**Shares actually held.

The disclosure was made by Crédit Agricole SA pursuant to Article L.233-9-I-4 of the Commercial Code because the call option on 3,372,714 SFL shares granted to Calyon on 25 November 2008 became exercisable as from 11 December 2008. The exercise period ended on 10 January 2009 (see D&I no. 208C2162 dated 3 December 2008).
In addition, Calyon's individual interest – within the meaning of Article L.233-9-I-4 of the Commercial Code –stands at over 5% of SFL's capital and voting rights, with 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights.

(1) Prédica is wholly-owned by Crédit Agricole SA. Calyon is 95.28%-owned directly and 97.74%-owned indirectly by Crédit Agricole SA. Crédit Agricole Cheuvreux is indirectly controlled by Crédit Agricole SA.
(2) According to Article L.233-9-I-4 of the French Commercial Code on disclosure thresholds, in addition to the shares actually held, an entity is also considered as holding the shares that it is entitled to acquire on its own initiative by virtue of an agreement.
(3) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

On 16 December 2008, Eurohypo AG (Helfmann Park 5, 65760 Eschborn, Germany)[1] disclosed that it had acquired a direct interest – within the meaning of Article L.233-9-I-4 of the French Commercial Code[2] – of over 5% of SFL's capital and voting rights and that, at 11 December 2008, it held 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights[3].
The disclosure was made because the call option on 3,372,714 SFL shares granted to Eurohypo AG on 25 November 2008 became exercisable on 11 December 2008. The exercise period ended on 10 January 2009 (see D&I no. 208C2164 dated 3 December 2008).
Eurohypo AG exercised its call on these 3,372,714 SFL shares on 12 December 2008. The shares were transferred on 16 December 2008, giving it an interest – within the meaning of Article L.233-7 of the French Commercial Code – of over 5% of SFL's capital and voting rights on that date. It currently holds 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights.

(1) Controlled by Commerzbank AG.
(2) According to Article L.233-9-I-4 of the French Commercial Code on disclosure thresholds, in addition to the shares actually held, an entity is also considered as holding the shares that it is entitled to acquire on its own initiative by virtue of an agreement.
(3) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

On 16 December 2008, The Goldman Sachs Group Inc. (Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA) disclosed that it had acquired an indirect interest – within the meaning of Article L.233-9-I-4 of the French Commercial Code[1] –of over 5% of SFL's capital and voting rights through its subsidiary Goldman Sachs International Bank, and that, at 11 December 2008, it directly and indirectly held – within the meaning of Articles L.233-7 and L.233-9-I-4 of the French Commercial Code – 3,373,492 shares and voting rights, representing 7.25% of SFL's capital and voting rights[2], as follows:

	Capital and voting rights	% of capital and voting rights
Goldman Sachs International Bank * [3]	3,372,714	7.25%
The Goldman Sachs Group Inc **	778	NM
Total Goldman Sachs Group	**3,373,492**	**7.25%**

* Includes shares that may be acquired upon exercise of currently exercisable call options.
**Shares actually held.

The disclosure was made because the call option on 3,372,714 SFL shares granted to Goldman Sachs International Bank on 25 November 2008 became exercisable on 11 December 2008. The exercise period ended on 10 January 2009 (see D&I no. 208C2165 dated 3 December 2008).

(1) According to Article L.233-9-I-4 of the French Commercial Code on disclosure thresholds, in addition to the shares actually held, an entity is also considered as holding the shares that it is entitled to acquire on its own initiative by virtue of an agreement.
(2) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.
(3) Goldman Sachs International Bank individually holds over 5% of SFL's capital and voting rights, as described above.

On 16 December 2008, The Royal Bank of Scotland (36 Saint Andrew Square, Edinburgh EH22YB, UK) disclosed that it had acquired a direct interest – within the meaning of Article L.223-9-I-4 of the French Commercial Code[1] – of over 5% of SFL's capital and voting rights, and that, at 11 December 2008, it held 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights[2].
The disclosure was made because the call option on 3,372,714 SFL shares granted to The Royal Bank of Scotland on 25 November 2008 became exercisable on 11 December 2008. The exercise period ended on 10 January 2009 (see D&I no. 208C2167 dated 3 December 2008).

(1) According to Article L.233-9-I-4 of the French Commercial Code on disclosure thresholds, in addition to the shares actually held, an entity is also considered as holding the shares that it is entitled to acquire on its own initiative by virtue of an agreement.
(2) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

On 17 December 2008, Inmobiliaria Colonial (Colonial) disclosed that it had reduced its interest in SFL to below the thresholds of 82%, 80% and 78% of the Company's capital and voting rights[1] and that, at 16 December 2008, it held 35,675,525 shares and voting rights, representing 76.72% of SFL's capital and 77.55% of the Company's voting rights[2] .
The decrease in Colonial's interest arose because Eurohypo AG exercised its option to purchase 3,372,714 SFL shares from Colonial.

(1) Based on a total of 46,502,301 shares and voting rights outstanding, including voting rights on 498,512 treasury shares (source: SFL's updated 2007 registration document filed with the AMF on 15 December 2008).
(2) Based on a total of 46,502,301 shares and 46,003,789 voting rights outstanding, after deducting the voting rights on 498,512 treasury shares (source: SFL's updated 2007 registration document filed with the AMF on 15 December 2008).

Crédit Agricole SA's letters dated 24 December and 31 December 2008 included the following statement of intent:
"Following the increase in our indirect interest in SFL to over 10% on 11 December 2008, we set out below our intentions with respect to the Company for the next 12 months.
We have held 5.09% of SFL's capital and voting rights through our

subsidiary Prédica, since April 2007. As indicated in our disclosure letter dated 16 December 2008, we also hold, through our subsidiary Calyon SA, a currently exercisable option on an additional 7.25% of SFL's capital and voting rights, bringing our total interest in SFL to 12.35% of the capital and voting rights.
Apart from its subsidiaries, Crédit Agricole SA is not acting in concert with any other SFL shareholders.

The increase in our indirect interest in SFL arose from the signature on 14 September 2008 of a debt restructuring agreement between a group of 11 banks, including Calyon SA, and Colonial, which holds around 84% of SFL's capital and voting rights. The debt restructuring concerned lines of credit granted to Colonial by the 11 banks for a total amount of around €6.4 billion (see D&I 208C2162 dated 3 December 2008).

On 25 November 2008, under the terms of the debt restructuring agreement, Colonial granted 10 of the 11 banks call options on a total of 33% of SFL's shares and voting rights, with each option pro rated to the debt owed to the bank concerned. If these options are exercised, Colonial will retain a majority interest in SFL, with around 51% of the Company's capital and voting rights.

One of the banks concerned was Calyon SA, which was granted a call option on 3,372,714 SFL shares by Colonial on 25 November 2008, exercisable between 11 December 2008 and 10 January 2009 at a price of €35.

The proceeds from the exercise of these options will mainly be used to repay the restructured long-term debt.

The increase in our interest is therefore the result of a specific set of circumstances arising from the financial position of Colonial, SFL's majority shareholder.

The same set of circumstances could lead us to look at all of the possibilities that might enable us to reap the most benefit from our interest in SFL for our bank and for our various subsidiaries, particularly Calyon, as one of Colonial's creditor banks. As a result, we reserve the right to examine all possible transactions, including new acquisitions of financial instruments, based on market opportunities and our relations with SFL. With Colonial retaining around 51% of SFL's capital and voting rights, we have no plans to try and take control of the Company in the immediate future.

Crédit Agricole SA and its subsidiaries do not intend to ask for any additional seats on SFL's Board of Directors.

This statement of intent may be modified, on the basis allowed by law".

On 30 December 2008, Crédit Agricole SA disclosed that, following the 23 December sale by ING Real Estate Finance SE E.F.C. of the call option on 718,827 SFL shares granted by Inmobiliaria Colonial on 25 November 2008 and exercisable between 11 December 2008 and 10 January 2009, Calyon now holds – within the meaning of Article L.233-9-I-4 of the French Commercial Code – 4,091,541 voting rights representing 8.80% of SFL's total voting rights, bringing its interest in SFL to over 8% of the Company's capital and voting rights.

Since 1 January 2009

On 8 January 2009, Crédit Agricole SA (91-93, boulevard Pasteur, 75015 Paris) disclosed to the AMF that, on 5 January 2009, its subsidiary Calyon had exercised its call option on 4,091,541 SFL shares[(1)], thereby increasing Crédit Agricole SA's indirect interest[(2)] to over 10% of SFL's capital and voting rights held through its subsidiaries Calyon, Prédica and Crédit Agricole Cheuvreux[(3)], and that it indirectly held 6,461,050 shares and voting rights, representing 13.89% of SFL's capital and voting rights[(4)], as follows:

	Capital and voting rights	% of capital and voting rights
Calyon	4,091,541	8.80%
Predica	2,368,509	5.09%
Crédit Agricole Cheuvreux	1,000	n.m.
Total Crédit Agricole S.A.	**6,461,050**	**13.89%**

On 5 January 2009, Calyon's individual interest stood at over 5% of SFL's capital and voting rights[2] with 4,091,541 SFL shares and voting rights, representing 8.80% of the Company's capital and voting rights[4].
Following these transactions, Crédit Agricole SA reiterated the terms of its statement of intent sent to the AMF by letter on 24 December and 30 December 2008 (see D&I no. 208C2364 dated 31 December 2008).

(1) See D&I no. 208C2162 dated 3 December 2008, D&I no. 208C2265 dated 16 December 2008 and D&I no. 209C0020 dated 6 January 2009.
(2) Within the meaning of Article L.233-7 of the French Commercial Code.
(3) Prédica is wholly-owned by Crédit Agricole SA. Calyon is 95.28%-owned directly and 97.74%-owned indirectly by Crédit Agricole SA. Crédit Agricole Cheuvreux is indirectly controlled by Crédit Agricole SA.
(4) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

On 16 January 2009, The Royal Bank of Scotland (36 Saint Andrew Square, Edinburgh EH22YB, UK) disclosed to the AMF that, on 9 January 2009, it had exercised the call option on 3,372,714 SFL shares granted to it by Inmobiliara Colonial SA on 25 November 2008[1], thereby acquiring over 5% of SFL's capital and voting rights[2] with 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights[3].

(1) See D&I no. 208C2167 dated 3 December 2008 and D&I no. 208C2269 dated 16 December 2008.
(2) Within the meaning of Article L.233-7 of the French Commercial Code.
(3) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

On 19 January 2009, The Goldman Sachs Group Inc. (Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA) disclosed that, on 7 January 2009, it had exercised the call option on 3,372,714 SFL shares granted to it by Inmobiliara Colonial SA on 25 November 2008[1], thereby acquiring an indirect interest of over 5% of SFL's capital and voting rights[2], with 3,379,215 shares and voting rights held through its subsidiaries, representing 7.26% of SFL's capital and voting rights[3], as follows:

	Capital and voting rights	% of capital and voting rights
Goldman Sachs International Bank [4]	3 372 714	7,25%
Goldman Sachs International	6 501	0,01%
Total Goldman Sachs Group	**3 379 215**	**7,26%**

(1) See D&I no. 208C2165 dated 3 December 2008 and D&I no. 208C2268 dated 16 December 2008.
(2) Within the meaning of Article L.233-7 of the French Commercial Code.
(3) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.
(4) Goldman Sachs International Bank holds over 5% of SFL's capital and voting rights as described above.

On 20 January 2009, Inmobiliaria Colonial (Avenida Diagonal, 532 – 08006 Barcelona, Spain) disclosed that it had reduced its direct interest to below two-thirds of SFL's capital and voting rights and that it held 24,838,556 shares and voting rights, representing 53.41% of SFL's capital and voting rights[1].
The decrease in interest arose following the exercise, on 7 and 9 January 2009 respectively, by Goldman Sachs International Bank and The Royal Bank of Scotland of the call options on 7.25% of SFL's capital[2] each granted to them by Inmobiliara Colonial on 25 November 2008.

(1) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.
(2) See D&I no. 209C0086 dated 16 January 2009 and D&I no. 209C0090 dated 19 January 2009.

On 28 January 2009, Orion III European 3 SARL[1] (6 avenue Pasteur L2310, Luxembourg), a société à responsabilité limitée governed by the laws of Luxembourg, disclosed that it had acquired over 5% of SFL's capital and voting rights and that, at 23 January 2009, it held 3,372,714 shares and voting rights, representing 7.25% of the Company's capital and voting rights[2].
The 3,372,714 shares were acquired in a block purchase.

(1) Controlled by Orion European Real Estate Fund III (Locatellikade 1, 1076 AZ Amsterdam, Netherlands), which is managed by Orion Capital Managers, LP.
(2) Based on a total of 46,502,301 shares and voting rights outstanding.

On 30 January 2009, The Goldman Sachs Group Inc. (85 Broad Street, New York, NY 10004, USA) disclosed that it had reduced its indirect interest in SFL, held through its subsidiary Goldman Sachs International, to below 5% of SFL's capital and voting rights and that, at 23 January 2009, it indirectly held 376 shares and voting rights, representing 0.001% of the Company's capital and voting rights[1].
The decrease arose from the sale of 3,378,839 SFL shares.

(1) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

Main shareholders of the Company

MAIN SHAREHOLDERS OF THE COMPANY AT 31 DECEMBER 2005, 2006 AND 2007

		COLONIAL (1)	PREDICA (2)	REIG CAPITAL GROUP (3)	RC PRIVATE (4)	Treasury stock	Free float	Total
31 Dec. 2005	Number of shares	34 180 921	4 126 400			179 567	4 576 900	43 063 788
	Number of voting rights	34 180 921	4 126 400			0	4 576 900	42 884 221
	% interest	79,37%	9,58%			0,42%	10,63%	100,00%
	% voting rights(5)	79,71%	9,62%			0	10,67%	99,58%
31 Dec. 2006	Number of shares	38 624 500	2 368 509			130 067	1 952 876	43 075 952
	Number of voting rights	38 624 500	2 368 509			0	1 952 876	42 945 885
	% interest	89,67%	5,50%			0,30%	4,53%	100,00%
	% voting rights(5)	89,94%	5,52%			0	4,55%	99,70%
31 Dec. 2007	Number of shares	39 321 239	2 368 509	2 038 955	689 655	461 574	1 622 369	46 502 301
	Number of voting rights	39 321 239	2 368 509	2 038 955	689 655	0	1 622 369	46 040 727
	% interest	84,56%	5,09%	4,38%	1,48%	0,99%	3,49%	100%
	% voting rights(5)	85,41%	5,14%	4,43%	1,50%	-	3,52%	99,01%

(1) Spanish property company, a subsidiary of Grupo Inmocaral SA.
(2) Life insurance company, subsidiary of the Crédit Agricole Group.
(3) Andorran holding company for the investments of the Reig Moles family.
(4) Subsidiary of the Reig Capital Group.
(5) No shares carry double voting rights, all shares are in the same class, and treasury shares are stripped of voting rights.

5.3. Dividends paid in the last three years

(Information disclosed pursuant to Article 243 bis of the French Tax Code)

Year	Dividend per share	Interim dividend	Final dividend
2005	€ 2,10	€ 0,70 (1)	€ 1,40 (2)
2006	€ 3,20 (2)	€ 0,70	€ 2,50
2007	€ 3,20 (2)	€ 1,10	€ 2,10

(1) Eligible for the 50% tax relief referred to in paragraph 3-2 of the former Article 158 of the French Tax Code (Article 93 of the 2004 Finance Act – Act no. 2003-1311 of 30 December 2003).
(2) Eligible for the 40% tax relief referred to in paragraph 3-2 of Article 158 of the French Tax Code (Article 76-1 of the 2006 Finance Act – Act no. 2005-1719 of 30 December 2005).

Dividend policy

The amount and manner of payment of future dividends will be decided each year according to the Company's earnings, cash position, financial conditions, capital needs, overall business situation, the resources necessary to ensure the Company's development and any other factor that the Board of Directors deems relevant in preparing its recommendations to shareholders. The decision to pay a dividend, and the amount of such dividend, will also depend on the rights of holders of securities that may be issued in the future and any restrictions on dividend distributions that may exist as a result of existing lines of credit or any other debt. There can be no assurance that SFL will pay dividends in future years.

In any event, as a company taxed as an SIIC, SFL has distribution obligations. By virtue of Article 208 C of the French Tax Code, SFL is exempt from paying tax on (i) profits from its property rental activities, (ii) capital gains on property sales and sales of interests in look-through entities or subsidiaries that have elected for the SIIC regime, and (iii) dividends received from subsidiaries that have also elected for the SIIC tax regime. In exchange for this exemption, the Company must distribute (i) at least 85% of the exempted rental profits within 12 months of the close of the fiscal year in which the profits are earned, (ii) at least 50% of the exempted capital gains from the sale of properties or interests in look-through entities or subsidiaries that have elected for the SIIC tax regime, or the sale of finance-lease contracts, within 24 months of the close of the fiscal year during which the capital gains were generated and (iii) 100% of the dividends received from subsidiaries that have also elected for the SIIC tax regime within 12 months of the close of the fiscal year during which the dividends were received. The amounts to be distributed are determined separately by each company that has elected for the SIIC tax regime, based on its individual earnings.

5.4. Transactions in SFL shares

Stock options granted to and exercised by executive directors in 2008

No stock options were granted to or exercised by executive directors in 2008.

Stock options granted to executive directors outstanding at 31 December 2008

	Plan	Number of options granted	Exercise price (in €)	Expiry date	Number of options exercised	Number of options outstanding at 31 December 2008
Yves MANSION	21/03/2002 SFL	100,000	27,78	20/03/2012	100,000	-
	25/04/2003 SFL	100,000	26,41	24/04/2013	100,000	-
	02/03/2006 SFL	22,000	51,07	02/03/2011	22,000	-
	02/03/2006 COLONIAL	22,000	58,23	02/03/2011	22,000	-
	13/03/2007 SFL	44,000	62,60	12/03/2015	-	44,000
Philippe DEPOUX (1)	02/03/2006 SFL	12,500	51,07	02/03/2011	12,500	-
	02/03/2006 COLONIAL	12,500	58,23	02/03/2011	12,500	-
	13/03/2007 SFL	35,000	62,60	12/03/2015	-	35,000
Nicolas REYNAUD	13/03/2007 SFL	25,000	62,60	12/03/2015	-	25,000
TOTAL		373,000			269,000	104,000

(1) On 9 December 2008, the Board of Directors decided that Philippe Depoux could continue to benefit from the stock options granted to him under the 13 March 2007 plan.

The General Meeting of 23 May 2008 authorised a share buyback programme with the following objectives:
– To purchase shares for allocation to Group employees in connection with (i) the statutory profit-sharing scheme, (ii) any programme of employee share grants, with or without consideration, governed by Articles L.443-1 *et seq.* of the French Labour Code or (iii) any stock option plan for all or certain categories of employees and executive directors.
– To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).
– To permit the issue of debt securities convertible into equity instruments and the fulfilment of the obligations related thereto, in particular by delivering shares upon exercise of rights attached to securities convertible, redeemable or otherwise exercisable for shares.
– To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.
The number of shares bought back to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger may not exceed 5% of the issued capital.

The maximum purchase price for these shares was set at €65 per share.

At 31 December 2008, the Company held 505,297 shares in treasury, representing 1.09% of the capital and breaking down as follows:

1. 449,699 shares purchased for allocation to SFL Group employees.

2. 32,315 shares purchased under a liquidity contract with an investment firm.

3. 23,283 shares purchased for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.

No shares were held for delivery on exercise of rights attached to share equivalents.

The Board of Directors has decided to table a resolution at the 15 June 2009 Annual General Meeting authorising a further buyback programme. The maximum purchase price for these shares would be set at €50 (thirteenth ordinary resolution).
Under the terms of the new programme, the Company would be authorised to buy back shares representing up to 10% of the issued capital.
Based on the issued capital at 31 December 2008, the authorisation would concern the buyback of up to 4,650,230 shares. This

ceiling will be adjusted in the event of any changes in issued capital in the period up to the date of the Annual General Meeting.

The aims of the programme would be:
– To purchase shares for allocation to Group employees in connection with (i) the statutory profit-sharing scheme, (ii) any programme of employee share grants, with or without consideration, governed by Articles L.3332 *et seq.* of the French Labour Code or (iii) any stock option plan for all or certain categories of employees and executive directors.
– To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).
– To permit the issue of debt securities convertible into equity instruments and the fulfilment of the obligations related thereto, in particular by delivering shares upon exercise of rights attached to securities convertible, redeemable or otherwise exercisable for shares.
– To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.
– To buy back shares for cancellation, in accordance with Article L.225-209 of the French Commercial Code, subject to an authorisation from the Extraordinary General Meeting to reduce the Company's capital.
– To carry out any market practices that may be recognised in the future by law or by the securities regulator.

If shares were to be bought back under a liquidity contract under the terms and conditions defined by the AMF's general regulations, the number of shares used to calculate the limit of 10% of the issued capital would correspond to the number of shares purchased minus the number of shares sold during the authorised period.

The number of shares bought back to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger would not exceed 5% of the issued capital, i.e. 2,325,115 shares.
The authorisation would be given for a period of eighteen months.

Summary of disclosures

Disclosures for the period from 1 January to 31 December 2008

Percentage of capital held by the Company and/or its subsidiaries	1,09 %
Number of shares cancelled in the last 24 months	0
Number of shares held	505 297
Carrying amount of the portfolio	€ 27,611,567.03
Market value of the portfolio	€ 12,890,126.47
	(at 31 December 2008)

	Cumulative transactions		Open positions on the publication date of programme details			
			Open buy positions		Open sell positions	
	Purchases	Sales/Transfers	Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	127,385	83,662	-	-	-	-
Average maximum maturity						
Average transaction price	€48.92	€50.15				
Average exercise price	-	-	-	-	-	-
Amount	€6,231,073.52	€4,195,350.60				

A 0.1% commission is charged for the purchase and sale of SFL shares, representing €1,841.52 in 2008.
Transaction costs under the liquidity contract amounted to €26,800 in 2008.

No transactions were carried out by senior executives or parties closely related to them in 2008.

5.5. Items that could affect a public offer for the Company's shares

The "Actions SFL" corporate mutual fund has a Supervisory Board set up in accordance with Article L.214-40 of the French Financial and Monetary Code. This Board has a total of six members including three members representing employees and former employees and three representatives of SFL. It elected a Chairman and a Secretary at its meeting held on 18 November 2008 to review the fund's annual management report.

In accordance with Article L.214-40 of the Financial and Monetary Code, in the event of a public offer for SFL's shares, the fund's Supervisory Board would be required to hold a meeting in order to decide whether to tender the shares held by the fund to the offer.

Six employees (including one who is also an executive director) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their duties following a significant direct or indirect change in the shareholder base of SFL or its controlling company.
The terms and conditions related to this compensation – which represented an aggregate €2,250 thousand at 31 December 2008 – were approved by SFL's Board of Directors on 3 February 2004, 25 July 2006 and 4 April 2008.

In addition, all employees whose employment contracts are governed by the National Collective Bargaining Agreement for the Property Industry are covered by Addendum no. 6 to the company-level agreement dated 1 July 1999 which provides for enhanced severance pay in the event of redundancy. In such a case, total severance pay would be calculated as follows, based on the employee's gross monthly salary at the date the employment contract was terminated:

Length of service	Severance pay
1 to 2 years	4 months
2 to 5 years	5 months
5 to 7 years	6 months
7 to 11 years	7 months
11 to 15 years	8 months
15 to 19 years	9 months
19 to 22 years	10 months
More than 22 years	10 months + ½ month per year of service beyond 21 years

Paragraph III of Article 10 of the Company's Articles of Association states that in addition to the legal disclosure thresholds, any individual or legal entity, acting alone or in concert, that holds – directly or indirectly within the meaning of Articles L.233-7 *et seq.* of the French Commercial Code – shares and/or securities carrying rights to shares representing at least 2% of the Company's capital or voting rights, is required to disclose to the Company by registered letter with return receipt requested, within five trading days of the additional interest being recorded, details of the number of shares and/or securities carrying rights to shares that are held and the number of voting rights attached thereto.

These disclosure formalities must be followed each time a shareholder's interest is raised to above or reduced to below any 2% threshold as explained above, including when the shareholder's interest exceeds 5%.

In the case of failure to comply with these disclosure rules, at the request of one or several shareholders with combined holdings representing at least 2% of the Company's capital or voting rights, the undisclosed shares will be stripped of voting rights, in accordance with the conditions set down by law. Said request will be recorded in the minutes of the General Meeting and will entail the automatic application of the above-mentioned sanction.

On 1 December 2004, a copy of the shareholders' pact signed on 24 November 2004 between Colonial and Prédica was transmitted to the French securities regulator (Autorité des Marchés Financiers). Prédica became a shareholder of SFL through its purchase from Colonial of shares representing 9.63% of the Company's capital and 9.90% of the voting rights at the transaction date.
In the pact's preamble, the parties stipulate that they do not intend to act in concert at meetings of SFL shareholders. The sole purpose of the pact is to enable Prédica to be represented on SFL's Board of Directors whilst exercising complete voting freedom at both Shareholders' and Board meetings. Similarly, Colonial – SFL's controlling shareholder – freely determines the Company's strategy and policies. The main terms of the pact are as follows:

Prédica representative on the Board of Directors and certain committees

Prédica has the right to one seat on SFL's Board of Directors, for as long as Colonial controls SFL and Prédica's interest represents at least 5%. Prédica's ownership interest in the Company is protected by an anti-dilution clause which applies, subject to certain conditions, if a share issue is carried out by SFL that has not been approved by Prédica and in which Prédica has not had the opportunity to participate, and said issue results in Prédica's interest falling below 5% (excluding any shares to be issued on the exercise of stock options or the conversion of existing convertible bonds).
The director nominated by Prédica will sit on the Company's Audit Committee and any Investment Committee that may be set up.

Put option

Colonial has undertaken to buy back the SFL shares originally sold to Prédica as well as any additional shares acquired by Prédica under the anti-dilution clause at a price based on SFL's NAV, in any of the following cases:

- If SFL decides to revoke its election for the SIIC tax regime.
- If Colonial decides to delist SFL shares from the Premier Marché of Euronext Paris.
- If Colonial decides to change the Company's strategic priorities compared with those announced when it took control of SFL and which are set out in the shareholders' pact.
- If Colonial does not respect the provisions of the shareholders' pact concerning Prédica's representation on SFL's Board of Directors, for a period of over four months.
- If SFL and Colonial decide to merge.

However, the number of shares covered by the put is capped in order to ensure that Colonial would not be required to file a tender offer for SFL to comply with French securities regulations. Also, in order for Prédica to exercise its put option, Colonial must hold over 50% of SFL's capital and voting rights at the time that any of the above situations arises (or, in the event of a planned merger, prior to that merger).

Finally, if Colonial decides to delist SFL and Prédica has not exercised its put, Prédica will benefit from an exit clause in the case of a sale by Colonial of SFL shares to a third party that results in Colonial ceasing to exercise control over the Company (as defined by Article L.233-3 of the French Commercial Code).

Pre-emptive purchase right

Colonial has a pre-emptive right to purchase any SFL shares offered by Prédica, directly or indirectly, to any third party, with the customary exclusions (intercompany transfers by Prédica and sales of shares to directors), provided that Prédica may sell on the market in any 12-month period a number of shares representing up to 2% of SFL's capital.

Exit clause

Prédica benefits from an exit clause in the case of a private sale by Colonial of SFL shares to a third party that has the effect of reducing Colonial's interest to less than 50% of SFL's capital where (i) Colonial does not cease to exercise control over SFL (as defined in Article L.233-3 of the French Commercial Code); (ii) the third party does not acquire more than one third of SFL's capital; or (iii) the third party is not required to launch a takeover bid for SFL.

Cap on Prédica's interest in SFL

As consideration for the commitments given by Colonial and in order to ensure the liquidity of SFL shares, Prédica has agreed not to increase its percentage interest in SFL's capital (held both directly and indirectly through subsidiaries) from the level held at the date of the shareholders' pact, unless there is a reasonably liquid market for the shares (considered to be the case if the free float represents at least 10% of the capital or any other higher threshold required by law).

The shareholders' pact was entered into for an initial five-year period and is automatically renewable for successive five-year periods unless terminated subject to six months' notice preceding the end of the term in process.

Partner	Joint venture	Main clauses
PRÉDICA[1]	– SFL holds 66% of SCI Washington	In the case of a change in control of SFL or Prédica (50%), the other partner has the option of: - either agreeing to the change in control[2]; - acquiring all the shares and shareholders' advances of the other partner; or - selling all its shares and shareholders' advances to the other partner, at a price corresponding to the market value of the underlying assets, to be determined jointly by the parties or by an independent expert.

(1) Life insurance subsidiary of the Crédit Agricole Group.
(2) Following the takeover of SFL by Grupo Inmocaral, through its subsidiary Inmobiliaria Colonial SA, the joint venture partners agreed to SFL's change of control, as provided for under the terms of the related shareholders' pact.

SFL 66 %
PREDICA 34 %

SCI
WASHINGTON

Partner	Joint venture	Main clauses
Ile-de-France Investissements[1]	– SFL holds 50 % of the Parholding SAS sub-group	In the case of a change of control of SFL or Ile-de-France Investissements (50%), the other partner has the option of: - either agreeing to the change in control[2]; - acquiring all the shares of the other partner; or - selling all its shares to the other partner, at a price corresponding to the market value of the underlying assets, to be determined jointly by the parties or by an independent expert.

(1) Latsis Group holding company.
(2) Following the takeover of SFL by Grupo Inmocaral, through its subsidiary Inmobiliaria Colonial SA, the joint venture partners agreed to SFL's change of control, as provided for under the terms of the related shareholders' pact.

SFL 50 %
IDF INVESTISSEMENTS 50 %

SAS
PARHOLDING

On 1 December 2008, the French securities regulator AMF was notified of the existence of certain clauses governed by Article L.233-11 of the French Commercial Code contained in call option agreements involving SFL shares between Spanish company Inmobiliaria Colonial SA (Colonial) and a certain number of banks.

1. Colonial has lines of credit totalling around €6.4 billion from the following 11 banks:

- Goldman Sachs International Bank
- The Royal Bank of Scotland plc
- Calyon, Sucursal en España
- Eurohypo AG, Sucursal en España
- Caja de Ahorros de Valencia, Castellon y Alicante
- Banco Popular Español, S.A.
- Banco de Valencia, S.A.
- Caixa d'Estalvis de Catalunya
- Caja de Ahorros y Monte de Piedad de Madrid
- ING Real Estate Finance SE E.F.C., S.A.
- Deutsche Postbank AG

Colonial and the abovementioned banks signed an agreement on 14 September 2008 to restructure Colonial's debt. Under the terms of the agreement, Colonial undertook to sell up to 33% of SFL's capital and voting rights, representing a maximum of 15,345,429 shares, and to use the proceeds of the sale to repay its debts in proportion to the amounts owed to each bank. After the sale, Colonial would retain a majority interest in SFL, with around 51% of the Company's capital and voting rights.

On 25 November 2008, under the terms of the debt restructuring agreement, Colonial granted(1) 10 of the 11 banks(2) call options on a total of 33% of SFL's shares and voting rights, with each option pro rated to the debt owing to the bank concerned.

2. On 25 November 2008, Colonial granted a call option to Caja de Ahorros y Monte de Piedad de Madrid on 431,296 SFL shares (the "shares under option"), representing 0.93% of the Company's capital and voting rights. The number of shares may be reduced to take into account any shares under option sold prior to the option being exercised. The call was accepted by Caja de Ahorros y Monte de Piedad de Madrid as an option and not an obligation to purchase the shares.

The option is exercisable in a single transaction on all of the shares under option at any time between 11 December 2008 and 10 January 2009. Title to the shares under option must be transferred no later than 10 calendar days after the option has been exercised and Colonial has been notified, which means that the transfer must take place no later than 20 January 2009.

The exercise price was set at €35 per share. The proceeds from the exercise of the options will mainly be used to repay the restructured long-term debt.

The granting of the call options does not end the process already begun by Colonial to sell the interests.

If one of the banks involved in the agreement exercises its call, the debt restructuring agreement stipulates that it will become an independent SFL shareholder and will not act in concert with any other shareholder, its sole purpose being to secure its claim.
If the call is not exercised during the exercise period, it automatically lapses. Colonial may make any decision it deems appropriate regarding the sale of any shares not acquired by exercise of calls.

(1) In exchange for €1 from each of the banks involved.
(2) For three of the banks, the call is exercisable for shares representing less than 0.5% of SFL's capital and therefore does not need to be disclosed under Article L.233-11 of the French Commercial Code.

On 24 December 2008, the AMF was informed that, on 23 December, ING Real Estate Finance SE E.F.C had sold to Calyon SA the call option granted to it by the Spanish company Inmobiliara Colonial SA on 25 November 2008, on 718,827 SFL shares, representing 1.55% of the Company's capital and voting rights(1).
As a result, Calyon replaced ING Real Estate Finance SE E.F.C. in all the rights and obligations under the call option initially granted to ING Real Estate Finance SE E.F.C.

(1) See D&I no. 208C2166 and D&I no. 208C2162 dated 3 December 2008.

On 31 December 2008, the AMF was informed by Crédit Agricole SA that, on 23 December, its subsidiary Calyon SA had purchased from ING Real Estate Finance SE E.F.C. the call option on 718,827 SFL shares(1), representing 1.55% of the Company's capital and voting rights(2), granted to it by Inmobiliara Colonial SA on 25 November.
Calyon SA paid ING Real Estate Finance SE E.F.C. €1,000,000 for the call.
As a result, Calyon replaced ING Real Estate Finance SE E.F.C. in all the rights and obligations under the call option initially granted to ING Real Estate Finance SE E.F.C.
The option is exercisable between 11 December 2008 and 10 January 2009 at a price of €35 per share.
Calyon SA also holds a call option on 3,372,714 SFL shares(3).

(1) See D&I no. 208C2166 dated 3 December 2008 and D&I no. 208C2335 dated 24 December 2008.
(2) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.
(3) See D&I no. 208C2162 dated 3 December 2008, D&I no. 208C2265 dated 16 December 2008 and D&I no. 208C2364 dated 31 December 2008.

5.6 Share performance

SFL shares have been quoted in Compartment A of Eurolist by Euronext since 21 February 2005.
They were previously quoted on the Premier Marché of Euronext Paris as from 25 March 1998 and on the cash settlement market before that (ISIN code: 0000033409).

		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €m)
2007	July	64.80	58.01	331,086	20.764
	August	62.50	52.53	86,896	4.874
	September	60.00	52.55	24,302	1.327
	October	54.97	50.40	38,852	2.028
	November	52.70	45.10	122,275	6.005
	December	51.99	48.00	104,696	5.287
2008	January	50.99	47.00	82,992	4.076
	February	58.50	49.02	164,332	8.768
	March	55.00	52.00	33,403	1.808
	April	59.49	54.10	105,902	5.996
	May	58.80	54.00	23,600	1.334
	June	56.47	51.99	16,432	0.893
	July	52.00	46.52	19,563	0.960
	August	48.50	46.20	10,305	0.486
	September	49.79	38.75	41,983	1.843
	October	43.50	28.60	43,691	1.659
	November	30.00	25.47	26,064	0.754
	December	28.00	25.50	23,394	0.638
2009	January	29.66	24.60	122,438	3.351
	February	26.48	21.50	44,872	1.083
	March	23.00	20.70	45,635	0.988

Source: Euronext

6. Sustainable Development

6.1. Employee-related information

6.1.1 Number of employees

At 31 December 2008, SFL had a total of 90 employees, broken down by category and type of contract as follows:

Category	Men	Women	Total
Managers	28	26	54
Supervisors	4	14	18
Other administrative staff	-	15	15
Total Administrative staff	**32**	**55**	**87**
Caretakers	1	2	3
Building employees	-	-	-
Total Building staff	**1**	**2**	**3**
Total employees	**33**	**57**	**90**
of which:			
Fixed-term contracts	-	-	-
Permanent contracts	33	57	90

Only one person was hired in 2008:

Type of contract	Administrative staff	Building staff	Total
Fixed-term contracts	-	-	-
Permanent contracts	1	-	1
Total	**1**	**-**	**1**

Seven employees left the Company in 2008:

Reason	Administrative staff	Building staff	Total
Resignations	5	-	5
Expiry of fixed-term contracts	-	-	-
Dismissal for personal reasons	-	-	-
Redundancies	-	-	-
Retirement	1	1	2
Total	**6**	**1**	**7**

No layoff plans were implemented by the Group in 2008.

At 31 December 2008, SFL had a total of 90 employees, all on permanent contracts, compared with 96 employees at 31 December 2007.

The Company also uses the services of three agency employees for reception work and IT maintenance.

6.1.2 Working hours and employee absence

Total working hours for employees covered by the National Collective Bargaining Agreement for the Property Industry are calculated on an annual basis in accordance with the applicable law and regulations. These employees are granted time off in lieu for hours worked in excess of a thirty-five hour week (calculated on an annual basis) in addition to their holiday entitlements provided for by law and by the collective bargaining agreement, in accordance with the terms and conditions of the company-level agreement dated 1 July 1999 and subsequent addenda.
Employees covered by the National Collective Bargaining Agreement for Site staff, Caretakers and Building employees (Category A) are subject to the standard provisions relating to working hours contained in the law and the collective bargaining agreement.

Breakdown of full-time and part-time administrative staff by gender at 31 December 2008:

	Women	Men	Total
Full-time	46	31	77
Part-time	9	1	10

Breakdown of employee absences in 2008:

Reason	Number of working days
Illness	809.00
Maternity leave	161.00
Occupational and commuting accidents	33.00
Leave to take care of sick children	34.00
Other family reasons	11.00

6.1.3 Remuneration, benefits and gender equality

Remuneration payable to Group employees is calculated as part of the annual budget process and negotiations that take place each year. All Group employees receive a fixed monthly salary and an annual bonus based on individual targets.

The agreement signed on 12 December 2007 concerning effective salaries, effective working hours and the organisation of working time set general and individual salary increases at 1.80% and 2.20% respectively as from 1 January 2008.

The same agreement raised the maximum amount of top-up payments on voluntary contributions to the PERCO employee savings scheme (Plan d'Epargne Retraite Collectif) from €2,400 to €2,880. In 2008, voluntary contributions paid into the scheme amounted to €196,320, representing an increase of 25% over 2007.
Statutory and discretionary profit-sharing respectively totalled €167,705 and €1,019,427 in 2008, representing nearly 14% of the total payroll for the reference year for which these amounts were distributed.
Employees can invest their statutory and discretionary profit-sharing and voluntary contributions in one of the five company investment funds offered within the PEE and/or PERCO savings schemes: two equity funds, a fund that invests in SFL shares, a diversified fund and a money market fund.

As well as the employee savings schemes in force within the Group (PEE, PERCO, statutory and discretionary profit-sharing), during the year employees were provided with service vouchers (Chèques Emploi Service Universel) free of charge, which were financed jointly by SFL and the Works Council.

Total Group payroll for the year ended 31 December 2008 amounted to €6,752,359.

Social security and other employee benefit contributions break down as follows:

– URSSAF (general social security contributions)	€2,843,752
– ASSEDIC (unemployment benefit contributions)	€340,299
– Supplementary pension contributions	€1,179,043
– Healthcare and death/disability insurance contributions	€294,886

The SFL Group is committed to promoting gender equality.
Operating managers in particular are reminded each year about the importance of applying the principle of equal pay when they award the pay rises agreed during annual pay rounds.

The signatories to the agreement dated 12 December 2007 noted that the principle of gender equality is applied to hiring, training and promotion.

6.1.4 Collective agreements

—

In addition to the Collective Bargaining Agreements relating to Site staff, Caretakers and Building employees, SFL Group employees are covered by the general provisions of the following collective agreements:
– Company-level agreement dated 1 July 1999 – administrative category under the Collective Bargaining Agreement for the Property Industry.
– Addendum no. 1 dated 17 December 1999 to the company-level agreement of 1 July 1999.
– Addendum no. 2 dated 16 October 2000 to the company-level agreement of 1 July 1999.
– Addendum no. 3 dated 15 December 2003 to the company-level agreement of 1 July 1999.
– Addendum no. 4 dated 21 December 2005 to the company-level agreement of 1 July 1999.
– Addendum no. 5 dated 21 December 2005 to the company-level agreement of 1 July 1999.
– Addendum no. 6 dated 26 September 2006 to the company-level agreement of 1 July 1999.
– Addendum no. 7 dated 26 June 2008 to the company-level agreement of 1 July 1999.
– SFL Group Statutory Profit-Sharing Agreement of 20 June 2002 and addenda dated 5 April 2003, 13 April 2005, 27 September 2005 and 2 April 2007.
– SFL Group Discretionary Profit-Sharing Agreement of 26 June 2008.
– SFL Group PEE Employee Sharesave Plan of 30 September 2002 and addenda dated 21 September 2004, 29 November 2004 and 2 April 2007.
– SFL Group Pensions Savings Plan (PERCO) of 31 January 2005 and addenda dated 21 December 2006, 2 April 2007 and 12 December 2007.
– Record of dissenting views following annual negotiations on effective salaries, effective working hours and the organisation of working time dated 19 December 2008.

6.1.5 Health and Safety

—

The two-member Health, Safety and Working Conditions Committee contributes to improving employee health and safety and working conditions.
In 2008, the committee helped to implement an analysis of air quality in the Company’s offices, which was found to be satisfactory.

In addition, specific employee safety training is organised each year with the help of risk engineering company Apave on such matters as fire safety and evacuation drills.

6.1.6 Training

—

We continued to implement an active training policy in 2008, investing the equivalent of more than 4% of the total payroll.
Close to 3,400 hours of training were given to 82 employees, in subjects including property management, accounting, IT, business management and languages.

6.1.7 Disabled workers

—

As part of our policy of supporting measures to help the disabled to find work, each year, we allocate a significant proportion of the amount payable under the apprenticeship tax scheme to ADAPT, a not-for-profit organisation working in this area. In 2008, our contribution amounted to €8,073.
The SFL Group contributed €13,233 to Association de Gestion du Fonds pour l’Insertion Professionnelle des Travailleurs Handicapés (AGEFIPH) in fulfilment of its obligations concerning the employment of disabled workers.

6.1.8 Company welfare schemes

—

In addition to financing the Works Council’s operating budget, we allocate 1.20% of the total payroll each year to financing social and cultural activities for employees. In 2008, total Works Council funding amounted to €118,933.

6.2. Environmental Information

Environmental expenditure

—

See the table on page 27 of the Annual Report.

7. Appendices

Appendix 7.1
Special report to the Annual General Meeting of 15 June 2009 on stock options (drawn up in accordance with Article L. 225-184 of the French Commercial Code)

In compliance with Article L. 225-184 of the French Commercial Code we hereby report to you on stock options granted and exercised during the year ended 31 December 2008.

1 - Stock options granted and exercised during the year and information on stock options granted to executive directors

Four stock option plans were outstanding at 31 December 2008. These plans were set up under the authorisations given at the Extraordinary General Meetings of 17 October 1997 (6 April 2000 and 21 March 2002 plans), 16 May 2002 (25 April 2003 plan) and 21 April 2005 (13 March 2007 plan).

Date of shareholder authorisation	17/10/1997	17/10/1997	16/05/2002	21/04/2005
Grant date	06/04/2000	21/03/2002	25/04/2003	13/03/2007
Number of shares under options o/w number exercisable by:	280,952	309,000	346,000	273,000
- executive directors in office at grant date	85,340	165,000	165,000	79,000
- executive directors in office at 31 December 2008		100,000	100,000	69,000
Yves MANSION	-	100,000	100,000	44,000
Nicolas REYNAUD	-	-	-	25,000
Starting date of exercise period	06/04/2005	21/03/2002	25/04/2003	13/03/2007
Expiry date	05/04/2010	20/03/2012	24/04/2013	12/03/2015
Exercise price (in €)	27.59	27.78	26.41	62.60
Exercise periods (plans comprising several tranches)	-	-	-	-
Number of options exercised at 31 December 2008	227,131	306,000	311,000	0
Number of options cancelled or forfeited at 31 December 2008	27,148	0	0	15,000
Number of options outstanding at 31 December 2008	26,673	3,000	35,000	258,000

2 - Information concerning the ten employees other than executive directors who received the greatest number of options in 2008

	Number of options granted/exercised	Weighted average price	Plan
Stock options granted in 2008 to the ten employees other than executive directors who received the greatest number of options	None		
Stock options exercised in 2008 by the ten employees other than executive directors who exercised the greatest number of options	None		

The Board of Directors

Appendix 7.2
Board of Directors’ special report on share grants

To the shareholders,

In compliance with the first paragraph of Article L. 225-197-4 of the French Commercial Code, we hereby report that in 2008 no share grants were made to employees or officers of SFL. Pursuant to said Article, employees or officers who hold over 10% of the Company’s capital are not eligible for any such grants, and no grants may be made that would have the effect of raising any interest held in the Company by an employee or officer to above 10% of the capital.

The Board of Directors

Appendix 7.3

FIVE-YEAR FINANCIAL SUMMARY

(in €)

	2008	2007	2006	2005	2004
I. Capital at 31 December					
Share capital	93,004,602	93,004,602	86,151,904	86,127,576	85,974,374
Number of ordinary shares outstanding	46,502,301	46,502,301	43,075,952	43,063,788	42,987,187
Par value	2.00	2.00	2.00	2.00	2.00
Number of potential ordinary shares to be issued:					
- On conversion of convertible bonds	-	-	-	-	7,935
- On exercise of warrants	-	-	-	-	-
II. Results of operation					
Net revenue	128,851,442	123,879,444	118,470,330	121,799,332	135,487,018
Profit before tax, depreciation, amortisation and provisions	70,160,958	121,840,846	120,515,903	92,700,375	47,531,707
Income tax expense	9,249,487	263,017	(1,427,250)	6,665,204	186,173
Net profit (loss)	(3,141,109)	100,843,567	87,499,459	49,960,563	62,097,458
Total dividends	88,354,372	148,807,363	148,804,163	90,433,955	88,123,733
III. Earnings per share					
Earnings/(loss) per share after tax, before depreciation, amortisation and provisions	1.31	2.61	2.83	2.00	1.10
Net earnings (loss) per share	(0.07)	2.17	2.03	1.16	1.44
Net dividend per share	1.90	3.20	3.20	2.10	2.05
IV. Employee data					
Number of employees at year-end	73	76	76	65	49
Including building employees	3	4	4	11	5
Total payroll	6,443,873	7,669,244	7,941,466	5,178,661	5,563,184
Total benefits	3,304,790	3,149,109	3,927,593	2,191,720	1,563,631

Appendix 7.4
Financial authorisations

In accordance with Article L. 225-100 of the French Commercial Code, the table below provides a summary of the financial authorisations in force in 2008 that have been granted to the Board of Directors by shareholders concerning capital increases pursuant to Articles L. 225-129-1 and L. 225-129-2 of said Code. The table also provides information on the use of these authorisations during the year.

Date of AGM	Type of authorisation	Used/Unused in 2008	Duration of authorisation
9 May 2007	To issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders	Unused	26 months
9 May 2007	To issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders	Unused	26 months
9 May 2007	To issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company	Unused	26 months
9 May 2007	To issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company	Unused	26 months
9 May 2007	To issue securities with rights to debt securities	Unused	26 months
9 May 2007	To increase the Company's capital by capitalising reserves, profits or share premiums	Unused	26 months
9 May 2007	To issue shares to employees who are members of a Sharesave Plan	Unused	26 months
23 May 2008	To issue equity warrant bonds, without pre-emptive subscription rights	Unused	18 months

Appendix 7.5
Report on corporate governance and internal control

In accordance with Articles L.225-37 and L.225-68 of the French Commercial Code (Code de Commerce), we present below our report on practices of the Board of Directors and on internal control and risk management procedures, as well as on the restrictions on the Chief Executive Officer's powers decided by the Board.
The report was approved by the Board of Directors on 20 April 2009.

1. Corporate governance

1.1. Board practices

1.1.1 Organisation of the Board of Directors

COMPOSITION OF THE BOARD OF DIRECTORS

SFL's Board of Directors has 15 members, including eight representing the majority shareholder Colonial, two (Jean-Jacques Duchamp of Prédica and Reig Capital Group, Luxembourg, represented by Jose Caireta Riera) representing significant minority shareholders, four independent directors (Yves Defline, Tony Wyand, Jean Arvis and Jacques Calvet) and one executive director (Yves Mansion, the Chairman and Chief Executive Officer).

Directors are elected for a three-year term, except for candidates who are aged 70 or over on the date of their election or re-election, whose term is limited to one year.
The number of directors aged over 70 may not represent more than one third of the members of the Board.
The Chairman is required to retire from this function at the close of the Annual General Meeting called to approve the financial statements for the year of his 65th birthday.

The directors representing majority shareholder Colonial changed several times during the year.

Board of Directors from 1 January 2008 to 5 February 2008	Term expires at the Annual General Meeting called to approve the financial statements for:
Luis Manuel PORTILLO MUÑOZ Chairman of the Board	2008
Yves MANSION Director, Chief Executive Officer	2007
Jean ARVIS Director	2007
Jacques CALVET Non-voting director	Board of Directors meeting following the 2008 AGM
Yves DEFLINE Director	2007
Jean-Jacques DUCHAMP Director	2009
Mariano MIGUEL VELASCO Director	2009
Francisco José MOLINA CALLE Director	2007
Luis Emilio NOZALEDA ARENAS Director	2007
Diego PRADO PEREZ-SEOANE Director	2007
Maria Jesús VALERO PEREZ Director	2007
Anthony WYAND Director	2009
José Ramon CARABANTE DE LA PLAZA Director	2009
Domingo DIAZ DE MERA Director	2009
Aurelio GONZALEZ VILLAREJO Director	2009
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2009

Board of Directors from 5 February 2008 to 23 May 2008	Term expires at the Annual General Meeting called to approve the financial statements for:
Mariano MIGUEL VELASCO (1) Chairman of the Board	2009
Yves MANSION Director, Chief Executive Officer	2007
Jean ARVIS Director	2007
Jacques CALVET Non-voting director	Board of Directors meeting following the 2008 AGM
Yves DEFLINE Director	2007
Jean-Jacques DUCHAMP Director	2009
Francisco José MOLINA CALLE Director	2007
Pedro RUIZ LABOURDETTE (2) Director	2007
Julian ZAMORA SAIZ (3) Director	2007
Antonio LOPEZ CORRAL (4) Director	2009
Anthony WYAND Director	2009
Enrique MONTERO GOMEZ (5) Director	2008
Josep Manuel BASANEZ VILLALUENGA (6) Director	2009
Juan RAMIREZ BALTUILLE (7) Director	2007
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2009

(1) Appointed to replace Luis Manuel Portillo Muñoz
(2) Appointed to replace Diego Prado Pérez-Seaone
(3) Appointed to replace Luis Emilio Nozaleda Arenas
(4) Appointed to replace Domingo Díaz de Mera
(5) Appointed to replace Luis Manuel Portillo Muñoz
(6) Appointed to replace José Ramón Carabante de la Plaza
(7) Appointed to replace Maria Jesús Valero Perez

Board of Directors from 23 May 2008 to 23 July 2008	Term expires at the Annual General Meeting called to approve the financial statements for:
Mariano MIGUEL VELASCO Chairman of the Board	2009
Yves MANSION Director, Chief Executive Officer	2010
Jean ARVIS Director	2008
Jacques CALVET Director	2008
Yves DEFLINE Director	2008
Jean-Jacques DUCHAMP Director	2009
Manuel Fernando MENENDEZ LOPEZ (8) Director	2010
Pedro RUIZ LABOURDETTE Director	2010
Julian ZAMORA SAIZ Director	2010
Antonio LOPEZ CORRAL Director	2009
Anthony WYAND Director	2009
Francisco José ZAMORANO GOMEZ (9) Director	2008
Josep Manuel BASANEZ VILLALUENGA Director	2009
José Maria SAGARDOY LLONIS (10) Director	2010
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2009

(8) Appointed to replace Francisco José Molina Calle
(9) Appointed to replace Enrique Montero Gómez
(10) Appointed to replace Juan Ramirez Baltuille

Board of Directors from 23 July 2008 to 31 December 2008	**Term expires at the Annual General Meeting called to approve the financial statements for:**
Yves MANSION (11) Chairman and Chief Executive Officer	2010
Jean ARVIS Director	2008
Juan José BRUGERA CLAVERO (12) Director	2009
Jacques CALVET Director	2008
Yves DEFLINE Director	2008
Jean-Jacques DUCHAMP Director	2009
Manuel Fernando MENENDEZ LOPEZ Director	2010
Pedro RUIZ LABOURDETTE Director	2010
Julian ZAMORA SAIZ Director	2010
Pere VIÑOLAS SERRA (13) Director	2009
Anthony WYAND Director	2009
Francisco José ZAMORANO GOMEZ Director	2008
Carlos FERNANDEZ-LERGA GARRALDA (14) Director	2009
José Maria SAGARDOY LLONIS Director	2010
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2009

(11) Positions of Chairman and Chief Executive Officer Combined
(12) Appointed to replace Josep Manuel Basañez Villaluenga
(13) Appointed to replace Mariano Miguel Velasco
(14) Appointed to replace Antonio López Corral

General information about the directors

Yves Mansion, 58, joined SFL in 2002 as Chairman and Chief Executive Officer. He has over 30 years' experience in financial and property management. He began his career with the French Treasury Department, as Inspecteur des Finances (1977-1981) before becoming assistant to the Budget Minister (1981-1984) in charge of the transportation, industry and international trade budgets, and then deputy head of the French Treasury Department's Inspection Générale des Finances unit. He then joined Finance Minister Pierre Beregovoy's team as Technical Advisor on the budget and finance acts (1984-1986) and later became the Minister's deputy Principal Private Secretary (1988-1989).
In 1989, he moved to Assurances Générales de France (AGF) as Deputy Managing Director, becoming Managing Director in 1990, a position he held until 2001. He has been a member of the Board of the French securities regulator AMF since 2003.

Jean Arvis, 73, is an independent director with over 40 years' experience in insurance. He spent the early years of his career, from 1963 to 1968, with Soleil Aigle Assurance, first as an insurance inspector and later as Company Secretary. He then joined GAN, where he also occupied the position of Company Secretary before being appointed Chief Executive Officer. In 1986, he moved to Groupe Victoire as Chief Executive Officer, becoming Chairman and Chief Executive Officer in 1989. After leaving the company in 1992 he held the positions of Advisor to the Chairman at Suez from 1992 to 1995, Special Advisor at AIG from 1993 to 1997 and Chairman of the Board at Monceau Assurances from 1993 to 2000. He then joined Fédération Française des Sociétés d'Assurance from 1991 to 1998, first as Vice-Chairman and later as Chairman. He has also sat on the Board of Directors of several companies, both in France and abroad.

Juan José Brugera Clavero, 62, began his career in 1967 as a teacher at the Terrassa and La Salle engineering schools, before joining Inter Grundig as an engineer in 1968. He moved to Banco Atlantico in 1971, where he worked in sales and logistics until 1975. He also taught economics (1972-1975) and bank management (1975-1988) at the ESADE business school, and was appointed honorary Vice-Chairman of the school's Foundation in 1989 and Chairman in 1999, a position he held until 2005. From 1975 to 1987, he occupied various positions at Banco Sabadell. He joined Sindibank as Chief Executive Officer in 1987 and occupied the same position at Colonial from 1994 to 2006 and at Mutua Madrilena from 2006 to 2007. He was also a director at SFL from 2004 to 2006. He has been the Chairman of Panrico since 2007 and Chairman of Colonial since 2008.

Jacques Calvet, 77, is an independent director. He began his career in the Auditor General's department (1957-1959) before occupying various positions in the French Ministry of Finance, including, from 1970 to 1974, Principal Private Secretary to the Minister, Valéry Giscard d'Estaing. He joined BNP in 1974 as Deputy Managing Director, becoming Managing Director in 1976 and then Chairman from 1979 to 1982. He has been an Honorary Chairman of BNP Paribas since 1997. He has also occupied various management positions within the Peugeot group, including Chairman of Peugeot S.A. (1982-1984), Chairman of the Supervisory Board of Peugeot S.A. (1984-1997), Chairman of Automobiles Peugeot (1990-1997) and Chairman of Automobiles Citroën (1983-1997).

Yves Defline, 73, is an independent director with over 40 years' experience in the property sector. He began his career as Branch Manager at BTP Banque (1965-1971) before occupying managerial positions in various property companies, including Compagnie des Investissements pour le Développement de la Construction (1971-1976), Société d'Économie Mixte de Gien, Biarritz, Saint Jean de Luz et du District de Montargis (1976-1982) and Immobilière Construction de Paris (ICP) (1976-1986). From 1976 to 1990, he was Chairman and Chief Executive Officer of Société d'Économie Mixte de la Ville du Mans. He joined SFL in 1987, first as Chief Executive Officer (1987-1997) and then as Chairman and Chief Executive Officer (1997-2000). He has been an Honorary Chairman of SFL since 2002.

Jean-Jacques Duchamp, 54, began his career in 1979 as an engineer. After working on various hydraulic engineering projects, he joined the World Bank, where he was involved in financing international projects. He moved to Crédit Agricole as Inspector General in 1985, before becoming a member of the Bank's Finance Department in 1991. He was appointed Chief Financial Officer of Prédica in 2001 and has been a member of the Prédica Executive Committee since 2004.

Carlos Fernandez-Lerga Garralda, 59, is a lawyer specialized in civil and corporate law. He is also the Secretary General of the Spanish authors' association SGAE. He began his career as Advisor to the Spanish Minister and the Secretary of State for the European Union (1978-1983) before joining the Spanish-American banking group Asesoramiento Comunitario SA as Chief Executive Officer. He is a member of the Board of Directors of Colonial and several other companies.

Manuel Fernando Menendez Lopez, 55, began his career as an auditor at Arthur Anderson (1975-1986). He was appointed Chief Executive Officer of Asesores Bursatiles in 1986 and moved to Deutsch Bank in 1991, where he occupied various executive positions including Chairman and Chief Executive Officer of DB Securities SVB and member of the Executive Committee of Deutsch Bank SAE and Deutsch Morgan Grenfell Europe. In 1997, he joined the Invercaixa group as Chairman of Invercaixa Valores SV and Invercaixa Holding. From 2005 to 2008, he was a member of the Board of Directors of the Madrid Stock Exchange. He has been the Managing Director of La Caixa's investment banking division since 2005 and is also a director at Colonial.

Pedro Ruiz Labourdette, 36, began his career as head of finance and administration at Estudio Labourdette SL (1994-1997) before joining AH Auditores as an auditor in 1998. In 2000, he joined the Nozar group, first as head of the Finance Department and later as Finance Director of Nozar SA. He has been the Finance Director for the Nozar group since May 2005 and is also a director at Colonial..

José Maria Sagardoy Llonis, 40, began his career as a tax consultant at Arthur Andersen (1993-1995). He then worked for Deutsche Bank as a share market analyst (1995-1998) and for Banco Bilbao Vizcaya as Loan Syndication Manager (1998-2007). He has been the Manager of Corporate Banking at Banco Popular and Chief Executive Officer of Popular de Participaciones Financieras since 2007. He is also a member of the Board of Directors of Colonial.

Pere Viñolas Serra, 46, has over 20 years' experience in financial markets. He began his career at the Barcelona Stock Exchange, where he occupied the positions of Head of the Research Department, Finance Director and finally Managing Director. He has also been a member of the Supervisory Board of the Spanish derivatives markets. He is now a professor at the ESADE business school and Chief Executive Officer of Colonial.

Anthony Wyand, 65, is an honorary Chairman and an independent director of SFL. He has occupied various positions throughout his career, including Executive Director of Commercial Union Plc (1987-1998), Deputy Chief Executive of CGU Plc (1998-2001) and Executive Director of Aviva Plc (2001-2003).

Julian Zamora Saiz, 41, has held managerial positions in the finance departments of various property companies for more than 16 years, including Finance Director at Promociones Gonzales. He is a member of the Board of Directors of Colonial.

Francisco José Zamorano Gomez, 43, began his career with the Bank of Spain, first as a technical supervisor (1989-1990) and later as an inspector (1991-1996). In 1996, he joined Caixa Galicia as Technical Director and was appointed Finance Director in 2003. Since 2006, he has been Assistant Manager in charge of risks at Caixa Galicia and a member of the Board of Directors of Colonial.

REIG Capital Group Luxembourg SARL represented by José Caireta Riera. José Caireta Riera, 37, began his career at Assistant Manager at Warburg Dillon Read (1998-2000) and held the position of Vice President at JP Morgan Securities Ltd between 2000 and 2005. He is now the Chief Executive Officer of Reig Capital Group.

Independent directors

The Board determines whether Directors are independent based on the definition contained in the European Commission's recommendation of 15 February 2005, as follows:
"A director should be considered to be independent only if he is free of any business, family or other relationship, with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement."

SFL's independent directors fulfil the following criteria, as provided for in the AFEP-MEDEF report on corporate governance:

- None are employees or corporate officers of the Company or of a member of the SFL consolidated group;
- None are corporate officers of a company of which SFL is also a director, either directly or indirectly;
- None have any close family ties with any of the corporate officers of the Company;
- None worked on the audit of the Company's accounts in the five years preceding their election to the Board.

The following criteria are not applied by SFL:
- Limit on the number of years as director of the Company;
- Term as director.

The four independent directors are:
- Yves Defline
- Tony Wyand
- Jacques Calvet
- Jean Arvis

Directorships and other positions held by the members of the Board

* Directorships not taken into account to determine compliance with Articles L225-1 and 225-77 of the French Commercial Code on multiple directorships.

Yves Mansion

Chairman and Chief Executive Officer of SFL
First elected in 2002
Current term expires in 2011
Work address: 151 rue Saint Honoré, 75001 Paris, France.

Directorships and other positions at 31 December 2008
• Société Foncière Lyonnaise, Chairman and Chief Executive Officer
• Legal Manager of SCI Paul Cézanne*
• Legal Manager of SCI Washington*
• Legal Manager of SCI de la Sorbonne*
• Member of the Board of the Autorité des Marchés Financiers (AMF)* and Chairman of the Issuers Advisory Committee.
• Member of the Supervisory Board and Audit Committee of Euler Hermes, S.A.
• Chairman of Mansion, SAS*
• Member of the Board of Directors and Audit Committee of Aviva

Directorships and other positions held at 31 December in prior years:
2007
• Société Foncière Lyonnaise, Director and Chief Executive Officer
• Legal Manager of SCI Paul Cézanne
• Legal Manager of SCI Washington
• Legal Manager of SCI de la Sorbonne
• Member of the Board of the Autorité des Marchés Financiers (AMF)
• Member of the Supervisory Board and Audit Committee of Euler Hermes, S.A.
• Chairman of Mansion, SAS

2006
• Société Foncière Lyonnaise, Director and Chief Executive Officer

• Legal Manager of SCI Paul Cézanne
• Legal Manager of SCI Washington
• Legal Manager of SCI de la Sorbonne
• Member of the Board of the Autorité des Marchés Financiers (AMF)
• Member of the Supervisory Board and Audit Committee of Euler Hermes, S.A.
• Director and member of the Audit Committee of Alcan (Canada)

2005
• Société Foncière Lyonnaise, Chairman and Chief Executive Officer
• Legal Manager of SCI Paul Cézanne
• Legal Manager of SCI Washington
• Legal Manager of SCI de la Sorbonne
• Member of the Board of the Autorité des Marchés Financiers (AMF)
• Member of the Supervisory Board and Audit Committee of Euler Hermes, S.A.
• Director and member of the Audit Committee of Alcan (Canada)

2004
• Société Foncière Lyonnaise, Chairman and Chief Executive Officer
• Member of the Board of the Autorité des Marchés Financiers (AMF)
• Member of the Supervisory Board and Audit Committee of Euler Hermes, S.A.
• Director and member of the Audit Committee of Alcan (Canada)

Jean ARVIS

Director of SFL
First elected in 1987
Current term expires in 2009
Work address: 151, rue Saint-Honoré, 75001 Paris, France

Directorships and other positions at 31 December 2008:
In France
• Director of Société Foncière Lyonnaise
• Director of Adyal
• Director of IMI
• Non-voting director, Compagnie Financière Saint-Honoré (CFSH Rothschild)*
• (Non-executive) Chairman of Groupement Français de Cautions (GFC)*

Outside France*
• Director of SCOR US, SCOR Canada, Wafa (Morocco)
• Chairman of Atlas Finances Conseil (Morocco), Massinissa (Morocco) and Alma Capital Europe (Luxembourg)
• Director of AXA Sun Life Monitoring Board (UK)

Directorships and other positions held at 31 December in prior years:
2007
• Director of Société Foncière Lyonnaise
• Director of Adyal
• Director of IMI
• Non-voting director of Compagnie Financière Saint-Honoré (CFSH Rothschild)
• Chairman of Atlas Finances Conseil (Morocco)
• Director of Wafa (Morocco)
• Director of SCOR US
• Director of SCOR Canada
• Director of AXA Sun Life Monitoring Board (UK)
• Chairman of Alma Capital Europe (Luxembourg)
• Legal Manager of Azbenar (Morocco)

2006
• Director of Société Foncière Lyonnaise
• Director of IMI
• Director of Adyal
• Non-voting director of CFSH Rothschild
• Non-voting director of GIMAR
• Chairman of Atlas Finances Conseil (Morocco)
• Director of Wafa (Morocco)
• Director of SCOR US
• Director of SCOR Canada
• Director of AXA Sun Life Monitoring Board (UK)
• Chairman of Alma Capital Europe (Luxembourg)
• Legal Manager of Azbenar (Morocco)

2005
• Director of Société Foncière Lyonnaise
• Director of Adyal
• Chairman of the Supervisory Board of Groupe Vendôme Rome
• Chairman of Atlas Finances Conseil (Morocco)
• Director of Wafa (Morocco)
• Director of SCOR US
• Director of SCOR Canada
• Director of AXA Sun Life Monitoring Board (UK)
• Chairman of Alma Capital Europe (Luxembourg)
• Legal Manager of Azbenar (Morocco)

2004
• Director of Société Foncière Lyonnaise
• Director of Adyal
• Chairman of the Supervisory Board of Groupe Vendôme Rome
• Chairman of Atlas Finances Conseil (Morocco)
• Director of Wafa (Morocco)
• Director of SCOR US
• Director of SCOR Canada
• Director of AXA Sun Life Monitoring Board (UK)
• Chairman of Alma Capital Europe (Luxembourg)
• Legal Manager of Azbenar (Morocco)

Juan José BRUGERA CLAVERO

Director of SFL
First elected in 2008
Current terms expires in 2010
Work address: C. Montseny 4. Bellaterra, Cerdanyola del Vallès, Barcelona, Spain

Directorships and other positions held at 31 December 2008:
In France:
• Director of SFL

Outside France (Spain)*:
• Director and Chairman, Inmobiliaria Colonial
• Chairman of Panrico
• Director of Creapolis, S.L.

Directorships and other positions held at 31 December in prior years:
2007
• Chief Executive Officer of Mutua Madrileña (Spain)
• Chairman of Panrico (Spain)
• Director of Creapolis S.L. (Spain)

2006
• Chief Executive Officer of Colonial (Spain)
• Chief Executive Officer of Mutua Madrileña (Spain)

2005
• Director of Société Foncière Lyonnaise
• Chief Executive Officer of Colonial (Spain)
• Director of MAPFRE (Spain)

2004
• Director of Société Foncière Lyonnaise
• Chief Executive Officer of Colonial (Spain)
• Chairman of ESADE (Spain)
• Director of MAPFRE (Spain), Regional Council

Jacques CALVET
Director of SFL
First elected in 2008
Current term expires in 2009
Work address: 151, rue Saint-Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2008:
In France:
• Director of SFL S.A.
• Chairman of the Supervisory Board of Bazar de l'Hôtel de Ville (BHV)*
• Vice-Chairman of the Supervisory Board of Galeries Lafayette S.A.
• Non-voting director of EPI – Société Européenne de Participations Industrielles*
• Director of Cottin Frères
• Non-voting director of Agence H (formerly Scherlafarge)*
• Honorary Chairman of Banque Nationale de Paris (BNP)*
• Director of Icade S.A.
• Adviser to Banque de France*
• Honorary adviser to the Cour des Comptes (French National Audit Office)*

Directorships and other positions held at 31 December in prior years:
2007
• Non-voting director of Société Foncière Lyonnaise
• Chairman of the Supervisory Board of Bazar de l'Hôtel de Ville (BHV)
• Vice-Chairman of the Supervisory Board of Galeries Lafayette S.A.
• Director of Icade, S.A. (formerly Société Foncière des Pimons Icade, S.A)
• Honorary Chairman of Banque Nationale de Paris (BNP)
• Adviser to Banque de France
• Honorary adviser to the Cour des Comptes (French National Audit Office)
• Non-voting director of EPI
• Non-voting director of Cottin Frères
• Non-voting director of Agence H (formerly Scherlafarge)

2006
• Non-voting director of Société Foncière Lyonnaise
• Non-voting director of EPI
• Non-voting director of Cottin Frères
• Non-voting director of Scherlafarge
• Chairman of the Supervisory Board of Bazar de l'Hôtel de Ville (BHV)
• Vice-Chairman of the Supervisory Board of Galeries Lafayette S.A.
• Director of Novarte SAS
• Director of Société Foncière des Pimons Icade, S.A.
• Honorary Chairman of Banque Nationale de Paris (BNP)
• Adviser to Banque de France

2005
• Non-voting director of Société Foncière Lyonnaise
• Non-voting director of EPI
• Non-voting director of Cottin Frères
• Non-voting director of Enjoy
• Chairman of the Supervisory Board of Bazar de l'Hôtel de Ville (BHV)
• Vice-Chairman of the Supervisory Board of Galeries Lafayette S.A.
• Director of Novarte SAS
• Director of Société Foncière des Pimons Icade, S.A.
• Honorary Chairman of Banque Nationale de Paris (BNP)
• Adviser to Banque de France

2004
• Non-voting director of Société Foncière Lyonnaise
• Chairman of the Supervisory Board of Bazar de l'Hôtel de Ville (BHV)
• Vice-Chairman of the Supervisory Board of Galeries Lafayette S.A.
• Director of Novarte SAS
• Member of the Supervisory Board of AXA

Yves DEFLINE
Director of SFL
First elected in 1994
Current term expires in 2009
Work address: 151, rue Saint-Honoré, 75001 Paris (France)

Directorships and other positions held at 31 December 2008:
• Director and Honorary Chairman of Société Foncière Lyonnaise

Directorships and other positions held at 31 December in prior years:

2007
• Director and Honorary Chairman of Société Foncière Lyonnaise

2006
• Director and Honorary Chairman of Société Foncière Lyonnaise

2005
• Director and Honorary Chairman of Société Foncière Lyonnaise

2004
• Director and Honorary Chairman of Société Foncière Lyonnaise

Jean-Jacques DUCHAMP
Director of SFL
First elected in 2004
Current term expires in 2010
Work address: 50/56, rue de la Procession, 75015 Paris, France

Directorships and other positions held at 31 December 2008:
• Director of Société Foncière Lyonnaise
• Member of the Prédica Financial Services Executive Committee*
• Director of Sanef
• Director of CAIM (Crédit Agricole Immobilier)
• Director of Previseo Obsèques S.A.
• Director of Unimo S.A.
• Member of the Supervisory Board of Groupe Batipart: Korian (nursing home group)
• Director of Gecina
• Director of CPR Asset Management S.A.

Directorships and other positions held at 31 December in prior years:

2007
• Director of Société Foncière Lyonnaise
• Member of the Prédica Financial Services Executive Committee
• Director of Sanef
• Director of CAIM (Crédit Agricole Immobilier)
• Director of Groupe Batipart: Suren (nursing home group) – Medidep – Foncière des Régions

2006
• Director of Société Foncière Lyonnaise
• Member of the Prédica Financial Services Executive Committee
• Director of Sanef
• Director of CAIM (Crédit Agricole Immobilier)
Director of Groupe Batipart: Suren (nursing home group) – Medidep – Foncière des Régions

2005
• Director of Société Foncière Lyonnaise
• Director of Gefer
• Director of Suren
• Chairman of B. Immobilier, S.A.
• Member of the Prédica Financial Services Executive Committee
• Chairman of Holding Gondomar 2, S.A.S.
• Vice-Chairman of the Supervisory Board of Unipierre Assurance, SCPI
• Representative of Prédica at the Annual General Meetings of SCI Segur and SCI Segur 2

2004
• Director of Société Foncière Lyonnaise
• Director of Gefer
• Director of Suren
• Chairman of B. Immobilier, S.A.
• Member of the Prédica Financial Services Executive Committee
• Chairman of Holding Gondomar 2, S.A.S.
• Vice-Chairman of the Supervisory Board of Unipierre Assurance, SCPI

Manuel Fernando MENENDEZ LOPEZ
Director of SFL
First elected in 2008
Current term expires in 2011
Work address: Paseo de la Castellana 51 P3, 28046 Madrid, Spain

Directorships and other positions held at 31 December 2008:
In France:
• Director of SFL S.A.

Outside France (Spain)*:
• Director of Inmobiliaria Colonial
• Director of FCC
• Assistant Managing Director of La Caixa

Directorships and other positions held at 31 December in prior years:

2007
• Member of the Board of Directors of the governing body of the Madrid Stock Exchange (Spain)
• Assistant Managing Director of La Caixa (Spain)

2006
• Member of the Board of Directors of the governing body of the Madrid Stock Exchange (Spain)
• Assistant Managing Director of La Caixa (Spain)

2005
• Member of the Board of Directors of the governing body of the Madrid Stock Exchange (Spain)
• Assistant Managing Director of La Caixa (Spain)
• Chairman of Invercaixa Valores, S.V. (Spain)
• Chairman of Invercaixa Holding (Spain)

2004
• Chairman of Invercaixa Valores, S.V. (Spain)
• Chairman of Invercaixa Holding (Spain)

Pedro RUIZ LABOURDETTE

Director of SFL
First elected in 2008
Current term expires in 2011
Work address: Paseo Reina Cristina 19, 28046 Madrid, Spain

Directorships and other positions held at 31 December 2008:
In France:
- Director of SFL S.A.

Outside France (Spain)*:
- Director of Inmobiliaria Colonial
- Director of Desarrolos Urbanisticos Ribarroja S.A.

Directorships and other positions held at 31 December in prior years:

2007
- Director of Desarrolos Urbanisticos Ribarroja S.A. (Spain)

2006
- Director of Desarrolos Urbanisticos Ribarroja S.A. (Spain)

Julian ZAMORA SAIZ

Director of SFL
First elected in 2008
Current term expires in 2011
Work address: Calle Fermin Caballero 233 A, Cuenca, Spain

Directorships and other positions held at 31 December 2008:
In France:
- Director of SFL S.A.

Outside France (Spain)*:
- Director of Inmobiliaria Colonial
- Director of Jacobriz, S.L.
- Director of Energías Renovables AG, S.A.
- Director of Juzasa Inversiones S.L.

Directorships and other positions held at 31 December in prior years:

2007
- Director of Juzasa Inversiones S.L. (Spain)
- Director of Energías Renovables AG, S.A. (Spain)
- Director of Jacobriz, S.L. (Spain)

2006
- Director of Juzasa Inversiones S.L. (Spain)
- Director of Energías Renovables AG, S.A. (Spain)
- Director of Jacobriz, S.L. (Spain)

2005
- Director of Juzasa Inversiones S.L. (Spain)
- Director of Energías Renovables AG, S.A. (Spain)

Pere VIÑOLAS SERRA

Director of SFL
First elected in 2008
Current term expires in 2010
Work address: Crer Johann Sebastian Bach, 7 bis – 2, Barcelona, Spain

Directorships and other positions held at 31 December 2008:
In France:
- Director of SFL S.A.

Outside France (Spain)*:
- Chief Executive Officer of Inmobiliaria Colonial
- Director of Riva y Garcia
- Director of Mecanotubo

Directorships and other positions held at 31 December in prior years:

2007
- Director of Mecanotubo (Spain)
- Director of Riva y Garcia (Spain)

2006
- Director of Mecanotubo (Spain)
- Director of Riva y Garcia (Spain)

2005
- Director of Mecanotubo (Spain)
- Director of Riva y Garcia (Spain)

2004
- Director of Mecanotubo (Spain)
- Director of Riva y Garcia (Spain)

Anthony WYAND

Director of SFL
First elected in 1995
Current term expires in 2010
Work address: 151, rue Saint-Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2008:
In France:
- Director and Honorary Chairman of Société Foncière Lyonnaise
- Member of the Supervisory Board of Aviva France
- Member of the Supervisory Board of Aviva Participations
- Director of Grosvenor Continental Europe S.A.S.

Outside France*:
- Director of Unicredito (Italy)

Directorships and other positions held at 31 December in prior years:

2007
- Director and Honorary Chairman of Société Foncière Lyonnaise
- Member of the Supervisory Board of Aviva France
- Member of the Supervisory Board of Aviva Participations

- Director of Société Générale
- Director of Grosvenor (UK)
- Director of Unicredito (Italy)

2006
- Director and Honorary Chairman of Société Foncière Lyonnaise
- Director of Société Générale
- Member of the Supervisory Board of Aviva France
- Member of the Supervisory Board of Aviva Participations
- Director of Grosvenor (UK)
- Director of Unicredito (Italy)

2005
- Director and Honorary Chairman of Société Foncière Lyonnaise
- Director of Société Générale
- Member of the Supervisory Board of Aviva France
- Member of the Supervisory Board of Aviva Participations
- Director of Grosvenor (UK)
- Director of Unicredito (Italy)

2004
- Director and Honorary Chairman of Société Foncière Lyonnaise
- Director of Société Générale
- Member of the Supervisory Board of Aviva France
- Member of the Supervisory Board of Aviva Participations
- Permanent representative of Vendôme Rome (AtisReal)

Francisco José ZAMORANO GOMEZ
Director of SFL
First elected in 2008
Current term expires in 2009
Work address: Serrano 41, Madrid, Spain

Directorships and other positions held at 31 December 2008:
In France:
- Director of SFL S.A.

Outside France (Spain)*:
- Director of Inmobiliaria Colonial
- Director of Banco Etcheverria
- Director of Caixa Galicia Preferentes S.A.U.
- Chairman of the Board of Directors of Tasagalicia
- Director of CXG Credito Familiar Corporacion Caixa Galicia S.A. (Spain)

Directorships and other positions held at 31 December in prior years:
2007
- Director of Banco Etcheverria (Spain)
- Director of Caixa Galicia Preferentes (Spain)
- Chairman of the Board of Directors of Tasagalicia (Spain)
- Director of CXG Credito Familiar Corporacion Caixa Galicia S.A. (Spain)

2006
- Director of Banco Etcheverria (Spain)
- Director of Caixa Galicia Preferentes (Spain)
- Director of CXG Credito Familiar Corporacion Caixa Galicia S.A. (Spain)

2005
- Director of Banco Etcheverria (Spain)
- Director of Caixa Galicia Preferentes (Spain)

2004
- Director of Banco Etcheverria (Spain)
- Director of Caixa Galicia Preferentes (Spain)

Carlos FERNANDEZ-LERGA GARRALDA
Director of SFL
First elected in 2008
Current term expires in 2010
Work address: Calle Monte Esquinza, 14 – 7D 28010 Madrid, Spain

Directorships and other positions held at 31 December 2008:
In France:
- Director of SFL S.A.

Outside France (Spain)*:
- Director of Inmobiliaria Colonial
- Director of Abantia Empresarial S.L.
- Director of Gamesa Corporacion Tecnologica S.A.

Directorships and other positions held at 31 December in prior years:
2007
- Abantia Empresarial, S.L. (Spain)

2006
- Abantia Empresarial, S.L. (Spain)
- Director of Gamesa Corporacion Tecnologica S.A. (Spain)

2005
- Abantia Empresarial, S.L. (Spain)
- Director of Gamesa Corporacion Tecnologica S.A. (Spain)

José Maria SAGARDOY LLONIS
Director of SFL
First elected in 2008
Current term expires in 2011
Work address: Velazquez 34, 28001 Madrid (Spain)

Directorships and other positions held at 31 December 2008:
In France:
- Director of SFL S.A.

Outside France (Spain)*:
- Director of Inmobiliaria Colonial
- Permanent representative of Popular de Participaciones Financieras S.C.R on the Board of Directors of Globalia Corporacion Empresaria
- Director of Fomento de Construcciones y Contratas, S.A. (FCC)

Directorships and other positions held at 31 December in prior years:

2007
- Managing Director of Popular De Participaciones Financieras, S.C.R, S.A. (Spain)
- Director of Corporate Banking at Grupo Banco Popular (Spain)

2006
- Director of Syndicated Loans at BBVA (Spain)

2005
- Director of Syndicated Loans at BBVA (Spain)

2004
- Director of Syndicated Loans at BBVA (Spain)

REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA

Director of SFL
First elected in 2007
Current term expires in 2010
Work address: Diagonal, 477 – 8 a Planta – 08036 Barcelona, Spain

Directorships and other positions held by José Caireta Riera at 31 December 2008:

In France:
- Permanent representative of Reig Capital Group Luxembourg on the Board of Directors of Société Foncière Lyonnaise
- Member of the Supervisory Board of Loris Azzaro S.A.

Outside France (Spain)*:
- Member of the Supervisory Board and the Investment Committee of Miura Private Equity S.A. (Spain)
- Member of the Board of Directors of Monocle (UK)
- Chief Executive Officer of Reig Capital Group (Spain)

Directorships and other positions held by José Caireta Riera at 31 December in prior years:

2007
- Permanent representative of Reig Capital Group Luxembourg on the Board of Directors of Société Foncière Lyonnaise
- Chief Executive Officer of Reig Capital Group (Spain)
- Member of the Board of Directors of Monocle (UK)
- Member of the Supervisory Board of Loris Azzaro S.A.

2006
- Member of the Supervisory Board of Loris Azzaro S.A.
- Chief Executive Officer of Reig Capital Group (Spain)
- Member of the Board of Directors of Monocle (UK)

2005
- Vice President of J.P. Morgan Securities Ltd (UK)
- Chief Executive Officer of Reig Capital Group (Spain)

2004
- Vice President of J.P. Morgan Securities Ltd (UK)

1.1.2 Role of the Board of Directors

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The Board of Directors has the powers and responsibilities vested in it by law.

In addition, the General Meeting of 9 May 2007 granted the Board of Directors a 26-month delegation of competence to decide the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares and securities with rights to ordinary shares. The aggregate amount by which the capital may be increased under this authorisation is capped at €2 billion.
An additional 26-month delegation of competence was granted to the Board in the case of issues of ordinary shares and securities with rights to shares without pre-emptive subscription rights within the same €2 billion limit, to set the issue price by the method decided by the shareholders in General Meeting instead of applying the pricing rules specified by law. Under the terms of the resolutions, the Board is authorised:

In the case of any share issue with or without pre-emptive subscription rights that is oversubscribed, to increase the number of shares offered.
- To issue ordinary shares and securities with rights to shares, without pre-emptive subscription rights, in payment for shares tendered to a public exchange offer for the shares of another company made by SFL.
- To issue ordinary shares or securities with rights to shares, without pre-emptive subscription rights, in payment for shares or securities with rights to shares contributed to SFL.
- To issue securities with rights to debt securities, provided that the aggregate amount of debt securities issued directly and indirectly on exercise of rights attached to the original securities does not exceed €2 billion.
- To increase the capital by a maximum of €25 million by capitalising reserves, profits or share premiums.
- To issue ordinary shares for cash to employees and retired employees who are members of a Sharesave Plan set up by the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code, provided that the aggregate par value of the new shares does not exceed €500,000, and to make grants of existing or newly issued ordinary shares or securities with rights to shares to employees and officers. The aggregate par value of new shares, if any, issued under this latter authorisation is capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums.

The Board will propose that shareholders renew these authorizations at the Annual General Meeting to be held to approve the 2008 financial statements.

The Annual General Meeting of 23 May 2008 authorised the Board of Directors:

To grant stock options to employees and officers of the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code. These option grants are subject to a ceiling of 3% of the Company's issued capital at the date of the General Meeting and the authorisation covers a period of thirty-eight months.
- To make share grants to employees - or certain categories of employees - and officers of the Company and/or related companies within the meaning of Article L.225-197-2 of the French Commercial Code. The number of shares granted under the authorisation may not represent over 1% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

The Annual General Meeting of 23 May 2008 also granted an 18-month authorisation to the Board of Directors to issue up to €200 million worth of bonds with redeemable equity warrants, entailing the waiver of shareholders' pre-emptive subscription rights in favour of a selected category of beneficiaries. The aggregate par value of shares issued upon exercise of equity warrants will not exceed €3 million.

The Board will propose that shareholders renew these authorizations at the Annual General Meeting to be held to approve the 2008 financial statements.

1.1.3 Practices of the Board of Directors

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met nine times in 2008, with an average attendance rate of 95%.

At least five days before each meeting, except for emergency meetings, the directors are given a file on the agenda items that warrant detailed consideration prior to the meeting. Where applicable, the file includes the recommendations of the Committees of the Board.

The issues discussed during the 2008 meetings were as follows:

5 February 2008 meeting:
1. Resignation and appointment of Directors and organization of the Board of Directors and its Committees.
2. Board of Directors informed about Colonial's situation and confirmation from the Company's advisors.
3. Request by Investment Corporation of Dubaï (ICD) to examine information about SFL in a data room.

14 February 2008 meeting:
1. Update on the data room and creation of a Committee of Independent Directors.
2. Review of the 2007 financial statements, the Audit Committee's report and the Auditors' report.
3. Placing on record of the share issues carried out on exercise of stock options.
4. Business review.
5. Renewal of the authorisation to guarantee the commitments of Locaparis.

4 April 2008 meeting:
1. Update on Colonial's ownership structure
2. Decisions on proposals by the Remuneration Committee.
3. Preparation of the Annual General Meeting.
4. Review and approval of the plan to merge subsidiary SAS Iéna into SFL.
5. Business review.

23 May 2008 meeting (10:15 a.m.):
1. Resignations and appointments of Directors.
2. Amendments to the draft ordinary resolutions as a result of resignations and appointments of Directors.

23 May 2008 meeting (1 p.m.):
1. Update on Colonial's ownership structure and the SFL share sale.
2. Review of the first quarter results and updated budget.

3 June 2008 meeting:
Authorisation to access the SFL data room.

23 July 2008 meeting:
1. Resignation and appointment of Directors, reorganisation of the Board and its Committees and decision to combine the functions of Chairman of the Board and Chief Executive Officer.
2. Update on the Company's ownership structure.
3. Review of the 2008 interim financial statements and first-half business review, the Audit Committee report and the Auditors' report.
4. Property portfolio and NAV
5. Updated 2008 budget

25 September 2008 meeting:
1. Update on Colonial's situation.
2. Business review.
3. Adoption of the SIIC Code of Conduct.
4. Authorisation to guarantee the commitments of SNC T8.

9 December 2008 meeting:
1. Update on ownership situation.
2. First nine months' results, business review and forecast full-year results.
3. 2009 budget and 2010-2013 business plan.
4. Application of the AFEP-MEDEF recommendations on management remuneration.

1.1.4 Restrictions on the powers of the chief executive officer decided by the board

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On 23 July 2008, the Board of Directors decided that the positions of Chairman of the Board of Directors and Chief Executive Officer should be held by the same person, as allowed under Article L.225-25-1 of the French Commercial Code and Article 21 of the Company's Articles of Association. Yves Mansion was therefore appointed Chairman and Chief Executive Officer, following the resignation of Mariano Miguel Velasco.

At the Board meeting of 25 September 2008, the Board appointed Nicolas Reynaud as Managing Director, effective as of 24 October, to replace Philippe Depoux who had stepped down from the position.

Yves MANSION
Chairman and Chief Executive Officer

Nicolas REYNAUD(1)
Managing Director
Chief Financial Officer, Secretary to the Board of Directors

(1) Appointed Managing Director by the Board on 25 September 2008, effective as of 24 October, to replace Philippe Depoux.

The Chief Executive Officer and the Managing Director represent the Company in its dealings with third parties and, in accordance with the law, are vested with the broadest powers to act in any and all circum¬stances in the Company's name within the limits of its corporate purpose, with the exception of those powers expressly attributed by law to the shareholders and the Board of Directors, and subject to obtaining the authorisation of the Execu¬tive and Strategy Committee prior to any and all acquisitions, disposals or financial commitments in excess of €20 million. The Board of Directors raised the ceiling to €50 million at its meeting of 23 July 2008 and reduced it back to €20 million at its meeting on 17 February 2009.

MEASURES TAKEN BY THE BOARD OF DIRECTORS TO ASSESS ITS PERFORMANCE

Progress in this area has been delayed by significant changes to the Board, with half of the current Directors having joined the Board during the year.

The Board of Directors has nonetheless consolidated the position of its independent directors by appointing a new independent director – Jacques Calvet, elected by the shareholders at the Annual General Meeting of 23 May 2008 – and by creating a Committee of Independent Directors. The aim of this latter measure is to improve the quality of the Board's work through the objective oversight of an independent committee of experts.

ADOPTION OF THE SIIC CODE OF CONDUCT

Responding to the concern expressed by the French securities regulator (AMF) about the situation of certain SIICs that are run by outside managers in exchange for significant fees, the French industry federation, FSIF, stated that this mode of operation is used by REITs all over the world and is hardly unusual.

At the AMF's request, the FSIF prepared a code of conduct to ensure the transparency of information about fees paid by SIICs to related parties and third parties.

The Board of Directors of FSIF adopted the code on 2 July 2008 and asked its members to follow suit.

SFL's Board of Directors approved the adoption of the code at its meeting of 25 September 2008.

SFL APPLIES THE AFEP-MEDEF RECOMMENDATIONS ON THE REMUNERATION OF EXECUTIVE DIRECTORS OF LISTED COMPANIES

At its meeting on 9 December 2008, the Board of Directors of SFL examined the AFEP-MEDEF recommendations dated 6 October 2008 concerning the remuneration of executive directors of listed companies.
The Board noted that SFL was in compliance with these recommendations and decided to apply them in the future as part of its corporate governance improvement process.

The rules and principles followed by the Board of Directors to determine the remuneration and benefits awarded to executive directors are described in the Management Report (see page 11).

INTERNAL RULES

A summary of the Board's internal rules (see page 7 of the Annual Report), and its ethical and corporate governance standards is available on-line, on the Company's website (www.fonciere-lyonnaise.com).

The rules describe the Board's statutory rights and obligations, as well as an ethical framework establishing the directors' duties in respect of their interests in SFL shares, potential conflicts of interest, multiple directorships, regular attendance at Board meetings and confidentiality. Each director and non-voting director, elected in his or her own name or as permanent representative of a corporate director, is required to hold at least 25 SFL shares registered in his or her name. Directors are required to write to the Chairman of the Board, providing full details of all SFL shares purchased or sold during the period. In addition, each Director must notify the Chairman of all directorships and corporate functions held in all other companies (giving the names of the companies concerned) at the end of each year and whenever any change occurs. Directors must act at all times in the Company's interest, notify the Board of any

conflicts of interest, attend General Meetings and treat all information received 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 of the Board's internal rules by the Chairman of the Board.
The directors' fees awarded by the Annual General Meeting are allocated among Directors by the Board according to two criteria: the responsibility inherent in the function of director or non-voting director and membership of Committees of the Board.

REQUIREMENT TO DISCLOSE TO THE AMF ANY AND ALL TRANSACTIONS IN SFL SHARES CARRIED OUT BY A CORPORATE OFFICER, SENIOR EXECUTIVES OR ANY PERSON CLOSE TO THEM (ARTICLE L.621-18-2 OF THE FINANCIAL AND MONETARY CODE) / REQUIREMENT TO ESTABLISH AND MAINTAIN AN UPDATED LIST OF PERSONS HAVING ACCESS TO INSIDE INFORMATION (ARTICLE L.621-18-4 OF THE FINANCIAL AND MONETARY CODE)

European Union regulations on insider trading and market abuse set out the **disclosure requirements** for transactions in the shares of their company carried out by corporate officers, senior executives or persons close to them.

The AMF publishes the disclosed information on its website.

The management report presented at the Annual General Meeting summarises the transactions conducted during the period by Company officers, senior executives and persons close to them.

The aim is to improve market transparency and, in particular, help detect cases of insider trading. The fulfilment of the disclosure requirement does not exempt the persons concerned from their obligation to abstain from dealing in the Company's shares in the event that they obtain inside information.

In addition, the AMF requires that companies establish and maintain a list of insiders.

CORPORATE GOVERNANCE DISCLOSURES

To the best of the Company's knowledge:
- There are no family ties between the members of the Board of Directors and the Auditors.
- No member of the Board of Directors has been found guilty of fraud in the past five years.
- No member of the Board of Directors has been involved in a bankruptcy, sequestration or liquidation in the past five years.
- No member of the Board of Directors has been charged by the statutory or regulatory authorities in the last five years.
- There are no potential conflicts of interest between the members of the Board and their duties to the Company. In accordance with the Directors' Charter, Directors must disclose any conflicts of interest to the Board and abstain from voting on related topics.

ADDITIONAL INFORMATION

The main terms and conditions of shareholder agreements are described in the Management Report (see page 38).

RELATED-PARTY AGREEMENTS

The Auditors' report on related-party agreements is on page 159.

1.2. Committees of the Board

In 1995, the Company implemented the recommendations of the Viénot report on corporate governance by setting up several Committees of the Board. The purpose of these Committees is to involve the Board more deeply in defining and over¬seeing strategies related to the Company's financial and operating performance. Each Committee has the right to obtain all the information needed to fulfil its terms of reference, and may make enquiries of the external auditors and of any member of management. The Committees report to the Board on their work after each of their meetings.

Audit Committee (two meetings in 2008, on 14 February and 23 July, with an attendance rate of 89%)
Chairman: Francisco José Molina Calle
Members: Jacques Calvet
Yves Defline
Jean-Jacques Duchamp
Josep Manuel Basañez Villaluenga

Members of the Audit Committee on 23 July (before the Board meeting on the same day):
Chairman: Josep Manuel Basañez Villaluenga
Members: Jacques Calvet
Yves Defline
Jean-Jacques Duchamp

Members of the Audit Committee since 23 July (after the Board meeting on the same day):

Chairman: Carlos Fernandez-Lerga Garralda
Members: Jean Arvis
Jacques Calvet
Yves Defline
Jean-Jacques Duchamp

Role:
To make recommendations concerning the appointment or re-appointment of the Auditors.
- To review the financial statements to be presented to the Board.
- To assess the effectiveness of internal controls over procedures, risks and compliance with ethical standards.
- To review the audit plans of the internal and external auditors.
- At each period-end, to make inquiries of the Auditors without any

member of management being present.

Remuneration and Selection Committee (three meetings in 2008, on 14 February, 4 April and 21 October, with an attendance rate of 100%)
Members of the Remuneration and Selection Committee on 14
Chairman: Mariano Miguel Velasco
Members: Jean Arvis
Yves Mansion (except for decisions concerning him)
Anthony Wyand

Members of the Remuneration and Selection Committee since 23 July 2008:
Chairman: Juan José Brugera Clavero
Members: Jean Arvis
Yves Mansion (except for decisions concerning him)
Anthony Wyand

Role:
- To make recommendations to the Board concerning the remuneration of corporate officers, directors' fees, stock option plans and specific incentive bonus plans.
- To make recommendations to the Board concerning candidates for election to the Board, senior management succession planning, particularly when a seat on the Board or a senior management position falls vacant for unforeseeable reasons or following a change in the number of seats on the Board.

Executive and Strategy Committee (no meetings in 2008)
Members of the Remuneration and Selection Committee since 23 July 2008:
Chairman: Juan José Brugera Clavero
Members: Jean-Jacques Duchamp
Yves Mansion
Francisco José Zamorano Gomez
Pedro Ruiz Labourdette
Pere Viñolas Serra (since 17 February 2009)

Role:
- To advise the Board and senior management on overall strategies to promote business growth in the best interests of the Company and all of its shareholders.
- To help the Board and senior management to efficiently fulfil their respective responsibilities, by acting as an interface for strategic issues and transactions.
- To review business plans and projections in order to assess the medium and long-term outlook.
- To review and make recommendations concerning planned transactions that require the Board's prior approval.
- To authorise senior management to carry out any acquisition, sale or financial commitment representing an amount in excess of the threshold set by the Board, which is currently €20 million.
- To report to the Board on the fulfilment of its responsibilities.

Discussions about the changes in SFL's ownership led to the creation of a committee of independent directors.

Following its decision on 5 February 2008 to open a data room for Investment Corporation of Dubaï (ICD), the Board decided, on 14 February 2008, to create a **Committee of Independent Directors with the following members:**
Jean ARVIS
Jacques CALVET
Yves DEFLINE
Anthony WYAND

In light of Colonial's announcement that it intended to sell 33% of SFL's capital, the committee continued to meet outside the Board of Directors' meetings after the ICD abandoned its takeover plans.

This temporary committee will be responsible for making recommendations to the Board concerning any proposed transactions related to a possible reorganisation of the Company's ownership structure. The committee met twice in 2008, on 3 April and 3 June, with an attendance rate of 100%.

1.3 General Meetings (extracts from articles 24, 25 and 29 of the Articles of Association)

General Meetings are called in accordance with the applicable laws and regulations.
Meetings are held at the Company's registered office or at the venue selected by the Board of Directors, as specified in the notice of meeting.

I - General Meetings may be attended by all holders of fully paid up shares which have been registered prior to the date of the meeting as follows:
– Holders of bearer shares and holders of registered shares recorded in an account not kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are recorded in an account kept by an accredited intermediary as of the record date.

– Holders of registered shares recorded in an account kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are recorded as of the record date.

The record date is midnight CET on the third business day prior to the General Meeting.

Shareholders, representatives of shareholders and accredited intermediaries are entitled to attend General Meetings on presentation of proof of their eligibility to attend and their identity. The Board of Directors may provide shareholders with personal admission cards for General Meetings and require their production on attendance, if it thinks fit.

II - Any shareholder may, on the basis prescribed in the applicable laws and regulations, vote from a distance or give proxy to his or her spouse or to another shareholder in order to be represented at General Meetings, by writing to the Company to request a distance voting/proxy form. Written requests for the applicable proxy or postal voting form must be received at the Company's registered office at least six days before the Meeting.
The distance voting/proxy form must be received by the Company at least three days before the Meeting date.
The applicable conditions for the return of these forms are set out by the Board of Directors in the notice of the Meeting.

Shareholders domiciled outside France may give proxy to an intermediary, registered in accordance with the applicable legal conditions, provided the Company is informed of the proxy in writing at least five days before the date of the Meeting.
The Board of Directors may reduce or waive these time periods.
Resolutions are adopted by the number of votes prescribed in the corresponding legislation in force on the date of the Meeting. Shareholders are entitled to one vote per share. There are no shares giving double voting rights.

2. Internal control procedures

The purpose of internal control procedures is to:
- Ensure that all acts of management, all transactions, and the behaviour of all Company employees, comply with the general strategic guidelines established by the Board of Directors, the applicable laws and regulations, and SFL's corporate values, standards and internal rules.
- Ensure that all accounting, financial and management information reported to the Company's Board of Directors gives a true and fair view of the Company's business and position.
- Prevent and manage business risks, as well as the risk of accounting and other errors and fraud.

However, no system of controls can provide an absolute guarantee that all such risks have been completely eliminated.

Identifiable risks
- Fraud
- Loss of or damage to assets (managed through building maintenance, "plan 14", technical monitoring of refurbishment projects, property surveys, etc.)
- Breaches of environmental regulations
- Rent defaults, failure to take into account the full impact of vacancy rates (see report on the management of rental properties)

The risks specific to the Company and the industry are described in detail on page 21.

2.1. Internal accounting controls

The accounts of all Group companies are all kept on the same internal accounting system, which is integrated in the management information system. The consolidated financial statements are produced using consolidation software that represents a market standard, guaranteeing its reliability and maintainability.
The production of the accounts is the responsibility of the Finance Department. The accounts are kept by a team of ten corporate accountants reporting to the Chief Accountant, and by five operations accountants, who are responsible for the subsidiary accounts. The operations accountants report to the profit centre managers and have a dotted-line reporting relationship with the Chief Accountant. The Chief Accountant and Head of Consolidation report directly to the Chief Financial Officer.

The corporate accountants each keep the accounts of one or several consolidated companies. They rotate between companies from time to time, to limit the risks arising from an excessive concentration of information in the hands of a single person and also to facilitate multi-tasking when the need arises. To strengthen this duplication of knowledge, the accountants are paired up and fill in for each other when required.

The corporate accountants check the subsidiary accounting ledgers produced by the profit centre operations accountants, and assist these accountants with the tasks required to close the accounts at each period-end.

Each year, the corporate accountants are assigned specific objectives. Their performance in relation to these objectives is assessed at the end of the year, during their annual performance review, and determines the amount of their bonus.
The consolidated accounts are produced by the Head of Consolidation who reports to the Chief Financial Officer.

As mentioned in the Corporate Governance section, the Audit Committee of the Board of Directors meets twice a year to review with the external auditors the financial statements, any accounting or tax issues and any significant transactions for the period. The Committee also reviews the external auditors' work programme and holds meetings with them to discuss the post-audit reports prepared after their audits of the interim and annual financial statements, setting out their observations and recommendations.

2.2. Description of procedures

2.2.1 General organisation

We did not need to set up specific controls to obtain assurance concerning the quality of internal control within the various consolidated entities, because all of these entities apply the same procedures and the accounting teams responsible for producing their accounts rotate periodically. Procedure manuals were updated following implementation of the new information system.

As part of the drive to limit the risk of fraud, payables accounting and payment functions are strictly segregated. The cash management department is independent of the accounts department and reports directly to the Chief Financial Officer.
To improve the reliability and quality of accounting information, a separate control department analyses management and cost accounting data and performs reconciliations between these data and the statutory accounts.
Although this control department reports to the Chief Financial Officer, it is completely independent of the accounts department. The control department team was strengthened at the end of 2004 and the quality of control data was enhanced with the implementation of a new information system, capable of producing more and better analyses than the previous system. Separate data are now produced for each property in the portfolio. These data are aggregated and reconciled to the statutory accounting data and consolidation packages produced by the entities concerned, providing a critical means of control.

2.2.2 Procedure for the preparation of the consolidated financial statements

To comply with our majority shareholder's reporting procedures, monthly consolidated accounts are produced for submission on the sixth day following each month-end. The quarterly consolidated financial statements are also presented to the Board of Directors. These monthly and quarterly consolidated financial statements are not audited or published.

Procedures for the preparation of the monthly accounts have been drawn up with the assistance of outside consultants, to ensure that reporting deadlines are met. All departments are concerned and controls over the centralised data are performed to ensure that the reported statutory and management accounting data have been prepared on a consistent basis.
The half-yearly and annual financial statements represent the basis for a widespread financial communication exercise and are published within a very short timeframe in order to comply with market standards. The publication dates are announced to the market in advance and must be adhered to. Having been quoted on the stock exchange since 1879, the Company has all the necessary reflexes when it comes to providing the market with the information it needs and expects.

2.2.3 Reporting procedure

SFL is fully consolidated in the consolidated financial statements of its main shareholder and is required to produce specific monthly reporting packages for this purpose. In addition to incorporating new and frequently complementary data processing and control practices, the monthly reporting process also helps management to monitor the business more closely.

- Basic reporting schedules are prepared by cash generating unit, corresponding in the case of SFL to each individual building.
- The monthly reporting schedules are reconciled to the budget, allowing management to swiftly identify variances or any inconsistencies in processing the raw data.

Several Group companies are owned jointly with French and foreign partners, who also have recurring reporting needs. The Boards of the companies that own these joint ventures represent the lynchpin in the reporting process. These exchanges of data represent a valuable opportunity to share expertise and best practices.

2.2.4 Procedures to identify and manage company-specific risks

Quarterly valuations of the Group's main assets are performed by independent experts, to verify the existence of the properties and assess their value.

The accounts department pays particular attention to ensuring the completeness of accounting entries concerning renovation, repair and other work undertaken by Group companies.

An accounts clerk has been given specific responsibility for managing works accounts for all companies, providing the Technical Department with a single point of contact and guaranteeing consistent treatment of all transactions. The internal auditor oversees a risk-mapping exercise covering all the major property renovation projects planned by the Group. The map lists and measures all the risks associated with each project, providing decision support for senior management and the basis for determining a risk monitoring methodology applicable during the renovation phase.

Checks to ensure that all liabilities have been identified and measured are performed at several levels:

- Tenant risks are reviewed regularly by the property specialists in our Legal Department and second-tier controls are performed by an accounting manager on a centralised basis.
- The risk of legal disputes with our partners is closely monitored by the profit centres, with guidance from the property specialists in our Legal Department.
- Lastly, the cash management department participates actively in reporting off-balance sheet commitments related to hedging and debt instruments, as well as commitments to suppliers, and checking the completeness of the reported data.

a) Controls over liquidity risks

SFL's liquidity management policy consists of maintaining long maturities of debt, in order to be in a position to effi¬ciently roll over or replace borrowings without having to contend with market distortions which, while rare.

b) Management of market risks

Market risks are managed on a conservative basis, without taking any speculative positions. Interest rate risk on at least 70% of the

Group's overall debt is hedged using swaps or caps.

c) Controls over counterparty risks

All financial transactions are carried out 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.

2.2.5 Controls over the quality of accounting and financial information

As a quoted company, SFL is under the obligation to apply a rigorous and highly disciplined approach to preparing financial information.

With a very high capital-per-employee ratio, we use the services of external experts to keep us informed of technical developments in the areas of accounting, finance and tax. As well as providing regular technical updates, these experts also give formal advice on the choice of accounting options that have a material impact on the financial statements.

We participate in work groups set up by the industry federation and other organisations representing the property sector, providing an opportunity to exchange information about best practices and industry standards.

As well as carrying out account closing procedures, the control department produces a rolling five-year business plan, the first year of which corresponds to the budget. The business plan is prepared by aggregating and checking the detailed information produced by all Group departments. For example, the property management departments provide revenue and expense forecasts for each individual lease.
The annual budget is broken down into monthly budgets.

The business plan includes:
- 5-year profit and loss account projections
- A simplified balance sheet
- A quarterly analysis of changes in consolidated debt
- Key financial ratios: Ebitda, operating profit after interest, cash flow, loan-to-value.

The business plan is reviewed each year and approved by the Board of Directors at the year-end. It can be completely reworked or modified at the specific request of the Board.
The budget is updated three times during the year.

The business plan plays an essential role as a road map for the business and also as a benchmark for measuring actual performance, based on the monthly reporting packages submitted to the majority shareholder.

In conclusion, our control procedures over the production of accounting and financial information, and our internal control procedures covering the preparation of the consolidated financial statements are appropriate for the purpose of producing reliable accounting and financial information.

2.3. Other internal control procedures

2.3.1 Delegation of signature authority

Delegations of signature authority only concern the signature of payment instruments. They are based on the principle of segregating responsibility for purchasing from that of paying for the purchases. Dual signatures are required in all cases.

2.3.2 Purchases and competitive bids

Routine purchases are made from accredited suppliers at regularly negotiated prices. For other purchases, competitive bids are obtained from several companies or suppliers where appropriate.

2.3.3 Insurance

The policies include both property cover and liability cover for SFL and its subsidiaries, based on the nature of their businesses and the underlying risks. The properties are insured on an all-risk basis with named exclusions, with a maximum insured value of €300 million. The policy covers reconstruction or replacement costs as well as loss of revenue for a maximum of 36 months, or 48 months for the main properties. Since 1 January 2007 coverage has been extended to losses incurred during repair and maintenance work that is not included in a "contractors all risks" policy. The cap on this coverage is €7.5 million.

2.4. Controls over property-related technical risks

The purpose of controls over property-related technical risks is to prevent and contain environmental risks (asbestos, lead, legionella, etc.) associated with the properties in our portfolio and to ensure that all of these properties comply strictly with the applicable laws and regulations.

All of the risks have been identified and described in an environmental charter. Procedures have been drawn up covering all identified risks, including checks for asbestos and lead paint, legionella prevention measures, analyses of drinking water and safety checks on technical installations (electricity systems, lifts, safety equipment, gas pressure equipment, escalators, automatic doors and travelling units).

The procedures describe the action to be taken, the implementation timeline and the related controls. Employees responsible for these measures and controls receive specific training.

2.5. Information systems risks

The information system was extensively upgraded in the period from April 2003 to April 2004, based on our IT Masterplan. The system covers all functions within the organisation.

The Information Systems Department is responsible for drawing up systems security standards covering:
- Systems uptime rates
- Data classification
- Data backups and protection
- Incident management
- Protection against computer viruses and security breaches

Information systems management is outsourced to an external service provider. We obtain assurance that databases are backed up at daily intervals and that the technical quality of backups is satisfactory. The outsourcing contract also includes a contingency plan, providing for the transfer of processing operations to IBM Global Service in the event of a major systems failure.

Management of the applications used for property management, the bedrock of our business, is also outsourced under a facilities management contract which comprises all necessary safeguards to guarantee data security, including:

- A communications protocol describing data exchange methods and the documents used for communications between SFL and the external service provider.
- A facilities management procedure manual, describing the procedures to be followed for receiving, processing and tracking requests for applications changes and upgrades, as well as for the acceptance of new developments and their transfer from development to operational status.
- Weekly internal steering committee meetings and monthly steering committee meetings with the external service providers to track the status of major projects.
- Weekly activity reports comprising indicators to monitor the quality of information systems administration services.

An information systems audit has been conducted by the external auditors. The Information Systems Department, which coordinates security procedures and data processes, assisted the external auditors in analysing information systems risks and verifying control processes and the traceability of transactions.

SFL is currently in the process of implementing the recommendation of the auditors to establish written control procedures, particularly for recently installed accounting software.

2.6. Changes in internal control procedures

SFL's internal control procedures have been drawn up and approved by senior management and compiled within a Procedure Manual.

In autumn 2007, the Company set up a working group to reflect on procedures to be put in place for the recording and paying of invoices. This working group, which is made up of representatives from the Company's various departments, has drawn up recommendations that have been submitted to senior management and the internal auditors. The main specific issues considered by the group were:

1. Due date tracking
2. Secure payment media.

The review undertaken showed that current procedures are effective. The results suggest that risk management could be further improved by stepping up independent controls to ensure that the procedures are correctly implemented.

2.7. Internal code of ethics

All Group employees are required to comply with the internal Code of Ethics, which sets out rules of behaviour, particularly with regard to dealings with third parties. All staff members have also been specifically notified of the rules concerning insider trading and the use of inside information.

Chairman of the Board of Directors

Appendix 7.6
Agenda for the Ordinary and Extraordinary General Meeting of 15 June 2009

Ordinary Meeting

– Board of Directors’ management report.
– Report of the Chairman of the Board of Directors drawn up in accordance with Article L.225-37 of the French Commercial Code.
– Group management report.
– Board of Directors’ special report on stock options.
– Board of Directors’ special report on share grants.
– Auditors’ report on internal control.
– Auditors’ report on the financial statements for the year ended 31 December 2008.
– Auditors’ report on the consolidated financial statements.
– Auditors’ special report on agreements governed by Article L.225-38 *et seq.* of the French Commercial Code.
– Approval of the financial statements for the year ended 31 December 2008.
– Appropriation of profit.
– Approval of the consolidated financial statements for the year ended 31 December 2008.
– Ratification of the appointment as a director of Juan José Brugera Clavero.
– Ratification of the appointment as a director of Carlos Fernandez-Lerga Garralda.
– Ratification of the appointment as a director of Pere Vinolas Serra.
– Re-election of Francisco José Zamorano Gomez as a director.
– Re-election of Yves Defline as a director.
– Re-election of Jean Arvis as a director.
– Re-election of Jacques Calvet as a director.
–Determination of directors’ fees.
– Authorisation given to the Board of Directors to purchase, hold or transfer SFL shares.
– Powers to carry out formalities.

Extraordinary Meeting

- Board of Directors' report.
- Auditors' special report.
- Authorisation given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.
- Authorisation given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders.
- Authorisation given to the Board of Directors, for issues of ordinary shares and securities with rights to shares, without pre-emptive subscription rights, to set the issue price by the method decided by the shareholders in General Meeting.
- Authorisation given to the Board of Directors, in the case of a share issue with or without pre-emptive subscription rights, to increase the number of shares offered.
- Authorisation given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company.
- Authorisation given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company.
- Blanket ceiling on financial authorisations.
- Authorisation given to the Board of Directors to issue securities with rights to debt securities.
- Authorisation given to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums.
- Authorisation given to the Board of Directors to issue shares to employees who are members of a Sharesave Plan.
- Authorisation given to the Board of Directors to issue equity warrant bonds, entailing the waiver of shareholders' pre-emptive subscription rights in favour of a selected category of beneficiaries.
- Definition of the categories of Beneficiaries of equity warrants detached from equity warrant bonds issued by the Company.
- Authorisation given to the Board of Directors to reduce the share capital by cancelling treasury shares.
- Opinion issued by the Works Council.
- Powers to carry out formalities.

Ordinary and Extraordinary Annual General Meeting of 15 June 2009

Proposed ordinary resolutions

First ordinary resolution (Approval of the financial statements for the year ended 31 December 2008)

The Annual General Meeting, having considered the Chairman's report on internal control, the Board of Directors' management report and the Auditors' reports, approves the financial statements for the year ended 31 December 2008, showing a net loss of €3,141,109.23, together with the transactions reflected in these financial statements or described in these reports.

Second ordinary resolution (Appropriation of profit)

The Annual General Meeting :
- Notes that, for the year ended 31 December 2008, the Group reported a loss of €3,141,109.23 after tax and provision charges.
- Resolves, based on the recommendation of the Board of Directors, to:
1. Charge the net loss for the year ended 31 December 2008 to:
- Retained earnings, which will be reduced from €1,431,460.40 to zero.
- and the remaining €1,709,648.83 to general reserves, which will therefore decrease from €87,961,109.76 to €86,251,460.93.
2. Pay a total dividend of €88,354,371.90, representing a dividend per share of €1.90, from:
a. General Reserves, which will be reduced from €86,251,460.93 to zero.
b. the remaining €2,102,910.97 from Additional paid-in capital, reducing this account from €1,182,915,646.20 to €1,180,812,735.23.

The Annual General Meeting authorises the Board of Directors to withdraw the amounts necessary to pay the dividend described above to shareholders who exercise stock options before the dividend payment date.

The Annual General Meeting resolves that, in compliance with Article L.225-210 of the French Commercial Code, dividends on any SFL shares held by the Company in treasury at that date, as well as any dividends to which shareholders have waived their rights, will be credited to retained earnings.

The dividend will be paid as from 22 June 2009.
The Annual General Meeting gives the Board of Directors full powers to place on record the actual amount of dividends distributed and the amount credited to retained earnings.

The Meeting notes that:
- Individual shareholders resident in France for tax purposes will be eligible for 40% tax relief on the dividend, in accordance with paragraph 3-2 of Article 158 of the French Tax Code.
- The portion of the dividend paid out of additional paid-in capital does not qualify for the 40% relief.

Dividends paid in the last three years were as follows:

Year	Dividend per share	Interim dividend	Final dividend
2005	€2.10	€0.70 (1)	€1.40 (2)
2006	€3.20 (2)	€0.70	€2.50
2007	€3.20 (2)	€1.10	€2.10

(1) Eligible for the 50% tax relief referred to in paragraph 3-2 of Article 158 of the French Tax Code (Article 93 of the 2004 Finance Act – no. 2003-1311 of 30 December 2003).
(2) Eligible for the 40% tax relief referred to in paragraph 3-2 of Article 158 of the French Tax Code (Article 76 I of the 2006 Finance Act – no. 2005-1719 of 30 December 2005).

Third ordinary resolution (Approval of the consolidated financial statements for the year ended 31 December 2008)

The Annual General Meeting, having considered the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2008 as well as the transactions reflected in these accounts and described in the Board of Directors' management report.

Fourth ordinary resolution (Auditors' special report on agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code)

The Annual General Meeting, having considered the Auditors' special report on agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code, notes the information contained in the report and approves the agreements referred to therein.

Fifth ordinary resolution (Ratification of the appointment as a director of Juan José BRUGERA CLAVERO)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 23 July 2008 to appoint:

Juan José BRUGERA CLAVERO (C. Montseny 4 Bellaterra, Cerdanyola del Vallès, Barcelona, Spain) as a Director to replace Josep MANUEL BASANEZ VILLALUENGA following the latter's resignation.
Juan José BRUGERA CLAVERO will serve as a director for the remainder of his predecessor's term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2009.

Sixth ordinary resolution (Ratification of the appointment as a director of Carlos FERNANDEZ-LERGA GARRALDA)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 23 July 2008 to appoint:

Carlos FERNANDEZ-LERGA GARRALDA, (Calle Monte Esquinza 14 7°D 28010 Madrid, Spain) as a director to replace Antonio LOPEZ CORRAL following the latter's resignation.

Carlos FERNANDEZ-LERGA GARRALDA will serve as a director for the remainder of his predecessor's term, expiring at the close of the Annual General Meeting held to approve the financial statements for the year ended 31 December 2009.

Seventh ordinary resolution (Ratification of the appointment as a director of Pere VIÑOLAS SERRA)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 23 July 2008 to appoint:
Pere VIÑOLAS SERRA (Crer Johann Sebastian Bach 7 bis 2B Barcelona, Spain) as a director to replace Mariano Miguel VELASCO following the latter's resignation.
Pere VIÑOLAS SERRA will serve as a director for the remainder of his predecessor's term, expiring at the close of the Annual General Meeting held to approve the financial statements for the year ended 31 December 2009.

Eighth ordinary resolution (Re-election of Francisco José ZAMORANO GOMEZ as a director)

Having noted that Francisco José ZAMORANO GOMEZ's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2011.

Ninth ordinary resolution (Re-election as director of Yves DEFLINE)

Having noted that Yves DEFLINE's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2009.

Tenth ordinary resolution (Re-election of Jean Arvis as a director)

Having noted that Jean Arvis' term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2009.

Eleventh ordinary resolution (Re-election of Jacques CALVET as a director)

Having noted that Jacques CALVET's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2009.

Twelfth ordinary resolutions (Determination of directors' fees)

The Annual General Meeting sets the aggregate amount of directors' fees to be distributed among the members of the Board of Directors for 2009 and subsequent years at €400,000.

Thirteenth ordinary resolution (Authorisation given to the Board of Directors to purchase, hold or transfer SFL shares)

The Annual General Meeting, after considering the Board of Directors' report and the Auditors' special report drawn up in accordance with Article L.225-209, paragraph 2, of the French Commercial Code, resolves to:
- Cancel with immediate effect the unused portion of the authorisation given in the twenty-second ordinary resolution of the General Meeting of 23 May 2008 to buy back the Company's shares.

- Authorise the Company to buy back shares representing up to 10% of the issued capital at the date of this Meeting, in accordance with Articles L.225-209 *et seq.* of the French Commercial Code, as follows:

- The shares may not be bought back at a price in excess of €50 per share, as adjusted if appropriate for the effects of any corporate actions, including any bonus share issue paid up by capitalising reserves and/or any share split or reverse share split.
Consequently, the total amount invested in the share buyback programme will represent a maximum of €232,511,500 based on the number of shares outstanding at 31 December 2008. This maximum may be adjusted to take into account the number of shares outstanding at the date of this Meeting.

The share buyback programme may be carried out over a period of eighteen months from the date of this Meeting.

The share buybacks carried out under this authorisation may not under any circumstances result in the Company holding, directly or indirectly, more than 10% of the shares making up its issued capital.

The authorisation may be used at any time, including while a public offer is in progress provided that said offer is for cash only, on the basis and subject to the restrictions - particularly in terms of volumes and price - specified in the laws and regulations applicable on the transaction date. The transactions may be carried out by any appropriate method, including on the market or over-the-counter, through block purchases or sales or otherwise, or through the use of derivative financial instruments traded on the market or over-the-counter, or through the remittance of shares following the issue of securities carrying rights to shares or the loan or temporary transfer of securities on the basis approved by the securities regulator. The timing of such transactions will be decided by the Board of Directors or by any person duly authorised by the Board.

The shares may be bought back for any purpose allowed by law. The objectives of the share buyback programme shall be as follows:

- To purchase shares for allocation to Group employees in connection with (i) the statutory profit-sharing scheme, (ii) any programme of employee share grants, with or without consideration, governed by Articles L.3332-1 *et seq.* of the French Labour Code or (iii) any stock option plan for all or certain categories of employees and corporate officers.
- To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).

- To permit the issue of debt securities convertible into equity instruments and the fulfilment of the obligations related thereto, in particular by delivering shares upon exercise of rights attached to securities convertible, redeemable or otherwise exercisable for shares.

- To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.

- To cancel all or some of the shares bought back in accordance with the terms and conditions provided in Article L.225-209 of the French Commercial Code and subject to the authorisation to reduce the share capital given by the Annual Meeting in the extraordinary resolutions.

- To implement any market practices that may be recognised by law or by the Autorité des Marchés Financiers.

When shares are bought back under a liquidity contract under the terms and conditions defined by the AMF's general regulations, the number of shares used to calculate the limit of 10% of the issued capital corresponds to the number of shares bought minus the number of shares sold during the authorised period.

The number of shares bought back to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger may not exceed 5% of the issued capital.
The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution, in accordance with Article L.225-209 of the French Commercial Code.

The Annual General Meeting gives full powers to the Board of Directors, including the power of delegation, to place buy and sell orders, enter into any and all agreements, draw up any and all information and other documents, allocate or re-allocate the bought back shares to any of the above purposes, carry out any and all reporting and other formalities with all organisations and generally do whatever is necessary.

Fourteenth ordinary resolution (Powers to carry out formalities)

The Annual General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

Extraordinary resolutions

First extraordinary resolution (Authorisation given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129-2 and L.228-92 of the French Commercial Code, to:
- Cancel, with immediate effect, the unused portion of the authorisation given in the first extraordinary resolution of the General Meeting of 9 May 2007.
- Grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide the issue of ordinary shares and securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt.

The Board of Directors shall not use this authorisation to issue preference shares or securities with rights to preference shares.

The aggregate par value of ordinary shares issued under this authorisation, either directly or at a future date on exercise of the rights attached to securities with rights to ordinary shares, shall not exceed €100 million, not including the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares.

The securities with rights to ordinary shares issued under this authorisation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies. The aggregate nominal value of said debt securities shall not exceed €2 billion, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the second, fifth and sixth extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on the issue of debt securities with rights to debt securities under the eighth extraordinary resolution of this Meeting and from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code. The life of debt securities with rights to ordinary shares shall not exceed 50 years, although this authorisation may also be used to issue undated debt securities. It may be used to issue fixed and/or floating rate or zero coupon debt securities; the securities may be redeemable in advance at par or at a premium, and they may also be repayable in instalments. The securities may also be bought back on the market or through a cash or exchange offer made by the Company.

Shareholders shall have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under this authorisation, pro rata to their existing shareholdings. The Board of Directors may also give shareholders a pre-emptive right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned.

If the entire issue is not taken up by shareholders exercising their pre-emptive subscription rights as provided for above, the Board of Directors may take all or some of the following courses of action, in the order of its choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up; or (ii) freely allocate all or some of the unsubscribed shares or securities, or (iii) offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France and/or, if appropriate, abroad and/or on the international market.

The Extraordinary General Meeting notes that this authorisation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this authorisation.

The Board of Directors shall decide the characteristics, amount, terms and conditions of each issue and of the securities issued. In particular, it shall determine the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.

The Board of Directors shall have full powers to act on this authorisation, to enter into any and all underwriting or other agreements for this purpose and to issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate to decide to abandon any such issue, to place the issues on record, amend the articles of association to reflect any resulting increase in capital, carry out any and all reporting and other formalities, and obtain any and all authorisations that may be necessary to implement and complete the issues.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Second extraordinary resolution (Authorisation given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129-2, L.225-135, L.225-136 and L.228-92 of the French Commercial Code and paragraph II of Article L.411-2 of the French Monetary and Financial Code, to:
- Cancel, with immediate effect, the unused portion of the authorisation given in the second extraordinary resolution of the General Meeting of 9 May 2007.
- Grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide the issue of ordinary shares and securities with rights to ordinary shares to be paid up in cash or by capitalising debt.

The Extraordinary General Meeting resolves that shareholders shall not have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under this authorisation.

The Board of Directors shall not use this authorisation to issue preference shares or securities with rights to preference shares.

The Extraordinary General Meeting resolves that this authorisation may be used to issue ordinary shares or securities with rights to ordinary shares in a public placement or in an offer governed by Article L.411-2-II of the French Monetary and Financial Code, provided that in the latter case, the issues do not represent more than 20% of the capital per year.

The aggregate par value of ordinary shares issued under this authorisation, either directly or at a future date on exercise of the rights attached to securities with rights to ordinary shares, shall not exceed €100 million, not including the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares.

The securities with rights to ordinary shares issued under this authorisation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. The provisions applicable to securities with rights to ordinary shares stipulated in the first extraordinary resolution shall also apply to the issue and during the life of securities with rights to ordinary shares issued under this resolution, as well as to the exercise of the attached rights for ordinary shares and the redemption of the securities or their repayment in instalments. The aggregate nominal value of said debt securities shall not exceed €2 billion, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, fifth and sixth extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on the issue of debt securities with rights to debt securities under the eighth extraordinary resolution of this Meeting and from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

The Board of Directors may grant shareholders a priority right to subscribe for the ordinary shares or securities with rights to ordinary shares, exercisable pro rata to their existing shareholdings. The Board of Directors may also give shareholders a priority right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned.

The Extraordinary General Meeting notes that this authorisation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this authorisation.

The Board of Directors shall decide the characteristics, amount, terms and conditions of each issue and of the securities issued. In particular, it shall determine the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the future or retroactive date from which the shares or securities have coupon rights, the method of payment of the subscription price, the duration of the securities if applicable, and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares, provided that:

a) The issue price of ordinary shares shall be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

b) The issue price of any securities with rights to ordinary shares shall be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a) above, adjusted as necessary to take into account differences in cum dividend dates.

The Board of Directors shall have full powers to act on this authorisation, to enter into any and all underwriting or other agreements for this purpose and to issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate to decide to abandon any such issue, to place the issues on record, amend the articles of association to reflect any resulting increase in capital, carry out any and all reporting and other formalities, and obtain any and all authorisations that may be necessary to implement and complete the issues.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Third extraordinary resolution (Authorisation given to the Board of Directors, for issues of ordinary shares and securities with rights to shares, without pre-emptive subscription rights, through a public placement or an offer governed by Article L.411-2-II of the French Monetary and Financial Code, to set the issue price by the method decided by the shareholders in General Meeting)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-136 of the French Commercial Code, to:

- Cancel, with immediate effect, the unused portion of the authorisation given in the third extraordinary resolution of the General Meeting of 9 May 2007.

- Give the Board of Directors a 26-month authorisation from the date of this Meeting, for each issue decided pursuant to the second extraordinary resolution, provided that the number of shares issued in any given 12-month period does not exceed 10% of the Company's issued capital at the date of this Meeting, to set the issue price of the ordinary shares and/or securities with rights to ordinary shares issued through a public placement or an offer governed by Article L.411-2-II of the French Monetary and Financial Code on the basis stipulated below:

a) Ordinary shares will be issued at a discount of no more than 10% to the weighted average SFL share price for the three trading sessions immediately preceding the pricing date.

b) The issue price of debt securities with rights to ordinary shares will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a), adjusted as necessary to take into account differences in cum dividend dates.

The aggregate par value of shares issued directly or indirectly under this authorisation will be deducted from the amount by which the capital may be increased under the second extraordinary resolution.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Fourth extraordinary resolution (Authorisation given to the Board of Directors, in the case of a securities issue with or without pre-emptive subscription rights, to increase the number of securities offered)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-135-1 of the French Commercial Code, to:

- Cancel with immediate effect the unused portion of the authorisation given in the fourth extraordinary resolution of the General Meeting of 9 May 2007.

- Give the Board of Directors a 26-month authorisation from the date of this Meeting to decide, for all issues carried out pursuant to the first and second extraordinary resolutions, to increase the number of securities offered for subscription, on the basis allowed under Article L.225-135-1, provided that the ceiling specified in the related resolution is not exceeded.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Fifth extraordinary resolution (Authorisation given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company).

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Articles L.225-129-2, L.225-148 and L.228-92 of the French Commercial Code, to:

- Cancel with immediate effect the unused portion of the authorisation given in the fifth extraordinary resolution of the General Meeting of 9 May 2007.

- Grant the Board of Directors a 26-month authorisation, from the date of this Meeting, to decide to use the second extraordinary resolution to issue – without pre-emptive subscription rights – ordinary shares or securities with rights to ordinary shares in payment for shares tendered to a public exchange offer for the shares of another company traded on one of the regulated markets referred to in the above Article L.225-148 made by SFL in France or in another country under local rules.

The Extraordinary General Meeting notes that this authorisation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this authorisation.

The aggregate par value of ordinary shares issued under this authorisation, either directly or at a future date on exercise of the rights attached to securities with rights to ordinary shares, shall not exceed €100 million, to be deducted from the ceiling set by the second extraordinary resolution. Said ceiling shall not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares.

The Extraordinary General Meeting gives full powers to the Board of Directors to carry out public exchange offers under this authorisation and to:

- Set the exchange ratio and any cash payment to be made if application of the exchange ratio results in rights to fractions of shares.

- Place on record the number of securities tendered to the offer.

- Determine the date and terms of issue, including the price and cum dividend date, of the new ordinary shares or, if applicable, the securities with rights to ordinary shares.

- Record in a "share premium" account in equity, to which all shareholders shall have rights, the difference between the issue price of the new shares and their par value.

- Charge against said premium all costs and fees incurred in connection with the offer.

- Generally, take any and all appropriate measures and enter into any and all agreements to complete the authorised transaction, place on record the resulting capital increase(s) and amend the articles of association to reflect the new capital.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Sixth extraordinary resolution (Authorisation given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company)

Having considered the Board of Directors' report, the Extraordinary General Meeting resolves, in accordance with Article L.225-147 of the French Commercial Code, to:

- Cancel, with immediate effect, the unused portion of the authorisation given in the sixth extraordinary resolution of the General Meeting of 9 May 2007.

- Grant to the Board of Directors a 26-month authorisation from the date of this Meeting to use the second extraordinary resolution to issue ordinary shares or securities with rights to ordinary shares, based on the report of the expert appraiser(s) of capital contributions referred to in the first and second paragraphs of the above-mentioned Article L.225-147, in payment for shares or securities with rights to shares of another company that are contributed to the Company under transactions not governed by Article L.225-148 of the French Commercial Code. To this end, the Extraordinary General Meeting resolves to waive, in favour of the contributing parties, the pre-emptive right of existing shareholders to subscribe for these ordinary shares or securities with rights to ordinary shares.

The aggregate par value of ordinary shares issued directly or on exercise of the rights attached to securities with rights to ordinary shares pursuant to this authorisation shall not exceed 10% of the Company's issued capital at the issue date.

The Extraordinary General Meeting notes that this authorisation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this authorisation.

The Board of Directors shall have full powers to use this authorisation and to approve the value attributed to the contributed shares or securities and to the benefits granted, based on the valuation report issued by the expert appraiser(s) of capital contributions referred to in the first and second paragraphs of the above-mentioned Article L.225-147, place on record the capital increases carried out under this authorisation, amend the articles of association to reflect the new capital, carry out any and all reporting and other formalities and obtain any and all authorisations that are necessary to effect the contributions.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Seventh extraordinary resolution (Blanket ceiling on the authorisations)

The Extraordinary General Meeting, having considered the Board of Directors' report and having voted the first, second, third, fourth, fifth and sixth extraordinary resolutions, resolves to set at €100 million the maximum aggregate par value of ordinary shares that may be issued directly or on exercise of the rights attached to securities with rights to ordinary shares issued under the authorisations given in the first, second, third, fourth, fifth and sixth extraordinary resolutions. This ceiling shall not include the par value of ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares.

Eighth extraordinary resolution (Authorisation given to the Board of Directors to issue securities with rights to debt securities)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Articles L.225-129-2 and L.228-92 of the French

Commercial Code, to:

- Cancel, with immediate effect, the unused portion of the authorisation given in the eighth extraordinary resolution of the General Meeting of 9 May 2007.

- Grant to the Board of Directors a delegation of competence to decide to issue, on one or several occasions in France, abroad, and/or on the international market, any and all securities with rights to debt securities, including bonds and equivalents, undated or dated subordinated notes and any other securities conferring – for the same issue – the same claim on the Company.

The aggregate amount of debt securities issued under this authorisation, directly and indirectly on exercise of the rights attached to the original securities, will be capped at €2 billion or the equivalent in foreign currencies or in any monetary unit determined by reference to a basket of currencies. For the purpose of determining whether the above ceiling has been complied with, no account will be taken of any redemption premiums payable on the debt securities.

This authorisation is given for a period of 26 months from the date of this Meeting.

The Board of Directors shall have full powers to:

- Carry out said issues within the limit specified above, and decide the timing, type, amount and currency of each such issue.

- Decide the characteristics of the securities to be issued and of the debt securities to which said securities shall carry rights, including their nominal value, the starting date for interest accruals, the issue price, at par or with a premium, the fixed or floating interest rate and the interest payment date or, in the case of floating rate securities, the method to be used to determine the interest rate, or the basis on which interest will be rolled up.

- Set, based on market conditions, the repayment and/or early redemption terms of the securities and of the debt securities to which said securities carry rights, including any fixed or variable premium, or the terms on which the securities may be bought back by the Company.

- If applicable, decide to issue a guarantee or collateral as security for the securities to be issued and the debt securities to which said securities carry rights, and determine the nature and characteristics thereof.

- Generally, set all the terms and conditions of each issue, enter into any and all agreements, with any and all banks and any and all organisations, take any and all necessary measures and carry out any and all necessary formalities and, generally, do whatever is necessary.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Ninth extraordinary resolution (Authorisation given to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums)

The Extraordinary General Meeting, after considering the Board of Directors' report, resolves, in accordance with Articles L.225-129-2 and L.225-130 of the French Commercial Code and based on the quorum and majority voting rules applicable to Ordinary General Meetings, to:

- Cancel, with immediate effect, the unused portion of the authorisation given in the ninth extraordinary resolution of the General Meeting of 9 May 2007.

- Grant a 26-month delegation of competence to the Board of Directors from the date of this Meeting, to increase the capital on one or several occasions, on dates and for amounts to be decided by the Board, to be paid up by capitalising reserves, profits or share premiums and issuing bonus shares or raising the par value of existing shares or both.

The Extraordinary General Meeting gives the Board of Directors full powers to decide that rights to fraction of shares shall be non-transferable and that the corresponding shares will be sold, with the proceeds from the sale allocated among the holders of rights to fractions of shares within the period specified in the application regulations.

The aggregate par value of ordinary shares that may be issued under the authorisation – directly or on exercise of rights attached to securities with rights to ordinary shares – shall not exceed €25 million. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is in addition to the ceilings on issues of ordinary shares – directly or on exercise of rights attached to securities with rights to ordinary shares – carried out under the first, second, third, fourth, fifth and sixth extraordinary resolutions.

The Board of Directors shall have full powers to use this authorisation and, generally, to take all necessary measures and carry out all necessary formalities to permit the completion of each capital increase.
The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Tenth extraordinary resolution (Authorisation given to the Board of Directors to issue shares to employees who are members of a Sharesave Plan)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Articles L.225-129-6, L.225-138 I and II and L.225-138-1 of the French Commercial Code and Articles L.3332-

18 *et seq.* of the French Labour Code, to:

- Cancel, with immediate effect, the unused portion of the authorisation given in the tenth extraordinary resolution of the General Meeting of 9 May 2007.

- Grant a 26-month delegation of competence to the Board of Directors, as from the date of this Meeting, to decide to increase the capital on one or several occasions, on dates and terms to be decided by the Board, by issuing ordinary shares or securities with rights to ordinary shares to employees and retired employees who are members of an SFL Group Sharesave Plan or by making share grants to be paid up by capitalising reserves, profits or share premiums, within the limits set in the applicable laws and regulations.

The aggregate par value of ordinary shares that may be issued under the authorisation – directly or on exercise of rights attached to securities with rights to ordinary shares – shall not exceed €500,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is not cumulative with the ceilings on issues of ordinary shares – directly or on exercise of rights attached to securities with rights to ordinary shares – carried out under the first, second, third, fourth, fifth and sixth extraordinary resolutions.

The aggregate par value of ordinary shares issued directly or on exercise of rights attached to securities with rights to ordinary shares, without consideration, as paid up by capitalising reserves, profits or share premiums, is also capped at €500,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is not cumulative with the ceiling set in the ninth extraordinary resolution.

If an issue is not taken up in full, the amount of the issue shall be reduced based on the number of shares or securities effectively subscribed.

The Extraordinary General Meeting resolves to waive, in favour of Sharesave Plan members, the pre-emptive right of existing shareholders to subscribe for the ordinary shares or securities with rights to ordinary shares. In addition, this authorisation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this authorisation.

The Extraordinary General Meeting resolves:

- To set the discount offered under the Sharesave Plan at 20% of the average of the opening prices quoted for SFL shares on Euronext Paris over the 20 trading days immediately preceding the date on which the opening date of the subscription period is decided, or 30% of said average if the Plan's lock-up period set in accordance with Article L.3332-25 of the Labour Code is at least 10 years. The Board of Directors may reduce this discount, at its discretion, in the case of an offer to members of a Group Sharesave Plan of shares or securities on the international market and/or outside France, to comply with any local laws. It may also replace all or part of the discount with a grant of ordinary shares or securities with rights to ordinary shares on the basis stipulated below.

- That the Board of Directors may make grants of ordinary shares or securities with rights to ordinary shares, provided that the aggregate amount of the benefit resulting from these grants and the discount referred to above, if any, does not exceed the benefit that the Sharesave Plan members would have received if the shares or securities had been offered to them at a discount of 20% or 30% if the Plan's lock-up period set in accordance with Article L.3332-26 of the Labour Code is at least 10 years. In addition, the total benefit including the pecuniary value of the ordinary shares attributed without consideration, determined based on the subscription price, must not exceed the legal limits.

The Board of Directors shall have full powers to use this authorisation and to:

- Decide the characteristics, amount and terms of each issue of ordinary shares or securities with rights to shares and each grant without consideration.

- Decide that the shares or securities will be offered for subscription either directly or through a corporate mutual fund.

- Draw up, in accordance with the law, the list of companies or other entities whose employees and retired employees will be eligible to subscribe for the ordinary shares or securities with rights to ordinary shares and, if applicable, to receive grants of ordinary shares or securities with rights to ordinary shares.

- Decide the nature and terms of the capital increase and the terms and conditions of the issue or share grant.

- Decide the conditions of eligibility in terms of period of service of employees and retired employees to subscribe for the ordinary shares or securities with rights to ordinary shares or to receive grants of ordinary shares or securities with rights to ordinary shares.

- Set the terms and conditions of the issues of ordinary shares or securities with rights to ordinary shares to be carried out under this authorisation, including the cum dividend date and the method of payment of the subscription price.

- Decide the opening and closing dates of the subscription periods.

- Place on record the capital increases based on the aggregate par value of the number of ordinary shares actually subscribed.

- Decide, if applicable, the type of securities to be granted, as well as the terms and conditions of grant.

- Determine, if applicable, the amounts to be capitalised within the limit specified above, the accounts from which said amounts are to be transferred, and the cum dividend date of the ordinary shares issued without consideration.

- At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.

- Take all necessary measures to implement the capital increases, carry out any and all related formalities, including listing formalities for the new shares, amend the articles of association to reflect the new capital and generally do whatever is necessary.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

Eleventh extraordinary resolution (Authorisation given to the Board of Directors to issue bonds with redeemable equity warrants, without pre-emptive subscription rights)

Having considered the Board of Directors' report and the Auditors' special report, the Extraordinary General Meeting resolves, in accordance with Articles L.228-91 *et seq.*, L.225-129 *et seq.* and L.225-138 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the third extraordinary resolution of the General Meeting of 23 May 2008.

2. To grant a delegation of competence to the Board of Directors - with the right of delegation provided for in Article L.225-129-4 of the French Commercial Code – to issue bonds with redeemable equity warrants on one or several occasions and to determine the timing and amounts of said issues. The warrants shall be detachable and may be traded separately from the bonds as from the issue date.

3. That the aggregate nominal amount of the bonds with redeemable equity warrants issued under this authorisation shall not exceed €200 million, to be included in the €2 billion blanket ceiling applicable to issues of debt securities under the first, second and eighth extraordinary resolutions of this Meeting subject to their adoption by shareholders.

4. That the aggregate par value of shares issued as a result of this authorisation shall not exceed €3 million and that this amount shall be included in the €100 million blanket ceiling set in the seventh extraordinary resolution of this Meeting, subject to its adoption by shareholders.

5. In accordance with Article L.225-138 of the French Commercial Code, (i) to waive shareholders' pre-emptive rights to subscribe for the bonds with redeemable equity warrants and (ii) that the bonds with redeemable equity warrants may only be offered to leading banks which – at the issue date – have granted loans or credit facilities to companies within the Société Foncière Lyonnaise Group or hold bonds issued by said companies, or have issued investment instruments held by said companies, for a minimum aggregate amount of €1 million per bank.

6. That the banks underwriting the issues on bonds with redeemable equity warrants will offer the equity warrants on the same terms to one or several categories of beneficiaries as described in the fourth and/or fifth extraordinary resolutions of this Meeting. The detailed list of beneficiaries in these categories ("the Beneficiaries") will be drawn up by the Board of Directors or the Chief Executive Officer acting on the Board's behalf. The Board of Directors – or the Chief Executive Officer acting on the Board's behalf – will also determine the number of equity warrants that may be offered by said underwriting banks to the Beneficiaries, and will set the sale price per warrant in conjunction with said banks. Any equity warrants that are not sold by the underwriting banks in accordance with the above-described terms and conditions shall be bought back and cancelled by the Company, at a price to be determined when the terms and conditions of issue of the bonds with redeemable equity warrants are set.
In accordance with the second paragraph of Article L.225-138 I of the French Commercial Code, the Board of Directors shall report on its use of this authorisation at the next Annual General Meeting.

7. That:

- the Board of Directors – or the Chief Executive Officer acting on the Board's behalf – shall decide on the form of the bonds and equity warrants to be issued as well as the terms and conditions of (i) the issue and (ii) the related indenture.

- the exercise price of each issued equity warrant may not be lower than the average of the prices quoted for SFL shares on the Euronext Paris market over the 20 trading days immediately preceding the date on which the exercise price of the warrants is set by the Board of Directors or the Chief Executive Officer acting on the Board's behalf, except for any adjustments that may be necessary to take into account differences in cum dividend dates.

8. That in accordance with the final paragraph of Article L.225-132 of the French Commercial Code, the issue of the above-described bonds with redeemable equity warrants will automatically entail the waiver by shareholders of their pre-emptive right to subscribe for the shares to be issued on exercise of the warrants.

9. That the Board of Directors – or the Chief Executive Officer acting on the Board's behalf – shall (i) draw up the list of banks to which the bonds with redeemable equity warrants shall be offered, subject to the conditions set out in paragraph 4 above; and (ii) set the terms and conditions of the issues, including the number of securities to be issued to each underwriting bank, the exercise

price of the equity warrants in accordance with paragraph 6 above, and the cum-dividend date for the shares to be allocated on exercise of the warrants.

10. To grant full powers to the Board of Directors – which may be delegated in accordance with the applicable laws and regulations – to take all necessary measures, enter into any and all agreements, carry out any and all reporting and other formalities required in relation to the planned issue of bonds with redeemable equity warrants, place on record any resulting capital increase(s), amend the articles of association accordingly, and make any subsequent amendments to the bond and equity warrant indentures, subject to the prior approval of the bond and warrant holders.

11. That in accordance with Article L.225-138 III of the French Commercial Code, the authorisation is given for a period of 18 months from the date of this Meeting.

Twelfth extraordinary resolution (Definition of a category of Beneficiaries of equity warrants detached from bonds with redeemable equity warrants issued by the Company)

Having considered the Board of Directors' report, the Extraordinary General Meeting:

1. Resolves that equity warrants detached from the bonds with equity warrants issued under the eleventh extraordinary resolution above may be offered by the underwriting banks to a list of Beneficiaries determined by the Board of Directors – or the Chief Executive Officer acting on the Board's behalf – from among employees and/or executive directors who are also salaried employees, of the Company or any of its French or foreign subsidiaries within the meaning of Article L.233-3 of the French Commercial Code.

2. Resolves that this resolution is subject to the adoption of the eleventh extraordinary resolution above.

Thirteenth extraordinary resolution (Definition of a category of Beneficiaries of equity warrants detached from bonds with redeemable equity warrants issued by the Company)

Having considered the Board of Directors' report, the Extraordinary General Meeting:

1. Resolves that equity warrants detached from the bonds with redeemable equity warrants issued under the eleventh extraordinary resolution above may be offered by the underwriting banks to a list of Beneficiaries determined by the Board of Directors – or by the Chief Executive Officer acting on the Board's behalf – from among (i) the executive directors of the Company or any of its French or foreign subsidiaries within the meaning of Article L.233-3 of the French Commercial Code; and/or (ii) the permanent representatives of corporate directors or members of a Supervisory Board of the Company or any of its subsidiaries within the meaning of said Article who, at the date this list is drawn up by the Board or the Chief Executive Officer, are not salaried employees of the Company or any of its subsidiaries within the meaning of Article L.233-3 of the French Commercial Code and do not directly or indirectly hold more than 1% of the Company's capital and/or voting rights, as recorded at midnight (CET) on the fourth business day preceding the date of this Meeting.

2. Resolves that this resolution is subject to the adoption of the eleventh extraordinary resolution above.

3. Shareholders who fall within the category of Beneficiaries defined in this resolution may not take part in the vote.

Fourteenth extraordinary resolution (Authorisation given to the Board of Directors to reduce the share capital by cancelling shares)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-209 of the French Commercial Code, to:

1. Authorise the Board of Directors to cancel, on one or several occasions, all or some of the shares held by the Company, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date.

2. Authorise the Board of Directors to charge the difference between the cost of the cancelled shares and their par value to any available premium or reserve account.

3. Grant full powers to the Board of Directors – which may be delegated in accordance with the applicable laws and regulations – to effect the capital reductions, record the corresponding accounting entries, amend the articles of association to reflect the new capital and generally carry out any and all necessary formalities.

4. Set at 28 months from the date of this Meeting the period of validity of this authorisation, which cancels and replaces all previous authorisations with the same purpose.

Fifteenth extraordinary resolution (Powers to carry out formalities)

The Extraordinary General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

Appendix 7.7
Report of the Board of Directors
to the Extraordinary General Meeting

Report on the Extraordinary resolutions tabled at the General Meeting of 15 june 2009

We invite shareholders to vote the fourteen extraordinary resolutions presented below. Shareholders are asked to authorise the Board to issue shares and securities with rights to ordinary shares, with or without pre-emptive subscription rights for existing shareholders, in order to enable the Company to swiftly take advantage of market opportunities. In light of the wide variety of financial instruments currently available and the rapidly changing market conditions, it is important for the Board to have the greatest possible flexibility in choosing the best type of issue. The authorisations will give the Board ample scope to act in all circumstances in the best interests of the Company – in line with the aims of the law –, by deciding to issue ordinary shares and securities with rights to ordinary shares in France or abroad. They will replace the unused portion of earlier shareholder authorisations to the same effect. In the first and second extraordinary resolutions, which are based on the blanket “delegation of competence” provisions of the law, shareholders are asked to delegate to the Board their competence for deciding to issue ordinary shares and securities with rights to ordinary shares, with or without pre-emptive subscription rights for existing shareholders. This authorisation is being sought for a period of 26 months. The aggregate par value of shares issued under the authorisation will not exceed €100 million, as specified in the seventh extraordinary resolution.

Shareholders are also asked to grant additional delegations of competence for the same 26-month period. These delegations are dealt with in separate resolutions, which are necessary due to legal exceptions to the principle of a blanket delegation.

Under the third extraordinary resolution, for issues of ordinary shares and securities with rights to shares without pre-emptive subscription rights, the Board of Directors would be authorised to set the issue price by the method decided by the shareholders in General Meeting instead of applying the pricing rules specified by law.

The purpose of the fourth extraordinary resolution is to give the Board of Directors an option to issue additional securities in the event that an issue with or without pre-emptive subscription rights is over-subscribed.

The purpose of the fifth extraordinary resolution is to authorise the Board of Directors to issue ordinary shares and securities with rights to shares without pre-emptive subscription rights, in payment for shares tendered to a public exchange offer for the shares of another company made by SFL.

The purpose of the sixth extraordinary resolution is to give the Board of Directors the necessary powers to issue shares or securities with rights to ordinary shares without pre-emptive subscription rights, in payment for shares or securities with rights to ordinary shares of a private company contributed to the Company, as allowed under the provisions of the law.

The seventh extraordinary resolution sets a blanket ceiling of €100 million on the authorisations given in the first six extraordinary resolutions.

The purpose of the eighth extraordinary resolution is to authorise the Board of Directors to issue securities with rights to debt securities representing an aggregate debt obligation of no more than €1 billion.

The ninth extraordinary resolution concerns an authorisation sought by the Board of Directors to increase the capital by a maximum of €25 million by capitalising reserves, profits or share premiums. This amount is separate from the aggregate ceiling applicable to issues under the first six extraordinary resolutions.

The tenth extraordinary resolution concerns an authorisation sought by the Board of Directors to issue shares for cash to employees and retired employees who are members of a Sharesave Plan set up by the Company and/or by related companies within the meaning of Article L.225-180 of the French Commercial Code. The aggregate par value of shares issued under this authorisation will not exceed €500,000. This amount is separate from the €100 million aggregate ceiling applicable to issues under the first six extraordinary resolutions. The authorisation could also be used to make grants of existing or newly-issued shares or securities with rights to ordinary shares. The aggregate par value of new shares, if any, issued under this latter authorisation will also be capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums. This amount is separate from the ceiling applicable to capital increases under the ninth extraordinary resolution.

These authorisations to issue ordinary shares and/or securities with rights to ordinary shares, with or without pre-emptive subscription rights for existing shareholders, will enable the Board to take up opportunities – especially by cancelling shareholders’ pre-emptive rights – to carry out public and private placements in France, abroad and/or on international markets, based on the interests of the Company and shareholders. Depending on the type of securities, the issues may be denominated in euros or in foreign currencies, or in any monetary unit determined by reference to a basket of currencies.

Change in the rules governing public offers

Article 152 of France’s LME Act of 4 August 2008 authorised the government to introduce legislative measures changing the rules governing public offers (government order 2009-80 dated 22 January 2009).
The new system, which was adopted following a public consultation process, came into effect on 1 April 2009.

The concept of “appel public à l’épargne” is replaced by that of an “offre au public” (Article L.411-1 of the French Monetary and Financial Code).
A public offer of financial securities (Article L.211-1 of the Monetary and Financial Code) consists of the following:
- A communication sent in any form and by any method presenting sufficient information on the terms of the offer and the securities involved, to allow an investor to decide whether or not to purchase the securities.
- The placement of financial securities by a bank or other financial intermediary.
Certain transactions that previously did not qualify as an “appel public à l’épargne” are also excluded from the scope of an “offre au public” provided that the issuer is authorised to carry out an “offre au public” (Articles L.411-2 and L.411-3 of the Monetary and Financial Code).
They include offers to a limited group of investors (less than 100) or to qualified investors (Articles D.411-1 and D.411-2 of the Monetary and Financial Code) that are investing on their own behalf.

The new rules align French law with the European concept of securities traded on a regulated market and public offers of financial instruments. A prospectus approved by the French securities regulator must still be issued when:
- The securities are listed on a regulated market (Euronext Paris), or
- The securities are offered to the public on a market such as Alternext or the Euronext Marché Libre, or without being listed.

The rules governing share issues without pre-emptive subscription rights have also been changed (Article L.225-136 of the Commercial Code).
Under the new rules, this type of issue can be carried out through a private placement with qualified investors or a limited group of investors, within the limit of 20% of the capital per year.
In this case, the issue price is set according to the same rules as a public offer.

I. Authorisation to issue ordinary shares and securities with rights to ordinary shares

In the first and second extraordinary resolutions, shareholders are asked to grant the Board of Directors a 26 month authorisation to issue, with or without pre-emptive subscription rights for existing shareholders, ordinary shares or securities with immediate or future rights to existing or new ordinary shares, in accordance with articles L.225-129-2 and L.228-92 of the Commercial Code. The aggregate par value of ordinary shares issued under these authorisations will not exceed €100 million

The Board of Directors considers that it would not be appropriate to use this authorisation to issue preference shares or securities with rights to preference shares.

Shareholders are therefore asked to specifically rule out preference share issues and issues of securities with immediate or future rights to preference shares.

I.1 Issues with pre-emptive subscription rights (first extraordinary resolution)

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a. The first extraordinary resolution concerns an authorisation to issue ordinary shares and securities with immediate or future rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.

A decision to delegate competence to the Board to issue securities with future rights to ordinary shares will automatically entail or could entail, depending on the case, the waiver by shareholders of their pre-emptive right to subscribe for any shares issued on exercise of the rights attached to the securities (although shareholders will have a pre-emptive right to subscribe for the securities).

In the first extraordinary resolution, the aggregate amount by which the capital could be increased during the 26-month period covered by the authorisation is capped at €100 million.

This ceiling does not take into account the effect on the amount of the capital increase of any adjustments that may be made to protect the rights of holders of rights attached to securities with rights to ordinary shares.

The aggregate nominal value of dated or undated, subordinated or unsubordinated debt securities that may be issued under the first extraordinary resolution – including securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities – will not exceed €1 billion or the equivalent (on the date the issue is decided) in foreign currency or in a monetary unit determined by reference to a basket of currencies. This ceiling does not include any redemption premiums payable on the securities. This non-cumulative ceiling applies to all debt securities that may be issued under the first, second, fifth and sixth extraordinary resolutions tabled at this meeting, but is separate from the ceiling on the issue of debt securities with rights to debt securities under the eighth extraordinary resolution of this Meeting and from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the Commercial Code.

The life of debt securities with rights to ordinary shares will not exceed 50 years, although the authorisation could also be used to issue undated subordinated or unsubordinated notes. The authorisation may be used to issue fixed and/or floating rate or zero coupon debt securities; the securities may be redeemable in advance at par or at a premium, and they may also be repayable in instalments. The securities may also be bought back on the market or through a cash or exchange offer made by the Company.
In accordance with Article L.228-97 of the Commercial Code, the issue agreement may stipulate that the securities will be redeemable only after all of the Company’s other creditors have been paid,

including or excluding holders of participating securities; it may also stipulate a creditor ranking.

b. The issue price of debt securities with rights to ordinary shares will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a), adjusted as necessary to take into account differences in cum dividend dates.

c. The Board of Directors may grant shareholders the right to subscribe for ordinary shares or securities not taken up by other shareholders exercising their pre-emptive subscription rights. In each case, if the entire issue is not taken up by shareholders, the Board of Directors may take all or some of the following courses of action, in the order of its choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up; or (ii) freely allocate all or some of the unsubscribed shares or securities, or (iii) offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France and/or, if appropriate, abroad and/or on the international market.

d. On these bases, the Board of Directors will have the broadest powers to carry out the above issues, on one or several occasions and on all markets, in the best interests of the Company and its shareholders, to place the issue(s) on record and to amend the articles of association to reflect the new capital, to charge the issue costs against the premiums on the issued shares and deduct any amounts from said premiums to raise the legal reserve to one tenth of the new capital, and to carry out any and all reporting and other formalities and obtain any and all authorisations that may be necessary to carry out and complete the issues.

The Board of Directors will decide the characteristics, terms and conditions of each issue, set the subscription price of the shares or other securities, which may or may not include a premium, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.

e. In accordance with the law, the Board of Directors may delegate the powers granted by shareholders under the first extraordinary resolution to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to limits to be set by the Board.

I.2 Issues without pre-emptive subscription rights (second extraordinary resolution)

a. In the interests of the Company and shareholders, the Board of Directors may in certain circumstances want to take up opportunities offered by the financial markets, by carrying out issues without pre-emptive subscription rights. This is why, in the second extraordinary resolution, the Board is seeking an authorisation to issue ordinary shares or securities with rights to ordinary shares without pre-emptive subscription rights for existing shareholders. The maximum amount of such issues is specified in the resolution. The authorisation would be given for a period of 26 months and the terms and conditions will be the same as in the first extraordinary resolution, except for the specific points described in paragraphs b) and e) below.

This authorisation would be used to issue ordinary shares or securities with rights to ordinary shares in a public placement or in an offer governed by Article L.411-2-II of the Monetary and Financial Code. In the latter case, the issues will not represent more than 20% of the capital per year

The aggregate nominal value of debt securities issued under the second extraordinary resolution will be capped at €1 billion; this amount will not be cumulative with the amount authorised in the first extraordinary resolution and, as for that resolution, will not include any redemption premiums that may be decided. The €1 billion ceiling represents the maximum aggregate authorised amount of issues of debt securities under the first, fifth and sixth extraordinary resolutions of this Meeting; however, any issues of debt securities decided or authorised by the Board pursuant to the eighth extraordinary resolution, as provided for in Article L.228-40 of the Commercial Code, will not be deducted from this ceiling.

b. If shareholders grant this authorisation to the Board of Directors and, accordingly, waive their pre-emptive subscription rights, the issue price of any ordinary shares issued under the resolution will be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

For any securities with rights to ordinary shares issued under the resolution, the issue price will also comply with the laws and regulations in force on the issue date. It will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

On these bases, the Board of Directors will set the issue price of the securities and, in the case of debt securities, the interest terms, in the best interests of the Company and shareholders taking into account all relevant parameters. These will include the type of securities issued, stock market trends and the market for SFL shares, any priority subscription right granted to existing shareholders, market interest rates (in the case of an issue of debt securities), the number of ordinary shares represented by the rights and, generally, all the characteristics of the issued securities.
In accordance with Article R.225-119 of the Commercial Code (adopted in application of Article L.225-136 of the Code), the new ordinary shares will not be issued at a discount of more than 5% to the weighted average share price for the three trading sessions

immediately preceding the pricing date.

However, if shareholders adopt the third extraordinary resolution of this Meeting, for ordinary share issues representing no more than 10% of the capital carried out in any twelve month period the Board may choose not to apply the legal pricing rules and to set the issue price by the method stipulated in said third extraordinary resolution (see paragraph I.3 below).

c. On these bases, the Board will have the broadest powers to issue ordinary shares and securities with rights to ordinary shares, on one or several occasions without pre-emptive subscription rights, and to set the terms and conditions of each issue as explained above in the section dealing with the first extraordinary resolution.

The securities will be placed in accordance with market practices on the issue date. The Board is nevertheless asking shareholders for an authorisation to grant shareholders a non-transferable priority subscription right – if circumstances permit – possibly including a priority right to subscribe for securities not taken up by other shareholders. The conditions of exercise of this right would be determined by the Board in accordance with the law.

If the issue is not taken up in full – if applicable, including by shareholders exercising their priority subscription right – the Board will be authorised to reduce its amount on the basis provided for by law.

d. Shareholders should note that under this delegation of competence the Board will be authorised to take all other necessary measures in connection with or as a result of the issues. These measures, which are described above, in the section dealing with the first extraordinary resolution, include amending the articles of association to reflect the new capital.

e. In accordance with the law, the Board of Directors may delegate authority for deciding issues to be carried out under the second extraordinary resolution, on the same basis as for the first extraordinary resolution (see above).

I.3 Issues without pre-emptive subscription rights: determination of the issue price by the method decided by shareholders (third extraordinary resolution)

—

In accordance with the alternative rules introduced in Article L.225-136 of the Commercial Code, the Board of Directors is seeking a 26-month authorisation (i) to decide not to apply the pricing rules specified by law, as described above, and (ii) to set the price of ordinary shares and securities with rights to ordinary shares issued through a public placement or an offer governed by paragraph II of Article 411-2 of the Financial and Monetary Code by the method described below. This exception will apply only to ordinary share issues representing no more than 10% of the capital (at the date of this Meeting) carried out in any twelve-month period under the authorisation given in the second extraordinary resolution. For these issues, the following pricing rules will apply:

i) Ordinary shares will be issued at a discount of no more than 10% to the weighted average SFL share price for the three trading sessions immediately preceding the pricing date.

ii) The issue price of debt securities with rights to ordinary shares will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in i), adjusted as necessary to take into account differences in cum dividend dates.

This authorisation will give the Board of Directors greater flexibility in pricing public placements or offers governed by Article L.411-2-II of the Monetary and Financial Code of ordinary shares issued without pre-emptive subscription rights, up to a certain amount, and thereby increase the chances of the issue being a success.

The aggregate par value of shares issued directly or indirectly under this authorisation will be deducted from the amount by which the capital may be increased under the second extraordinary resolution.

The Board will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

If and when the authorisation given in the third extraordinary resolution is used, the Board and the Auditors will report to shareholders on the final terms of the issue and on the estimated impact on the situation of existing shareholders.

I.4 Share issue with or without pre-emptive subscription rights: authorisation to be given to the Board to increase the number of shares to be issued (fourth extraordinary resolution)

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In accordance with the rules introduced in Article L.225-135-1 of the Commercial Code, in the fourth extraordinary resolution the Board of Directors is seeking an authorisation to decide, for all issues carried out pursuant to the first and second extraordinary resolutions, to increase the number of shares offered for subscription, on the basis allowed under Article L.225-135-1, provided that the ceiling specified in the related resolution is not exceeded.

This authorisation will enable the Board to offer additional shares on the same terms as for the original offer in the event that an offer is over-subscribed.

In accordance with Article R.225-118 of the Commercial Code, the Board of Directors will be authorised to decide, within thirty days of the close of the original subscription period for each issue decided pursuant to the first and second extraordinary resolutions, to increase the number of shares offered by up to 15% compared to the original offer, provided that this does not result in the ceiling set in the relevant resolution being exceeded.

The Board will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

I.5 Issues of securities carrying the right to debt securities (eighth extraordinary resolution)

The eighth extraordinary resolution concerns a 26-month authorisation sought by the Board to issue securities with rights to debt securities, as provided for in Articles L.225-129-2 and L.228-92 of the Commercial Code. These issues, which may be carried out on one or several occasions, in France or abroad and/or on the international market, may consist of bonds and equivalents, dated or undated subordinated notes or any other securities conferring – for the same issue – the same claim on the Company.

The aggregate amount of debt securities issued under this authorisation, directly and indirectly on exercise of the rights attached to the original securities, will be capped at €1 billion or the equivalent in foreign currencies or in any monetary unit determined by reference to a basket of currencies. For the purpose of determining whether the above ceiling has been complied with, no account will be taken of any redemption premiums payable on the debt securities.

I.6 Capital increase to be paid up by capitalising reserves, profits or share premiums (ninth extraordinary resolution)

The ninth resolution concerns an authorisation sought by the Board to increase the capital by capitalising reserves, profits or share premiums. This type of transaction, which does not necessarily lead to the issuance of new ordinary shares, is governed by specific legal provisions contained in Article L.225-130 of the Commercial Code. The authorisation is subject to the quorum and majority voting rules applicable to Ordinary General Meetings, which is why a separate resolution is being tabled.

The 26-month authorisation will enable the Board of Directors to decide to increase the capital by up to €25 million through one or several transactions. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is in addition to the ceilings set in the first six extraordinary resolutions.

The Board of Directors will have full powers to decide the items and amounts to be capitalised, as well as the method to be used to effect the capital increase (increase in the par value of shares and/or bonus share issues), to place on record each capital increase and amend the articles of association to reflect the new capital, and to make any and all adjustments required by law.
If the capital increase is carried out by issuing bonus shares, with future or retroactive dividend rights, the Board may decide that rights to fractions of shares are non-transferable, and that the corresponding shares will be sold, in which case the sale proceeds will be allocated among holders of rights to fractions of shares within the period stipulated in the applicable regulations.

The Board will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II. Specific authorisations

II-1 Issue of ordinary shares or securities with rights to ordinary shares without pre-emptive subscription rights, in connection with a public exchange offer made by the Company for the shares of another listed company (fifth extraordinary resolution)

Article L.225-148 of the Commercial Code allows shareholders to authorise the Board to use the authorisation given in the second extraordinary resolution to issue ordinary shares and securities with rights to ordinary shares in payment for shares tendered to a public exchange offer for the shares of another company made by SFL in France or in another country under local rules. This applies not only to straight exchange offers, but also to alternative cash and exchange offers, cash offers or exchange offers with an exchange or a cash alternative, or any other type of exchange offer that complies with the applicable laws. Article L.225-148 stipulates, however, that the shares of the target must be traded on a regulated market in a country that is a member of the European Economic Area or of the OECD (as is the case of France).

The procedure allows shares to be exchanged without SFL being required to apply the procedures applicable to contributions of shares or other securities.

The rules described in the above section on the second extraordinary resolution would also apply to issues carried out under the fifth extraordinary resolution, except those concerning the issue price of ordinary shares or of securities with rights to ordinary shares, and the priority subscription right granted to existing shareholders.

Existing shareholders would not have a pre-emptive right to subscribe for the new shares and shareholders are therefore asked to waive this right, on the same basis as under the second extraordinary resolution.

In addition, if the authorisation is used to issue securities with rights to ordinary shares, shareholders will automatically be considered as having waived their pre-emptive right to subscribe for the shares issued on exercise of said rights.

For each issue, the Board will be authorised to decide the type and characteristics of the ordinary shares or securities with rights to ordinary shares to be issued, the exchange ratio and the amount of any cash payment that would be due if application of the exchange ratio results in rights to fractions of shares. The amount of the capital increase will depend on the number of shares of the target tendered to the offer, taking into account the number of ordinary shares and securities with rights to ordinary shares issued and the exchange ratio.

The aggregate par value of ordinary shares issued under this authorisation, which is the subject of a special resolution, will be capped at €100 million. This amount is not cumulative with the ceiling set in the second extraordinary resolution for issues without pre-emptive subscription rights. It does not include the effect of any adjustments to be made to protect the rights of holders of securities with rights to ordinary shares. The authorisation is being sought for a period of 26 months from the date of this Meeting.

The rules described in the above section on the second extraordinary resolution would also apply to issues carried out under the fifth extraordinary resolution, except those concerning the issue price of ordinary shares or of securities with rights to ordinary shares, and the priority subscription right granted to existing shareholders.

II-2 Issues in payment for shares or securities with rights to shares contributed to SFL (sixth extraordinary resolution)

—

In accordance with the rules introduced in Article L.225-147 of the Commercial Code, the sixth extraordinary resolution concerns a 26-month authorisation to be given to the Board of Directors to issue ordinary shares and securities with rights to ordinary shares in payment for shares or securities with rights to shares contributed to the Company under transactions that are not governed by Article L.225-148 of the Commercial Code. Issues under this authorisation will be capped at 10% of the Company's capital at the issue date.

Shareholders will be required to waive their pre-emptive right to subscribe for the new shares or securities, in favour of the holders of the contributed shares or securities.

In addition, if the authorisation is used to issue securities with rights to ordinary shares, shareholders will automatically be considered as having waived their pre-emptive right to subscribe for the shares issued on exercise of said rights.

Issues under this authorisation will be deducted from the amount available under the blanket ceiling set in the seventh extraordinary resolution, for issues carried out under the first six extraordinary resolutions.

If the sixth extraordinary resolution is used, the Board will be authorised to approve the value attributed to the contributed shares or securities and to the benefits granted, based on the valuation report issued by the expert appraiser of capital contributions, in the same way as if the transaction had been presented to shareholders for approval (paragraphs 1 and 2 of Article L.225-147 of the Commercial Code), and to place on record the capital increases carried out under the resolution. The Board may also reduce the value attributed to the contributed shares or securities or the remuneration of any benefits granted, with the agreement of the parties making the contribution.

The Board will be given the necessary powers to act on this authorisation and to amend the articles of association to reflect the resulting capital increase(s).

The Board will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II-3 Blanket ceiling on the authorisations (seventh extraordinary resolution)

—

Shareholders are asked to set at €100 million the aggregate par value of ordinary shares issued directly or indirectly under the authorisations given in the first six extraordinary resolutions. The par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares will be in addition to this ceiling.

II-4 Share issues to employees who are members of an SFL Sharesave Plan (tenth extraordinary resolution)

—

The Board of Directors is also seeking an authorisation to issue ordinary shares or securities with rights to ordinary shares to employees and retired employees who are members of a Sharesave Plan set up by the SFL Group, or to make grants of ordinary shares or securities with rights to ordinary shares, to be paid up by capitalising reserves, profits, share premiums or other items. These issues would be governed by the employee share ownership provisions of the Commercial Code (Articles L.225 129-6, L.225 138 I and II and L.225-138-1) and the Labour Code (Articles L.3332-18 *et seq.*).

This authorisation is being sought for a period of 26 months. The aggregate par value of ordinary shares that may be issued under the authorisation – directly or on exercise of rights attached to securities with rights to ordinary shares – is capped at €500,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is cumulative with the ceilings on issues of ordinary shares – directly or on exercise of rights attached to securities with rights to ordinary shares – carried out under the first six extraordinary resolutions.

The aggregate par value of ordinary shares issued directly or on exercise of rights attached to securities with rights to ordinary shares without consideration, as paid up by capitalising reserves, profits or share premiums, is also capped at €500,000. This ceiling does not include the par value of any ordinary shares to be issued in respect of adjustments made to protect the rights of holders of securities with rights to ordinary shares. It is cumulative with the ceiling set in the ninth extraordinary resolution.

The discount will be set at 20% or, if the lock-up period provided for in the plan in accordance with Article 3332-25 of the Labour Code is 10 years or more, 30% of the average of the opening prices quoted for SFL shares on Euronext Paris over the 20 trading days immediately preceding the date on which the opening date of the subscription period is decided. However, shareholders may decide to authorise the Board to reduce the discount in the case of an offer to members of a Group Sharesave Plan of shares or securities on the international market and/or outside France, to comply with any local laws.

The Board will also be authorised to replace all or part of the discount with a free grant of ordinary shares or securities with rights to ordinary shares. The terms of any such grant of ordinary shares or securities with rights to ordinary shares must comply with Article L.3332-26 of the Labour Code.

If shareholders adopt this resolution, they will be required to waive their pre-emptive subscription rights to the ordinary shares or securities with rights to ordinary shares in favour of the employees and retired employees who are members of the Sharesave Plan. They will also be considered as having automatically waived their pre-emptive right to subscribe for shares to be issued to these employees and retired employees on exercise of the rights attached to securities with rights to ordinary shares.

The Board will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II-5 Issue of bonds with redeemable equity warrants (eleventh to thirteenth extraordinary resolutions)

—

The Board wants to be able to raise funds quickly and in the most cost-effective way whenever necessary to support the development of the Company and the Group. For this reason, the Board is seeking an authorisation to issue bonds with redeemable equity warrants, representing a specific type of financing instrument that offers the dual benefits of optimising debt and giving senior executives a stake in the Group's performance.

The issue would take place in two phases:

- In the first phase, the issue of bonds with redeemable equity warrants would be underwritten by one or several banks.

- The equity warrants would then be stripped from the bonds and sold by the underwriting banks to selected executive directors and/or employees of SFL.

This type of issue would have a positive impact on the SFL share price, by sending a strong message to the markets.

By investing in the warrants, senior executives would clearly demonstrate their commitment to supporting the Group's development, while the leverage offered by these instruments would represent a strong financial incentive for participating managers and employees.
At the same time, SFL would benefit by raising funds at a lower cost than ordinary bank financing.

The terms and conditions of the bonds with redeemable equity warrants will be determined by the Board of Directors, or by the Chief Executive Officer on the Board's behalf.

The equity warrants will be exercisable on the basis of one share per warrant at a price that will not be lower than the average of the prices quoted for SFL shares on the Euronext Paris market over the 20 trading days immediately preceding the date on which the exercise price of the warrants is set by the Board of Directors or the Chief Executive Officer acting on the Board's behalf, except for any adjustments that may be necessary to take into account differences in cum dividend dates.

The equity warrants will be detachable from the bonds from the issue date and will be offered for sale exclusively to SFL Group employees and executive directors designated by the Board of Directors. The sale price per warrant will be determined jointly by the Board of Directors – or the Chief Executive Officer, on the Board's behalf – and the underwriting banks.

The aggregate nominal amount of bonds with redeemable equity warrants issued under this authorisation will not exceed €200 million, to be included in the €2 billion ceiling applicable to issues of debt securities under the first, second and eighth extraordinary resolutions subject to their adoption by this Meeting.

The aggregate par value of shares issued upon exercise of equity warrants will not exceed €3 million. If the warrants are exchanged for newly issued shares, their par value will be deducted from the €100 million ceiling on share issues set in the seventh extraordinary resolution subject to its adoption by this Meeting. The warrants will have a limited dilutive impact due to the proposed amount of the issue and will be partly offset by the reduction in interest expense resulting from the sale of the warrants by the underwriting banks.

In the interests of the Company and its shareholders, to speed up the issue process, the Board proposes waiving shareholders' pre-emptive right to subscribe for the bonds with redeemable equity warrants and restricting the issue to certain specific categories of investors.

As provided for in Article L.225-138 I of the Commercial Code, which allows companies to restrict rights issues to one or several categories of investors, the bonds with redeemable equity warrants will be offered exclusively to leading banks which – at the issue date – have granted loans or credit facilities to companies within the SFL Group or hold bonds issued by said companies, or have issued investment instruments held by said companies, for a minimum aggregate amount of €1 million per bank. The list of banks in the above category selected to participate in the issue will be drawn up by the Board of Directors, or by the Chief Executive Officer on the Board's behalf. The issue will entail the waiver of shareholders' pre-emptive subscription rights.

In substance, the issue of bonds with redeemable equity warrants and the sale of the equity warrants represent two separate restricted rights issues:

- Issue of rights to bonds, restricted to one or several underwriting banks (as explained above).

- Issue of rights to equity warrants, restricted to executive directors and/or employees of the Company.

In light of the position taken by the French securities regulator (AMF), as announced on 18 March 2008, so that shareholders can make an informed decision concerning the proposed operation, the ultimate purpose of which is to issue equity warrants to executive directors and employees, three separate resolutions will be put to the vote:

- A resolution concerning the issue of bonds with redeemable equity warrants (eleventh extraordinary resolution), stating that the equity warrants will be offered immediately to beneficiaries other than the underwriters of the issue.

- Two separate resolutions for the allocation of the equity warrants to employees and to executive directors who are salaried employees of the Company (twelfth extraordinary resolution) and to executive directors holding less than 1% of the Company's capital (thirteenth extraordinary resolution).

Shareholders who fall within the categories of beneficiaries defined in the twelfth and thirteenth extraordinary resolutions will be required to abstain from voting on these resolutions.

Shareholders will be asked to grant full powers to the Board of Directors – which may be delegated in accordance with the applicable laws and regulations – to take all necessary measures, enter into any and all agreements, carry out any and all reporting and other formalities required in relation to the planned issue of bonds with redeemable equity warrants, place on record any resulting capital increase(s), amend the articles of association accordingly, and make any subsequent amendments to the bond and equity warrant indentures, subject to the prior approval of the bond and warrant holders.

The authorisation is being sought for a period of 18 months.

To comply with legal and regulatory requirements, there follows a description of the reasons for and effects of the authorisations sought in these resolutions.

Authorisation to cancel SFL shares held in treasury

In relation to the thirteenth ordinary resolution and in accordance with the Article L.225-209 of the Commercial Code, shareholders are asked to give the Board of Directors an 18-month authorisation to cancel all or some of the SFL shares bought back under the share buyback programme authorised in the thirteenth ordinary resolution or any other share buyback programme and therefore reduce the share capital.

According to the applicable legislation, the Company can only cancel shares representing up to 10% of issued capital in any 24-month period.

Additional report to be issued upon utilisation of the authorisations given in the first to sixth and tenth extraordinary resolutions

In accordance with the law, if the Board of Directors uses the authorisations sought in the first six extraordinary resolutions or the tenth extraordinary resolution, when the decision is made it will issue an additional report describing the final terms and conditions of the issue and the impact on the situation of existing shareholders, in terms of dilution or otherwise. This report, and that of the Auditors, will be made available to shareholders within 15 days of the relevant Board Meeting and will also be presented at the next General Meeting.

Cancellation of authorisations given at the Extraordinary General Meetings of 9 May 2007 and 23 May 2008

If the resolutions tabled at this Meeting are adopted by shareholders, the unused portions of the authorisations given to the Board of Directors under the third to fifth extraordinary resolutions of the General Meetings of 9 May 2007 and 23 May 2008 will be automatically cancelled.

Activities of the Company since 1 January 2009

In accordance with the regulations applicable to share issues, the report of the Board of Directors to the Annual General Meeting includes information about the activities of the Company since the beginning of the current financial year.

* * *

The Auditors will report to shareholders their opinion on the various proposed issues and the proposed cancellation of existing shareholders' pre-emptive subscription rights.

* * *

Shareholders are invited to adopt the resolutions tabled at this Meeting, after considering the reports of the Auditors drawn up in accordance with the applicable laws.

The Board of Directors

Consolidated financial statements
Year ended 31 December 2008

The financial statements were approved for publication by the Board of Directors on 17 February 2009.

A. Consolidated Balance Sheet

ASSETS

(in thousands of euros)	Notes Section E	31/12/2008	31/12/2007	31/12/2006
Intangible assets	6-1	682	1,099	1,641
Property and equipment	6-2	365,292	281,564	289,776
Investment properties	6-3	2,992,804	3,745,775	3,034,904
Investments in associates	6-4	-	-	25,937
Financial assets	6-5	2,668	5,524	28,321
Other non-current assets	6-6	3,156	11,535	8,917
Total Non-Current Assets		**3,364,602**	**4,045,498**	**3,389,496**
Investment properties held for sale	6-7	242,161	401	401
Inventories and work in progress		-	-	-
Trade and other receivables	6-8	52,245	52,870	37,216
Other current assets	6-9	3,675	4,032	2,418
Cash and cash equivalents	6-10	14,152	15,945	23,553
Total Current Assets		**312,234**	**73,248**	**63,588**
Total Assets		**3,676,835**	**4,118,746**	**3,453,084**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31/12/2008	31/12/2007	31/12/2006
Share capital		93,005	93,005	86,152
Reserves		2,460,712	2,154,183	1,543,944
Profit/(loss) for the period		(392,956)	416,451	606,585
Equity Attributable to Equity Holders of the Parent		2,160,760	2,663,639	2,236,681
Minority interests		94,696	121,879	90,721
Total Minority Interests		94,696	121,879	90,721
Total Equity	**6-11**	**2,255,457**	**2,785,518**	**2,327,402**
Long-term borrowings and other interest-bearing debt	6-12	1,104,437	1,098,942	755,343
Long-term provisions	6-13	1,725	1,913	2,479
Deferred tax liabilities	6-14	72,818	117,797	71,030
Other long-term tax liabilities	6-15	6,285	1,197	2,345
Other non-current liabilities	6-16	16,175	16,584	15,640
Total Non-Current Liabilities		**1,201,440**	**1,236,432**	**846,837**
Trade and other payables	6-17	21,426	22,117	20,644
Short-term borrowings and other interest-bearing debt	6-12	170,188	44,825	230,849
Short-term provisions	6-13	1,070	3,195	5,303
Other current liabilities	6-18	27,254	26,659	22,049
Total Current Liabilities		**219,938**	**96,796**	**278,845**
Total Equity and Liabilities		**3,676,835**	**4,118,746**	**3,453,084**

B - Consolidated Profit and Loss Account

(in thousands of euros)	Notes Section E	31/12/2008	31/12/2007	31/12/2006
Property rentals		181,513	170,395	161,538
Property expenses, net of recoveries		(10,317)	(8,138)	(8,234)
Net Property Rentals	**6-19**	**171,196**	**162,257**	**153,304**
Gains and Losses from Remeasurement at Fair Value of Investment Properties	6-20	(528,977)	365,109	533,807
Service and other revenues	6-21	380	824	1,079
Other income	6-22	4,405	6,407	3,382
Depreciation and amortisation expense	6-23	(1,208)	(1,208)	(1,104)
Provision reversals/(expense) and impairment losses	6-24	(17,808)	710	2,627
Employee benefits expense	6-25	(11,892)	(13,201)	(14,626)
Other expenses	6-26	(10,268)	(8,473)	(9,912)
Operating profit/(loss)		**(394,171)**	**512,425**	**668,557**
Profit on Disposal of Investment Properties	**6-27**	**-**	**(93)**	**17,381**
Profit on Disposal of Assets Held for Sale	**6-27**	**29**	**-**	**31,635**
Margin on Sales as a Property Trader		**-**	**-**	**458**
Profit on Disposal of Other Assets	**6-28**	**9**	**3,424**	**(5,117)**
Investment income	6-29	-	-	8
Share of profits of associates	6-30	-	15,450	5,973
Finance costs and other financial expenses	6-31	(68,264)	(60,968)	(49,711)
Financial income	6-31	17,890	12,905	5,467
Gains and losses from remeasurement at fair value of financial instruments	6-32	(4,228)	338	(8,915)
Discounting adjustments to receivables and payables		593	(139)	(1,351)
Interest on receivables	6-33	861	2,272	2,970
Provision reversals/(expense) , net - financial assets	6-34	-	2,221	2,033
Other financial income and expenses		-	-	1
Profit/(loss) before Income Tax		**(447,282)**	**487,836**	**669,389**
Income tax benefit/(expense)	6-35	31,589	(36,442)	(32,818)
Profit/(loss) for the Period		**(415,693)**	**451,394**	**636,571**
Attributable to Equity Holders of the Parent		**(392,956)**	**416,451**	**606,585**
Attributable to minority interests		(22,737)	34,942	29,986

	31/12/2008	31/12/2007	31/12/2006
Basic (loss) earnings per share	€(8.45)	€8.96	€14.08
Diluted (loss) earnings per share	€(8.45)	€8.95	€14.07

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Other reserves	Profit (loss) for the period attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Minority interests
Equity at 31 December 2006	**86,152**	**991,758**	**22,030**	**3,248**	**526,908**	**606,585**	**2,236,681**	**90,721**
Dividends paid to equity holders of the parent					(115,928)		(115,928)	
Profit transferred to equity holders of SCI Washington								(3,784)
Equity at 1 January 2007 after appropriation of profit	**86,152**	**991,758**	**22,030**	**3,248**	**410,980**	**606,585**	**2,120,753**	**86,936**
Movements for the period:								
Appropriation of profit					606,585	(606,585)		
Profit/(loss) for the period						416,451	416,451	34,942
Par value of shares issued during the period	6,853						6,853	
Adjustment to share premiums		191,843			2		191,845	
Treasury share transactions				(21,491)			(21,491)	
Gains on sales of treasury shares				343			343	
Valuation gains and losses on financial instruments taken to equity					8,275		8,275	
Deferred tax impact of valuation gains and losses on financial instruments taken to equity					(839)		(839)	
Impact of share-based payments					541		541	
Adjustment to Parholding deferred taxes					(8,373)		(8,373)	
Other movements			-590		604		14	
Interim dividend paid to equity holders of the parent					(50,733)		(50,733)	
Equity at 31 December 2007	**93,005**	**1,183,601**	**21,440**	**(17,900)**	**967,042**	**416,451**	**2,663,639**	**121,879**
Dividends paid to equity holders of the parent					(96,643)		(96,643)	
Profit transferred to equity holders of SCI Washington								(4,445)
Equity at 1 January 2008 after appropriation of profit	**93,005**	**1,183,601**	**21,440**	**(17,900)**	**870,399**	**416,451**	**2,566,996**	**117,433**
Movements for the period:								
Appropriation of profit		-685			417,136	(416,451)		
Profit/(loss) for the period						(392,956)	(392,956)	(22,737)
Treasury share transactions				(1,907)			(1,907)	
Gains on sales of treasury shares				(129)			(129)	
Valuation gains and losses on financial instruments taken to equity					(14,246)		(14,246)	
Deferred tax impact of valuation gains and losses on financial instruments taken to equity					2,326		2,326	
Impact of share-based payments					676		676	
Equity at 31 December 2008	**93,005**	**1,182,916**	**21,440**	**(19,936)**	**1,276,291**	**(392,956)**	**2,160,760**	**94,696**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	31/12/2008	31/12/2007	31/12/2006
Cash flows from operating activities:			
Profit/(loss) for the period	(392,956)	416,451	606,585
Depreciation and amortisation expense and impairment losses (reversals)	18,526	2,477	(4,066)
(Reversals of)/additions to provisions	(2,312)	(2,901)	510
Gains and Losses from Remeasurement at Fair Value of Investment Properties	528,977	(365,109)	(533,807)
Net (gains)/losses from disposals of assets, after tax	1,244	(6,869)	(41,647)
Discounting adjustments and valuation (gains)/losses on financial instruments	3,635	(199)	10,267
Deferral of rent-free periods	1,837	(1,579)	(7,584)
Impact of share-based payments	676	541	378
Interest on receivables	(861)	(2,272)	(2,970)
Finance costs	51,340	46,716	45,151
Income tax expense	(32,871)	39,979	29,472
Share of profits of associates	-	(15,450)	(5,973)
Minority interests in (loss) profit for the period	(22,737)	34,942	29,986
Other movements	-	(1)	(617)
Cash flow before finance costs and income tax expense	**154,498**	**146,727**	**125,685**
Change in inventories and work in progress	-	-	845
Change in trade receivables	(2,330)	6,518	7,508
Change in other receivables	(5,048)	723	9,941
Change in trade payables	1,718	(2,465)	129
Change in other payables	2,280	(1,136)	(12,425)
Interest paid	(63,320)	(58,491)	(46,952)
Interest received	4,960	3,105	3,339
Income tax paid	(2,794)	(9,623)	(27,840)
Change in working capital	(64,534)	(61,369)	(65,455)
Net cash provided by operating activities	**89,964**	**85,357**	**60,230**
Cash flows from investing activities:			
Acquisitions of and improvements to investment properties	(30,237)	(17,923)	(86,344)
Acquisitions of intangible assets and property and equipment	(81,481)	(38,693)	(113,144)
Acquisitions of subsidiaries, net of the cash acquired	-	(42,601)	(124,605)
Proceeds from disposals of intangible assets and property and equipment	11,233	-	182,754
Proceeds from disposals of subsidiaries, net of the cash sold	-	50,619	30,903
Other cash inflows and outflows	(1,802)	11,457	8,812
Net cash used by investing activities	**(102,287)**	**(37,141)**	**(101,623)**
Cash flows from financing activities:			
Proceeds from the issue of ordinary shares	-	2	337
Purchases and sales of treasury shares, net	(2,036)	(21,148)	860
Dividends paid to equity holders of the parent	(96,643)	(166,661)	(89,995)
Dividends paid to minority shareholders	(4,445)	(3,784)	(4,671)
Dividends received from associates	-	127	947
Proceeds from new borrowings	231,760	284,925	152,339
Repayments of borrowings	(126,995)	(150,689)	(38,105)
Other	(356)	(4,604)	2,160
Net cash (used)/provided by financing activities	**1,285**	**(61,832)**	**23,872**
Net change in cash and cash equivalents	**(11,038)**	**(13,616)**	**(17,521)**
Cash and cash equivalents at beginning of period	(10,446)	3,170	20,692
Cash and cash equivalents at end of period	(21,484)	(10,446)	3,170
Net change in cash and cash equivalents	**(11,038)**	**(13,616)**	**(17,521)**

Cash and cash equivalents in the statement of cash flows are stated net of bank overdrafts.

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

1-1. Accounting Standards

As required under European Commission regulation (EC) 1606/2002 dated 19 July 2002, the consolidated financial statements have been prepared in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and related interpretations (SICs and IFRICs) adopted by the European Union.

- Applicable standards and interpretations
The standards and interpretations applied to the consolidated financial statements for the year ended 31 December 2008 are the same as those used in the financial statements for the year ended 31 December 2007, except for the amendment to IAS 39/ IFRS 7 for the reclassification of financial instruments. The amendment, whose application is mandatory, does not have a material impact on the Group's financial statements.

- The Group decided not to early adopt the following standards, interpretations and amendments to existing standards that are effective for financial periods commencing on or after 1 January 2009:
- IAS 1 (Revised 2007) – Presentation of Financial Statements
- IAS 23 (Revised 2007) – Borrowing Costs
- IFRS 2 (Revised 2008) – Share-based Payment
- IFRS 8 – Operating Segments (mandatory for financial periods commencing on or after 1 January 2009).
- IFRIC 11 – IFRS 2: Group and Treasury Share Transactions (mandatory for financial periods commencing on or after 1 March 2007 and, under European Commission regulation 611/2007, no later than from the start of the 2009 financial year.
- AS 40 (Revised 2008) – Investment Property (subject to the approval of the European Union, investment property under construction will be accounted for using the fair value method as of 1 January 2009).

1-2. Accounting conventions

The consolidated financial statements are presented in thousands of euros.
The consolidated financial statements include all the disclosures required for a complete set of financial statements prepared in accordance with IFRS.
The Group has chosen to measure investment properties using the fair value model (see Note 2-3).

Change in accounting estimate

As some of finance leases are coming close to their expiry date, the Group has a better idea of the consequences associated with exercising the purchase option. As a result, the Group has changed its estimate of the amount of deferred tax associated with these finance leases.
The impact of the change on 2008 profit amounts to €12,252 thousand.
The impact on future results cannot reasonably be measured and is therefore not presented here.

1-3. Basis of consolidation

The consolidated financial statements include the financial statements of SFL and its subsidiaries. The financial statements of subsidiaries cover the same period as those of SFL and have been prepared according to the same accounting policies. Intragroup transactions are eliminated in consolidation.

Subsidiaries are consolidated from the date when control is acquired and are removed from the scope of consolidation when control is transferred outside the Group. When SFL ceases to exercise control over a subsidiary, the consolidated financial statements include the subsidiary's results for the period from the beginning of the year to the date when control is transferred.

Acquisitions of property companies that do not meet the definition of a business combination under IFRS 3 are treated as direct acquisitions of the underlying property.

Material companies in which SFL holds the majority of voting rights and is therefore in a position to exercise exclusive control are fully consolidated.

1-4. Joint ventures

Joint ventures are consolidated by the proportional method based on the Group's percentage interest. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

1-5. Associates

Associates are accounted for by the equity method. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, less any impairment losses. The Group's consolidated profit includes its share of the associate's profit.

1-6. Foreign currency translation

The functional and presentation currency of SFL and its subsidiaries is the euro. Transactions in foreign currency are initially recognised in the functional currency by applying the exchange rate on the transaction date. At the period-end, foreign currency monetary assets and liabilities are translated at the closing rate. Translation differences are recognised in the profit and loss account.

1-7. Income taxes

The results of businesses subject to income tax are taxed at the standard rate.
For companies liable for income tax, deferred tax assets and liabilities have been recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. The Group entities that have elected to be taxed as an SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

II - Measurement Methods

2-1. Intangible assets

Intangible assets correspond mainly to software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38.
They are amortised by the straight-line method over three years.

2-2. Property and equipment

Property and equipment consist mainly of furniture, computer equipment, properties acquired for renovation that will subsequently be transferred to the "Investment property" portfolio and owner-occupied properties. Owner-occupied property is property held by the owner for use in the production or supply of goods or services or for administrative purposes. The only property in this category is the section of the Centre d'Affaires du Louvre building used by the Group for administrative purposes.

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Depreciation is calculated by the straight-line method over the asset's estimated useful life. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. If the appraisal value of a property is less than its carrying amount, an impairment loss is recognised.

The gain or loss arising from derecognition of an item of property or equipment, corresponding to the difference between the net disposal proceeds and the carrying amount of the item, is included in profit when the item is derecognised

2-3. Investment property

Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both.

SFL has chosen to measure investment properties using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment properties are measured at fair value and gains or losses arising from changes in fair value are recognised in profit. Investment properties are not depreciated.
Property that is being constructed, renovated or developed for future use as investment property falls within the scope of IAS 16 until the construction, renovation or development is complete, at which time the property is recognised as "Investment property" provided that it meets the criteria of IAS 40.
However, IAS 40 applies to existing investment property that is being redeveloped for continued future use as investment property.
The market value of the Group's investment property is determined based on valuations performed by independent experts.
The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. It reflects market conditions at the balance sheet date and not those prevailing at any past or future date. It does not reflect future capital expenditure that will improve or enhance the property or the related future benefits from this future expenditure.
No deduction is made for transaction costs that may be incurred on sale or other disposal.
The fair values of investment properties carried in the Group's balance sheet at 31 December 2008 correspond to the prices including transfer costs obtained from independent valuations, less a 6.20% discount for property subject to registration duty and a 1.80% discount for property subject to VAT.
Changes in fair value, which are recognised in the profit and loss account under "Gains and losses from remeasurement at fair value of investment properties", are calculated as follows:
Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

The change in fair value is adjusted to exclude the effects of specific lease terms recognised under other balance sheet captions, to avoid these effects being taken into account twice.

Valuation method

SFL's entire property portfolio was valued at 31 December 2008 by CBRE, Jones Lang Lasalle and Atisreal.

The valuations were performed in accordance with the "Charte de l'Expertise en Evaluation Immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

They were carried out primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Revenue assumptions take into account current rents, estimated market rents for the period beyond the lease expiry dates, any rent-free periods and rent step-ups, vacancy risk and projected changes in the construction cost index, which is the basis used to determine rent increases in France. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure except for future capital expenditure that will improve or enhance the property and the related future benefits from this future expenditure, as permitted under paragraph 51 of IAS 40.

Net cash flows for the final year of the projection period are capitalised to calculate the terminal value, corresponding to the property's resale price at the end of the period.

The results obtained are then compared to market data and adjusted, if necessary, to obtain a market-consistent value.

The appraisal values were quoted both including transfer costs (calculated at a standard 6.20% for all properties subject to registration duty and 1.80% for properties subject to VAT) and also excluding transfer costs.

However, given that these appraisal values are essentially estimates, the proceeds from the sale of certain property assets may be different to their appraisal value, even if the sale takes place within a few months of the year-end.

2-4. Recoverable amount of non-current assets

IAS 36 – Impairment of Assets applies to intangible assets, property and equipment, investment properties, financial assets and goodwill. No goodwill is carried in the Group's consolidated balance sheet.

At each period-end, the Group assesses whether there is any indication that any assets in the above categories may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount is less than its carrying amount, an impairment loss is recognised.

Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value.

Recoverable amounts are determined by reference to appraisal values.

2-5. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property assets are capitalised as part of the cost of the asset.

2-6. Investment properties held for sale

Investment properties are reclassified as "Assets held for sale" when their sale has been decided by the Board of Directors or a selling agent has been appointed.

2-7. Financial instruments (other than derivatives)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are initially recognised at cost, corresponding to the fair value of the consideration paid, including transaction costs directly attributable to the acquisition.

The fair value of the Group's credit facilities approximate their carrying amount as floating-rate debt is indexed to market rates and lending margins are stable.

Purchases and sales of financial instruments are recognised on the transaction date, corresponding to the date when the Group becomes a party to the contractual provisions of the instrument.

Short-term investments are measured at fair value at the period-end.

2-8. Amounts receivable from tenants and trade receivables

Receivables are initially recognised at fair value and are subsequently measured using the cost model. Provisions for impairment are determined on a case-by-case basis, for the difference between the receivables' carrying amount and recoverable amount.

2-9. Cash and cash equivalents

Cash and cash equivalents carried in the balance sheet include cash at bank and on hand and short-term deposits with original maturities of less than three months.

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less bank overdrafts.

Short-term investments are measured at fair value, in accordance with IAS 39.

2-10. Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at cost, corresponding to the fair value of the consideration paid or received, including directly attributable transaction costs.

Interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost takes into account all debt issuance costs and any difference between the initial amount and the amount at maturity. Finance costs are recalculated based on this amortised cost figure and the related effective interest rate.

2-11. Discounting of non-current liabilities

Non-current liabilities with fixed maturities are discounted.
This applies to the exit tax payable in four annual instalments following election for SIIC status.

Where the effect of the time value of money is material, non-current liabilities are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. Where discounting is used, the increase in the non-current liability due to the passage of time is recognised under "Finance costs".

2-12. Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be received. In the profit and loss account, the provision expense is presented net of the amount recognised for the reimbursement.

2-13. Employee benefits

Long-term benefits consist mainly of length-of-service awards payable to employees on retirement and jubilees.
Long-term benefits are recognised in the period in which the qualifying service is rendered by the employee. They are discounted at a rate defined in IAS 19. Short-term employee benefits are recognised in current liabilities and in expenses for the period. The projected benefit obligation is calculated annually based on actuarial assumptions including a retirement age of 65, a discount rate of 4.54% and a 2% rate of future salary increases. The calculation parameters are determined separately for each individual company, based on historical experience. Actuarial gains and losses are recognised in profit.
- Long-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years service, and one month's salary for concierges and caretakers who complete 25 years service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

2-14. Treasury shares

Treasury shares are recorded as a deduction from equity.

2-15. Share-based payments (IFRS 2)

Under the transitional provisions of IFRS 2, recognition in the financial statements of equity-settled share-based transactions is required only for equity instruments that were granted after 7 November 2002 and had not yet vested at 1 January 2005.
Options are measured at the grant date using the Black & Scholes option-pricing model and the related expense is recognised over the options' vesting period.

2-16. Finance leases

Finance leases – primarily for the acquisition of property assets – that transfer substantially all the risks and rewards incidental to ownership of the asset are recognised at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is recognised directly in finance costs.
Investment properties acquired under finance leases are measured at fair value at each period-end.

2-17. Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates (and foreign exchange rates). These instruments are measured at fair value at each period-end. Financial instruments are measured using standard market valuation models.

For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.
For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.
For cash flow hedges of firm commitments that qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.

For derivative instruments that do not qualify for hedge accounting, gains and losses from remeasurement at fair value are recognised in profit.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting. In this case, the gain or loss on the hedging instrument recognised directly in equity is reclassified into profit when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, any related gain or loss on the hedging instrument recognised directly in equity is reclassified into profit immediately.

2-18. Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably. The revenue recognition criteria applied by the Group are as follows:

Property rentals
Property rentals from investment properties are recognised on a straight-line basis over the lease term.

Specific lease terms
Current leases include various specific terms concerning rent-free periods, step-up clauses, eviction compensation and the payment of key money.

The effects of rent-free periods and step-up clauses are recognised over the lease term.

When a tenant is evicted to permit renovation work to be carried out, the compensation is recognised as an asset as part of the renovation cost. When the payment of eviction compensation enables the Group to enhance the asset's yield (by re-letting the property at a higher rent), the compensation is deducted from rental revenue over the lease term.
Key money received by the lessor is recognised in property rentals over the lease term.
Penalties paid by tenants for terminating their lease in advance of the expiry date are treated as revenue from the terminated lease and are recognised in profit on the payment date.

Asset sales
Revenue from asset sales is recognised when the significant risks and rewards of ownership of the asset are transferred to the buyer and the amount of revenue can be measured reliably.

Interest income
Interest income is recognised on an accruals basis using the effective interest method, which consists of applying a rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends
Dividends are recognised when the Group's right to receive payment is established.

2-19. Critical accounting estimates and judgements

The property portfolio is valued by independent experts who use assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note 2-3).

All of the Group's financial instruments are measured using standard market valuation models (see Note 2-17).

III - Segment Information

The Group's primary segment reporting format is the geographical segment.

The profit and loss account can be analysed as follows by geographical segment:

	Golden Triangle	Financial District	Golden Crescent La Défense	Other	Head-quarters	Total
Property rentals	69,681	61,822	35,624	14,385	-	181,513
Property expenses, net of recoveries	(3,398)	(8,196)	(1,009)	2,286	-	(10,317)
Net Property Rentals	**66,284**	**53,627**	**34,615**	**16,671**	**-**	**171,196**
Gains and Losses from Remeasurement at Fair Value of Investment Properties	(247,325)	(145,731)	(91,944)	(43,977)	-	(528,977)
Service and other revenues	-	-	-	-	380	380
Other income	1,902	1,510	(181)	-	1,174	4,405
Depreciation and amortisation expense	-	(234)	-	-	(973)	(1,208)
Provision reversals/(expense), net	(2)	(72)	(576)	(17,292)	134	(17,808)
Employee benefits expense	-	-	-	-	(11,892)	(11,892)
Other expenses	-	-	-	-	(10,268)	(10,268)
Operating Profit/(Loss)	**(179,142)**	**(90,900)**	**(58,086)**	**(44,598)**	**(21,445)**	**(394,171)**
Profit on disposal of investment properties	**-**	**-**	**-**	**-**	**-**	**-**
Profit on Disposal of Assets Held for Sale	**29**	**-**	**-**	**-**	**-**	**29**
Margin on Sales as a Property Trader	**-**	**-**	**-**	**-**	**-**	**-**
Profit on Disposal of Other Assets	**-**	**-**	**-**	**-**	**9**	**9**
Investment income	-	-	-	-	-	-
Share of profits of associates	-	-	-	-	-	-
Finance costs and other financial expenses	-	-	-	-	(68,264)	(68,264)
Financial income	-	-	-	-	17,890	17,890
Gains and losses from remeasurement at fair value of financial instruments	-	-	-	-	(4,228)	(4,228)
Discounting adjustments to receivables and payables	-	-	-	-	593	593
Interest on receivables	-	-	-	-	861	861
Provision reversals/(expense), net - financial assets	-	-	-	-	-	-
Other financial income and expenses	-	-	-	-	-	-
Profit/(loss) before Income Tax	**(179,112)**	**(90,900)**	**(58,086)**	**(44,598)**	**(74,585)**	**(447,282)**
Income tax benefit (expense)	14,913	-	8,452	17,792	(9,568)	31,589
Profit/(loss) for the Period	**(164,200)**	**(90,900)**	**(49,633)**	**(26,806)**	**(84,154)**	**(415,693)**
Attributable to equity holders of the parent	**(141,463)**	**(90,900)**	**(49,633)**	**(26,806)**	**(84,154)**	**(392,956)**
Attributable to minority interests	22,737	-	-	-	-	22,737

The balance sheet breaks down as follows:

	Golden Triangle	Financial District	Golden Crescent La Défense	Other	Headquarters	Total
Segment assets	1,377,771	1,226,211	581,377	414,984	3,550	3,603,892
Unallocated assets	-	-	-	-	72,944	72,944
Total assets	**1,377,771**	**1,226,211**	**581,377**	**414,984**	**76,493**	**3,676,835**

Segment assets correspond to the Group's property assets.

No analysis of liabilities by geographical segment is presented.

The Group's main geographical segments are as follows:

- The Golden Triangle, comprising parts of the 8th, 16th and 17th *arrondissements* in Paris. The segment extends from avenue Raymond Poincaré and boulevard Gouvion Saint-Cyr in the west to rue Tronchet in the east, and from avenue de Villiers and boulevard Malesherbes in the north to the banks of the Seine up to Trocadero in the south.

- The Financial District, comprising parts of the 1st, 2nd and 9th *arrondissements*. This segment extends from rue Tronchet in the west to rue du Sentier and rue du Faubourg-Poissonière in the east, and from rue de Chateaudun in the north to rue de Rivoli in the south.

- Golden Crescent/La Défense, located to the west of Paris, on the other side of the Boulevard Périphérique ring-road, and consisting mainly of La Défense.

The Group's secondary reporting format is based on two business segments – property rental services and sales as a property trader.

	Property rental services	Sales as a	Structures	Total
Property rentals	181,513	-	-	181,513
Margin on sales as a property trader	-	-	-	-
Profit/(loss) for the period	**(308,802)**	**-**	**(84,154)**	**(392,956)**

- Property rental services revenue consists of rent.

- Revenue from sales as a property trader consisted of fees for managing a property held under the property trader regime that was being sold on a break-up basis. The final units were sold in 2006 and the Group did not therefore earn any revenue from this source in 2007 or 2008.

IV - Significant Events of the Year

4-1. Asset purchases and sales

In line with the Group's asset management policy, SFL purchased one property and sold another in 2008. Details of these transactions are provided in Note 6-3.

On 18 December 2008, SFL signed an off-plan purchase agreement for a building located at 108 avenue de Wagram in the 17th *arrondissement* of Paris. Totalling around 6,000 square metres, the building will be delivered in late 2010 after top-to-bottom renovation.

4-2. Renovation programmes

The building permit for the renovation of Galerie des Champs-Élysées, which is 50%-owned by SFL, was obtained and the compulsory waiting period ended in December 2008. Work is scheduled to start in February 2009.

Renovation plans for 92 avenue des Champs-Elysées have been finalised and a building permit application is being prepared, for filing in early 2009.

In 2008, renovation work continued at 103 rue de Grenelle, where an office building that complies with the HQE (High Environmental Quality) standard is scheduled for delivery in first-quarter 2009.

In November 2008, work began on 247 rue Saint Honoré, which will house the first Mandarin Oriental palace hotel in Paris which is due to open in spring 2011.

4-3. Tax audits

The following is a discussion of tax audits, by type of proposed reassessment.

Provisions for major repairs
The tax authorities have challenged the method used by SFL to calculate its provisions for major repairs and have notified the Group of a €3,751 thousand reassessment of the tax base. The Group has contested the tax authorities' position, on the grounds that the work involved was certain of being carried out and could be reliably measured. No provision has been recorded in relation to this reassessment.

VAT
Further to a VAT audit covering 2002, the Group has applied for a refund of €451 thousand in VAT paid following tax audits, relating to rent-free periods and eviction compensation. This amount was nevertheless covered by a provision in 2006.
Following a tax audit covering 2005, 2006 and 2007, the tax authorities claimed additional VAT, which SFL has agreed to pay. VAT in the amount of €74 thousand was recorded in the accounts.

Analysis of property values between the value of the land and that of the building
The tax authorities have challenged the breakdown of the value of certain properties in the accounts between the value of the land and that of the building and have notified the Group of €2,611 thousand worth of reassessments of the tax base. The Group has partially contested the tax authorities' position. The related provision, which was originally set aside in 2005, amounted to €680 thousand at 31 December 2008.

Fair values of properties used to calculate exit tax
On 31 October 2008, the tax authorities cancelled the €11,521 thousand claimed following a proposed reassessment of the fair values used to calculate exit tax.

4-4. Subsequent events

On 13 March 2009, the Group accepted an offer from Fortis Lease to roll over the finance lease on the building at 131 avenue de Wagram, which was due to expire on 15 June 2009, for seven years. The net financing of €45,528 thousand will pay interest at the 3-month Euribor plus a spread of 200 bps.

V - Scope of Consolidation

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully-consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS SB1	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	484 425 450	100	100
SCI Washington	432 513 299	66	66
SCI 5 de Vigny	327 469 607	100	100
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SNC FLY Tolbiac	507 436 921	100	100
Proportionately-consolidated companies:			
SAS Parholding	404 961 351	50	50
SC Parsherbes	413 175 639	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
SC Parchar	414 836 874	50	50

SAS Iéna, SNC Iéna 1 and SNC Iéna 2, which were included in the scope of consolidation at 31 December 2007, were merged into SFL with retroactive effect from 1 January 2008.

SNC FLY Tolbiac was created on 28 July 2008 for the purchase, sale and rental of the T8 housing units.

At 31 December 2008, Société Foncière Lyonnaise was 76.72%-owned by the Spanish company Inmobiliaria Colonial SA.

VI - Notes to the Consolidated Balance Sheet and Profit and Loss Account

The key balance sheet and profit and loss account items are analysed below. All amounts are stated in thousands of euros

6-1. Intangible assets

	31/12/2006	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31/12/2007
Gross						
Computer software	3,208	76	(18)	-	-	3,267
Other intangible assets	-	-	-	-	-	-
Accumulated amortisation						
Computer software	(1,567)	(618)	18	-	-	(2,168)
Other intangible assets	-	-	-	-	-	-
Carrying amount	**1,641**	**(542)**	**-**	**-**	**-**	**1,099**

	31/12/2007	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31/12/2008
Gross						
Computer software	3,267	53	-	-	-	3,320
Other intangible assets	-	136	-	-	-	136
Accumulated amortisation						
Computer software	(2,168)	(606)	-	-	-	(2,774)
Other intangible assets	-	-	-	-	-	-
Carrying amount	**1,099**	**(417)**	**-**	**-**	**-**	**682**

6-2. Property and equipment

	31/12/2006	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31/12/2007
Gross						
Owner-occupied property	16,034	-	-	-	-	16,034
Equipment	277,139	41,315	(1)	(48,938)	-	269,515
Accumulated amortisation						
Owner-occupied property	(1,839)	(234)	-	-	-	(2,073)
Equipment	(1,557)	(356)	1	-	-	(1,912)
Carrying amount	**289,776**	**40,725**	**-**	**(48,938)**	**-**	**281,564**

	31/12/2007	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31/12/2008
Gross						
Owner-occupied property	16,034	-	-	-	-	16,034
Equipment(1)	269,515	101,810	(16)	-	-	371,310
Accumulated amortisation						
Owner-occupied property	(2,073)	-	(234)	-	-	(2,308)
Equipment	(1,912)	-	(17,831)	-	-	(19,744)
Carrying amount	**281,564**	**101,810**	**(18,081)**	**-**	**-**	**365,292**

(1) At 31 December 2008, the unrealised capital gains on buildings under construction amounted to €10,116 thousand.

The fair value of owner-occupied property – corresponding to the section of the Centre d'Affaires Le Louvre used by SFL as its administrative headquarters – amounted to €19,690 thousand at 31 December 2008 versus €22,786 thousand a year earlier.

Interest capitalised in 2008 on properties under renovation – reported on the line "Other" – amounted to €12,825 thousand.

6-3. Investment properties

	31/12/2006	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31/12/2007
Fair value								
Investment properties	3,034,904	24,446	371,257	(20,490)	(6,148)	48,938	292,868	3,745,775
Total	**3,034,904**	**24,446**	**371,257**	**(20,490)**	**(6,148)**	**48,938**	**292,868**	**3,745,775**

	31/12/2007	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31/12/2008
Fair value								
Investment properties	3,745,775	27,155	10,413	(12,664)	(496,291)	(281,584)	-	2,992,804
Total	**3,745,775**	**27,155**	**10,413**	**(12,664)**	**(496,291)**	**(281,584)**	**-**	**2,992,804**

	31/12/2008	31/12/2007	31/12/2006
Appraisal value of investment properties	3,015,531	3,773,266	3,057,016
Adjustments to reflect specific lease terms	(22,727)	(27,491)	(22,112)
Fair value of investment properties carried in the balance sheet	**2,992,804**	**3,745,775**	**3,034,904**

On 5 November 2008, SFL and its 50-50 joint venture partner IDF sold the building at 19 boulevard Malesherbes in Paris.

Eight buildings were reclassified as "Investment property held for sale" in 2008.

Investment properties are valued by independent experts at quarterly intervals.

6-4. Investments in associates

The Group has not held any investments in associates since 31 December 2007.

6-5. Financial assets

	31/12/2006	31/12/2007	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	Reclassi-fications	31/12/2008
Investments in non-consolidated companies	1,078	1,071	-	-	-	-	-	1,071
Provisions for impairment	-	-	-	-	-	-	-	-
Investments in non-consolida-ted companies, net	1,078	1,071	-	-	-	-	-	1,071
Teachers JV (25%) loan	2,628	-	-	-	-	-	-	-
Teachers JV (15%) loan	8,725	-	-	-	-	-	-	-
Advance to SCI Champvernier	15,245	-	-	-	-	-	-	-
Deposits	388	539	1,084	-	(66)	-	-	1,557
Other	257	-	-	-	-	-	-	-
Hedging instruments	-	3,914	39	-	(3,914)	-	-	39
Advances to non-consolidated companies	27,243	4,453	1,123	-	(3,980)	-	-	1,596
Total	**28,321**	**5,524**	**1,123**	**-**	**(3,980)**	**-**	**-**	**2,668**

At 31 December 2008, hedging instruments with a positive fair value recognised in assets totalled €39 thousand versus €3,914 thousand at 31 December 2007.

Fair values of hedging instruments with a positive fair value	Effective interest rate	Due	Long-term portion		
				31/12/2007	31/12/2006
BNP-Paribas swap	2.635%	31 Dec. 2010	39	-	-
Swap no.1 on Calyon/HSBC loan	3.85%	29 Dec. 2009	-	464	-
Swap no.2 on Calyon/HSBC loan	3.56%	29 June 2009	-	50	-
Swap no.3 on Calyon/HSBC loan	3.125%	29 Dec. 2009	-	371	-
Swap on Calyon loan	3.785%	23 May 2011	-	1,879	-
Swap on RBS loan	3.89%	31 Oct. 2013	-	1,151	-
Swap on Natixis loan	4.4325%	31 Dec. 2010	-	-	-
Total			**39**	**3,914**	**-**

6-6. Other non-current assets

	31/12/2008	31/12/2007	31/12/2006
Deferred tax assets	2,742	2,440	3,647
Other receivables	203	1,580	5,270
Prepayments	210	7,515	-
Total	**3,156**	**11,535**	**8,917**

Deferred tax assets are analysed in Note 6-35.

Prepayments classified as non-current at 31 December 2007, which concerned the renovation of the property at 103 rue de Grenelle in the 7th *arrondissement* of Paris, had been fully amortized at 31 December 2008.

6-7. Investment properties held for sale

	31/12/2006	Increases	Gains from remeasure-ment at fair value	Decreases	Losses from remeasure-ment at fair value	Reclassi-fications	Acquisitions of subsidiaries	31/12/2007
Fair value								
Investment properties	401	-	-	-	-	-	-	401
Total	**401**	**-**	**-**	**-**	**-**	**-**	**-**	**401**

	31/12/2007	Increases	Gains from remeasure-ment at fair value	Decreases	Losses from remeasure-ment at fair value	Reclassi-fications	Acquisitions of subsidiaries	31/12/2008
Fair value								
Investment properties	401	3,417	-	(143)	(43,098)	281,584	-	242,161
Total	**401**	**3,417**	**-**	**(143)**	**(43,098)**	**281,584**	**-**	**242,161**

On 9 December 2008, the Board of Directors approved the sale of eight buildings in SFL's portfolio.

	31/12/2008	31/12/2007	31/12/2006
Appraisal value of investment properties held for sale	245,088	401	401
Adjustments to reflect specific lease terms	(2,928)	-	-
Fair value of investment properties held for sale carried in the balance sheet	**242,161**	**401**	**401**

6-8. Trade and other receivables

	31/12/2008			31/12/2007	31/12/2006
	Total	Due within one year	Due in more than one year	Total	Total
Trade receivables	34,897	11,198	23,699	37,630	28,223
Provisions	(2,294)	(2,294)	-	(2,451)	(1,631)
Trade receivables, net	32,602	8,904	23,699	35,179	26,592
Prepayments to suppliers	607	607	-	4,776	26
Employee advances	57	57	-	20	45
Tax receivables (other than income tax)	16,451	16,451	-	11,171	10,053
Other operating receivables	2,380	2,380	-	1,576	353
Other	148	148	-	148	147
Other receivables	19,643	19,643	-	17,691	10,624
Total	**52,245**	**28,547**	**23,699**	**52,870**	**37,216**

Receivables do not bear interest.

Provisions for doubtful debts can be analysed as follows:

	31/12/2008	31/12/2007	31/12/2006
Increases	(702)	(208)	(476)
Reversals	1,060	670	1,391
Bad debt write-offs	(1,034)	(57)	(765)
Total	**(676)**	**405**	**150**
Rents	181,513	170,395	161,538
Net losses as a % of property rentals	**0.37%**	**-0.24%**	**-0.09%**

6-9. Other current assets

	31/12/2008	31/12/2007	31/12/2006
Accrued interest on hedging instruments	860	97	-
Income tax prepayments	829	1,435	559
Other prepayments	1,986	2,500	1,859
Total	**3,675**	**4,032**	**2,418**

“Other prepayments” relate mainly to the renovation of the 103 rue de Grenelle property in the 7th *arrondissement* of Paris.

Accrued interest on hedging instruments breaks down as follows:

	Effective interest rate	Due	Short-term portion		
			31/12/2008	31/12/2007	31/12/2006
Swap BNP-Paribas	2.635%	31 Dec. 2010	1	-	-
Swap BNP-Paribas	3.33%	31 Dec. 2010	0	-	-
JP Morgan swap	12-month Euribor + 141.5 bps	3 Jan. 2014	827	-	-
Swap no.1 on Calyon/HSBC loan	3.85%	29 Dec. 2009	-	1	-
Swap no.2 on Calyon/HSBC loan	3.56%	29 June 2009	0	0	-
Swap no.3 on Calyon/HSBC loan	3.125%	29 Dec. 2009	1	0	-
Swap on Calyon loan	3.785%	23 May 2011	31	94	-
Swap on RBS loan	3.89%	31 Oct. 2013	-	1	-
Total			**860**	**97**	**-**

6-10. Cash and cash equivalents

	31/12/2008	31/12/2007	31/12/2006
Cash at bank and in hand	449	1,025	2,137
Short-term investments	13,703	14,920	21,416
Total	**14,152**	**15,945**	**23,553**

Short-term investments are measured at fair value. They break down as follows:

	31/12/2008	31/12/2007	31/12/2006
Rothschild money market fund	538	665	-
Société Générale money market fund	6,001	3,393	148
HSBC money market fund	2,811	5,580	9,194
Crédit Agricole money market fund	4,352	5,282	12,074
Total	**13,703**	**14,920**	**21,416**

6-11. Equity

The Company's share capital amounts to €93,005 thousand, represented by 46,502,301 ordinary shares with a par value of €2.

Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

	31/12/2006	31/12/2007	Augmentation	Diminution	31/12/2008
Number of shares	130,067	461,574	127,385	(83,662)	505,297
Average purchase/sale price, in euros	€32.39	€55.69	€48.92	€51.69	€54.64
Total, in thousands of euros	**4,214**	**25,705**	**6,231**	**(4,324)**	**27,612**

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

6-12. Short and long-term interest-bearing debt

	Effective interest rate	Due	Long-term portion			Short-term portion		
			31/12/2008	31/12/2007	31/12/2006	31/12/2008	31/12/2007	31/12/2006
Lease liabilities								
131, Wagram	3-month Euribor + 100 bps (calendar quarter-end)	15 June 2009	-	46,005	62,201	46,005	952	952
Quai le Gallo	3-month Euribor + 75 bps (calendar quarter-end)	28 Feb. 2012	62,230	65,845	69,308	3,615	3,463	3,318
Rives de Seine	6-month Euribor + 75 bps (29 April – 29 October)	29 Oct. 2013	86,340	96,343	105,934	10,003	9,590	9,194
Impact of deferred recognition of debt arranging fees			(686)	(1,219)	(1,377)	(533)	(533)	(449)
Bank loans:								
Natixis syndicated loan	3-month Euribor + 40 bps (end of drawdown period)	26 Jan. 2012	600,000	574,000	416,000	5,853	341	187
HSBC-Calyon-CFF loan	3-month Euribor + 90 bps (29th of the last month of each quarter)	29 Dec. 2009	-	77,663	69,282	68,474	1,852	26
HSBC-Calyon-CFF loan	1-month Euribor + 40 bps (29th of each month)	29 March 2008	-	-	1,577	-	1,215	1
BancoSabadell revolving facility (€50 million)	3-month Euribor + 60 bps (calendar quarter-end)	28 Feb. 2012	50,000	50,000	-	6	8	-
BECM revolving facility (€150 million)	3-month Euribor + 40 bps (end of drawdown period)	4 May 2012	140,000	65,000	-	78	174	-
Royal Bank of Scotland	3-month Euribor + 56 bps (calendar quarter-end)	31 Oct. 2013	40,800	40,800	-	5	6	-
Deutsche Hypothekenbank revolving facility (€50 million)	3-month Euribor + 55 bps (end of drawdown period)	23 Oct. 2012	30,000	-	-	385	-	-
US Private Placement Notes								
USD 100 million	6.27% (10 June – 10 December)	10 Dec. 2012	-	-	-	-	-	76,212
USD 25 million	5.67% (10 June – 10 December)	10 Dec. 2009	-	-	-	-	-	19,047
Current account advances	3-month Euribor + 60 bps (calendar quarter-end)	18 May 2011	54,090	56,785	-	-	-	60,185
Hedging instruments with a negative fair value:								
Swap no.1 on Calyon/HSBC/CFF loan	3.85%	29 Dec. 2009	-	-	(188)	554	-	1
Swap no.2 on Calyon/HSBC/CFF loan	3.56%	29 June 2009	-	-	(41)	15	-	-
Swap no.3 on Calyon/HSBC loan	3.125%	29 Dec. 2009	-	-	(373)	88	-	(1)
Barclays swap on US Private Placement Notes	6.47%	10 Dec. 2012	-	-	-	-	-	32,706
Barclays swap on US Private Placement Notes	6.09%	10 Dec. 2009	-	-	-	-	-	7,199
JPMorgan swap (on €400 million)	12-month Euribor (with a 5.085% cap) + 141.5 bps	03 Jan. 2014	30,495	27,412	33,881	-	1,369	1,868
Swap on Calyon loan	3.785%	23 May 2011	2,200	-	(861)	-	-	20
Swap on RBS loan	3.89%	31 Oct. 2013	1,401	-	-	1	-	-
Swap on Natixis loan	4.4325%	31 Dec. 2010	6,921	308	-	4	(3)	-
Swap BNP-Paribas	3.33%	31 Dec. 2010	645		-	-	-	-
Bank overdrafts	Various		-	-	-	35,636	26,391	20,383
Total			**1,104,437**	**1,098,942**	**755,343**	**170,188**	**44,825**	**230,849**

The following table analyses borrowings by maturity:

	31/12/2008	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31/12/2007
Natixis syndicated loan	605,853	5,853	600,000	-	574,341
HSBC/Calyon/CFF loan	68,474	68,474	-	-	80,730
BancoSabadell loan	50,006	6	50,000	-	50,008
BECM revolving facility	140,078	78	140,000	-	65,174
Royal Bank of Scotland loan	40,805	5	40,800	-	40,806
Deutsche Hypothekenbank loan	30,385	385	30,000	-	-
Lease liabilities	208,193	59,623	148,570	-	222,198
US Private Placement Notes	-	-	-	-	-
Current account advances (liabilities)	54,090	-	54,090	-	56,785
Deferred debt arranging fees	(1,219)	(533)	(686)	-	(1,752)
Swap no.1 on Calyon/HSBC/CFF loan	554	554	-	-	-
Swap no.2 on Calyon/HSBC/CFF loan	15	15	-	-	-
Swap no.3 on Calyon/HSBC loan	88	88	-	-	-
Barclays swap	-	-	-	-	-
Barclays swap	-	-	-	-	-
JP Morgan swap	30,495	-	-	30,495	28,781
Swap on Calyon loan	2,200	-	2,200	-	-
Swap on RBS loan	1,402	1	1,401	-	-
Swap on Natixis loan	6,925	4	6,921	-	305
Swap BNP-Paribas	645	-	645	-	-
Bank overdrafts	35,636	35,636	-	-	26,391
Total	**1,274,625**	**170,189**	**1,073,941**	**30,495**	**1,143,767**

At 31 December 2008, SFL had access to confirmed undrawn lines of credit in the amount of €30 million.

Current account advances correspond to Prédica's interest in SCI Washington.

Debt covenants and acceleration clauses:

Credit facilities	Applicable ratios	Actual ratios at 31/12/2008	Actual ratios at 31/12/2007	Early repayment clauses[1]
CALYON-HSBC/CFF LOAN FOR PARHOLDING	Consolidated LTV (Loan To Value) = Outstanding loan/ fair value of property < 70% Consolidated ICR = Net property rentals received/ Interest expense including hedging costs > 1.30 Consolidated DSCR = Net property rentals received/ Interest expense, hedging costs and capital repayments > 1	31.1% 2.0 1.2	33.8% 1.3 1.3	Breach of financial covenants Withdrawal of collateral Bankruptcy proceedings Dissolution, merger or spin-off Termination of mandates Auditors' refusal to certify financial statements Asset seizures Failure to pay a loan instalment Material adverse event
NATEXIS SYNDICATED LOAN	EBITDA/net finance costs > 2.5 LTV <= 50% Secured debt /Property portfolio value <= 20% Unrestricted property portfolio value >= €1bn	3.1 30.2% 8.3% €3.5 bn	3.2 25.2% 8.2% €3.8 bn	Failure to pay a loan instalment Breach of financial covenants Administration or liquidation Change of control Material adverse event
BECM REVOLVING FACILITY	Interest cover >= 2 LTV <= 0.50% Property portfolio value > €2 bn Secured LTV < 20% Total surface area/Surface area under renovation < 30%	3.1 34.7% €3.6 bn 8.8% 12.4%	3.2 27.6% €4.1 bn 8.4% 10.8%	Payment default Cross default Termination of operations Bankruptcy proceedings Breach of financial covenants Loss of SIIC status Change of control Material adverse event
RBS LOAN	Interest cover >= 2.5 LTV <= 50% Secured LTV <= 20% Unrestricted property portfolio value >= €1 bn	3.1 34.7% 8.8% €3.3 bn		Payment default Cross default Termination of operations Bankruptcy proceedings Breach of financial covenants Change of control Material adverse event
DEUTSCHE HYPOTHEKENBANK LOAN	LTV <= 0.50% Interest cover >= 1.8	34.7% 3.1	27.6% 3.2	Payment default Misrepresentations Default reported to Banque de France Cross default Termination of operations Bankruptcy proceedings Change of control Material adverse event

(1) Summarized list of the main acceleration clauses.

The Group was not in breach of any of its financial covenants at 31 December 2008.

6-13. Short and long-term provisions

	31/12/2006	31/12/2007	Increases	Decreases	*o/w utilisations*	Reclassifica-tions	31/12/2008
Provisions related to refurbishment work and tenant claims	-	-	-	-	-	-	-
Provisions for taxes other than on income	1,000	800	-	(120)	-	-	680
Provisions for employee benefits	1,479	1,113	13	(21)	-	(59)	1,045
Other provisions	-	-	-	-	-	-	0
Long-term provisions	2,479	1,913	13	(141)	-	(59)	1,725
Provisions related to refurbishment work and tenant claims	1,552	2,528	-	(2,178)	*(2,178)*	-	350
Provisions for taxes other than on income	275	451	-	-	-	-	451
Provisions for employee benefits	1,255	215	-	(5)	-	59	269
Other provisions	2,221	-	-	-	-	-	-
Short-term provisions	5,303	3,195	-	(2,183)	*(2,178)*	59	1,070
Total	**7,782**	**5,107**	**13**	**(2,325)**	***(2,178)***	**-**	**2,795**

Provisions for employee benefits include provisions for long-service awards payable to employees on retirement and jubilees for €1,104 thousand.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €59 thousand at 31 December 2008.

Provisions related to refurbishment work mainly concern claims for faulty work on sold properties or units. Other short-term provisions cover tenant business interruption claims.

At 31 December 2008, the €2,178-thousand reversal of provisions for refurbishment work and tenant claims corresponds mainly to (i) service charge adjustments for €200 thousand and (ii) litigation with a residents' association in the Paris High Court, in which the decision has been handed down, for €1,976 thousand.

No provision is recorded in the accounts for claims and litigation giving rise to a possible, not a probable obligation.

6-14. Deferred taxes

See Note 6-35.

6-15. Other long-term tax liabilities

This item corresponds mainly to exit tax. The liability has been discounted based on the periods of payment, as follows:

Due	2010	2011	2012	Total
Amount payable	2,186	2,094	2,005	6,285

6-16. Other non-current liabilities

This item corresponds mainly to guarantee deposits and bonds received from tenants.

6-17. Trade and other payables

	31/12/2008	31/12/2007	31/12/2006
Trade payables	6,961	9,412	6,826
Amounts due within one year on asset acquisitions	14,465	12,705	13,818
Total	**21,426**	**22,117**	**20,644**

At 31 December 2008, amounts due within one year on asset acquisitions mainly correspond to the renovation of buildings located at 103 rue de Grenelle and 247 rue Saint-Honoré and to the modernisation of the Louvre des Entreprises building.

6-18. Other current liabilities

Other current liabilities break down as follows:

	31/12/2008	31/12/2007	31/12/2006
Deposits	377	-	-
Customer prepayments	9,162	12,344	1,052
Accrued employee benefits expense	5,094	5,419	7,484
Accrued taxes	5,650	5,675	10,027
Other	5,253	3,166	3,442
Accruals	1,719	55	44
Total	**27,254**	**26,659**	**22,049**

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.
Accrued taxes include the 2009 exit tax instalment of €3,548 thousand. In 2007, they included the €1,262 thousand exit tax instalment paid in 2008. In 2006, they included the €1,937 thousand exit tax instalment paid in 2007.
Accruals corresponds to funds collected in advance.

6-19. Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 96.40% of property rentals. Net property rentals take into account the negative impact of recognising rent-free periods and rent step-ups over the life of the lease. In 2008, this impact was €1,837 thousand.

Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

At 31 December 2008	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Future minimum lease payments	597,867	166,446	368,002	63,419

	31/12/2008	31/12/2007	31/12/2006
Property rentals	181,513	170,395	161,538
Property operating expenses	(41,412)	(39,103)	(37,283)
Property expenses recovered from tenants	31,095	30,965	29,049
Property expenses, net of recoveries	(10,317)	(8,138)	(8,234)
Net Property Rentals	**171,196**	**162,257**	**153,304**

Property expenses on vacant properties undergoing renovation came to €542 thousand in 2008, versus €1,329 thousand in 2007 and €312 thousand in 2006.

Vacancy rates for investment properties are not material.

6-20. Gains and losses from remeasurement at fair value of investment properties

Details of gains and losses from remeasurement of investment properties at fair value are provided in Note 6-3 and Note 6-7.

6-21. Service and other revenues

Service and other revenues amounted to €380 thousand in 2008, compared with €824 thousand in 2007 and €1,079 thousand in 2006.

6-22. Other income

	31/12/2008	31/12/2007	31/12/2006
Own-work capitalised	1,080	1,112	1,807
Other	3,325	5,295	1,575
Total	**4,405**	**6,407**	**3,382**

The caption "Other" corresponds to work billed to third parties and renovation project management fees.

6-23. Depreciation and amortisation expense

	31/12/2008	31/12/2007	31/12/2006
Amortisation of intangible assets	(606)	(618)	(548)
Depreciation of property and equipment	(601)	(590)	(556)
Total	**(1,208)**	**(1,208)**	**(1,104)**

Amortisation of intangible assets relates to computer software and depreciation of property and equipment concerns the Group's head-quarters building and other equipment.

6-24. Provision reversals/(expense), net

	31/12/2008	31/12/2007	31/12/2006
Charges to provisions for operating contingencies and charges	(13)	(1,026)	(1,320)
Charges to provisions for impairment of current assets	(702)	(208)	(476)
Charges to provisions for impairment of property and equipment	(17,475)	-	-
Total Charges	(18,189)	(1,234)	(1,796)
Reversals of provisions for operating contingencies and charges	203	1,505	2,745
Reversals of provisions for other contingencies and charges	120	200	287
Reversals to provisions for impairment of current assets	58	239	1,391
Total Reversals	381	1,944	4,423
Total	**(17,808)**	**710**	**2,627**

The 2008 charge to provisions for impairment of property and equipment relates to the building being renovated at 103 rue de Grenelle in the 7th *arrondissement* in Paris.

6-25. Employee benefits expense

	31/12/2008	31/12/2007	31/12/2006
Wages and salaries	(6,822)	(7,861)	(8,642)
Social security taxes	(3,548)	(3,487)	(4,332)
Death and disability insurance	(56)	(56)	(64)
Other payroll taxes	(780)	(656)	(649)
Statutory and discretionary profit-sharing	(687)	(1,141)	(939)
Total	**(11,892)**	**(13,201)**	**(14,626)**

In 2008, the Group had 87 administrative staff (93 and 94 respectively in 2007 and 2006) and 3 building staff (4 in 2007 and 2006).

The remuneration paid to Company directors and officers (including bonuses and benefits in kind) amounted to €2,625 thousand in 2008, €3,036 thousand in 2007 and €5,333 thousand in 2006.

6-26. Other expenses

	31/12/2008	31/12/2007	31/12/2006
Purchases	(98)	(126)	(140)
General subcontracting	(267)	(300)	(628)
Rent (operating leases)	(1,583)	(1,257)	(878)
Maintenance and repairs	(241)	(184)	(158)
Fees	(2,419)	(2,294)	(2,963)
Publications and public relations	(916)	(991)	(786)
Bank charges	(338)	(442)	(395)
Taxes other than on income	(1,096)	(1,229)	(1,742)
Travel and entertainment	(240)	(471)	(378)
Non-recurring expenses	(2,257)	(303)	(1,085)
Other	(814)	(876)	(759)
Total	**(10,268)**	**(8,473)**	**(9,912)**

In 2008, non-recurring expenses included consulting fees relating to changes in the Company's ownership, as well as expenses associated with the merger of Iéna, Iéna 1 and Iéna 2 – the companies that own the building at 96 avenue de Iéna – into SFL effective as of the beginning of the year.

6-27. Profit on disposal of investment properties and properties held for sale

The Group sold the following property in 2008:

	Sale price excl. transfer costs and tax	Carrying amount	Disposal gain/(loss)	Disposal date
Property sold during the year				
19 boulevard Malesherbes	12,750	12,721	29	05/11/2008
Total	**12,750**	**12,721**	**29**	

The carrying amount used to calculate the disposal gain or loss corresponds to the most recent appraisal value at the transaction date.

6-28. Profit on disposal of other assets

	31/12/2008	31/12/2007	31/12/2006
Sale of SAS La Défense shares	-	3,292	-
Sale of SNC Amarante shares	-	125	-
Liquidation of SCI Courcellor	-	-	(3,947)
Liquidation of SC Parmentier	-	-	(62)
Loss on the sale of Colonial shares purchased for hedging purposes	-	-	(1,106)
Other	9	7	(2)
Total	**9**	**3,424**	**(5,117)**

Profit on disposal of other assets in 2008 corresponded to the sale of property and equipment.

6-29. Investment income

	31/12/2008	31/12/2007	31/12/2006
Dividends received from SCI Courcellor I	-	-	8
Total	**-**	**-**	**8**

The Group did not receive any dividends from non-consolidated companies in 2007 or 2008.

6-30. Share of profits of associates

Since 1 October 2007, when the partnership with the Teachers Group was wound-up, the Group has not held any interests in associates.

6-31. Finance costs and other financial income and expenses

	31/12/2008	31/12/2007	31/12/2006
Interest on bank loans	(46,266)	(32,860)	(18,187)
Interest on lease liabilities	(13,239)	(12,090)	(9,636)
Interest on US Private Placement Notes	-	(3,584)	(5,896)
Interest on external current account advances	(3,337)	(3,977)	(4,234)
Costs related to hedging instruments	(4,889)	(7,868)	(11,664)
Other financial expense	(534)	(589)	(94)
Total finance costs and other financial expenses	(68,264)	(60,968)	(49,711)
Interest income	106	14	8
Net gains on sales of short-term investments	966	1,273	986
Financial expense transfers	12,825	10,799	4,124
Other financial income	3,993	819	348
Total financial income	17,890	12,905	5,467
Finance costs, net	**(50,375)**	**(48,063)**	**(44,244)**

Financial expense transfers primarily correspond to capitalised interest on the properties at 247 rue Saint-Honoré and 103 rue de Grenelle that are undergoing renovation.

6-32. Financial instruments

Financial risk management objectives and policy

—

Faced with a challenging global environment, SFL is more committed than ever to the prudent management of its various financial risks.

1/ Liquidity risk

For a number of years, SFL has staggered its financing needs over time to ensure that sufficient funds are available in times of turmoil when credit becomes more expensive or difficult to obtain. Despite the sharp increase in financing margins, the average spread on our total debt remains low, at 57 basis points. We have two debt maturities in 2009; our finance lease on 131 avenue de Wagram for €45,767 thousand in June and joint-venture Parholding's debt of €66,647 thousand in December. Although we still have undrawn lines of credit, we are already working on extending the maturities of these existing debts.

Our liquidity risk is also limited by our low loan-to-value ratio of 31.5%, which serves us very well in the current climate.

At 31 December 2008, we had €60 million in undrawn credit lines, including €30 million in confirmed credit lines.

2/ Counterparty risks

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the investment of available cash in money market funds. We have not incurred any losses on money market funds or other investments as a result of the current crisis and will continue to invest in money market funds, which are not exposed to any risk of a loss of capital.

Our counterparty risk is minimal because available cash is generally used to repay borrowings under our revolving lines of credit and interest rate risks are hedged using conventional instruments and strategies.

The rental deposits obtained from tenants offer protection against the risk of rent default. We consider that our exposure to counterparty risk on our operations is not material.

3/ Market risk

Following the retirement of the US Private Placement Notes on 6 March 2007 and the unwinding of the joint hedge, we currently have no exposure to currency risks. Where applicable, our strategy is to hedge currency risks in full. Unlike interest rate risks, we can hedge currency risks in full without any negative interaction, thanks to the nature of our business.

Interest rate risks are clearly identified and monitored. We have an information system that allows us to track changes in all financial markets and calculate the fair value of our hedging instruments in real time. The system enables us manage, quantify and analyze the risks associated with changes in interest rates.

a/ Objectives and strategy

Our objectives and strategy consist of:

- Using only interest rate derivatives that qualify for hedge accounting under IFRS, such as plain vanilla swaps, caps and collars. No derivative instruments are acquired for speculative purposes. No use is made of hedging instruments with embedded written options, which could jeopardise the Company if something happened to disrupt the markets.
- Hedging most of our debt via plain vanilla swaps or caps. At 31

December 2008, 79% of our debt was hedged. Our hedge portfolio comprises 56% plain vanilla swaps and 44% caps. In addition to the non-hedged portion of our debt, the use of caps in our hedging strategy enables us to benefit from lower market rates. The current drop in rates will enable us to fix very low rates either by increasing our debt coverage ratio or converting our caps into plan vanilla swaps. We strive to maintain control over our finance costs and budget preparation, while seizing opportunities to actively and prudently manage our interest rate risk.

b/ Risk assessment

- The average spot cost of our debt after hedging stood at 4.39% at 31 December 2008, versus 5.29% at 31 December 2007.
- A 100-basis point rise or fall in interest rates across the yield curve would have the effect of increasing our borrowing costs to 4.87% or reducing them to 3.91%, compared with 5.66% and 4.67% respectively at 31 December 2007.
- As for the sensitivity of our hedging instruments at 31 December 2008, a 100-basis point increase in interest rates would lift their fair value by €15,955 thousand (€20,643 thousand at 31 December 2007), while a 100-basis point drop in rates would reduce their fair value by €16,273 thousand (€15,547 thousand at 31 December 2007).

Interest rate risk

The following table provides an analysis by maturity of the nominal amount of financial instruments exposed to interest rate risk:

Fixed rate	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Swap on Calyon-HSBC loan at 3.85%	42,780	-	-	-	-	-	42,780
Swap on Calyon-HSBC loan at 3.56%	3,800	-	-	-	-	-	3,800
Swap on Calyon-HSBC loan at 3.125%	15,000	-	-	-	-	-	15,000
Swap on Calyon loan at 3.785%	-	-	100,000	-	-	-	100,000
JP Morgan swap and cap	-	-	-	-	-	400,000	400,000
Swap on RBS loan at 3.89%	-	-	-	-	12,200	-	12,200
Swap on RBS loan at 3.89%	-	-	-	-	28,600	-	28,600
Swap on Natixis loan at 4.4325%	-	200,000	-	-	-	-	200,000
Swap BNP-Paribas at 3.33%	-	50,000	-	-	-	-	50,000
Swap BNP-Paribas at 2.635%	-	50,000	-	-	-	-	50,000
Total	**61,580**	**300,000**	**100,000**	**-**	**40,800**	**400,000**	**902,380**

Floating rate	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Natixis syndicated loan	-	200,000	200,000	200,000	-	-	600,000
BECM revolving credit facility	-	-	-	140,000	-	-	140,000
RBS loan	-	-	-	-	12,200	-	12,200
RBS loan	-	-	-	-	28,600	-	28,600
Deutsche Hypothekenbank loan	-	-	-	30,000	-	-	30,000
BancoSabadell loan	-	-	-	50,000	-	-	50,000
HSBC/Calyon/CFF loan	68,447	-	-	-	-	-	68,447
Current account advances	-	-	54,090	-	-	-	54,090
Lease liabilities	59,623	14,207	14,821	65,874	53,668	-	208,193
Total	**128,070**	**214,207**	**268,911**	**485,874**	**94,468**	**-**	**1,191,530**

The other financial instruments used by the Group are not listed in the above table because they do not bear interest and are therefore not exposed to any interest rate risk.

Net unhedged position

The Group's net exposure to interest rate risks can be analysed as follows for the period between 31 December 2008 and 31 December 2012:

	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012
Natixis syndicated loan	600,000	600,000	400,000	200,000	0
BECM revolving credit facility	140,000	140,000	140,000	140,000	0
RBS loan	12,200	12,200	12,200	12,200	12,200
RBS loan	28,600	28,600	28,600	28,600	28,600
Deutsche Hypothekenbank loan	30,000	30,000	30,000	30,000	0
BancoSabadell loan	50,000	50,000	50,000	50,000	0
HSBC/Calyon/CFF loan	68,447	0	0	0	0
Current account advances	54,090	54,090	54,090	0	0
Lease liabilities	208,193	148,570	134,363	119,542	53,668
Total debt	1,191,530	1,063,460	849,253	580,342	94,468
Swap on Calyon/HSBC/CFF loan at 3.85%	42,780	0	0	0	0
Swap on Calyon/HSBC/CFF loan at 3.56%	3,800	0	0	0	0
Swap on Calyon/HSBC/CFF loan at 3.125%	15,000	0	0	0	0
Swap on Calyon loan at 3.785%	100,000	100,000	100,000	0	0
JP Morgan swap and cap	400,000	400,000	400,000	400,000	400,000
Swap on RBS loan at 3.89%	12,200	12,200	12,200	12,200	12,200
Swap on RBS loan at 3.89%	28,600	28,600	28,600	28,600	28,600
Swap on Natixis loan at 4.4325%	200,000	200,000	0	0	0
Swap on BNP-Paribas loan at 3.33%	50,000	50,000	0	0	0
Swap on BNP-Paribas loan at 2.635%	50,000	50,000	0	0	0
Total interest rate hedges	902,380	840,800	540,800	440,800	440,800
NET EXPOSURE TO INTEREST RATE RISK	**289,150**	**222,660**	**308,453**	**139,542**	**(346,332)**

The Group's floating rate exposure represented €289 million at 31 December 2008.

Hedging

The hedging portfolio comprises the following two types of contract:

General hedges of floating rate debt

Counterparty: JP Morgan. Description: cash flow hedge. Following the restructuring carried out on 3 January 2005, the hedge is on a notional amount of €400 million and expires on 3 January 2014. SFL pays the 12-month Euribor +141.5 bps, with a cap at 508.5 bps and a floor of 200 bps. The hedge enhances the protection provided by the cross-currency swap by breaking the link with US interest rates. JP Morgan and SFL both have the right to terminate the contract on 3 January 2010. If this right is exercised, the terminating party will be required to pay to the other party an amount equal to the instrument's replacement cost.

At 31 December 2008, the contract had a negative fair value of €30,495 thousand. It represents a macro-hedging transaction that has as its underlying several clearly identified balance sheet items whose value is at least equal to the notional amount of the restructured hedging instrument.

Counterparty: Calyon. Description: cash flow hedge. This 5-year swap was set up on 23 May 2006 for €100,000 thousand, setting the interest rate on an identified balance sheet item at 3.785%. At 31 December 2008, the contract had a negative fair value of €2,201 thousand.

Counterparty: RBS Description: cash flow hedge. This 7-year swap on a notional amount of €40,800 thousand was set up on 31 October 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.89%. At 31 December 2008, the contract had a negative fair value of €1,401 thousand.

Counterparty: Natixis. Description: cash flow hedge. This 3-year swap on a notional amount of €200,000 thousand was set up on

31 December 2007 as a hedge of identified debt. SFL pays a fixed rate of 4.4325%. At 31 December 2008, the contract had a negative fair value of €6,921 thousand.

Counterparty: BNP Paribas. Description: cash flow hedge. This 3-year swap on a notional amount of €50,000 thousand was set up on 6 November 2008 as a hedge of identified debt and expires on 31 December 2010. SFL pays a fixed rate of 3.33%. At 31 December 2008, the contract had a negative fair value of €645 thousand.

Counterparty: BNP-Paribas. Description: cash flow hedge. This swap on a notional amount of €50,000 thousand was set up on 8 December 2008 as a hedge of identified debt and expires on 31 December 2010. SFL pays a fixed rate of 2.635%. At 31 December 2008, the contract had a positive fair value of €39 thousand.

Interest rate hedges on the financing of the Parholding portfolio

Counterparty: HSBC-Calyon. Description: cash flow hedge. Under the initial hedge, which was restructured on 29 June 2005, SFL pays 3.85% on a notional amount of €42,780 thousand until 29 December 2009. Under the second hedge, set up on 6 August 2004, the Company pays a fixed rate of 3.56% on a notional amount of €3,800 thousand until 29 June 2009. The third swap, which was set up on 29 December 2005 and expires on 29 December 2009, is linked to the revolving line of credit used to finance Parhaus renovation work. The notional amount at 31 December 2008 was €15,000 thousand and the interest rate payable by the Company is 3.125%.
At 31 December 2008, these contracts had a negative fair value of €656 thousand. They represent 100%-effective hedges and are not intended to be separated from the underlying debt.

Changes in the fair value of hedges between 31 December 2007 and 31 December 2008 result in a €18,475 thousand loss, recognised in profit for €4,228 thousand and in equity for €14,246 thousand.

6-33.Interest on receivables

	31/12/2008	31/12/2007	31/12/2006
Interest on the Champvernier loan	857	739	552
Interest on the Teachers loans	-	542	991
Other financial income	4	991	1,427
Total	**861**	**2,272**	**2,970**

6-34. Provision reversals, net - financial assets

	31/12/2008	31/12/2007	31/12/2006
Provision for early repayment penalty due on the US Private Placement Notes	-	-	(2,221)
Reversals of provisions for financial contingencies and charges	-	2,221	4,254
Total	**-**	**2,221**	**2,033**

There were no changes in provisions for impairment of financial assets in 2008.

The €2,221 thousand reversed from provisions for financial contingencies and charges in 2007 was used to cover the costs relating to the retirement of the US Private Placement Notes, which was carried out in March 2007.

6-35. Income tax expense

The election for taxation as an SIIC led to the elimination of the tax bases of the SIICs' assets used to calculate deferred taxes. The only remaining deferred tax assets and liabilities concern partnerships that are not eligible for taxation as an SIIC and assets under finance leases. Deferred taxes recognised in the profit and loss account, calculated at the tax rate applicable at the period-end, consist mainly of the following:

Deffered taxes	Balance sheet 31/12/2006	Balance sheet 31/12/2007	Changes in scope of consolidation	Equity	2008 profit	Balance sheet 31/12/2008
Gains and losses from remeasurement at fair value of investment properties	(50,366)	(87,290)	-	-	30,100	(57,190)
Recognition of finance leases in the consolidated balance sheet	(15,413)	(20,003)	-	-	8,433	(11,570)
Revaluation of entities not eligible for taxation as an SIIC	2,090	1,549	-	-	(1,549)	-
Additional deferred taxes recognised on the Parholding group	(1,782)	(5,170)	-	-	5,170	-
Hedging instruments	(504)	(1,348)	-	2,326	5	984
Adjustment of depreciation	(472)	(901)	-	-	(422)	(1,323)
Adjustment of property rentals	(973)	(2,100)	-	-	(576)	(2,676)
Capitalisation of interest expense and transaction costs	(59)	(59)	-	-	-	(59)
Recognition of deferred tax assets for tax loss carryforwards	-	-	-	-	1,747	1,747
Other	96	(35)	-	-	47	12
Net	**(67,383)**	**(115,357)**	**-**	**2,326**	**42,955**	**(70,075)**
Of which: deferred tax assets	3,647	2,440	-	984	(681)	2,742
Of which: deferred tax liabilities	71,030	117,797	-	(1,342)	(43,637)	72,818

Income tax expense for the year amounted to €11,367 thousand, which mainly corresponds to the exit tax for the building located at 96 avenue de Iéna and to the sale of the building at 19 boulevard Malesherbes. It was offset by the reversal of the corresponding deferred tax provision.

6-36. Discontinued operations

No businesses were discontinued during the period.

6-37. Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for the dilutive effect of in-the-money stock options and non-cumulative mandatorily convertible preference shares. The following table shows the earnings and numbers of shares used to calculate basic and diluted earnings per share for all businesses:

	31/12/2008	31/12/2007	31/12/2006
(Loss) profit used to calculate basic earnings per share	(392,956)	416,451	606,585
(Loss) profit used to calculate diluted earnings per share	(392,956)	416,451	606,585
Number of ordinary shares at 31 December used to calculate basic earnings per share	46,502,301	46,502,301	43,075,952
Weighted average number of ordinary shares used to calculate basic earnings per share	46,502,301	45,645,547	43,068,717
Number of stock options used to calculate diluted earnings per share	26,673	26,673	27,673
Diluted number of ordinary shares at 31 December	46,528,974	46,528,974	43,103,625
Diluted weighted average number of ordinary shares	46,528,974	45,672,220	43,096,390
Basic (loss) earnings per share	€(8.45)	€8.96	€14.08
Diluted (loss) earnings per share	€(8.45)	€8.95	€14.07
Basic (loss) earnings per weighted average share	€(8.45)	€9.12	€14.08
Diluted (loss) earnings per weighted average share	€(8.45)	€9.12	€14.08

There were no other transactions on ordinary shares or potential ordinary shares between the balance sheet date and the date when these financial statements were drawn up.

6-38. Dividends

	31/12/2008		31/12/2007		31/12/2006	
	Total	Per share	Total	Per share	Total	Per share
Declared dividend for prior year	148,807	€3.20	148,804	€3.20	90,434	€2.10
Prior year interim dividend	50,733	€1.10	29,976	€0.70	30,019	€0.70
Prior year dividend paid in current year	96,643	€2.10	115,928	€2.50	60,018	€1.40
Total	**147,376**	**€3.20**	**145,904**	**€3.20**	**90,037**	**€2.10**

No interim dividend was paid in 2008.

6-39. Off-balance sheet commitments

All of the Group's off-balance sheet commitments at 31 December 2008 are detailed below.

Pledges and mortgages on Parholding sub-group companies.

50% stake in the Parholding Group held directly and indirectly by SFL.

1. Mortgages securing the loan set up on 29 November 2002

Company	Type of mortgage	Expiry date	Registered by Calyon			Registered by HSBC			Total value (SFL share)
			Principal	Costs and incidentals	Total	Principal	Costs and incidentals	Total	
Pargal	"PPD" mortgage	29/12/2011	22,867	2,287	25,154	22,867	2,287	25,154	25,154
Pargal	Standard mortgage	29/12/2011	133	13	146	133	13	146	146
		Sub-total	23,000	2,300	25,300	23,000	2,300	25,300	25,300
Parchamps	"PPD" mortgage	29/12/2011	4,955	495	5,450	4,955	495	5,450	5,450
Parchamps	Standard mortgage	29/12/2011	5,045	505	5,550	5,045	505	5 550	5,550
		Sub-total	10,000	1,000	11,000	10,000	1,000	11,000	11,000
Parchar	Standard mortgage	29/12/2011	2,500	250	2,750	2,500	250	2,750	2,750
		Sub-total	2,500	250	2,750	2,500	250	2,750	2,750
Parhaus	"PPD" mortgage	29/12/2011	10,671	1,067	11,739	10,671	1,067	11,739	11,739
Parhaus	Standard mortgage	29/12/2011	329	33	361	329	33	361	361
		Sub-total	11,000	1,100	12,100	11,000	1,100	12,100	12,100
Total			**46,500**	**4,650**	**51,150**	**46,500**	**4,650**	**51,150**	**51,150**

2. Mortgages securing the loan set up on 30 June 2004

Company	Type of mortgage	Expiry date	Registered by	Principal	Costs and incidentals	Total	Total value (SFL share)
			Calyon	2,850	285	3,135	
Parhaus	"PPD" mortgage	29/06/2010	HSBC	4,750	475	5,225	5,225
			CFF	1,900	190	2,090	

3.Mortgages securing the credit facility and extension set up on 29 November 2005

Company	Type of mortgage	Expiry date	Registered by	Principal	Costs and incidentals	Total	Total value (SFL share)
PARHAUS	Standard mortgage	29/12/2011	CALYON	13,500	1,350	14,850	24,750
			HSBC	22,500	2,250	24,750	
			CFF	9,000	900	9,900	

4. Pledges on shares held by Parholding /Parhaus /Parchamps

Shareholder	Pledge	Expiry date	Pledges granted to Calyon and HSBC	Total value (SFL share)
Parholding	59,999 Pargal shares	29/11/2009	9,120	4,560
Parchamps	1 Pargal share	29/11/2009	-	-
		Sub-total	9,120	4,560
Parholding	99,999 Parchamps shares	29/11/2009	1,500	750
Parhaus	1 Parchamps share	29/11/2009	-	-
		Sub-total	1,500	750
Parholding	1,373 Parchar shares	29/11/2009	21	11
Parhaus	1 Parchar share	29/11/2009	-	-
		Sub-total	21	11
Parholding	99,999 Parhaus shares	29/11/2009	1,500	750
Parchamps	1 Parhaus share	29/11/2009	-	-
		Sub-total	1,500	750
		Total	12,141	6,071

Pledges and mortgages on the Iéna property

Company	Type of mortgage	Expiry date	Securing loan from the Royal Bank of Scotland		
			Principal	Costs and incidentals	Total
SFL	Standard mortgage	31/10/2014	40,800	4,080	44,880
Total			40,800	4,080	44,880

Guarantees and other commitments

	Total	Within 1 year	1 to 5 years	Beyond 5 years
Commitments given				
Guarantee given to Société Générale on behalf of SAS	2,115	2,115	-	-
Locaparis pursuant to Article 3-2 of the Act of 2 January 1970				
Tax bonds given in connection with tax reassessments	14,629	14,629	-	-
(Société Générale) (1)				
Property guarantee	5,825	5,825	-	-
(Société Générale)				
Commitments received				
Guarantees received from tenants and suppliers	54,068	4,053	35,335	14,680
BECM revolving line of credit	10,000	-	10,000	-
Deutsche Hypothekenbank revolving line of credit	20,000	-	20,000	-

(1) Bond cancelled on 19 January 2009 for €12,342 thousand following the cancellation of the exit tax reassessment.

Stock option plans at 31 December 2008

Date of shareholder authorisation	**17/10/1997**	**17/10/1997**	**16/05/2002**	**21/04/2005**
Grant date	**06/04/2000**	**21/03/2002**	**25/04/2003**	**13/03/2007**
Number of shares under option	280,952	309,000	346,000	273,000
Issuer	SFL	SFL	SFL	SFL
Starting date of exercise period	06/04/2005	21/03/2002	25/04/2003	14/03/2011
Expiry date	05/04/2010	20/03/2012	24/04/2013	12/03/2015
Exercise price (options exercisable for newly-issued shares)	€27.59			
Exercise price (options exercisable for shares bought back for this purpose)		€27.78	€26.41	€62.60
Number of options at 1 January	26,673	3,000	35,000	258,000
Options granted during the period	-	-	-	-
Options exercised during the period	-	-	-	-
Options cancelled during the period	-	-	-	-
Number of options outstanding	**26,673**	**3,000**	**35,000**	**258,000**

The expense recognised in 2008 in respect of share-based payment plans totalled €676 thousand.

Employee benefit obligations

Six employees (including one who is also a director) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their duties following a significant direct or indirect change in the shareholder base of SFL or its controlling company. The aggregate compensation that would be payable to these employees amounts to €2,250 thousand.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 3 February 2004, 25 July 2006 and 4 April 2008. No related provisions have been recorded in the financial statements.

Contractual renovation obligations

At 31 December 2008, the Group's contractual commitments relating to investment properties undergoing renovation totalled €81,087 thousand, compared with €53,145 thousand at 31 December 2007.

6-40. Note to the statement of cash flows

	31/12/2008	31/12/2007	31/12/2006
Proceeds from disposals of subsidiaries, net of the cash sold:			
Sale price	-	52,444	36,072
Transaction costs	-	(956)	(850)
Cash sold	-	(869)	(973)
Taxes	-	-	(3,345)
Acquisitions of subsidiaries, net of the cash acquired:			
Purchase price	-	(47,856)	(1,975)
Cash acquired	-	5,255	-
Repayment of intragroup current account advances	-	-	(122,630)
Assets and liabilities acquired:			
Non-current assets	-	292,962	124,257
Current assets	-	24,737	517
Equity	-	(190,233)	(1,975)
Financial liabilities	-	(42,306)	-
Current liabilities	-	(85,160)	(122,799)
Proceeds from disposals of intangible assets and property and equipment:			
Sale price	12,764	-	184,902
Transaction costs	(249)	-	(2,147)
Capital gains tax	(1,282)	-	-
Cash and cash equivalents at end of period:			
Short-term investments	13,703	14,920	21,416
Cash at bank and in hand	449	1,025	2,137
Short-term bank loans and overdrafts	(35,636)	(26,391)	(20,383)

Additional information

The impact of recognising rent-free periods as well as additions to and reversals of provisions for trade receivables are included in "Cash flow".
Changes in deposits received from tenants are included in cash flows from operating activities.

6-41. Related party information

The consolidated financial statements include the financial statements of all companies included in the scope of consolidation.
The main related party transactions during the period concern transactions between fully and proportionately consolidated companies.

	Between fully-consolidated companies	Between fully-consolidated companies and proportionately consolidated companies	Between proportionately consolidated companies
Balance sheet			
Trade receivables	6,205	1,453	-
Current account advances	335,276	28,178	78,673
Other receivables	58	-	2,578
Trade payables	(6,205)	(1,453)	-
Current account advances	(335,276)	(28,178)	(78,673)
Other	(58)	-	(2,578)
Profit and loss account			
Property rentals	1,398	-	-
Service revenue	4,582	1,471	-
Other income	201	-	-
Interest on loans and receivables	15,928	9	419
Other financial income	6	-	-
Rent (operating leases)	(1,398)	-	-
Fees	(4,582)	(1,471)	-
External personnel costs	(201)	-	-
Interest on current accounts	(15,934)	(9)	(419)

Remuneration of the members of the Board of Directors and Management Committee

	31/12/2008	31/12/2007	31/12/2006
Short-term benefits, excluding payroll taxes(1)	2,625	4,466	3,045
Payroll taxes on short-term benefits	1,098	1,701	1,195
Post-employment benefits(2)	-	-	-
Other long-term benefits(3)	-	-	-
Share-based payments(4)	334	406	2,209
Total	**4,057**	**6,573**	**6,449**

(1) Gross salary and other remuneration, bonuses, discretionary and non-discretionary profit-sharing, matching Company payments, directors' fees and benefits in kind paid during the period.
(2) Service cost.
(3) Other vested deferred remuneration.
(4) Cost recognised in the income statement for stock options and employee rights issues.

Company financial statements year ended 31 December 2008

Balance Sheet

(in euros)	31/12/2007	ASSETS	31/12/2008		
	Net		Gross	Depreciation, amortisation and provisions	Net
Non-current assets		**Intangible assets**			
	1,053,270	Software	3,274,313	2,773,869	500,444
	41,328,495	Lease premiums and goodwill	84,040,962	8,403,502	75,637,460
	299,883	Other	350,511	57,638	292,872
		Intangible assets in progress	135,865		135,865
		Property and equipment			
	572,569,053	Land	595,851,836		595,851,836
	688,532,437	Buildings	779,418,620	99,229,840	680,188,780
	1,144,788	Other	1,819,721	598,428	1,221,293
	140,888,743	Assets under construction	210,334,580		210,334,580
		Prepayments to suppliers of property and equipment	210,158		210,158
		Non-current financial assets(1)			
	465,728,104	Shares in subsidiaries and affiliates	416,713,179	1,172,608	415,540,571
	19,084,439	Advances to subsidiaries and affiliates	24,607,746		24,607,746
	15,264,912	Loans	15,244,902		15,244,902
	318,760	Other	363,848		363,848
	1,946,212,882	**Total I**(1)	**2,132,366,242**	**112,235,886**	**2,020,130,356**
Current assets		**Receivables**			
		Prepayments to suppliers	382,138		382,138
	4,578,347	Rental receivables	7,205,386	2,261,581	4,943,805
	326,135,203	Other	351,290,477	449,837	350,840,640
		Current financial assets			
	22,199,480	Treasury shares	27,611,567	14,721,257	12,890,310
	661,094	Other marketable securities	6,528,677		6,528,677
	5,324	Cash	18,487,154		18,487,154
	6,222,461	Prepaid expenses	5,124,330		5,124,330
	359,801,910	**Total II**(1)	**416,629,729**	**17,432,675**	**399,197,054**
	2,589,376	Deferred charges (III)	1,431,144		1,431,144
		Debt redemption premiums (IV)			
	2,308,604,169	**Total Assets (I + II + III + IV)**	**2,550,427,115**	**129,668,561**	**2,420,758,554**
(1) Of which, due within one year	19,084,439		39,852,640		39,852,640

(in euros)	31/12/2007	EQUITY AND LIABILITIES	31/12/2008
Equity	93,004,602	Share capital	93,004,602
	1,183,600,916	Share premium account	1,182,915,646
	21,438,656	Revaluation reserve	21,438,656
		Other reserves	
	8,615,190	Legal reserve	9,300,460
	119,756,976	Revenue reserves	87,961,110
	16,554,912	Retained earnings	1,431,460
	1,442,971,252	**Capital and reserves**	**1,396,051,934**
	100,843,567	Profit for the period	(3,141,109)
	(50,733,250)	Interim dividend	
	8,786,514	Untaxed provisions	12,246,967
	1,501,868,084	**Total I** [1]	**1 405,157,792**
	1,554,193	Provisions	1,090,000
	1,554,193	**Total II** [1]	**1,090,000**
Liabilities [1] [2]	725,254,883	Bank borrowings	921,928,304
	51,194,477	Other borrowings	51,535,117
	920,228	Prepaid property rentals	1,875,062
	9,215,299	Trade payables	9,175,933
	7,815,938	Accrued taxes and payroll costs	15,267,549
	8,290,236	Due to suppliers of property and equipment	8,384,871
	2,453,249	Other liabilities	6,278,088
	37,581	Deferred income	65,837
	805,181,892	**Total III** [1]	**1,014,510,762**
	2,308,604,169	**Total Equity and Liabilities (I + II + III)**	**2,420,758,554**
(1) Of which, due beyond one year	740,086,125		901,211,741
(2) Of which, due within one year	65,095,767		113,299,021

Profit and Loss Account

(in euros)	2008	2007
Operating income		
Property rentals	128,783,574	123,792,281
Service revenue	67,868	87,163
Total revenue	**128,851,442**	**123,879,444**
Reversals of depreciation, amortisation and provisions	696,606	1,656,824
Other income	2,293,848	4,995,391
Expense transfers	21,517,099	22,151,639
Total I	**153,358,995**	**152,683,298**
Operating expense		
Other purchases and external charges	59,485,276	57,284,545
Taxes other than on income		
Payroll-based taxes	513,042	649,916
Other	6,859,726	6,469,152
Payroll costs		
Wages and salaries	6,443,873	7,669,244
Payroll taxes and other employee benefits expenses	3,304,790	3,149,109
Depreciation, amortisation and provision expense		
Depreciation expense	27,219,018	26,038,654
Impairment losses on non-current assets	12,742,445	-
Impairment losses on current assets	698,394	1,936,742
Other provision expense	-	200,000
Other expenses	1,253,646	715,464
Total II	**118,520,210**	**104,112,828**
OPERATING PROFIT (I-II)	34,838,784	48,570,470
Financial income		
From investments in subsidiaries and affiliates	37,731,836	52,487,511
From other non-current financial assets	856,675	1,280,616
Other interest income	19,180,330	45,453,468
Reversals of financial provisions and impairment losses on financial assets, and expense transfers	6,056,146	16,422,105
Net gains from sales of current financial assets	218,437	117,390
Total III	**64,043,423**	**115,761,090**
Financial expenses		
Amortisation, impairment losses on financial assets and other financial provision expense	12,388,496	-
Interest expense	66,317,045	83,351,937
Net losses from sales of current financial assets	-	-
Total IV	**78,705,541**	**83,351,937**

(in euros)	2008	2007
Net financial income (expense) (III – IV)	(14,662,117)	32,409,153
Profit before tax and other income and expense (I-II+III-IV)	20,176,667	80,979,624
Other income		
From revenue transactions	819,531	855,632
From capital transactions	14,047	34,827,339
Reversals of provisions and impairment losses, and expense transfers	262,190	315,500
Total V	**1,095,768**	**35,998,471**
Other expense		
From revenue transactions	3,173,637	1,087,553
From capital transactions	27,397	8,193,524
Amortisation, impairment losses and other provision expense	11,857,174	6,449,845
Total VI	**15,058,209**	**15,730,922**
4 OTHER INCOME (EXPENSE), NET (V – VI)	(13,962,441)	20,267,549
Employee profit sharing (IX)	105,849	140,589
Income tax expense (X)	9,249,487	263,017
Total income (I + III + V)	218,498,186	304,442,859
Total expenses (II + IV + VI + IX + X)	221,639,295	203,599,292
Net Profit (Loss)	**(3,141,109)**	**100,843,567**

The financial statements have been prepared in accordance with French generally accepted accounting principles (GAAP)

Notes to the **Financial Statements**

I. Accounting Policies

The financial statements have been prepared on a going concern basis, in accordance with the principles of prudence and separation of accounting periods.

The main accounting policies, which have been applied consistently from one year to the next, are as follows:

A. Intangible assets

Intangible assets recognised in the balance sheet mainly comprise:

- Software purchased or developed for the Company's ERP system.
- Lease premiums, corresponding to the fee payable on new finance leases.
- "Goodwill" corresponds to the technical merger deficits arising from mergers with:
- SA Dandy Nuances. This deficit has been tested for impairment and is regularly monitored by reference to the renovation work underway on the property at 92 Champs-Elysées, in accordance with Article 322-5 of standard CRC 99-03 (as amended by standard 2002-10).
- SAS Iéna on 30 June 2008.

Other intangible assets correspond to the cost of acquiring commercial user rights.

B. Property and equipment

1 - Cost

The property portfolio was revalued in 2003, when the Company elected for SIIC status.

Eviction compensation paid to tenants of properties scheduled for large-scale renovation is considered as an integral part of the renovation cost and is therefore capitalized.

Capitalized renovation costs also include borrowing costs for the period until the property is put back on the rental market.

The cost of properties does not include transaction expenses (CRC 2004-06).

2 - Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its useful life. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.

Properties were analysed by estimating the cost of rebuilding or replacing each part of the property, its degree of wear and tear and its useful life. These technical data were used to determine the proportion of each property's value represented by each component part. This ratio was then applied to the revaluations at 1 January 2005 that were used as deemed cost at the IFRS transition date.

The useful lives of the component parts of investment properties are as follows, except for certain specific cases which do not materially affect depreciation expense:

Shell	100 to 125 years
Roof and fencing	20 to 125 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

Depreciation is calculated by the straight-line method, based on:
- The useful lives of the component parts of the property. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its respective useful life.
- The cost of the asset less its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accelerated depreciation is calculated for tax purposes on the residual value, in accordance with the tax instruction issued in 2005.

The properties' carrying amounts are compared with their market values at quarterly intervals and an impairment loss is recognized if market value is less than the carrying amount. The valuation of the portfolio at 31 December 2008 was performed by CBRE, Jones Lang LaSalle and AtisReal.

C. Non-current financial assets

Non-current financial assets are stated at the lower of cost and fair value. The fair value of shares in subsidiaries and affiliates takes into account the market value of the investee's property assets.

D. Rental receivables

Rental receivables are measured at the lower of their nominal value and recoverable amount, determined on a case-by-case basis.
Files are transferred to the collection department when rentals are 30 days past due.

Except in specific cases, the following provision rates are applied according to the type of lease:

- Residential leases: 100%.
- Office and retail leases: 50% when the tenant is still occupying the premises, 100% when they have vacated the premises.

E. Current financial assets

Current financial assets are stated at the lower of cost and fair value. Fair value corresponds to the market price for the last month of the period.
Adoption of standard CRC 2008-15 dated 4 December 2008 on stock option plans and employee share grants has no impact on the Company's accounting policies because they are already in compliance with the standard.
Details of the plans are presented in Note A-1 2).

F. Expense transfers

Expense transfers correspond to service charges billed to tenants, various property taxes and deferred borrowing costs.

G. Interest rate swaps

Accrued interest payable or receivable under interest rate swaps is recognised in the balance sheet.

H. Other income and expenses

Other income and expenses correspond to income and expenses from non-recurring transactions, such as property acquisition or disposal costs.

II - Significant Events of the Year

A. Asset purchases and sales

One property was purchased in 2008. Details of the transaction are presented in Note A-1 1).

B. Construction and renovation programmes

Renovation plans for 92 avenue des Champs-Elysées were finalised and a building permit application was prepared, for filing at end-2008.

On 6 March 2008, a building permit was obtained for the remodelling and renovation of 247 rue Saint-Honoré. The building will house the first Mandarin Oriental luxury hotel in Paris, which is due to open at the end of the first quarter of 2011.

In June 2008, SAS Iéna, SNC Iéna 1 and SNC Iéna 2 were merged into SFL, with retroactive effect as of 1 January 2008. As the entire capital of the merged companies was owned by SFL, no SFL shares were issued or exchanged as consideration for the merger.

On 16 July 2008, SFL signed retail/office and residential property development contracts for the "T8" construction project in Paris's 13th *arrondissement*. The complex will include 28,000 square metres of office and retail space for SFL and 6,000 square metres of residential space for an SFL subsidiary.
Both building permit applications were filed on 26 September 2008 and delivery is scheduled for early 2012.

III - Notes to the Balance Sheet and Profit and Loss Account

A - Notes to the Balance Sheet

Note A-1: Notes on assets

A-1-1- NON-CURRENT ASSETS

Intangible assets and property and equipment	Cost at 1 January 2008	Merger	Transfers between accounts	Additions	Disposals	Cost at 31 December 2008
Intangible assets						
Software	3,220,833			53,480		3,274,313
Lease premiums	31,808,250					31,808,250
Goodwill	9,520,245	42,712,468				52,232,713
Other	350,511					350,511
Intangible assets in progress				135,865		135,865
Total	**44,899,838**	**42,712,468**	-	**189,345**		**87,801,651**
Intangible assets			-			
Land	572,569,053	23,282,783				595,851,836
Buildings	404,238,721	15,102,120	430,422			419,771,263
Fixtures and fittings	354,354,405	8,564,576	8,195,720		11,467,343	359,647,358
Furniture and equipment	1,668,008		131,640	37,709	17,636	1,819,721
Assets under construction	140,888,743		(8,757,782)	78,420,872	217,253	210,334,580
Prepayments to suppliers of property and equipment				210,158		210,158
TOTAL	**1,473,718,930**	**46,949,479**	-	**78,668,739**	**11,702,232**	**1,587,634,916**
TOTAL COST	**1,518,618,768**	**89,661,947**	-	**78,858,084**	**11,702,232**	**1,675,436,567**

Amortisation and depreciation	Accumulated amortisation/ depreciation at 1 January 2008	Merger	Impairment losses	Increases	Decreases	Accumulated amortisation/ depreciation at 31 December
Intangible assets						
Software	2,167,562			606,307		2,773,869
Lease premiums and goodwill			8,403,502			8,403,502
Other	50,628			7,010		57,638
Total	**2,218,191**		**8,403,502**	**613,317**		**11,235,010**
Property and equipment						
Land						
Buildings	12,764,141	475,987	4,338,943	5,064,668		22,643,739
Fixtures and fittings	57,296,548	1,675,753		29,081,142	11,467,343	76,586,100
Furniture and equipment	523,220			85,362	10,155	598,427
Total	**70,583,909**	**2,151,740**	**4,338,943**	**34,231,172**	**11,477,498**	**99,828,266**
TOTAL AMORTISATION/ DEPRECIATION	**72,802,100**	**2,151,740**	**12,742,445**	**34,844,489**	**11,477,498**	**111,063,276**

The carrying amount of intangible assets and property and equipment increased to €1,564,373 thousand at 31 December 2008 from €1,445,817 thousand at the previous year-end.

Increases in “buildings” and “fixtures and fittings” correspond to properties acquired during the year. “Transfers between accounts” correspond to renovation work completed during the year.

Changes in excess tax depreciation are explained in the section “Changes in equity”, in Note A-2. The accounting effect of the SAS Iéna merger is shown in a separate column.

On 18 December 2008, SFL signed an off-plan purchase agreement for a building at 108 avenue de Wagram in the 17th *arrondissement* of Paris. Totalling around 6,000 square metres, the building will be delivered in late 2010 after top-to-bottom renovation.

Non-current financial assets	Cost at 1 January 2008	Merger	Transfers between accounts	Additions	Disposals	Cost at 31 December 2008
Shares in subsidiaries and affiliates	465,728,104	(49,015,056)		135	4	416,713,179
Advances to subsidiaries and affiliates	19,084,439			24,607,738	19,084,430	24,607,747
Loans	15,264,912	(20,010)				15,244,902
Deposits	318,760	60,000		50,900	65,812	363,848
Other						
TOTAL	**500,396,215**	**(48,975,066)**		**24,658,773**	**19,150,246**	**456,929,676**

SFL owns 90% of the capital of SNC Fly Tolbiac, which was created in July 2008 for the purchase, sale and rental of the T8 residential units.

A-1-2- CURRENT FINANCIAL ASSETS

Treasury shares	Cost	Provisions	Carrying amount	Market value	Unrealised gain or loss
SFL shares held for allocation upon exercise of stock options granted prior to 2006	1,150,064	180,501	969,563	969,380	(180,684)
SFL shares held for allocation upon exercise of stock options granted in 2007	16,150,800	9,569,220	6,581,580	6,581,580	(9,569,220)
SFL shares held for allocation under future stock option plans	8,255,288	4,334,426	3,920,862	3,920,861	(4,334,426)
SFL shares held for future stock-for-stock acquisitions	704,866	110,916	593,949	593,949	(110,916)
SFL shares held under the liquidity contract	1,350,550	526,194	824,356	824,356	(526,194)
TOTAL	**27,611,567**	**14,721,257**	**12,890,310**	**12,890,126**	**(14,721,441)**

		31 December 2007	Additions	Disposals	31 December 2008
Change in the number of shares held in treasury during the period		461,574	127,385	83,662	505,297
Average purchase/sale price, in euros		€55.69	€48.92	€51.69	€54.64
TOTAL		**25,704,849**	**6,231,074**	**4,324,356**	**27,611,567**

At 31 December 2008, the aggregate cost of treasury shares was €27.6 million and their market value €12.9 million. A provision for impairment has therefore been recorded in the amount of €14.8 million.

Stock option plans				
Date of shareholder authorisation	17/10/1997	17/10/1997	16/05/2002	21/04/2005
Grant date	06/04/2000	21/03/2002	25/04/2003	13/03/2007
Number of shares under option	280,952	309,000	346,000	273,000
Issuer	SFL	SFL	SFL	SFL
Starting date of exercise period	06/04/2005	21/03/2002	25/04/2003	13/03/2011
Expiry date	05/04/2010	21/03/2012	24/04/2013	12/03/2015
Exercise price (options exercisable for newly-issued shares)	€27.59			
Exercise price (options exercisable for shares bought back for this purpose)		€27.78	€26.41	€62.60
Number of options at 1 January 2008	26,673	3,000	35,000	258,000
Options granted during the period				
Options exercised during the period				
Options cancelled during the period				
Number of options outstanding	**26,673**	**3,000**	**35,000**	**258,000**

Other current financial assets	Number	Unit purchase price	Cost	Market value	Unrealised gain or loss
SGAM Invest Moneplus 3 Dec	262,000	22,902	6,000,358	6,001,039	681
ME Allianz EuroCash P	80,000	6,604	528,319	538,368	10,049
TOTAL	**342,000**	**29,506**	**6,528,677**	**6,539,407**	**10,730**

No provisions for impairment have been recorded against these financial assets.

A-1-3- SUBSIDIARIES AND AFFILIATES

Company	Share capital	Reserves	% interest	Carrying amount of the investment		Outstanding loans and advances	Outstanding guarantees	Last published revenue	Last published profit (loss)	Dividends received during the year	Fair value adjustments to the investment during the year
				Cost	Net						
A - Investments representing more than 1% of SFL's share capital:											
1 - Subsidiaries (at least 50%-owned)											
SCI Paul Cézanne	56,934,400	116,693,166	100.00%	291,847,234	291,847,234	-	-	18,750,716	14,790,569	-	-
SCI 5 de Vigny	1,926,448	110,021	100.00%	20,111,069	20,111,069	6,606,475	-	1,256,710	104,330	-	-
Segpim SA	1,292,500	2,086,693	100.00%	2,987,373	2,987,373	-	-	-	396,452	2,241,201	-
SCI 103 Grenelle	150	(21,520,644)	100.00%	1,169,740	1,169,740	192,499,206	-	71,143	(16,969,897)	-	-
SCI Washington	94,872,000	16,359,483	66.00%	79,788,878	79,788,878	104,989,027	-	29,225,063	14,716,423	-	-
2 - Affiliates (10-50%-owned)											
SAS Parholding	15,000,000	2 552 583	50.00%	18,400,300	18,400,300	28,177,761	-	-	(304,923)	7,364,850	-
B- Aggregate information about investments not listed in A											
1 - Subsidiaries (at least 50%-owned)				121,635	121,635	-	-			-	
2 - Affiliates (less than 50%-owned)				2,286,735	1,114,127	-	-			-	

Note A-2: Notes on equity and liabilities

—

CHANGES IN EQUITY

A. Equity at 31 December 2007 before appropriation of profit	1,501,868,084
B. Appropriation of profit decided at the Annual General Meeting	
Transfer to the legal reserve	685,270
C. Dividend decided by the Annual General Meeting	(96,642,653)
Interim dividend decided by the Board of Directors	
D. Movements for the year	
Decrease in ordinary reserves	(386,983)
Transfer from share premium account	(685,270)
Increase in untaxed provisions	3,460,453
Profit/(loss) for the year	(3,141,109)
E. Equity at 31 December 2008	1,405,157,792
F. Change in equity during the year	96,710,292

At 31 December 2008, the Company's share capital comprised 46,502,301 ordinary shares with a par value of €2. The number of voting rights at that date was 45,997,004. There were no increases in share capital during the year.

The €386,983 in accelerated capital allowances recorded in equity in the accounts of SNC Iéna 1 and SNC Iéna 2 was recognised in SFL's accounts after the merger by adjusting ordinary reserves.

The increase in untaxed provisions corresponds exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties.

Note A-3: Notes on items affecting both assets and liabilities

PROVISIONS

Provisions	1 January 2008	Merger	Increases	Decreases	31 December 2008
Untaxed provisions					
- Accelerated capital allowances	8,786,514	386,983	3,073,470		12,246,967
Total	**8,786,514**	**386,983**	**3,073,470**		**12,246,967**
Provisions for contingencies and charges					
- Provisions for losses on SFL share grants	142,190			142,190	
- Provisions for non-recoverable expense write-offs	202,003			202,003	
- Provisions for property-related contingencies	200,000				200,000
- Provisions for employee-related risks	210,000				210,000
- Provisions for tax risks	800,000			120,000	680,000
Total	**1,554,193**			**464,193**	**1,090,000**
Provisions for impairment					
- On intangible assets			8,403,502		8,403,502
- On property and equipment			4,338,943		4,338,943
- On non-current financial assets			1,172,608		1,172,608
- On other current financial assets	3,505,369		11,215,888		14,721,257
- On trade receivables	2,057,790		698,394	494,603	2,261,581
- On other receivables	449,837				449,837
Total	**6,012,996**		**25,829,335**	**494,603**	**31,347,728**
TOTAL PROVISIONS	**16,353,703**	**386,983**	**28,902,806**	**958,796**	**44,684,695**

All decreases correspond to provisions reversed to offset the related costs.

Following changes in appraisal values excluding transfer costs, provisions for impairment were recorded on two buildings:
- €8,404 thousand for Iéna.
- €4,338 thousand for Le Vaisseau.

A provision for impairment in the amount of €1,172,608 was recorded on Groupe Vendôme Rome shares.

The €11,215,888 provision for impairment of treasury shares is based on the average SFL share price for December 2008 (€25.51).

RECEIVABLES AND LIABILITIES

Receivables	Total	*Accrued income*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current assets					
- Advances to subsidiaries and affiliates	24,607,746		24,607,746		
- Other long-term investments					
- Loans	15,244,902		15,244,902		
- Deposits	363,848				363,848
- Other non-current financial assets					
Current assets					
- Amounts receivable from tenants and trade receivables	7,205,386	*1,817,881*	5,217,190	1,988,196	
- Employee advances	44,768		44,768		
- Prepaid and recoverable taxes	9,941,388		9,941,388		
- Current account advances	337,854,014	*628,978*	628,978	337,225,036	
- Miscellaneous receivables	3,450,308	*859,624*	3,450,308		
- Prepaid expenses	5,124,330		5,124,330		
TOTAL RECEIVABLES	**403,836,689**	*3,306,483*	**64,259,609**	**339,213,232**	**363,848**

Liabilities	Total	*Accrued expenses*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Long and short-term debt					
- Convertible bonds					
- Bank borrowings	921,928,304	*6,568,638*	61,128,304	860,800,000	
- Other borrowings	16,969,897		16,969,897		
- Tenant deposits	8,965,637			8,965,637	
Payables					
- Prepaid property rentals	1,875,062		1,875,062		
- Trade payables	9,175,933	*7,682,989*	9,175,933		
- Accrued employee benefits expense	4,450,880	*3,850,508*	4,450,880		
- Accrued taxes	10,816,669	*78,629*	3,879,553	6,937,116	
- Due to suppliers of property	8,384,871	*6,348,702*	8,384,871		
- Current account advances	25,599,584	*1,090,596*	1,090,596	24,508,988	
- Other liabilities	6,278,088	*2,169,000*	6,278,088		
- Deferred income	65,837		65,837		
TOTAL LIABILITIES	**1,014,510,762**	***27,789,062***	**113,299,021**	**901,211,741**	**-**

Accrued employee benefits expense includes discretionary profit-sharing and bonus accruals.

LONG AND SHORT-TERM DEBT (IN THOUSANDS OF EUROS)

	2008	2007	Year-on-year change
Natixis syndicated loan	605,853	574,341	31,512
BancoSabadell loan	50,006	50,008	(2)
BECM revolving credit facility	140,078	65,174	74,904
Royal Bank of Scotland loan	40,805	40,806	(1)
Deutsche Hypothekenbank loan	30,385	-	30,385
Lease liabilities	223,438	222,198	1,240
Bank overdrafts	54,802	34,118	20,684
TOTAL	**1,145,367**	**986,645**	**158,722**

B - Notes to the Profit and Loss Account

Note B-1: Net revenue

	2008	2007
Property rentals - residential	1,271,198	1,213,986
Property rentals – retail	13,821,313	15,208,941
Property rentals – small business premises	637,192	742,367
Property rentals – parking garages	3,045,189	2,799,429
Property rentals - offices	103,923,863	99,459,919
Property rentals - other	139,367	65,200
Property management fees	745,186	791,508
Penalties for failure to vacate premises on the lease termination date	624,347	(660,417)
Lease termination penalties	48,730	4,984
Les Citadines and Servcorp Edouard VII revenue	3,982,963	3,525,937
Fees	602,035	726,104
Other revenues	10,059	1,485
TOTAL	**128,851,442**	**123,879,444**

Note B-2: Payroll costs

	2008			2007
	Building staff	**Administrative staff**	**Total**	**Total**
Wages and salaries				
- Wages and salaries	178,584	6,265,289	6,443,873	7,669,244
- Allowances				
Total	**178,584**	**6,265,289**	**6,443,873**	**7,669,244**
Payroll taxes and other employee benefits expenses				
- Social security taxes and disability/health insurance premiums	50,283	2,556,963	2,607,246	2,561,248
- Other employee benefits expenses	1,893	695,651	697,544	587,861
Total	**52,176**	**3,252,614**	**3,304,790**	**3,149,109**
TOTAL	**230,760**	**9,517,903**	**9,748,663**	**10,818,354**

The remuneration paid to Company directors and officers (including bonuses and benefits in kind) amounted to €2,549,522 in 2008.

Note B-3: Number of employees at 31 December 2008

	2008	**2007**
Concièrges	3	4
Administrative employees	9	9
Supervisors	15	18
Managers	45	44
Officers	1	1
TOTAL	**73**	**76**

Note B-4: Fees paid to the Auditors

	2008
PriceWaterhouseCoopers Audit	310,856
Deloitte & Associés	338,991
Total	**649,847**

Note B-5: Net financial income (expense)

	2008	2007
Income from subsidiaries and affiliates		
- Revenue from SCI Paul Cézanne	18,300,176	8,708,871
- Dividends from SAS Parholding	7,364,850	26,890,540
- Dividends from SA Segpim	2,241,201	1,157,725
- Revenue from SCI Washington	9,721,279	8,620,756
- Revenue from SCI 5 de Vigny	104,330	(861,863)
- Revenue from SCI SB3		585
- Revenue from SCI 103 Grenelle	(18,061,986)	4,428,034
- Dividends from SAS Iéna		651,397
- Dividends from SAS La Défense		274,800
Total	**19,669,850**	**49,870,845**
Income from short-term investments		
- Current financial assets	218,437	117,390
Total	**218,437**	**117,390**
Interest and other financial income and expenses		
- Interest income from current account advances to subsidiaries	15,882,123	15,642,148
- Interest income from the SCI Champvernier loan	856,675	738,629
- Interest income from the Teachers loan		541,987
- Capitalized interest expense	6,056,146	4,503,450
- Other financial income	112,934	14,114
- Reversal of provision for US Private Placement Notes early redemption costs		11,918,655
- Interest received from swaps	3,951,307	(7,853,954)
- Interest paid on swaps	(5,654,368)	393,653
- Interest expense on bank borrowings	(39,442,741)	(27,870,533)
- Interest expense from on account advances from subsidiaries	(1,767,838)	(1,687,052)
- Exchange gains and losses		54
- Interest expense on bank overdrafts	(1,654,840)	(1,147,015)
- Bank fees related to borrowings	(500,328)	(456,603)
- US Private Placement Notes early redemption costs		(12,222,399)
- Other financial expense	(976)	(94,215)
- Impairment of shares in subsidiaries and affiliates	(1,172,608)	
- Impairment of treasury shares	(11,215,888)	
Total	**(34,550,404)**	**(17,579,081)**
NET FINANCIAL INCOME (EXPENSE)	**(14,662,117)**	**32,409,154**

Capitalized interest expense primarily corresponds to capitalised interest on the property at 247 rue Saint-Honoré, which is undergoing renovation.

Note B-6: Other income and expense

	2008	2007
Total capital gains on disposals of securities		29,327,333
Net gains on sales of treasury shares	47,735	343,726
Income tax rebates received	394,395	220,260
Gains on sales of equipment	14,047	
Tax fines and penalties		(66,402)
Scrapped property and equipment		(2,181,071)
Property and business acquisition transaction costs	(622,323)	(512,447)
Miscellaneous project costs	(515,754)	(546,101)
Data room costs	(1,657,943)	
Gains and losses on adjustments of prior period balances, net	127,737	59,757
Gains and losses on prior period tax adjustments, net		(137,350)
Gains and losses on other prior period adjustments, net	21,390	(105,810)
Net losses on sales of other shares	(176,740)	
Provision for impairment of treasury shares held for allocation upon exercise of stock options		(3,505,369)
Excess tax depreciation for the year	(3,073,470)	(2,944,476)
Exceptional depreciation of scrapped property and equipment	(8,783,704)	
Reversals of provisions for losses on SFL share grants	142,190	115,500
Reversals of provisions for employee-related and tax risks	120,000	200,000
TOTAL OTHER INCOME AND EXPENSE, NET	**(13,962,441)**	**20,267,549**

Note B-7: Income tax expense

	2008
Exit tax due following Iéna merger	9,249,487
TOTAL	**9,249,487**

C - Note on Items Affecting Both the Balance Sheet and the Profit and Loss Account

Note C-1: Related party transactions

	2008	2007
Non-current financial assets	414,426,231	463,441,154
Advances to subsidiaries and affiliates	24,607,738	19,084,430
Loans and other non-current financial assets		20,010
Amounts receivable from tenants		
Other receivables	337,854,014	303,236,760
Tenant deposits		123,336
Trade payables	3,891,517	5,422,717
Liabilities related to advances to subsidiaries and affiliates	16,969,897	861,863
Other	25,658,253	22,667,785
Other purchases and external charges	200,501	685,855
Property management fees	2,951,949	3,571,659
Interest expense on liabilities related to advances to subsidiaries and affiliates	18,061,986	2,616,666
Financial expenses related to investments in subsidiaries and affiliates	914,316	612,655
Dividend income from subsidiaries and affiliates	15,013,101	15,109,737
Interest income on advances to subsidiaries and affiliates	37,731,836	52,487,511
Revenue	1,466,276	1,416,845

Note C-2: Prepaid expenses

At 31 December 2008, prepaid operating expenses amounted to €5,124,330, corresponding mainly to services to be delivered after the year-end. They include finance lease payments of €4,960,754.

Note C-3: Deferred charges

	Total	Accumulated amortisation at 1 January 2008	Amortisation for the year	Accumulated amortisation at 31 December 2008	Net
Arjil fees on the €125 million loan Amortised over the life of the loan: 114 months	1,500,000	798,316	701,684	1,500,000	-
Syndicated line of credit commitment fees Amortised over the life of the loan: 84 months	2,598,624	1,086,597	372,410	1,459,007	1,139,617
BECM line of credit commitment fees Amortised over the life of the loan: 5 years	300,000	39,737	60,099	99,836	200,164
Deutsche Hypothekenbank line of credit commitment fees Amortised over the life of the loan: 5 years	120,000	4,598	24,039	28,637	91,363
TOTAL	**4,518,624**	**1,929,248**	**1,158,232**	**3,087,480**	**1,431,144**

The €125 million Arjil loan was repaid and the related fees were amortised in full in 2008.

D - Unrecognised deferred taxes

Information about unrecognised deferred taxes is not relevant due to the Company's tax-exempt status under the SIIC regime.

E - Finance leases

Note E-1: Properties under finance leases

	2008				2007
	Cost at inception of the lease	Depreciation		Carrying amount	Carrying amount
		For the year	Accumulated		
Land	148,168,000			148,168,000	148,168,000
Buildings	181,094,000	4,448,493	25,929,763	155,164,237	159,612,730
Other					17,225
TOTAL	**329,262,000**	**4,448,493**	**25,929,763**	**303,332,237**	**307,797,955**

Note E-2: Future minimum lease payments

	Lease payments		Future minimum lease payments due			Residual value
	For the year	Cumulative	Within 1 year	In 1 to 5 years	Beyond 5 years	
Land/Buildings[1]	14,004,927	97,562,444	43,821,331	82,919,565		96,697,503
Other						
TOTAL	**14,004,927**	**97,562,444**	**43,821,331**	**82,919,565**		**96,697,503**

(1) The values shown correspond to the portion of lease payments corresponding to the repayment of the principal.
Under the rules governing property leases applicable since 1 January 1996, the portion of the principal corresponding to the land can be depreciated at the end of the lease period or included in the residual value. SFL has chosen to apply this option.

F - Off-balance sheet commitments

GUARANTEES AND OTHER COMMITMENTS

(in thousands of euros)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Commitments given				
Tax bonds given in connection with tax reassessments (Société Générale)(1)	14,629	14,629		
Property guarantees	5,825	5,825		
Commitments received				
Guarantees received from tenants and suppliers	41,817	3,178	28,999	9,640
BECM revolving line of credit	10,000		10,000	
Deutsche Hypothekenbank revolving line of credit	20,000		20,000	
TOTAL	**92,271**	**23,632**	**58,999**	**9,640**

(1) Lien released on 19 January 2009 for €12,342 thousand following the tax rebate on reassessed exit tax.

PLEDGES AND MORTGAGES ON THE IÉNA PROPERTY, SECURING THE €40.8 MILLION RBS LOAN

(in thousands of euros)	Company	Type of mortgage	Due	Principal	Costs and incidentals	Total
	SFL	Standard mortgage	31/10/2014	40,800	4,080	44,880

Hedges

General hedges of floating rate debt

Counterparty: JP Morgan. Description: cash flow hedge. Following the restructuring carried out on 3 January 2005, the hedge is on a notional amount of €400 million and expires on 3 January 2014. SFL pays the 12-month Euribor +141.5 bps, with a cap at 508.5 bps and a floor at 200 bps. The hedge enhances the protection provided by the cross-currency swap by breaking the link with US interest rates. JP Morgan and SFL both have the right to terminate the contract on 3 January 2010. If this right is exercised, the terminating party will be required to pay to the other party an amount equal to the instrument's replacement cost.
At 31 December 2008, the contract had a negative fair value of €30,495 thousand. It represents a macro-hedging transaction that has as its underlying several clearly identified balance sheet items whose value is at least equal to the notional amount of the restructured hedging instrument.

Counterparty: Calyon. Description: cash flow hedge. This 5-year swap was up on 23 May 2006 for €100 million, sets the interest rate on an identified balance sheet item at 3.7850%. At 31 December 2008, the contract had a negative fair value of €2,201 thousand.

Counterparty: RBS. Description: cash flow hedge. This 7-year swap on a notional amount of €40.8 million was set up on 31 October 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.89%. At 31 December 2008, the contract had a negative fair value of €1,401 thousand.

Counterparty: Natixis. Description: cash flow hedge. This 3-year swap on a notional amount of €200 million was set up on 31 December 2007 as a hedge of identified debt. SFL pays a fixed rate of 4.4325%. At 31 December 2008, the contract had a negative fair value of €6,921 thousand.

Counterparty: BNP-Paribas. Description: cash flow hedge. This swap on a notional amount of €50 million was set up on 6 November 2008 as a hedge of identified debt and expires on 31 December 2010. SFL pays a fixed rate of 3.33%. At 31 December 2008, the contract had a negative fair value of €645 thousand.

Counterparty: BNP-Paribas. Description: cash flow hedge. This swap on a notional amount of €50 million was set up on 8 December 2008 as a hedge of identified debt and expires on 31 December 2010. SFL pays a fixed rate of 2.635%. At 31 December 2008, the contract had a positive fair value of €39 thousand.

Property purchases

The off-plan purchase agreement for the building located at 108 avenue de Wagram was signed on 18 December 2008. The purchase price excluding transfer costs amounted to €56,173,044, of which €29,000,000 was payable immediately and the remaining €27,173,044 on delivery.
The price will not be indexed, discounted or revised.

Contractual renovation obligations

At 31 December 2008, the Group's contractual commitments relating to investment properties undergoing renovation totalled €72,123,460, compared with €14,039,552 a year earlier. The building at 247 rue Saint-Honoré accounted for 77% of the commitments in 2008.

G – Consolidation

Société Foncière Lyonnaise is included in the consolidated financial statements of Colonial, a company governed by Spanish law and listed on the Madrid stock exchange (code ISIN: ES0139140018).

Statutory Auditors' report

Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2008

To the Shareholders,
In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2008, on:
- the audit of the accompanying consolidated financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2008 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

II. Justification of our assessments

In light of the economic conditions prevailing at the balance sheet date, the accounting estimates required for the preparation of the 2008 financial statements were made in the context of a sharp decrease in real estate transactions and significant difficulty in assessing the economic and financial outlook.
In this context, and in accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:
- As described in Note 2.3 to the consolidated financial statements, all of the Company's property assets have been measured at fair

value by qualified independent valuers in order to test for impairment. Our work consisted in verifying the valuation methods used by the independent experts, ensuring that impairment tests and fair value measurements for property assets were carried out on the basis of independent valuations, and that the notes to the consolidated financial statements contain the appropriate disclosures.

- Notes 2.17 and 6.32 to the consolidated financial statements describe the accounting policies applied to determine the fair value of derivative instruments, as well as the characteristics of the hedging instruments used by the Group. We reviewed the criteria used to classify and document these instruments in accordance with IAS 39, and verified the appropriateness of the accounting policies used and disclosures contained in the notes to the consolidated financial statements.

These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

We have also verified the specific information required by law given in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, 23 April 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

Catherine THURET

Deloitte & Associés

Laure SILVESTRE-SIAZ

Statutory Auditors' report on the financial statements

Year ended 31 December 2008

To the Shareholders,
In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2008, on:
- the audit of the accompanying financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position and assets and liabilities of the Company as of 31 December 2008, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

II. Justification of our assessments

In light of the economic conditions prevailing at the balance sheet date, the accounting estimates required for the preparation of the 2008 financial statements were made in the context of a sharp decrease in real estate transactions and significant difficulty in assessing the economic and financial outlook.
In this context, and in accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:
- As described in Note I-b) to the financial statements, all of the Company's property assets have been measured by qualified inde-

pendent valuers in order to test for impairment. Our work consisted in verifying the valuation methods used by the independent experts, ensuring that impairment tests on property assets were carried out on the basis of independent valuations, and that the notes to the financial statements contain the appropriate disclosures.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and informations

We have also performed the specific verifications required by law.
We have no matters to report regarding:

- the fair presentation and conformity with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information provided in the management report in respect of compensation and benefits granted to certain company officers and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in function.

In accordance with the law, we have verified that the management report contains the appropriate disclosures regarding acquisitions of investments and controlling interests, the identity of shareholders and holders of voting rights.

Neuilly-sur-Seine, 23 April 2009

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Catherine THURET	Laure SILVESTRE-SIAZ

Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Société Foncière Lyonnaise

Year ended 31 December 2008

To the Shareholders,

In our capacity as Statutory Auditors of Société Foncière Lyonnaise, and in accordance with Article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2008.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:
- to report to you our observations on the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of financial and accounting information

French professional standards require that we perform procedures to assess the fairness of the information on internal control procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:
- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and account-

ing information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board of Directors' report, prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine, 23 April 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

Catherine THURET

Deloitte & Associés

Laure SILVESTRE-SIAZ

Statutory Auditors' special report on related party agreements and commitments

Year ended 31 December 2008

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

Agreements and commitments authorised during 2008

In accordance with Article L.225-40 of the French Commercial Code (Code de commerce), we were informed of the following agreements and commitments authorised by your Board of Directors during 2008.
Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of Article R.225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We performed our procedures in accordance with professional standards applicable in France. These standards require us to perform procedures to verify that the information given to us agrees with the underlying documents.

Agreement entered into with Yves Mansion

Corporate officer concerned: Yves Mansion, Chairman and Chief Executive Officer

Agreement authorised by the Board of Directors on 4 April 2008

Nature and purpose

- Yves Mansion will be paid compensation for loss of office in the event of a change in the ownership structure of SFL or its controlling shareholder (notably following a takeover bid, a merger, a rights issue or otherwise), directly or indirectly that (i) results in Yves Mansion being dismissed or forced to resign from his position as Chief Executive Officer or (ii) significantly alters the substance of his responsibilities, making it difficult for him to continue his activities as Chief Executive Officer and the normal exercise of his duties. The compensation for loss of office will be payable at Yves Mansion's request during the 18-month period following the direct or indirect change in ownership structure.

The gross amount payable will be equal to twice the total gross annual compensation paid to him in his capacity as Chief Executive Officer – including any and all bonuses and benefits in kind – for the calendar year preceding the direct or indirect change in ownership structure.

Payment of such compensation will be made only if the Group's average operating profit before fair value adjustments for the three financial years preceding the end of his term of office exceeds

operating profit before fair value adjustments for the fourth year preceding such termination. In effecting the comparison, account will be taken of changes in the property portfolio in the years concerned.
The compensation will be paid after the Board of Directors has formally acknowledged that the above performance criterion has been met, within two months of payment being claimed. If the Board fails to notify Yves Mansion of its decision within said two-month period, the performance criterion will automatically be considered as having been fulfilled.

Agreements entered into with Philippe Depoux

Corporate officer concerned: Philippe Depoux, Deputy Managing Director and Managing Director until 24 October 2008

Agreements authorised by the Board of Directors on 4 April 2008

Nature and purpose

- As Philippe Depoux did not receive any compensation in his capacity as Deputy Managing Director, the same protection was offered to Philippe Depoux as that granted to Yves Mansion, in the event that he was remunerated in the future.

Subject to the same time limit for claiming the compensation and the same performance criterion as for Yves Mansion, Philippe Depoux would have been paid gross compensation for loss of office equal to twice the total gross annual remuneration paid to him in his capacity as Deputy Managing Director – including any and all bonuses and benefits in kind – for the calendar year preceding the direct or indirect change in ownership structure.

This agreement no longer applies following Philippe Depoux's resignation on 24 October 2008.

Agreements authorised by the Board of Directors on 4 April 2008

Nature and purpose

- At its meeting on 9 February 2004, the Board of Directors decided to insert specific clauses in the employment contracts of executives where are members of the Company's Management Committee.

The clause was updated in 2006 to provide for the payment of compensation in addition to the severance pay due by law or under the collective bargaining agreement in the case of (i) dismissal or (ii) resignation as a result of a significant change in responsibilities following a significant direct or indirect change in the composition of the main shareholder group of the Company or its controlling shareholder. The amount of said compensation was set at double the individual's annual remuneration for 2006, expressed in euros. As a member of the Management Committee, Philippe Depoux was eligible to benefit from this clause.

To adjust these amounts to changes in compensation for executives who are members of the Management Committee, on 4 April 2008 the Board of Directors approved a proposal to set the gross compensation at double the total remuneration payable to the executives concerned for the calendar year preceding the significant direct or indirect change in the composition of the main shareholder group of the Company or its controlling shareholder.
On the same date, the Board of Directors also approved a proposal to reduce the period during which beneficiaries may claim compensation for loss of office from two years to eighteen months, with effect from the next direct or indirect change in the ownership structure.

This agreement no longer applies following Philippe Depoux's resignation on 24 October 2008.

Agreement entered into with Nicolas Reynaud

Corporate officer concerned: Nicolas Reynaud, Finance Director and Deputy Managing Director since 24 October 2008

Agreement authorised by the Board of Directors on 9 December 2008

Nature and purpose

- Nicolas Reynaud will receive a termination benefit under the terms and conditions of his employment contract.

In the event of a significant direct or indirect change in the composition of the main shareholder group of the Company or its controlling shareholder, if Nicolas Reynaud is dismissed (except for gross negligence) or is forced to resign as a result of significant changes in his responsibilities in the 18 months following the date of such a change, he will receive, in addition to the severance pay due by law or under the collective bargaining agreement, a termination benefit of an amount equal to twice the total gross annual remuneration – including any and all bonuses and benefits in kind – for the calendar year preceding the dismissal (except for gross negligence) or resignation, subject to a commitment by Nicolas Reynaud not to encourage the departure of other SFL employees.

Agreement entered into with SNC T8 (now SNC Fly Tolbiac)

SNC T8 is a 90%-owned subsidiary of SFL, which is also the legal manager of SNC T8.

Agreement authorised by the Board of Directors on 25 September 2008

Nature and purpose

- Guarantee given by SFL with respect to Société Générale, as part of the Opération ZAC Paris Rive Gauche (housing project) real estate development agreement (Contrat de Promotion Immobilière, CPI) dated 16 July 2008, for the payment of the price of the CPI, i.e., sixteen million seven hundred and sixty thousand two hundred and forty three euros excluding VAT (€16,760,243), or twenty million forty-five thousand two hundred and fifty euros and sixty three cents including VAT (€20,045,250.63).

This authorisation was not used during the year.

Agreements and commitments authorised in prior years that remained in force during the year

In accordance with the French Commercial Code, we were informed that the following agreements and commitments authorised in prior years remained in force during the year.

Agreement with Yves Mansion

Corporate officer concerned: Yves Mansion, Chairman and Chief Executive Officer

Agreement authorised by the Board of Directors on 25 July 2006

Nature and purpose
- Agreement cancelling the vesting conditions applicable to the outstanding stock options granted to Yves Mansion, which became exercisable at any time, even if he were to leave the Group, regardless of the reasons for or circumstances of his departure.

Agreements entered into with Alec Emmott

Corporate officer concerned: Alec Emmott, Managing Director until 9 May 2007

Agreement authorised by the Board of Directors on 25 July 2006

Nature and purpose
- Agreement cancelling the vesting conditions applicable to the outstanding stock options granted to Alec Emmott, which became exercisable at any time, even if he were to leave the Group, regardless of the reasons for or circumstances of his departure.

Agreements entered into with Alec Emmott

Corporate officer concerned: Alec Emmott, Managing Director until 9 May 2007

Agreement authorised by the Board of Directors on 26 October 2006 and renewed by the Board of Directors on 25 September 2008

Nature and purpose
- Agreement providing for Alec Emmott to work for the Group as an external consultant for a period of one year as from the date of termination of his term of office. This arrangement may be extended at the end of the one-year period by mutual agreement between Alec Emmott and the Company (represented by its Chairman). Alec Emmott will receive fees amounting to €100,000 per annum in respect of this agreement.

This agreement was authorised by the Board of Directors on 26 October 2006 and was effective on 1 October 2007. It was renewed by the Board of Directors on 25 September 2008 with effect from 1 October 2008. Fees received under this agreement amounted to €100,000 excluding VAT for 2008.

Agreement entered into with Locaparis

Locaparis is a wholly owned subsidiary of SEGPIM, which is a 99%-owned subsidiary of SFL

Agreement renewed by the Board of Directors on 14 February 2008

Nature and purpose
- A counter guarantee given by SFL for €2,115,000, covering the financial guarantee given by Société Générale on behalf of Locaparis in accordance with Article 3-2 of the Act of 2 January 1970.

Neuilly-sur-Seine, 23 April 2009

The Statutory Auditors

PricewaterhouseCoopers Audit — **Deloitte & Associés**

Catherine THURET — Laure SILVESTRE-SIAZ

Additional Information

Additional Information

1. Persons Responsible for the Registration Document and the Audit of the Accounts

1.1 Statement by the person responsible for the Annual Report

Name and position
Yves MANSION, Chairman and CEO.

Statement
"I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the scope of consolidation, and the report of the Board of Directors on page 3 presents fairly the changes in business, results and financial position of the Company and the entities included in the scope of consolidation, as well as a description of their principal risks and contingencies.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein."

1.2- Persons responsible for the audit of the accounts

AUDITORS

	First appointed	Term renewed	Term expires*
Statutory Auditors			
DELOITTE & ASSOCIÉS Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 185 avenue Charles-de-Gaulle - 92200 NEUILLY-SUR-SEINE - France Represented by Laure Silvestre-Siaz	21 April 2005	-	2010
PricewaterhouseCoopers Audit SA Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63 rue de Villiers - 92200 NEUILLY-SUR-SEINE - France Represented by Catherine Thuret	25 April 2003	9 May 2007	2012
Substitute Auditors			
BEAS Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 7-9 villa Houssay - 92200 NEUILLY-SUR-SEINE - France	21 April 2005	-	2010
Anik CHAUMARTIN Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63 rue de Villiers - 92200 Neuilly-sur-Seine -France	9 May 2007	-	2012

* At the close of the Annual General Meeting to be called to approve the financial statements for the year indicated.

FEES PAID TO THE AUDITORS IN 2008 (IN €)

	PricewaterhouseCoopers Audit SA				Deloitte & Associés			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	2008	2007	2008	2007	2008	2007	2008	2007
Statutory and contractual audits								
• Issuer	241,915	215,375	60%	68%	238,386	225,375	80%	89%
• Fully consolidated subsidiaries	98,535	99,645	25%	32%	-	-	-	-
Audit-related services								
• Issuer	60,000	-	15%	-	60,000	28,000	20%	11%
• Fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Sub-total	400,450	315,020	100%	100%	298,386	253,375	100%	100%
Other services								
Legal and tax advice	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-
TOTAL	400,450	315,020	100%	100%	298,386	253,375	100%	100%

2. Additional Legal Information

Corporate name and registered office

– Corporate name: Société Foncière Lyonnaise.
– Registered office: 151 rue Saint Honoré, 75001 Paris, France.

Legal form

"Société anonyme" (public limited company) governed by the French Commercial Code.

Governing Law

French law

Date of incorporation and term

– Incorporated on 9 October 1879.
– Term: 8 October 2064.

Corporate purpose (Article 3 of the Articles of Association)

The Company's purpose is to:
– Acquire, by way of purchase or absorption or under a 99-year lease or a shorter lease, any and all real property located in France, the French overseas territories or abroad, and to extend any such properties; conduct any industrial, rental or management activities and generally enhance the value of the properties.
– Sell or exchange such properties, for cash or for shares.
– Manage properties on behalf of third parties.
– Participate by any method in any and all existing or future companies or business ventures related to the corporate purpose, including by means of the formation of new companies, the sale of assets in exchange for shares, membership of a general partnership, subscription or purchase of shares or other rights.
– Conduct any and all transactions related directly or indirectly to the corporate purpose or which are likely to facilitate the fulfilment of said purpose.

Registration particulars

Paris Companies Registry: 552 040 982 – NAF Code: 6820B.

Financial year

1 January to 31 December.

3. Additional Information about the Company's Capital and Share Ownership

3.1 Extracts from the Articles of Association concerning the Company's capital and share ownership

Changes in capital (Articles 6, 7 and 8 of the Articles of Association)
The Company's capital may be increased on one or more occasions by any method provided for by law.

Such capital increases may be carried out by the issue of ordinary or preference shares, by raising the par value of existing shares, or through the exercise of rights attached to securities carrying rights to shares, on the basis defined by law.

Shareholders in General Meeting may resolve to reduce the Company's capital either by reducing the par value of the shares or reducing the number of shares in issue.

Where shareholders in General Meeting resolve to reduce the Company's capital for any reason other than to absorb losses, the Board of Directors may be authorised to purchase a fixed number of shares to be subsequently cancelled in accordance with the applicable law.

Where a capital increase is carried out by issuing shares payable in cash, at least one quarter of the par value of such shares shall be paid up at the time of the issue, as well as the entire amount of any related premium. The Board of Directors shall decide upon the timing and amount(s) of the subsequent payment(s) of the balance due.

Amendments of shareholders' rights (Article 9 of the Articles of Association)
Where called but unpaid amounts on partially paid-up shares are not settled in accordance with the terms and conditions determined by the Board of Directors, said outstanding amounts shall accrue interest on a daily basis, calculated at the legal interest rate, without any requirement for an application to court.

In addition, in order to obtain any such called but unpaid amounts, the Company shall be entitled to sell the shares concerned and to take all appropriate action as provided for by law.

In such a case the Company shall serve the defaulting shareholder with a formal notice to pay, by way of a registered letter with return receipt requested. If the amount due is not settled within thirty days of service of the said notice the unpaid shares shall be stripped of attendance and voting rights for shareholders' meetings as well as dividend rights and pre-emptive subscription rights for subsequent share issues. However, following the payment of all outstanding amounts due to the Company (corresponding to the principal amount plus interest and costs), the shareholder concerned may request the payment of any dividends that are not time-barred and will recover their rights to attend and vote at shareholders' meetings.

Identification of shareholders (Article 10 of the Articles of Association)
Fully paid up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the law. They are recorded in a shareholder's account in accordance with the terms and conditions provided for in the applicable laws and regulations.

The Board of Directors is authorised to use all methods provided for under the applicable laws and regulations – including an application to the securities clearing house – to obtain identification details of holders of shares and other securities convertible, redeemable, exercisable or otherwise exchangeable for shares carrying voting rights at the Company's General Meetings, together with details of the number of securities held by each such person and of any restrictions affecting the securities.

Disclosure thresholds
Obligations relating to the applicable disclosure thresholds are described on page 31 of the Management Report.

Rights attaches to shares (Article 11, 12, 13 and 14 of the Articles of Association)
Shares are indivisible vis-à-vis the Company, meaning that one share confers only one right. This does not, however, apply to the right to receive information prior to General Meetings as such entitlement applies both to the bare owners ("nu-propriétaires") and the beneficial owners (usufruitiers) of any jointly held shares.

If several persons own one share, they are required to elect one representative to act on behalf of that share. If no agreement can be reached on the appointment of such a representative, he or she shall be named by a Commercial Court judge in summary proceedings following an application by the first joint shareholder to take action.

Voting rights attached to the Company's shares shall be exercised by the beneficial owner in Ordinary General Meetings and by the bare owner in Extraordinary General Meetings. Voting rights attached to pledged shares are retained by the pledgor.

In the event of a capital increase any pre-emptive subscription or allocation rights attached to shares which have both legal and beneficial owners shall be exercised in accordance with the applicable law.

Shares are freely transferable, subject to the applicable legal and regulatory limits.

The Company's bearer shares may be traded on the stock market in accordance with the applicable law. Shares may also be purchased or sold through off-market account transfers, subject to the conditions set down by the applicable laws and regulations.

All rights and obligations attached to shares are transferred with title thereto. Share ownership automatically requires shareholders to comply with the Company's Articles of Association and the decisions made by General Meetings.

The heirs or creditors of a shareholder may not under any circumstances apply for the Company's assets to be placed under seal or to be sold or divided, and may not interfere in any way whatsoever with the running of the Company. All rights of said persons are governed by the Company's applicable rules and regulations and decisions of General Meetings.

In accordance with Article 33 below, each share entitles its holder to a proportion of profits and net assets based on the proportion of capital represented by the share. All tax exemptions as well as any tax payable by the Company, shall be applied to all of the Company's shares equally prior to any allocation or redemption, throughout the term of the Company or upon its liquidation, in order to ensure that all shares receive the same net amount.

Where a shareholder must own a specific number of shares to exercise a particular right relating to the exchange or allocation of shares, a reverse stock-split, a capital increase or reduction, a merger or other corporate action, shareholders owning fewer than the number of shares required to exercise the rights concerned will be personally responsible for obtaining said number, through share purchases or sales if necessary.

Appropriation of profits (Article 33 of the Articles of Association)

The profit or loss for the year represents the difference between total income and total expenses, including charges to and reversals from depreciation, amortisation and provisions, shown in the profit and loss account.
At least 5% of net profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve, until such time as the legal reserve represents one tenth of the share capital.
Profit available for distribution consists of profit for the year, less any losses carried forward from prior years and any amounts transferred to the legal reserve as provided for above, plus retained profits carried forward from prior years.
Total profit available for distribution is appropriated as follows:
– to provident reserves or any other reserves, by decision of the Annual General Meeting;
– to dividends payable to shareholders.
Any unappropriated balance is carried forward to the next year.

3.2 Information about the Company's capital

Share capital at 31 December 2008
As of 31 December 2008, the Company's issued share capital amounted to €93,004,602 divided into 46,502,301 ordinary shares with a par value of €2, all fully paid-up.

Authorised, unissued capital
The Annual General Meeting of 9 May 2007 cancelled, with immediate effect, the unused portions of the financial authorisations given to the Board of Directors at the Annual General Meeting of 21 April 2005 and replaced them with new resolutions to the same effect.
At the same meeting, shareholders authorised the Board of Directors to:
–Issue ordinary shares and/or securities carrying rights to ordinary shares, with or without pre-emptive subscription rights (first and second extraordinary resolutions), resulting in a maximum capital increase of €100 million (seventh extraordinary resolution).
– Issue securities carrying rights to debt securities, up to a total amount of €2 billion (eighth extraordinary resolution).
- Increase the Company's capital by capitalising reserves, profits or share premiums, by an amount not exceeding €25 million (ninth extraordinary resolution).
– Issue shares to employees who are members of a Share-save plan, capped at €0.5 million, excluding premiums (tenth extraordinary resolution).
These authorisations were given for a period of 26 months as from 9 May 2007.
The Board will propose that shareholders renew these authorizations at the Annual General Meeting of 15 June 2009.

The Annual General Meeting of 23 May 2008 also authorised the Board of Directors to:
– Issue stock options to employees and/or officers, subject to a cap of 3% of the Company's capital (first extraordinary resolution).
– Grant ordinary shares, without consideration, to employees and/or officers, subject to a cap of 1% of the Company's capital (second extraordinary resolution).
– Issue equity warrant bonds, entailing the waiver of shareholders' pre-emptive subscription rights in favour of a selected category of beneficiaries, up to a total amount of €200 million (third extraordinary resolution).
The first two authorisations were given for a period of 38 months as from 23 May 2008 and the third was given for a period of 18 months from the same date. The Board will propose that shareholders renew the third authorisation at the Annual General Meeting of 15 June 2009.

Authorised, issued capital
None.

Pledges of the Company's shares
As far as the Company is aware none of its shareholders have pledged any of their shares.

3.3 Ownership structure

SFL's ownership structure is described on page 31 of the Management Report.

Yves Mansion was both Chairman and Chief Executive Officer until the two positions were separated on 26 October 2006.

On 23 July 2008, the Board of Directors decided that, in application of Article 21 of the Articles of Association, the Chairman of the Board would also be the Chief Executive Officer during his term on the Board.

The Chairman's report on corporate governance and internal control can be found on page 50 of the Management Report.

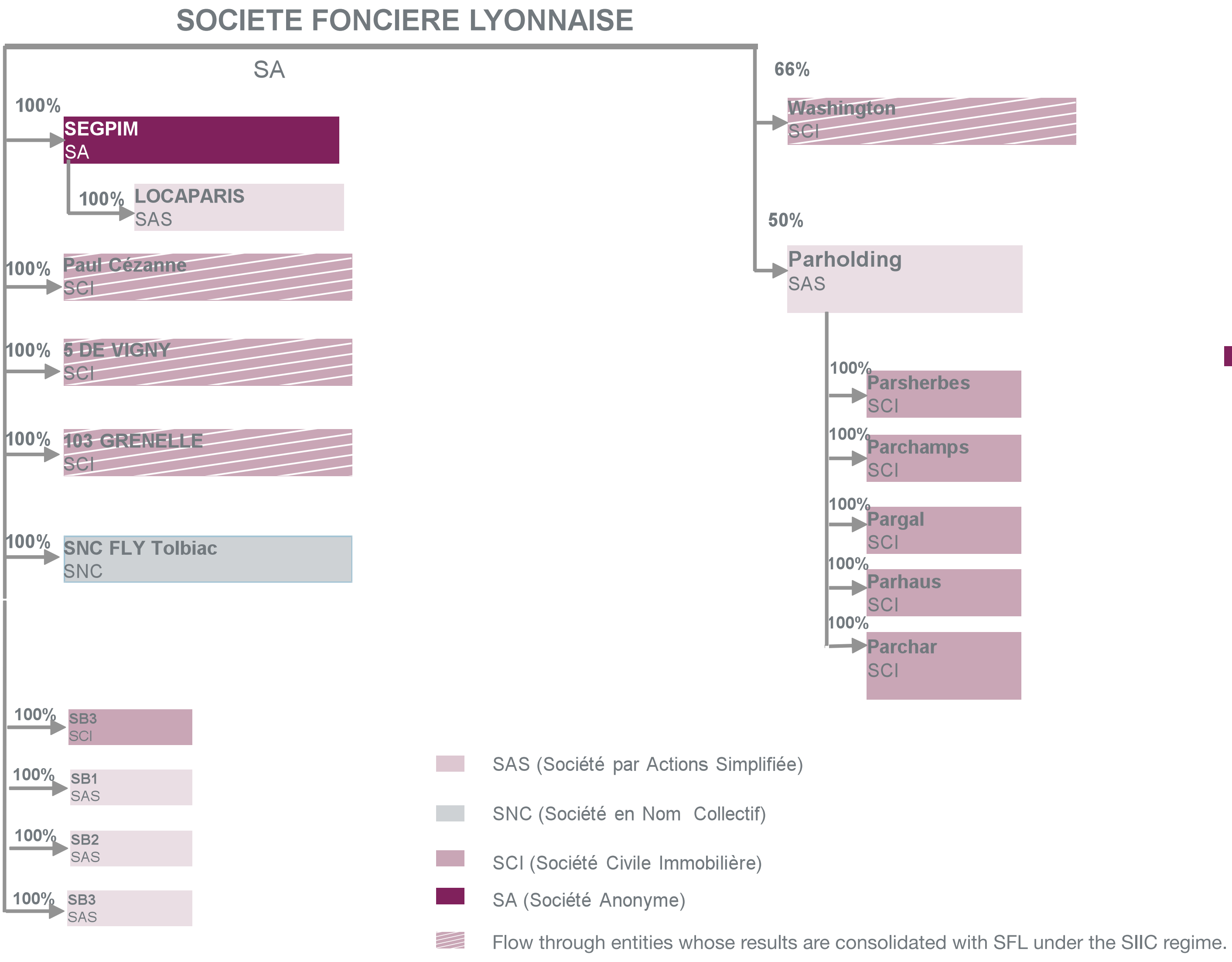
As far as the Company is aware, no arrangements exist whose implementation may result in a change in control in the future.

3.4 Shareholder's pacts

See page 38 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

4. Additional Information about the Group's Operations and Organisational Structure

4.1 Organisation chart



4.2 Material contracts

No company within the SFL Group is party to an agreement that would entail a material obligation or commitment for the Group, other than contracts entered into in the ordinary scope of business.

4.3 Dependence on patents or licences

The SFL Group is not dependent on any patents or licences for the conduct of its business.

4.4 Third party information, statement by experts and declarations of interests

Property valuation report

SFL's entire property portfolio was valued at 31 December 2008, part by CB Richard Ellis Valuation and part by Jones Lang Lasalle (excluding the buildings at 247 rue Saint-Honoré and 103 Grenelle, which were valued by Atis Real Expertise). The Program building, purchased off plan on 18 December 2008, is recorded at cost.

The valuations were performed in accordance with the "Charte de l'Expertise en Evaluation Immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF in 2004). They also complied with the standards issued by the European Group of Valuers' Associations (TEGoVA) and with Royal Institution of Chartered Surveyors (RICS) standards.

Method

The properties were valued primarily by the discounted cash flow method, which consists of discounting projected net future cash flows and the resale value of the property at the end of the projection period.
Each property was analysed in detail, based on the type of use and the surface area of each unit, lease by lease.

The valuer noted that fourth-quarter 2008 rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account based on the duration of the underlying leases to value the properties according to their current occupancy.
Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs and service charges for the period until the units are re-let.
The cost of scheduled renovation work – based on information supplied by the Group – was taken into account over the cash flow projection period.
The results of the valuation were checked by applying the capitalised net rental revenue method, and based on direct comparisons with the observed price per square metre of recent buy-to-let transactions involving occupied and vacant properties.
The appraisal values are stated including transfer costs (calculated on the basis of a standard 6,2% rate for all properties subject to registration duties), and also excluding transfer costs and transaction expenses.
At the request of the Group, the valuation method used in 2008 was the discounted cash flow method.
Each of the three firms provided an individual appraisal value and is not responsible for the valuations performed by the other two firms.
On the basis described above, the value of the portfolio, Group share, at 31 December 2008 is €3,477,163,308 excluding transfer costs and €3,672,042,671 including transfer costs (see attached table for values per building).

D. Frouin

CB RICHARD ELLIS VALUATION
EXPERT IMMOBILIER DE FRANCE
FNAIM
75017 PARIS

ATISREAL EXPERTISE
32 rue Jacques Ibert
92309 LEVALLOIS Cedex

JONES LANG LASALLE EXPERTISES
S.A.S. au capital de 37 000 Euros
Siège social : 40/42 rue La Boétie
Tél : 01 40 55 15 15 - 75008 PARIS
444 628 150 R.C.S. PARIS

5. Documents Available for Public Consultation

All legal documents related to the Company's activities may be consulted at SFL's registered office at 151 rue Saint-Honoré, 75001 Paris, France, as well as on the Company's website at www.fonciere-lyonnaise.com

List of information published or publicly disclosed in 2008
In accordance with the requirements of Article 222-7 of the General Regulations of the AMF, the following table sets out all the information published or publicly disclosed by the issuer over the last twelve months pursuant to the applicable laws and regulations.

Title	Filing/publication date	Filed with/published by	Consultation
Statement of trades in SFL shares carried out by the Company (in French only) Half-yearly report on the liquidity contract (in French only)	03/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	07/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Appointment of directors (in French only)	11/01/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Statement of trades in SFL shares carried out by the Company (in French only)	14/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	14/01/2008	Autorité des Marchés Financiers	www.amf-france.org
Statement of trades in SFL shares carried out by the Company (in French only)	21/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	28/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL reorganizes the Board of Directors and opens a data room for Investment Corporation of Dubai	06/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Another year of growth in operating profit and assets	14/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL presentation of 2007 annual results	15/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
2007 revenue (in French only)	15/02/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
SFL undertakes to acquire the new Prony Wagram complex (in French only)	26/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Trading in SFL shares to resume	27/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of transactions in SFL shares carried out by the Company (in French only)	25/03/2008	Autorité des Marchés Financiers	www.amf-france.org
Appointment of a merger auditor (in French only)	27/03/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Payment of a total dividend for the year 2007	04/04/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SAS Iéna merger plan (in French only)	18/04/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Notice of AGM (in French only)	18/04/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
2007 financial statements (in French only) Merger plan	21/04/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Statement of transactions in SFL shares carried out by the Company (in French only)	28/04/2008	Autorité des Marchés Financiers	www.amf-france.org

Registration document (in French only)	29/04/2008	Autorité des Marchés Financiers	www.amf-france.org
Filing of the 2007 registration document including annual financial report (in French only)	30/04/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
First-quarter revenue (in French only)	02/05/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Notice of AGM (in French only)	07/05/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
SFL: First Quarter 2008	13/05/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Amendments to the Articles of Association (in French only) Change of directors (in French only) Capital increase (in French only)	14/05/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Merger auditor's report (in French only)	15/05/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Statement of transactions in SFL shares carried out by the Company (in French only)	20/05/2008	Autorité des Marchés Financiers	www.amf-france.org
Statement of transactions in SFL shares carried out by the Company (in French only)	23/06/2008	Autorité des Marchés Financiers	www.amf-france.org
Appointment of directors (in French only) Appointment of a permanent representative (in French only)	01/07/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Merger (in French only) Delegation of power (in French only) Statement of compliance (in French only)	07/07/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Statement of transactions in SFL shares carried out by the Company (in French only)	08/07/2008	Autorité des Marchés Financiers	www.amf-france.org
Change of directors (in French only)	09/07/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Yves Mansion named Chairman and Chief Executive Officer / First-half 2008 results	23/07/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
First-half revenue (in French only)	25/07/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Change of Chairman of the Board(in French only)	11/08/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Statement of transactions in SFL shares carried out by the Company (in French only)	01/09/2008	Autorité des Marchés Financiers	www.amf-france.org
Interim financial statements (in French only)	05/09/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Half-Year Financial Result	12/09/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of transactions in SFL shares carried out by the Company (in French only)	17/09/2008	Autorité des Marchés Financiers	www.amf-france.org
Change of directors (in French only)	07/10/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
SFL: Third Quarter 2008	21/10/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Third-quarter 2007 revenue (in French only)	03/11/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
SFL/IDF: Sale of 19 Boulevard Malesherbes (in French only)	05/11/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Final phase of the development of the Mandarin Oriental Paris has been approved	13/11/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Change of Managing Director (in French only)	24/11/2008	Greffe du Tribunal de commerce de Paris	www.infogreffe.fr
Shareholders' pacts Related party agreements governed by Article L.233-11 of the French Commercial Code (in French only)	03/12/2008	Autorité des Marchés Financiers	www.amf-france.org
Statement of transactions in SFL shares carried out by the Company (in French only)	11/12/2008	Autorité des Marchés Financiers	www.amf-france.org

Updated registration document (in French only)	12/12/2008	Autorité des Marchés Financiers	www.amf-france.org
Disclosure threshold notice(s) (in French only)	16/12/2008	Autorité des Marchés Financiers	www.amf-france.org
SFL agrees with the AFEP-MEDEF recommendations on the compensation of corporate officers of listed companies (in French only)	17/12/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL purchases the new Prony Wagram complex (in French only)	19/12/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Shareholders' pacts Related party agreements governed by Article L.233-11 of the French Commercial Code (in French only)	24/12/2008	Autorité des Marchés Financiers	www.amf-france.org
Disclosure threshold notice(s) Statement of intention (in French only)	31/12/2008	Autorité des Marchés Financiers	www.amf-france.org
Shareholders' pacts Related party agreements governed by Article L.233-11 of the French Commercial Code (in French only)	06/01/2009	Autorité des Marchés Financiers	www.amf-france.org
Disclosure threshold notice(s) Statement of intention (in French only)	09/01/2009	Autorité des Marchés Financiers	www.amf-france.org
Disclosure threshold notice(s) (in French only)	16/01/2009	Autorité des Marchés Financiers	www.amf-france.org
Disclosure threshold notice(s) (in French only)	19/01/2009	Autorité des Marchés Financiers	www.amf-france.org
Statement of transactions in SFL shares carried out by the Company (in French only)	20/01/2009	Autorité des Marchés Financiers	www.amf-france.org
Disclosure threshold notice(s) (in French only)	21/01/2009	Autorité des Marchés Financiers	www.amf-france.org
Changes in SFL's ownership structure (in French only)	21/01/2009	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Disclosure threshold notice(s) (in French only)	29/01/2009	Autorité des Marchés Financiers	www.amf-france.org
Disclosure threshold notice(s) (in French only)	30/01/2009	Autorité des Marchés Financiers	www.amf-france.org
2008 revenue (in French only)	11/02/2009	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
SFL – Growth in operating profit and a decline in asset value in 2008	17/02/2009	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL calls its annual general meeting	20/04/2009	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL makes available its Annual Financial Report (in French only)	30/04/2009	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Notice of AGM (in French only)	01/05/2009	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
SFL: Annual General Meeting on 15 June 2009 (Notice of preparatory document availability) (in French only)	04/05/2009	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL - First quarter 2009	13/05/2009	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com

Cross-reference table

The table below provides cross-references between the pages in the annual report/registration document and the key information required to be disclosed under the rules and instructions issued by the French securities regulator (Autorité des Marchés Financiers) in application of European Commission Regulation No. 809/2004/EC.

Information	Annual report Page number	Registration document Page number
8. Property, plant and equipment		
8.1 Existing or planned material tangible fixed assets and any major encumbrances thereon	10 to 17, 34, 35	
8.2 Environmental issues that may affect the utilisation of tangible fixed assets	25 to 27	
9. Operating and financial review		
9.1 Financial condition		4 to 8
9.2 Operating results		5
10. Capital resources		
10.1 Information concerning capital resources		95
10.2 Cash flows		96
10.3 Borrowing requirements and funding structure	31	111 to 114
10.4 Restrictions on the use of capital resources		NA
10.5 Information regarding anticipated sources of funds needed to fulfil capital expenditure commitments		NA
11. Research and development, patents and licenses		NA
12. Trend information		21,169
13. Profit estimates or forecasts		NA
14. Administrative, management, and supervisory bodies and senior management		
14.1 Board member and senior management information	5 to 7	9 to 11
14.2 Conflicts of interest		65
15. Remuneration and benefits		
15.1 Remuneration and benefits in kind		11 to 17
15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits		18 to 20
16. Board practices		
16.1 Date of expiration of current terms of office		54
16.2 Service contracts with members of the administrative, management or supervisory bodies		65
16.3 Committee information	6, 7	65 to 66
16.4 Statement of compliance with France's corporate and governance regime	6, 7	64 to 65
17. Employees		
17.1 Number of employees		43
17.2 Shareholdings and stock options		11, 16, 17, 36
17.3 Arrangements for involving employees in the company's capital		44
18. Major shareholders		
18.1 Shareholders owning over 5% of the capital or voting rights	28	31
18.2 Different voting rights		31
18.3 Control of the issuer		31
18.4 Arrangements which may result in a change i n control of the issuer		31
19. Related party transactions		65

Information	Annual report Page number	Registration document Page number
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
20.1 Historical financial information		48
20.2 Pro forma financial information		NA
20.3 Financial statements		131 to 151
20.4 Auditing of historical annual financial information		152 to 162
20.5 Age of latest financial information		92
20.6 Interim and other financial information		NA
20.7 Dividend policy	8	35
20.8 Legal and arbitration proceedings		29
20.9 Significant change in the issuer's financial or trading position		21
21. Additional Information		
21.1 Share capital		168
21.2 Memorandum and articles of association		166 to 169
22. Material contracts		170
23. Third party information, statement by experts and declarations of any interests		171
24. Documents on display		172 to 174
25. Information on holdings		6 to 8

Table of the main items of the annual financial report

The table below indicates the pages in the registration document where key information required by the French securities regulator (AMF) can be found, in accordance with Article 212-13 VI of the AMF general regulations. Pursuant to Article 212-11 of the AMF general regulations, the following information is incorporated by reference:

- The consolidated financial statements for the year ended 31 December 2006, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 9-45 and 52-53 of the 2006 Registration Document filed with the AMF on 27 April 2007 under No. D.07-0399.
- The consolidated financial statements for the year ended 31 December 2007, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 64-98 and 119-120 of the 2007 Registration Document filed with the AMF on 29 April 2008 under No. D.08-0320.

Information	Registration document page number
1. Financial statements of the Company	131 to 151
2. Consolidated financial statements	92 to 130
3. Management report	2 to 91
4. Statement by the person responsible for the registration document	164
5. Auditors' reports on the financial statements of the Company and the consolidated financial statements.	152 to 162
6. Fees paid to the statutory auditors	165
7. Chairman's report on corporate governance and internal control	50 to 70
8. Auditors' report on the report of the Chairman of the Board of Directors	157,158