

2010



Contents

Management report for the year ended 31 December 2010	03
Consolidated financial statements year ended 31 December 2010	123
Company financial statements year ended 31 December 2010	165
Statutory Auditors' reports	189
Additional Information	201
Cross-reference table	212



This registration document was filed with the French securities regulator (Autorité des Marchés Financiers - AMF) on 20 April 2011, in accordance with article 212-13 of the AMF's Règlement Général. It may be used for a financial transaction provided that is accompanied by an Information Memorandum approved by the AMF.

This English language version of the Registration Document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However in all matters of interpretation of information, views or opinion expressed therein the original language version of the document in French takes precedence over the translation

SFL 2010 Management Report

1. Business review and significant events of the year	05
2. Results	07
3. Corporate governance	12
4. Outlook and risk management	30
5. SFL and its shareholders	41
6. Employee and environment-related information	61
7. Appendices	65
Appendix 7.1 – Special report to the Annual General Meeting of 9 May 2011 on stock options (Article L.225-184 of the French Commercial Code)	65
Appendix 7.2 – Board of Directors’ Special Report on Share Grants (Article L.225-197-4 of the French Commercial Code)	65
Appendix 7.3 – Five-year financial summary (parent company) (Article R.225-102 of the French Commercial Code)	66
Appendix 7.4 – Financial authorisations (Article L.225-100 of the French Commercial Code)	67
Appendix 7.5 – Report on corporate governance and internal control (Article L.225-37 of the French Commercial Code)	68
Appendix 7.6 – Agenda for the Annual General Meeting of 9 May 2011	92
Appendix 7.7 – Report of the Board of Directors to the Extraordinary General Meeting	112

Annual General Meeting of 9 May 2011

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

We have 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 2010 as well as its future outlook, and to submit for shareholder approval the 2010 financial statements of the Company and the Group.

All documents required by law were sent or made available to shareholders within the applicable periods.

1. Business Review and Significant Events of the Year

1.1. Property portfolio value

Our property portfolio's appraisal value totalled €3.0 billion excluding transfer costs (€3.1 billion including transfer costs) at 31 December 2010, a 4.3% decrease compared with the year-earlier figure. All of the properties are located in Paris and the Paris region, with 82% (representing €2.4 billion excluding transfer costs) situated in the Paris Central Business District.

The portfolio essentially comprises fully modernised office properties and retail units, which account for 71% and 25% respectively. Residential units now represent just 1% of the total and are located in a mixed-use building primarily made over to retail space. Parking garages account for 3% of the portfolio.

The average value per square metre excluding transfer costs was €8,360 in 2010 and the spot yield¹ was 5.8%.

The portfolio includes a number of major office complexes, such as the Centre d'Affaires Le Louvre, 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 close to the effective maximum at 89.9%, reflecting the remarketing of properties that are expected to be let in early 2011.

1. Passing rents + market rent on vacant properties/Appraisal value including transfer costs + discounted capex

Marketing programme

Leases were signed on just 50,438 square meters in 2010. The total included 42,892 sq.m. of office space let at an average rent of €589 per sq.m. per year, representing annual revenue of €25,283 thousand (of which €18,633 thousand attributable to SFL), and 6,755 sq.m. of retail space at an average €1,409 per

sq.m. per year, representing annual revenue of €9,516 thousand (of which €4,345 thousand attributable to SFL).

The average rent for our office portfolio at 31 December 2010 was €544 per sq.m. per year and the average remaining life of leases to the next renewal date was 3.3 years.

Based on estimates produced by our valuers², reversionary potential was 41% for the total portfolio, 32% for offices and 94% for retail properties.

Since electing for the REIT-style (SIIC) structure in 2003, SFL has been able to pursue a reasonably active portfolio management strategy.

Our performance has also been enhanced by the strategic refocusing on offices and retail properties, which now generate 78.7% of rental revenues

2. CBRE, JLL and BNP Paribas Real Estate.

1.2. Property purchases and sales during the year

No purchases were made in 2010 because very few properties meeting our acquisition criteria came on the market. However, in October the property at 108-112 avenue de Wagram/68-72 rue de Prony in the 17th arrondissement of Paris (acquired off-plan in 2008) was delivered and the balance of the purchase price was paid.

As regards disposals, the Pavillon Henri IV hotel property at Saint-Germain-en-Laye, a western suburb of Paris, was sold to the hotel's operator.

Alongside these traditional portfolio management transactions, one of the highlights of the year was the acquisition of a significant minority stake in SIIC de Paris, which owns a portfolio of over thirty Paris properties that represent a good strategic fit with our own portfolio. Under the terms of the agreement, SFL sold two properties in the La Défense business district (Tour Coface and Tour Les Miroirs building C) to SIIC de Paris in exchange for newly issued shares and then immediately sold some of these shares for €50 million. Upon completion of these transactions, SFL held 29.99% of SIIC de Paris. This investment has strengthened our position as a key player in the Paris office property market (see section 1.3 on page 6).

In all, the property sales carried out by the Group in 2010 totalled €292.5 million excluding transfer costs, for a total of around 52,900 sq.m. and including 454 parking spaces.

Based on appraisal values at 31 December 2009, these assets represented approximately 10.7% of the total portfolio. They break down as follows:

- Tour Coface in La Défense: €159.7 million, excluding transfer costs
- Tour Les Miroirs building C in La Défense: €126.3 million, excluding transfer costs
- Pavillon Henri IV in Saint-Germain-en-Laye: €6.5 million, excluding transfer costs

On average, these disposals were completed for 11.7% less than their appraisal values at 31 December 2009.

1.3. Investments acquired during the year

On 27 December 2010, SIIC de Paris's shareholders approved the acquisition from SFL of two properties located in the La Défense business district, Tour Coface and Les Miroirs building C, in exchange for SIIC de Paris shares.

For the purpose of the transaction, the contributed properties were valued at €286 million. This value was determined primarily by the discounted cash flows method, based on projected future cash flows from the rental of the assets. The capitalization of income method (consisting of capitalizing rental revenues) was considered inappropriate due to the type of assets concerned and the fact that each property is due to undergo extensive renovation.

In payment for the properties, SIIC de Paris issued 15,476,190 new shares at a price of €18.48 per share. SFL immediately sold 2,706,652 of these SIIC de Paris shares to Realia Patrimonio for €50 million, paid in cash.

In line with its commitments, Realia Patrimonio had reduced its interest in SIIC de Paris prior to the general meeting at which the transaction with SFL was approved so that, once the various transactions had been completed, it held approximately 59.73% of SIIC de Paris's capital and voting rights and SFL held 29.99%.

The transaction will allow SIIC de Paris to once again qualify for taxation under the SIIC regime from 1 January 2011, while increasing its portfolio of office properties in La Défense and reducing its loan-to-value ratio.

The report describing the transaction was registered with France's securities regulator, Autorité des Marchés Financiers (AMF), on 10 December 2010 under no. E.10-083.

SIIC de Paris owns and manages a portfolio of office properties in Paris, located for the most part within the Central Business District. The company's activities include marketing the properties to

tenants and, where necessary, carrying out remodelling, renovation or refurbishment work. SIIC de Paris has been taxed under France's REIT-style (SIIC) regime since 2004.

Since 2006, it has been majority-owned by Spain's Realia Group. SIIC de Paris shares are traded on NYSE Euronext Paris (compartment B) under ISIN FR0000057937. They have been included in the IEIF SIIC France index since 2004 and the IEIF Europe index since 25 March 2008.

The company's reference shareholder, Realia Patrimonio, and SFL signed a shareholders' pact on 25 November 2010 in which they undertook not to act in concert. The pact came into effect on the completion date of the asset contribution. For more details, go to page 57.

The requirement for SFL to make a takeover bid for SIIC de Paris following its acquisition of more than a third of the capital and voting rights was waived by the AMF in its decisions D&I 210C1218 and 210C1330 dated 26 November and 27 December 2010 respectively.

2. Results

2.1. Consolidated Results

Accounting methods

Effective from 31 December 2006, investment properties have been measured 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 period-end 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 balance sheet at 31 December 2010 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 standards and interpretations applied in the consolidated financial statements for the year ended 31 December 2010 are the same as those used in the financial statements for the year ended 31 December 2009, except as explained below:

• **The following revised or amended standards, improvements to standards and new interpretations applied at 31 December 2010 had no material impact on the consolidated financial statements:**

- IAS 27 (revised) – Consolidated and Separate Financial Statements.
- IFRS 3 (revised) – Business Combinations.
- 2008 Amendment to IAS 39 – Eligible Hedged Items.
- Amendment to IFRS 2 - Group Cash-settled Share-based Payment Arrangements.
- Annual IFRS improvements issued in April 2009.
- IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 17 – Distributions of Non-Cash Assets to Owners and IFRIC 18 – Transfers of Assets from Customers.

• **The Group chose not to early adopt the following revised or amended standards and new interpretations adopted by the European Union that were not yet applicable as of 31 December 2010:**

- IAS 24 (revised) – Related Party Disclosures.
- Amendment to IAS 32 – Classification of Rights Issues.
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments.

• **The following standards, and amendments and improvements to existing standards issued by the IASB have not yet been adopted by the European Union:**

- IFRS 9 – Financial Instruments.
- Annual IFRS improvements issued in May 2010.
- Amendment to IFRS 7 – Financial Instruments: Disclosures— Transfers of Financial Assets.
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

Revenue

Property rentals contracted by 4% to €175 million in 2010. Including management fees of €346 thousand, total revenue for the year amounted to €175.2 million versus €183.2 million in 2009, representing a year-on-year decrease of 4%.

Profitability

In 2010, the Group reported a €165 million profit attributable to equity holders of the parent, compared with a €252 million loss in 2009. The favourable swing was attributable to the increase in appraisal values, leading to the recognition of positive fair value adjustments of €107 million in 2010 as opposed to negative adjustments of €385 million the previous year.

The Group's other profit indicators declined year-on-year:

- Property rentals for the year amounted to €175 million, down 4% from the €183 million reported in 2009. On a comparable portfolio basis, property rentals declined 6.5%, reflecting the negative effect in 2010 of applying rent indexation clauses and the impact of rent renegotiations.
- Operating profit before capital gains and losses and fair value adjustments stood at €147 million, down 7% on the previous year's €158.1 million.
- Current cash flow attributable to equity holders of the parent (excluding disposals) declined 5.4% to €104.1 million in 2010 from €110.1 million in 2009, primarily due to lower rents and higher finance costs. Current cash flow per share – based on the average number of shares outstanding during the year – was down 5.5% to €2.24 from €2.37 in 2009.

NAV and financing

The appraisal value of the portfolio at 31 December 2010 was €2,960 million excluding transfer costs, down 4.3% from €3,094 million a year earlier. The estimated replacement value (including transfer costs) was €3,120 million. On a like-for-like basis, portfolio value contracted 7.14% over the year.

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

Net debt at 31 December 2010 amounted to €1,201.7 million, representing a loan-to-value ratio of 35.6% including the interest in SIIC de Paris in the portfolio value. The average cost of debt was 4.1% and the average maturity was 3.4 years.

On this basis, at 31 December 2010, fully diluted NAV including transfer costs totalled €2,015 million, up 1.8% on 31 December

2009. NAV excluding transfer costs was €1,891 million, representing a year-on-year increase of 2.6%.

NAV per share amounted to €44.1 including transfer costs at 31 December 2010, an increase of 1.85% compared with the year-earlier figure of €43.3, and €40.6 excluding transfer costs versus €39.6 at 31 December 2009.

2.2. Parent company results

Accounting methods

The 2010 parent company financial statements have been 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 0.20% in 2010 to €130.8 million from €130.5 million in 2009. Total operating income came to €181.2 million versus €160.3 million, representing an increase of 13.03%, while total operating expense contracted by 15.24% to €110.0 million from €129.8 million.

Operating profit increased to €71.1 million from €30.5 million the previous year.

Wages and salaries totalled €6.8 million, up 4.11% from the 2009 figure of €6.5 million.

Payroll taxes amounted to €3.2 million, up 3.36% from €3.1 million.

The average number of employees of the parent company was 68.1, a 0.95% decrease on 2009 when the average was 68.75.

After deducting net financial expense of €6.1 million in 2010, compared with €12.2 million in 2009, profit before tax and other income and expense came in at €65.0 million versus €18.3 million in 2009. Other income and expense represented net income of €32.0 million, employee profit-sharing totalled €324.7 thousand and income tax expense on an adjusted basis came to €386.3 thousand. As a result, the Company ended the year with a net profit of €97.1 million compared with €31.6 million in 2009.

At 31 December 2010, the Company's total assets amounted to €2,380.1 million, down 0.13% from €2,377.1 billion at the previous year-end.

The risks associated with economic conditions and the property market are discussed on page 34.

A five-year financial summary for the parent company is provided in the appendix to this Management Report (as required by Article R.225-102 of the French Commercial Code).

ORDINARY RESOLUTIONS PRESENTED AT THE 2011 ANNUAL GENERAL MEETING

Transfer from the share premium account

The balance of the share premium account at 31 December 2010 amounts to €1,116,330,432.98 following the issue of 23,298 new shares on exercise of the same number of stock options. Subject to shareholder approval, €4,659.60 will be transferred from this account to the legal reserve to increase the latter to one tenth of the Company's new capital, thereby reducing the balance of the share premium account to €1,116,325,773.38.

Appropriation of net profit

The Company reported net profit for the year, after tax and provision charges, of €97,098,358.17.

Profit available for distribution, including retained earnings brought forward from the prior year, is as follows:

• Net profit for the year ended 31 December 2010	€97,098,358.17
• Retained earnings brought forward from the prior year	€993,797.70
• Profit available for distribution	€98,092,155.87

We recommend paying a dividend of €2.10 per share, representing a total payout of €97,710,845.40. An interim dividend of €0.70 was paid on 23 December 2010 and the final dividend will therefore amount to €1.40. The balance of profit available for distribution, in the amount of €381,310.47, will be credited to retained earnings.

If approved, the dividend will be paid as from 16 May 2011. 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 will be eligible for the 40% tax relief on the dividend provided for in Article 158-3-2° of the French Tax Code, unless they have elected to pay the 19% flat-rate dividend withholding tax under Article 117 quater of the Code.

Shareholders eligible for the 40% tax relief or who elect to have tax withheld at the 19% rate will be liable for prélèvements sociaux and contributions additionnelles withholding taxes at the aggregate rate of 12.3%.

Dividends paid to non-resident shareholders will be subject to 19% withholding tax in application of Article 119 bis of the French Tax Code. However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries who choose to receive their dividend in cash will be required to provide a certificate of residence to benefit from the treaty rate.

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from French corporate income tax or an equivalent foreign tax¹, the Company must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by "SIIC" activities. To avoid the 20% tax, the non-resident shareholder must provide a certificate stating that the dividends paid out of profits generated by the "SIIC" activities will be taxed at a rate of more than 11.11%.

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 2010 accounting documents provided for in Article L.2323-8 of the French Labour Code will be given to the Works Council at its monthly meeting in April 2011.

1. Profits are considered as not being subject to an equivalent tax when the tax due represents less than two-thirds of the corporate income tax that would have been payable under standard French tax rules.

INFORMATION ON TRADE PAYABLES (provided in compliance with Articles L.441-6-1 and D.441-4 of the French Commercial Code)

The table below analyses trade payables by type of supplier and payment schedule at 31 December 2010 (in €)

At 31 December 2010	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Total
Goods and services suppliers	30,188	61,540	218,250	0	309,978
Fixed asset suppliers	227,510	37,614	867,410	247,158	1,379,692
Retention monies			69,415	387,516	456,931
Total	257,698	99,154	1,155,075	634,674	2,146,601

At 31 December 2009	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Total
Goods and services suppliers	43,594	119,015	563,410	-	726,019
Fixed asset suppliers	501,164	1,275,650	530,552	319,096	2,626,461
Retention monies				528,820	528,820
Total	544,758	1,394,665	1,093,961	847,915	3,881,300

Invoices due beyond 60 days correspond to disputed invoices where payment has been withheld by the Company because the delivered goods or services were unsatisfactory.

Retention monies correspond to final payments for renovation work that are withheld until the problems listed on the snag list have been resolved. They are payable to the supplier when the problems have been resolved to the Company's satisfaction or automatically one year after delivery of the project unless the Company or the prime contractor has valid grounds for opposing their payment.

2.3. Review of the Group's main subsidiaries

The consolidated financial statements for the year ended 31 December 2010 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	444 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
Proportionately consolidated companies			
SAS Parholding	404 961 351	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
Associated companies accounted for by the equity method			
SIIC de Paris	303 323 778	29,99	29,99

Two former fully-consolidated subsidiaries, SCI 5 de Vigny and SNC Fly Tolbiac, were merged into SFL in 2010, and a former proportionately-consolidated subsidiary, SC Parsherbes, was merged into SAS Parholding.

SIIC de Paris was accounted for by the equity method as from 27 December 2010, based on SFL's 29.99% interest.

At 31 December 2010, Société Foncière Lyonnaise was 53.45%-owned by the Spanish company Inmobiliaria Colonial SA.

SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2010 (in euros)

Company	Share capital	Reserves before appropriation of profit	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Guarantees provided by SFL	2010 revenue	2010 net profit/(loss)	Dividends paid to SFL in 2010	Fair value adjustments to the investment during the year
				Gross	Net						
A - INVESTMENTS WITH A GROSS VALUE IN EXCESS OF 1% OF SFL'S CAPITAL											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	113,931,744	100.00%	291,847,234	291,847,234	-	-	16,510,381	11,693,867	-	-
SCI 103 GRENELLE	150	314,905	100.00%	1,169,740	818,469	166,531,136	-	1,131,662	4,199,326	-	-
SCI WASHINGTON	94,872,000	9,181,738	66.00%	79,788,878	79,788,878	111,693,193	-	15,905,917	6,717,147	-	-
2 - Associates (10-50%-owned)											
SAS PARHOLDING	15,000,000	4,264,677	50.00%	18,400,300	18,400,300	44,242,739	-	-	1,401,644	6,204,150	-
SA SIIC DE PARIS	68,104,208	537,779,446	29.99%	235,981,062	235,981,062	-	-	65,785,853	1,058,818	-	-
B - AGGREGATE INFORMATION ABOUT INVESTMENTS NOT LISTED IN A ABOVE											
1 - Subsidiaries (at least 50%-owned)											
	-	-	-	330,293	330,293	-	-	-	1,263,527	1,373,829	-
2 - Associates (less than 50%-owned)											
	-	-	-	2,286,735	-	-	-	-	-	-	-

Related party transactions correspond to transactions between fully and proportionately consolidated companies.

RELATED PARTY TRANSACTIONS IN 2010 (in € thousands)

	Between fully consolidated companies and proportionately consolidated companies	Between proportionately consolidated companies
Statement of financial position		
Trade receivables	454	-
Current account advances (assets)	44,243	83,191
Other receivables	-	1,630
Trade payables	(454)	-
Current account advances (liabilities)	(44,243)	(83,191)
Other liabilities	-	(1,630)
Statement of comprehensive income		
Service revenue	748	-
Interest on loans and receivables	1,561	2,907
Fees	(748)	-
Interest on current accounts	(1,561)	(2,907)

3. Corporate governance

3.1. Members of the Board of Directors and the Management Committee at 31 December 2010

Members of the Board of Directors at 31 December 2010:

Juan José Brugera Clavero, Chairman
Jean Arvis, Director
Jacques Calvet, Director
Anne-Marie de Chalambert, Director
Jean-Jacques Duchamp, Director
Carlos Fernandez-Lerga Garralda, Director
Carmina Gañet Cirera, Director
Aref Lahham, Director
Bertrand Letamendia, Director
Carlos Losada Marrodan, Director
Luis Maluquer Trepas, Director
Pere Viñolas Serra, Director
Tony Wyand, Director
Reig Capital Group Luxembourg SARL, Director, represented by Alejandro Hernández-Puértolas
Yves Defline, Non-voting director

Members of the Management Committee at 31 December 2010:

Bertrand Julien-Laferrière, Chief Executive Officer
Nicolas Reynaud, Managing Director, Chief Financial Officer, Secretary to the Board of Directors
François Sebillotte, Chief Resources Officer
Franck Dattée, Technical Director
Olivier Rochefort, Asset Management Director
Jean-Luc Potier, Development Director
Marc Stravopodis, Marketing Director

Bertrand Julien-Laferrière, 52, joined SFL as Chief Executive Officer in 2010. He holds an engineering degree from Ecole Centrale de Paris, a Master of Science from the University of California, Berkeley, and an MBA from INSEAD. Before joining SFL he was Chairman of Unibail-Rodamco Development from November 2007 and Chief Development Officer and a member of the Management Board at Unibail-Rodamco from 2008. Prior to that, he served as Chairman of CGW Gestion d'Actifs and CEO of Bail Investissement Foncière. He also held senior positions at Club Méditerranée, Accor Hotels and Ricardo Bofill Architects.

Nicolas Reynaud, 49, 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, 55, has been Chief Resources Officer since 2001. He began his career in 1982 by joining law firm KPMG Fidal. From 1987 to 1992, he worked as Director of Legal Affairs for business guide publisher Editions Liaisons, later serving as the head of Legal Affairs and a member of the Management Committee for investment fund Unigrains, until joining SFL. He holds a post-graduate private law degree and an Executive MBA from HEC business school, formerly CPA.

Franck Dattée, 43, is SFL's Technical Director. A graduate of France's ESTP engineering school, he joined the Group in 2003.

Olivier Rochefort, 44, 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, 54, has been Development Director since 2002. A Member of the Royal Institute of Chartered Surveyors with an engineering degree from ENSTIMD, a post-graduate degree in business administration from the IAE Nantes and a degree in property valuation from Paris University, he joined the Group in 1997.

Marc Stravopodis, 49, Marketing Director, worked for 15 years in various management positions at Jones Lang Lasalle, most notably as head of the Western Ile de France agency and Associate Director Key Clients. Holding a degree in economics, he 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 Chief Executive Officer and the Managing Director

Bertrand JULIEN-LAFERRIÈRE

Chief Executive Officer

Appointed in 2010 for an indefinite period.

Business address: 151 rue Saint Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2010

- Chief Executive Officer of Société Foncière Lyonnaise SA
- Chairman of Parholding SAS*
- Director of SIIC de Paris SA
- Director of Maison des Centraliens SA
- Legal Manager of BJL Investissement SARL*

Directorships and other positions held at 31 December of prior years

2009

- Chief Operating Officer of Unibail Management
- Chairman of Unibail-Rodamco Development
- Member of the Management Board of Unibail-Rodamco
- Director of Maison des Centraliens SA
- Legal Manager of BJL Investissement

2008

- Chief Operating Officer of Unibail Management
- Chairman of Unibail-Rodamco Development
- Member of the Management Board of Unibail-Rodamco
- Director of Maison des Centraliens SA
- Legal Manager of BJL Investissement

2007

- Chairman of Unibail-Rodamco Development
- Director of Maison des Centraliens SA
- Legal Manager of BJL Investissement

2006

- Director of Maison des Centraliens SA
- Legal Manager of BJL Investissement

Nicolas REYNAUD

Managing Director and Chief Financial Officer

Appointed in 2008 for an indefinite period

Business address: 151 rue Saint Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2010

- Managing Director of Société Foncière Lyonnaise SA
- Chairman and Chief Executive Officer of SEGPIM SA
- Chief Executive Officer of Parholding SAS*

Directorships and other positions held at 31 December of prior years

2009

- Managing Director of Société Foncière Lyonnaise SA
- Chairman and Chief Executive Officer of SEGPIM SA
- Chief Executive Officer of Parholding SAS

2008

- Managing Director of Société Foncière Lyonnaise SA
- Chairman and Chief Executive Officer of SEGPIM SA

2007

None

2006

None

* Directorships not taken into account to determine compliance with Articles L.225-21 and L.225-77 of the French Commercial Code on multiple directorships.

Directors' interests

Directors at 31 December 2010	Number of SFL shares held at 31 December 2010 ⁽¹⁾
Juan José BRUGERA CLAVERO	25
Jean ARVIS	500
Jacques CALVET	825
Anne-Marie de CHALAMBERT ⁽²⁾	25
Jean-Jacques DUCHAMP	25
Carlos FERNANDEZ-LERGA GARRALDA	50
Carmina GAÑET CIRERA	30
Aref LAHHAM ⁽³⁾	25
Bertrand LETAMENDIA ⁽²⁾	1,000
Carlos LOSADA MARRODAN ⁽²⁾	25
Luis MALUQUER TREPAT ⁽²⁾	400
Pere VIÑOLAS SERRA	1,825
Tony WYAND	100
REIG CAPITAL GROUP LUXEMBOURG SARL (represented by Alejandro Hernández-Puértolas) ⁽⁴⁾	2,038,955
Total	2,043,810

(1) The Directors' Charter stipulates that each Director must disclose to SFL the shares held directly and indirectly, within the meaning of 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 11 June 2010.

(3) Since 12 February 2010.

(4) Since 5 October 2010.

The attendance fees paid to Directors in 2009 and 2010 are disclosed in section 3.5 of this Management Report (see pages 20 and 21).

Since 1 January 2009, directors' fees are as follows:

- Director or non-voting director: €18,000 per year
- Member of a Committee of the Board: €24,000 per year
- Chairman of the Board and or of a Committee of the Board: €36,000 per year

Directors' fees are pro rated to the number of months served on the Board, with no reductions for not attending meetings.

Re-election/ratification of the appointment of directors

At the Annual General Meeting, shareholders will be invited to ratify the appointment as director of the following persons, decided by the Board on 11 June 2010 for the periods indicated:

- Anne-Marie de Chalambert, to replace Manuel Fernando Menendez Lopez upon his resignation, up to the close of the Annual General Meeting.

- Bertrand Letamendia, to replace José Maria Sagardoy Llonis upon his resignation, up to the close of the Annual General Meeting.

- Luis Maluquer Trepas, to replace Julián Zamora Saiz upon his resignation, up to the close of the Annual General Meeting.

- Carlos Losada Marrodan, to replace Francisco José Zamorano Gomez upon his resignation, up to the close of the Annual General Meeting to be called to approve the 2011 financial statements.

The terms as director of Anne-Marie de Chalambert, Carmina Gañet Cirera, Bertrand Letamendia and Luis Maluquer Trepas will expire at the close of the Annual General Meeting and shareholders will be invited to re-elect them for a further three-year term expiring at the close of the Annual General Meeting to be called in 2014 to approve the 2013 financial statements.

The terms as director of Jean Arvis and Jacques Calvet will also expire at the close of the Annual General Meeting and shareholders will be invited to re-elect them for a further one-year term expiring at the close of the Annual General Meeting to be called in 2012 to approve the 2011 financial statements.

Re-appointment of the Auditors

The appointment of Deloitte & Associés and BEAS as Auditors and substitute Auditors will expire at the close of the Annual Gen-

eral Meeting and shareholders will be invited to re-appoint them for a further six-year period expiring at the close of the Annual General Meeting to be called in 2017 to approve the 2016 financial statements.

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 the Chairman, the Chief Executive Officer and the Managing Director

The following information on remuneration paid to the Chairman, the Chief Executive Officer and the Managing Director has been prepared in accordance with the AFEP-MEDEF recommendations of October 2008 and the AMF recommendations of December 2010. The amounts in the tables below are presented in euros.

TABLE 1 - SUMMARY OF REMUNERATION PAID AND STOCK OPTIONS AND PERFORMANCE SHARES GRANTED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Juan José BRUGERA CLAVERO Chairman since 14 April 2010 Chief Executive Officer from 11 June to 5 October 2010	2009	2010
Remuneration due for the year	-	143,083.00
Fair value of stock options granted during the year	-	0.00
Fair value of performance shares granted during the year	-	0.00
Total	-	143,083.00

SFL 2010 MANAGEMENT REPORT

Yves MANSION Chairman and Chief Executive Officer until 14 April 2010	2009	2010
Remuneration due for the year ⁽¹⁾	909,583.00	844,506.00
Fair value of stock options granted during the year	0.00	0.00
Fair value of performance shares granted during the year	0.00	0.00
Total	909,583.00	844,506.00

(1) 2009 remuneration: total remuneration due in 2009 (Table 2) – 2008 bonus paid in 2009 + 2009 bonus paid in 2010.

2010 remuneration: total remuneration due in 2010 – 2009 bonus paid in 2010.

Nicolas REYNAUD Managing Director	2009	2010
Remuneration due for the year ⁽¹⁾	468,999.00	480,533.00
Fair value of stock options granted during the year	0.00	0.00
Fair value of performance shares granted during the year	0.00	0.00
Total	468,999.00	480,533.00

(1) 2009 remuneration: total remuneration due in 2009 (Table 2) – 2008 bonus paid in 2009 + 2009 bonus paid in 2010.

2010 remuneration: total remuneration due in 2010 (Table 2) – 2009 bonus paid in 2010 + 2010 bonus paid in 2011.

Nicolas Reynaud's remuneration presented above corresponds to the amounts paid to him under his employment contract as Chief Financial Officer. He is not paid any additional remuneration for serving as Managing Director.

Bertrand JULIEN-LAFERRIERE Chief Executive Officer since 5 October 2010	2009	2010
Remuneration due for the year	-	86,091.00
Fair value of stock options granted during the year	-	0.00
Fair value of performance shares granted during the year	-	0.00
Total	-	86,091.00

TABLE 2 – BREAKDOWN OF REMUNERATION PAID TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Juan José BRUGERA CLAVERO Chairman since 14 April 2010 Chief Executive Officer from 11 June to 5 October 2010	2009		2010	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary ⁽¹⁾	-	-	107,083.00	44,583.00
Bonus	-	-	0.00	0.00
Exceptional bonus	-	-	0.00	0.00
Directors' fees ⁽²⁾	-	-	36,000.00	36,000.00
Benefits in kind	-	-	0.00	0.00
Other	-	-	0.00	0.00
Total	-	-	143,083.00	80,583.00

(1) The amount reported under "salary" in the above table for 2010 corresponds to the amount paid to Juan José Brugera Clavero as Chairman of the Board of Directors for the period from 14 April to 31 July 2010. He has not yet been paid the remuneration accruing to him for the period 1 August to 31 December 2010 which, in light of his current status, will be subject to Spanish social security legislation in accordance with European regulations 883/2004 and 987/2009.

(2) Directors' fees based on the annual amount of €36,000 allocated to the Chairman of the Board of Directors or of a Committee of the Board by decision of the Board of Directors on 9 December 2008.

Yves MANSION Chairman and Chief Executive Officer until 14 April 2010	2009		2010	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary	440,000.00	440,000.00	126,977.00	126,977.00
Bonus ⁽¹⁾	415,239.00	415,239.00	544,497.00	544,497.00
Exceptional bonus ⁽²⁾	0.00	0.00	580,000.00	580,000.00
Directors' fees ⁽³⁾	36,000.00	36,000.00	12,000.00	12,000.00
Benefits in kind ⁽⁴⁾	5,486.00	5,486.00	1,929.00	1,929.00
Other ⁽⁵⁾	3,600.00	3,600.00	3,600.00	3,600.00
Total	900,325.00	900,325.00	1,269,003.00	1,269,003.00

(1) The method for calculating Yves Mansion's bonus was decided by the Board of Directors on 14 February 2008 for the 2008 bonus paid in 2009 and on 20 July 2009 for the 2009 bonus paid in 2010.

His 2010 bonus – which was calculated according to the method decided by the Board of Directors on 12 February 2010 – totalled €120,000.

His 2010 bonus covered the period from 1 January to 14 April 2010, when he stood down as Chairman and Chief Executive Officer, and was paid to him in April 2010 pursuant to the decision of the Board of Directors on 14 April 2010.

The bonus amounts shown in the above table therefore include both his 2009 bonus paid in 2010 and his 2010 bonus for the period to 14 April, also paid in 2010.

The criteria and methods used for calculating bonuses are described on pages 26 and 27 of this document.

(2) Termination benefit decided by the Board of Directors on 14 April 2010.

(3) Directors' fees based on the annual amount of €36,000 allocated to the Chairman of the Board of Directors or of a Committee of the Board by decision of the Board of Directors on 9 December 2008.

(4) Company car.

(5) Matching payment from the Company on voluntary contributions to the SFL Group Pension Savings Plan (PERCO) set up on 31 January 2005.

Bertrand JULIEN-LAFERRIERE Directeur Général depuis le 5 octobre 2010	2009		2010	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary	-	-	81,757.00	81,757.00
Bonus	-	-	0.00	0.00
Exceptional bonus	-	-	0.00	0.00
Directors' fee	-	-	0.00	0.00
Benefits in kind ⁽¹⁾	-	-	4,334.00	4,334.00
Other	-	-	0.00	0.00
Total	-	-	86,091.00	86,091.00

(1) Benefits in kind: company car and private unemployment insurance (as a mandataire social, Mr. Julien-Laferrière is not eligible to participate in the government-sponsored unemployment insurance scheme).

Nicolas REYNAUD Managing Director	2009		2010	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary	225,098.00	225,098.00	240,347.00	240,347.00
Bonus ⁽¹⁾	153,355.00	153,355.00	217,072.00	217,072.00
Exceptional bonus	0.00	0.00	0.00	0.00
Directors' fees	0.00	0.00	0.00	0.00
Benefits in kind ⁽²⁾	3,539.00	3,539.00	3,381.00	3,381.00
Other ⁽³⁾	23,290.00	23,290.00	28,605.00	28,605.00
Total	405,282.00	405,282.00	489,405.00	489,405.00

(1) The method for calculating Nicolas Reynaud's bonus was decided by the Board of Directors on 14 February 2008 for the 2008 bonus paid in 2009 and on 20 July 2009 for the 2009 bonus paid in 2010.

His 2010 bonus, calculated according to the method decided by the Board of Directors on 12 February 2010, amounted to €208,200 and was paid in 2011.

The criteria and methods used for calculating bonuses are described on page 26 and 27 of this document.

(2) Company car.

(3) Matching employer payments on voluntary contributions for 2009 and 2010 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, and rights under the statutory and discretionary profit-sharing plans for 2008 and 2009 (paid in 2009 and 2010 respectively) set up pursuant to internal agreements with employee representatives dated 20 June 2002 and 26 June 2008.

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

Name	Amounts paid in 2009	Amounts paid in 2010
Yves DEFLINE		
Directors' fees	24,000.00	24,000.00
Other remuneration	0.00	0.00
Tony WYAND		
Directors' fees	24,000.00	24,000.00
Other remuneration	0.00	0.00
Jean ARVIS		
Directors' fees	24,000.00	24,000.00
Other remuneration	0.00	0.00
Jean-Jacques DUCHAMP		
Directors' fees	24,000.00	24,000.00
Other remuneration	0.00	0.00
Jacques CALVET		
Directors' fees	24,000.00	24,000.00
Other remuneration	0.00	0.00
REIG Capital Group Luxembourg		
Directors' fees	18,000.00	18,000.00
Other remuneration	0.00	0.00
Juan José BRUGERA CLAVERO*		
Directors' fees	36,000.00	36,000.00
Other remuneration	0.00	0.00
Pere VIÑOLAS		
Directors' fees	23,500.00	31,000.00
Other remuneration	0.00	0.00
Carlos FERNANDEZ-LERGA GARRALDA		
Directors' fees	36,000.00	36,000.00
Other remuneration	0.00	0.00
Pedro RUIZ LABOURDETTE (until 30 June 2009)		
Directors' fees	12,000.00	0.00
Other remuneration	0.00	0.00
Julian ZAMORA SAÏZ (until 11 June 2010)		
Directors' fees	18,000.00	9,000.00
Other remuneration	0.00	0.00

Name	Amounts paid in 2009	Amounts paid in 2010
Francisco ZAMORANO GOMEZ (until 11 June 2010)		
Directors' fees	24,000.00	12,000.00
Other remuneration	0.00	0.00
José Maria SAGARDOY LLONIS (until 11 June 2010)		
Directors' fees	18,000.00	9,000.00
Other remuneration	0.00	0.00
Manuel MENENDEZ LOPEZ (until 11 June 2010)		
Directors' fees	18,000.00	9,000.00
Other remuneration	0.00	0.00
Carmina GAÑET CIRERA (from 20 July 2009)		
Directors' fees	10,000.00	24,000.00
Other remuneration	0.00	0.00
Aref LAHHAM (from 12 February 2010)		
Directors' fees	0.00	20,000.00
Other remuneration	0.00	0.00
Anne-Marie de CHALAMBERT (from 11 June 2010)		
Directors' fees	0.00	10,500.00
Other remuneration	0.00	0.00
Bertrand LETAMENDIA (from 11 June 2010)		
Directors' fees	0.00	10,500.00
Other remuneration	0.00	0.00
Carlos LOSADA MARRODAN (from 11 June 2010)		
Directors' fees	0.00	10,500.00
Other remuneration	0.00	0.00
Luis MALUQUER TREPAT (from 11 June 2010)		
Directors' fees	0.00	10,500.00
Other remuneration	0.00	0.00
Total	333,500.00	366,000.00

*Chairman of the Board of Directors from 14 April 2010, Chairman and Chief Executive Officer from 11 June 2010, Chairman of the Board of Directors from 5 October 2010.

TABLE 4 – STOCK OPTIONS GRANTED DURING THE YEAR TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR BY SFL OR OTHER GROUP COMPANIES

Name	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
Juan José BRUGERA CLAVERO						No stock options were granted during the year
Yves MANSION						No stock options were granted during the year
Bertrand JULIEN-LAFERRIERE						No stock options were granted during the year
Nicolas REYNAUD						No stock options were granted during the year

TABLE 5 – STOCK OPTIONS EXERCISED BY THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR DURING THE YEAR

Name	Plan no. and date	Number of options exercised during the year	Exercise price
Juan José BRUGERA CLAVERO			No stock options were exercised during the year
Yves MANSION			No stock options were exercised during the year
Bertrand JULIEN-LAFERRIERE			No stock options were exercised during the year
Nicolas REYNAUD			No stock options were exercised during the year

TABLE 6 – PERFORMANCE SHARES GRANTED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER, THE MANAGING DIRECTOR AND OTHER DIRECTORS

Performance shares granted 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
Juan José BRUGERA CLAVERO						No performance shares were granted during the year
Yves MANSION						No performance shares were granted during the year
Bertrand JULIEN-LAFERRIERE						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
Juan José BRUGERA CLAVERO			No performance shares became available during the year
Yves MANSION			No performance shares became available during the year
Bertrand JULIEN-LAFERRIERE			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
(SITUATION AT THE GRANT DATE)**

Date of shareholder authorisation	17 October 1997	16 May 2002	21 April 2005
Grant date	21 March 2002	25 April 2003	13 March 2007
Total number of shares under option	309,000	346,000	273,000
Number of options exercisable by the Chairman, the Chief Executive Officer and the Managing Director:			
at the grant date	165,000	165,000	79,000
at 31 December 2010	0	0	25,000
Nicolas REYNAUD	0	0	25,000
Starting date of exercise period	21 March 2002	25 April 2003	13 March 2007
End of the exercise period	20 March 2012	24 April 2013	12 March 2015
Exercise price (in €)	27.78	26.41	62.60
Exercise periods (plans comprising several tranches)	-	-	-
Number of options exercised at 31 December 2010	306,000	311,000	0
Cumulative number of options cancelled or forfeited	0	0	44,000
Number of options outstanding at 31 December 2010	3,000	35,000	229,000

TABLE 9 – STOCK OPTIONS GRANTED TO AND EXERCISED BY THE TEN EMPLOYEES OTHER THAN CORPORATE OFFICERS WHO RECEIVED THE GREATEST NUMBER OF OPTIONS IN 2010

	Number of options granted/exercised	Weighted average price	Plan
Stock options granted in 2010 to the ten employees other than corporate officers who received the greatest number of options	None	-	-
Stock options exercised in 2010 by the ten employees other than corporate officers who exercised the greatest number of options	None	-	-

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

Name	Employment contract		Supplementary pension benefits		Termination benefits		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
Juan José BRUGERA CLAVERO Chairman from 14 April 2010 Chief Executive Officer from 11 June to 5 October 2010		X		X		X		X
Yves MANSION Chairman from 21 March 2002 to 26 October 2006 and from 23 July 2008 to 14 April 2010 Chief Executive Officer from 21 March 2002 to 14 April 2010		X		X	X ⁽¹⁾			X
Bertrand JULIEN-LAFERRIERE Chief Executive Officer since 5 October 2010		X		X	X ⁽²⁾			X
Nicolas Reynaud Managing Director since 24 October 2008	X ⁽³⁾			X		X ⁽⁴⁾		X

(1) The terms and conditions governing the compensation for loss of office as Chairman and Chief Executive Officer payable to Yves Mansion were decided by the Board of Directors on 4 April 2008 and approved by the shareholders at the General Meeting of 23 May 2008. At its meeting on 14 April 2010, the Board noted that these conditions were not met and therefore, no compensation for loss of office was paid to Yves Mansion.

(2) The terms and conditions governing the compensation for loss of office as Chief Executive Officer that would be payable to Bertrand Julien-Laferrière were decided by the Board of Directors at its meetings on 5 October and 14 December 2010 (see page 28 for details).

(3) 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.

(4) Nicolas Reynaud would not be entitled to any compensation for loss of office in the event that his appointment as Managing Director were to be 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 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 (other than for gross misconduct) or resigns within 18 months following a material direct or indirect change in the Company's reference shareholders or 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.

Performance criteria used to determine the 2009 and 2010 bonuses of the Chairman, the Chief Executive Officer and the Managing Director

At its 20 July 2009 meeting, the Remuneration and Selection Committee approved the performance criteria to be used to determine the

2009 bonuses of the Chairman and Chief Executive Officer, the Managing Director and other senior executives.

Bonuses are calculated as a percentage of the executive's salary and are tied to an annual performance target.

For 2009, bonuses were based on an attributable current cash flow target of €100 million and were calculated as follows:

Actual performance as a % of the target	2009 bonus calculated as a percentage of salary	
	Chairman and Chief Executive Officer Managing Director	Chief Resources Officer and other senior executives
A. 122% and over	116%	58%
B. 100%	80%	40%
C. 70%	48%	24%
D. Less than 70%	0	0

- Less than 70%: no bonus
- Between 70% and 100%: linear calculation between rates C and B
- 100%: rate B
- Between 100% and 122%: linear calculation between rates B and A
- Above 122%: rate A

At its 12 February 2010 meeting, the Remuneration and Selection Committee approved the performance criteria to be used to determine the 2010 bonuses of the Chairman and Chief Executive Officer, the Managing Director and other senior executives

Bonuses are calculated as a percentage of the executive's salary and are tied to an annual performance target.

For 2010, as in 2009, bonuses were based on an attributable current cash flow target of €100 million and were calculated as follows:

Actual performance as a % of the target	2010 bonus calculated as a percentage of salary	
	Chairman and Chief Executive Officer Managing Director	Chief Resources Officer and other senior executives
A. 122% and over	116%	58%
B. 100%	80%	40%
C. 70%	48%	24%
D. Less than 70%	0	0

- Less than 70%: no bonus
- Between 70% and 100%: linear calculation between rates C and B
- 100%: rate B
- Between 100% and 122%: linear calculation between rates B and A
- Above 122%: rate A

The following information concerns remuneration, indemnities and benefits granted to the Chairman, the Chief Executive Officer and the Managing Director 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

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: payment of compensation for loss of office in the event of a change of control

Payment of compensation for loss of office to Yves Mansion in the event of a direct or indirect change in the ownership structure of Société Foncière Lyonnaise or its controlling shareholder (following a takeover bid, a merger, a rights issue or otherwise) 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 would be payable during the 18-month period following the direct or indirect change in ownership structure.

It would 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 preceded the direct or indirect change in ownership structure.

However, payment would be made only if the Group's average operating profit before fair value adjustments for the three financial years preceding his loss of office exceeded operating profit before fair value adjustments for the fourth year preceding his loss of office. In effecting the comparison, account would be taken of changes in the property portfolio in the years concerned.

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

When Yves Mansion resigned on April 14, 2010, the Board noted that the criteria for the payment of compensation for loss of office, as set on 4 April 2008, had not been met. The agreement no longer applies following Yves Mansion's resignation.

Amendment to employment contracts concerning payment of compensation for loss of office in the event of a change of control

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 change of control clause applies to Nicolas Reynaud in his capacity as a member of the Management Committee. The corresponding amendment to his employment contract was authorised by the Board of Directors on 9 December 2008 and approved by shareholders on 15 June 2009.

On 4 April 2008, the Board approved a proposal to set the gross compensation payable under the change of control clause 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.

Agreement with Yves Mansion, Chairman and Chief Executive Officer

Authorised at the Board meeting of 14 April 2010, to be approved by shareholders at the Annual General Meeting of 9 May 2011.

Terms of the agreement: payment of a termination benefit and non-cancellation of stock options

At its meeting on 14 April 2010, the Board of Directors decided to pay a termination benefit of €580,000 to Yves Mansion and to waive the continuing employment requirement applicable to the 44,000 stock options granted to him under the 13 March 2007 plan (with all other terms of the plan remaining fully applicable).

Agreement with Bertrand Julien-Laferrière, Chief Executive Officer

Authorised at the Board meeting of 5 October 2010, to be approved by shareholders at the Annual General Meeting of 9 May 2011.

Terms of the agreement: payment of compensation for loss of office.

The agreement provides for the payment of compensation for loss of office to Mr. Julien-Laferrière in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct, notwithstanding any rights that he may have to a damages payment.

Said compensation would represent the equivalent of six months' remuneration, calculated as follows:

If he were to be dismissed within three years of taking up his position, the compensation would correspond to one half of his annual salary and one half of his most recent bonus approved by the Board.

As from 1 January 2014, it would be based on one half of his latest annual salary and 50% of the average of his bonuses for the three years preceding his dismissal.

No other components of his remuneration package would be taken into account in the calculation.

Payment of the compensation for loss of office would be subject to certain performance criteria being met, as determined by the Board at its meeting of 14 December 2010.

Effective from 2011, half of Mr. Julien-Laferrière's bonus will be based on qualitative performance criteria and half on quantitative criteria, to be determined each year by the Board of Directors based on the recommendation of the Remuneration Committee.

Basis for determining the compensation for loss of office:

the quantitative criteria used to determine half of Mr. Julien-Laferrière's annual bonus would also be applied to determine his compensation for loss of office.

Performance targets used to determine compensation for loss of office:

if average performance was at least equal to 60% of the target, the compensation for loss of office would be payable in full. If average performance was below 60% of the target, no compensation for loss of office would be payable.

The Board of Directors would be required to inform Mr. Julien-Laferrière of whether the performance criteria had been met within two months of his dismissal.

The compensation would be payable within sixty days of the Board meeting at which the fulfilment of the performance criteria was noted.

Assistance agreement with the Maluquer Advocats law firm in Barcelona, Spain, of which Luis Maluquer is a partner and co-director

Authorised at the Board meeting of 18 November 2010, to be approved by shareholders at the Annual General Meeting of 9 May 2011.

This agreement concerned the provision of legal advice on Spanish law and other issues affecting the negotiation and implementation of various agreements signed at the time of SFL's acquisition of an interest in SIIC de Paris.

It expired on 31 December 2010.

Services under the agreement were billed on a time-spent basis at the firm's standard rates for the various lawyers involved, with an overall limit of €79,000 excluding tax.

REMUNERATION AND BENEFITS PAID TO SENIOR MANAGEMENT OTHER THAN THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

The following table presents the total gross remuneration for 2010 paid by Société Foncière Lyonnaise to the persons who were members of the Management Committee at 31 December 2010 other than the Chairman, the Chief Executive Officer and the Managing Director:

	2010
2010 salaries	634,212.00
2010 bonuses ⁽¹⁾	273,294.00
Benefits in kind	19,394.00
Statutory/discretionary profit-sharing ⁽²⁾	99,215.00
Matching payments to the Group Pension Savings Plan (PERCO)	10,440.00

Excluding the indemnities decided by the Board of Directors on 9 February 2004.

(1)Determined according to the method decided by the Board of Directors at its meeting of 12 February 2010.

(2)Statutory and discretionary profit shares paid in 2010 in compliance with the collective bargaining agreements of 20 June 2002 and 26 June 2008. Profit shares payable in 2011 in respect of 2010 had not been determined at the date this document was published.

4. Outlook and risk management

4.1. Subsequent events

Significant events since 31 December 2010

Scheduled to open in June, the store will be located on the ground floor of the 18,000 square-metre building at 247 rue Saint Honoré that is being converted by SFL into a luxury hotel leased to Mandarin Oriental. The remodelling work is nearing completion and the hotel will be opening soon.

Just one retail unit on the ground floor has yet to be let. SFL and PORTS 1961 were advised on this transaction by Knight Frank.

On 10 February, during its 2010 results presentation, SFL announced that leases had been signed with four prestigious new tenants:

- Lagardère has leased around 5,000 sq.m. of offices in Washington Plaza, in the newly-renovated Monceau building. Washington Plaza is owned jointly by SFL and Predica.
- NBC Universal Global Networks has also chosen Washington Plaza, signing a lease on 1,000 sq.m.
- Louis Vuitton Malletier has taken out a lease on 2,100 sq.m. of offices in Louvre des Entreprises, which came back on the market at the end of 2010 following extensive renovation.
- The European Securities and Markets Authority (ESMA) has chosen 103 rue de Grenelle in Paris's 7th arrondissement for its 3,100 sq.m. European headquarters.

On 21 February, Dimitri Boulte joined SFL as Deputy Managing Director and Chief Operating Officer. He will directly supervise the Asset Management team and lead the Development, Marketing, Technical and Property Management departments headed respectively by Jean-Luc Potier, Marc Stravopodis, Franck Dattée and Franck Morin.

Mr. Boulte, 34, is a graduate of the HEC Paris business school and holds a CEMS Master's degree from Bocconi University, Milan. He worked at Unibail-Rodamco for nine years in a variety of management positions, serving successively as Investment Manager (2004-2006) and Development Manager (2006-2007) for the Office division. In 2008, he became Director of Development for Large Urban Projects, in which capacity he was responsible for initiating and developing large, complex property programmes in France.

He also played a role in creating and developing the HEC Real Estate Chair.

Nicolas Reynaud, Managing Director, continues to serve as Chief Financial Officer and François Sebillotte, Chief Resources Officer, remains in charge of all support functions, Corporate and Legal Affairs, Human Resources, Information Systems and Communications.

With this management team now in place, Bertrand Julien-Laferrière has completed the reorganisation process he undertook upon his appointment as Chief Executive Officer, thereby supporting SFL's strategic positioning as the leader in Paris's prime office property segment.

On 2 March, Eurohypo AG sold a 7.25% interest in SFL to Unibail Rodamco.

The sale had no impact on SFL's ownership structure which is as follows:

- COLONIAL: 53.5%
- CRÉDIT AGRICOLE GROUP: 13.9%
of which CACIB: 8.8% and Predica: 5.1%
- ROYAL BANK OF SCOTLAND: 7.25%
- UNIBAIL RODAMCO SE: 7.25%
- ORION III EUROPEAN 3: 6.4%
- REIG CAPITAL GROUP: 4.4%
- Other: 7.3%

The French subsidiary of insurance group Zurich is leaving Levallois to move into 3,600 sq.m of offices in SFL's 112 Wagram building in the 17th arrondissement of Paris.

The building, which totals 4,300 sq.m and is certified to France's HQE green building management standards, was purchased off-plan from the developer, Emerige, and delivered in October 2010.

The move to new offices represents an important milestone in Zurich France's development, offering an effective solution to the insurer's growing needs.

This major new lease has sustained the excellent marketing drive that over the first three months of 2011 has enabled SFL to sign with such top-tier companies as ESMA, Louis Vuitton Malletier, NBC Universal and Lagardère.

Once again, the prime Parisian office property market has demonstrated its robustness and attractiveness for companies concerned with the quality of their employees' working environment. During the transaction, SFL was advised by Catella and Zurich France was exclusively advised by DTZ.

4.2 Outlook

Forecast developments and outlook

In a real estate market showing signs of renewed momentum, the growing tendency of investors and corporate clients to select high-quality products has confirmed the validity of SFL's positioning in Paris's prime commercial property segment

4.3. Risk factors

At a time of deep financial market restructuring, SFL is prudently managing its various financial risks.

1 – LIQUIDITY RISK

Liquidity risk remains a major concern in the current environment. At the end of 2010, the proceeds from a new €350,000 thousand syndicated line of credit were used to retire the only debt due in 2011, for €200,000 thousand, and to significantly extend the average maturity of borrowings and increase the Group's liquid resources. At 31 December 2010, the average spread on total debt stood at 148 basis points and the average maturity was 3.4 years.

With a loan-to-value ratio of 35.6% and high-quality assets, SFL is in a position to raise additional resources if the need arises. At 31 December 2010, SFL's undrawn confirmed credit lines included €205 million for the Company and just over €4 million to cover the Group's share of the cost of Parholding's renovation programmes. Unconfirmed lines of credit totalling €65 million had been drawn down by €24.3 million at the year-end.

See also Note 6-8 to the consolidated financial statements (Trade and other receivables), page 142.

2 – COUNTERPARTY RISKS

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. SFL did not incur any losses on money market funds or other investments as a result of the recent crisis and continues to invest in money market funds that are subject to an insignificant risk of changes in value.

Counterparty risk is minimal because available cash is generally used to repay borrowings under 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. SFL considers that its exposure to counterparty risk on its operations is not material.

See also:

- Note 6-12 to the consolidated financial statements (Short and long-term interest-bearing debt), pages 144 to 146.
- Note 2-3 to the consolidated financial statements (Investment property), pages 130 to 132.
- Paragraph 4.4 of the Management Report (Insurance), pages 39 and 40.

3 – MARKET RISK

Following the retirement of the US Private Placement Notes on 6 March 2007 and the unwinding of the joint hedge, SFL currently has no exposure to currency risks. If applicable, its strategy would be to hedge currency risks in full. Unlike interest rate risks, currency risks can be hedged in full without any negative interaction, in view of SFL's line of business.

Interest rate risks are clearly identified and monitored. An information system is used to track changes in all financial markets and calculate the fair value of hedging instruments in real time, allowing us to efficiently manage, quantify and analyse the risks associated with interest rate fluctuations and volatility.

a/ Objectives and strategy

SFL's objectives and strategy consist of:

- Using only standard interest rate derivatives that contribute to the secure management of the hedging portfolio. Wherever possible, the Group uses only those derivatives that qualify for hedge accounting under IFRS, as the valuation principles are more favourable than for instruments classified under IFRS as trading securities. In addition, as a basic principle, no derivative instruments are acquired for speculative purposes. Hedging instruments with embedded written options are used only as part of a broader strategy, subject to appropriate safeguards in terms of transparency and effective control over risks.

- Hedging most of the Company's debt via plain vanilla swaps or caps, while seizing opportunities to actively and conservatively manage its interest rate risk. At 31 December 2010, 81% of debt was hedged in order to benefit from the current very low interest rate environment that is not expected to last.

b/ Risk assessment

- The average spot cost of debt after hedging stood at 4.13% at 31 December 2010, versus 4.59% at 31 December 2009.
- A 50-basis point rise in interest rates across the yield curve in 2010 would have had the effect of increasing the average cost of debt to 4.23%, and driving up finance costs by €1,191 thousand or 2%. A 50-basis point decline in interest rates across the yield curve would have had the effect of lowering the average cost of debt to 4.04%, and reducing finance costs by €1,072 thousand or 1.8%.
- Concerning the sensitivity of hedging instruments at 31 December 2010, a 50-basis point increase in interest rates would lift their fair value by €8,164 thousand (€12,167 thousand at 31 December 2009), while a 50-basis point drop in rates would reduce their fair value by €8,831 thousand (€12,673 thousand at 31 December 2009).

4 – INTEREST RATE RISK

The following table provides an analysis by maturity of the nominal amount of financial instruments exposed to interest rate risk (in € thousands):

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
Calyon swap at 2.218%	0	73,053	0	0	0	0	73,053
BNP Paribas swap at 2.375%	0	50,000	0	0	0	0	50,000
JP Morgan swap with cap	0	0	0	400,000	0	0	400,000
Calyon swap at 3.785%	100,000	0	0	0	0	0	100,000
RBS swap at 3.89%	0	0	40,800	0	0	0	40,800
BNP Paribas swap at 2.63%	0	0	0	50,000	0	0	50,000
HSBC swap at 2.63%	0	0	0	50,000	0	0	50,000
CADIF swap at 1.655%	50,000	0	0	0	0	0	50,000
HSBC swap at 2.71%	0	0	0	100,000	0	0	100,000
BNP Paribas swap at 2.265%	0	0	50,000	0	0	0	50,000
Total	150,000	123,053	90,800	600,000	0	0	963,853

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
Syndicated loans	0	180,000	0	265,000	200,000	0	645,000
BECM revolving facility	0	150,000	0	0	0	0	150,000
RBS loan	0	0	40,800	0	0	0	40,800
CADIF	15,000	0	0	0	0	0	15,000
Deutsche Hypothekenbank loan	0	50,000	0	0	0	0	50,000
BancoSabadell loan	0	50,000	0	0	0	0	50,000
HSBC/Calyon/CFF loan	3,438	76,105	0	0	0	0	79,543
Current account advances (liabilities)	57,313	0	0	0	0	0	57,313
Lease liabilities	17,611	68,664	56,458	2,790	2,790	27,271	175,584
Total	93,362	574,769	97,258	267,790	202,790	27,271	1,263,240

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.

5 – NET UNHEDGED POSITION

The Group's net exposure to interest rate risks can be analysed as follows for the period between 31 December 2010 and 31 December 2014 (in € thousands):

	2010	2011	2012	2013	2014
Syndicated loans	645,000	645,000	465,000	465,000	200,000
BECM revolving facility	150,000	150,000	0	0	0
RBS loan	40,800	40,800	40,800	0	0
CADIF	15,000	0	0	0	0
Deutsche Hypothekenbank loan	50,000	50,000	0	0	0
BancoSabadell loan	50,000	50,000	0	0	0
HSBC/Calyon/CFF loan	79,543	76,105	0	0	0
Current account advances (liabilities)	57,313	0	0	0	0
Lease liabilities	175,584	157,973	89,309	32,851	30,061
Total debt	1,263,240	1,169,878	595,109	497,851	230,061
Calyon swap at 2.218%	73,053	73,053	0	0	0
BNP Paribas swap at 2.375%	50,000	50,000	0	0	0
JP Morgan swap with cap	400,000	400,000	400,000	400,000	0
Calyon swap at 3.785%	100,000	0	0	0	0
RBS swap at 3.89%	40,800	40,800	40,800	0	0
BNP Paribas swap at 2.63%	50,000	50,000	50,000	50,000	0
HSBC swap at 2.63%	50,000	50,000	50,000	50,000	0
CADIF swap at 1.655%	50,000	0	0	0	0
HSBC swap at 2.71%	100,000	100,000	100,000	100,000	0
BNP Paribas swap at 2.265%	50,000	50,000	50,000	0	0
Total interest rate hedges	963,853	813,853	690,800	600,000	0
NET UNHEDGED POSITION	299,387	356,025	(95,691)	(102,149)	230,061

At 31 December 2010, 81% of debt was hedged against interest rate risks.

6 – THE COMPANY IS EXPOSED TO CHANGES IN THE ECONOMIC CLIMATE AND THE PROPERTY MARKET

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

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

The indices published in 2010 climbed only slightly on a rolling twelve-month basis, helping to relieve pressure on tenants and ultimately on our revenues.

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 professional organisations concerned.

- The property cycle, which is also 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. Financial institutions were very badly hit by the financial crisis of the last two years, and this had a knock-on effect on the main players in the property market, leading to a steep drop in investment volumes and take-up rates, as companies became more vulnerable and less willing to enter into long-term commitments. The situation has calmed down, however, since the beginning of 2010. With the market now on a sounder footing, investors have got their confidence back and are showing renewed interest in high quality assets that represent a safe investment.

On the downside, this has led to a further contraction of investment yields, due to the acute shortage of prime properties on the market. For the best properties, yields are down by as much as 75 to 100 basis points.

To measure the associated risk, tests have been performed to determine the sensitivity of portfolio values to a 25-bps decrease or increase in perpetuity growth rates. These tests show that the impact would be limited, ranging from a positive 3.1% to a negative 2.7%.

- The difficulty of obtaining bank financing in a market where credit is in short supply.

The environment remains challenging despite some positive signs at the end of 2010. Some market players will have to scale back their because of the need to refinance borrowings falling due in the next three years, while the banks will be less inclined to finance higher risk projects.

7 – THE COMPANY HAS TO CONTENT WITH A HIGHLY COMPETITIVE PROPERTY INVESTMENT MARKET

The competitive landscape of the French property investment market shifted in 2008 and 2009, with the growing difficulty and cost of obtaining finance, which provides the leverage to increase profitability and reduce risk premiums.

As a result, our main competitors are:

- Investors with a strong capital base, such as insurance companies, property funds and certain sovereign wealth funds.
- Investors whose debt was brought under control during the year, such as certain REITs.

8 – TENANT RISKS

The Company derives most of its revenue from renting its property assets to tenants. Therefore, any delay or default in rental payments would have an unfavourable impact on operating profit. At 31 December 2010, our top ten tenants accounted for around 45% of total rental revenue and the top two for roughly 11% and 9% respectively. Around 42% of tenants are from the banking, insurance and related services sectors, which are bearing the brunt of the current crisis.

All rents are subject to escalation clauses, with 92% adjusted based on the INSEE's construction cost index, 7% on the ILC commercial property rent index and 1% on the IRL residential property rent index.

The Company's ability to collect rent depends on tenants' solvency and liquidity position. Tenants may be unable to pay their rent on time or may default on their payments, or the Company may be obliged to reduce the rent charged to certain tenants due to their financial position.

9 – RISKS ASSOCIATED WITH THE AVAILABILITY AND COST OF FINANCING

SFL needs to borrow money to finance strategic investments and acquisitions and to pay dividends to shareholders.

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, (ii) changes in the property market or (iii) any other change in the Company's business or financial position or the financial position of its majority shareholder that could affect how investors view SFL's creditworthiness or the success of any debt or equity issues.

The Company could obtain funds by selling assets, but this source of financing is subject to market risk. Decreased sales and troubled markets could lead to financial losses, while the premature sale of assets could hinder the Company's long-term strategy and result in lost opportunities. In addition, our ability to sell assets may be curtailed if the property market is not sufficiently liquid.

An inability to borrow money or raise 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 and refinance existing debt.

SFL's financing needs could increase if its 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%.

10 – RISKS ASSOCIATED WITH THE LOSS OF KEY PERSONNEL

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

11 – RISKS ASSOCIATED WITH SUBCONTRACTORS AND OTHER SERVICE PROVIDERS

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 firms capable of carrying out very large scale property renovation projects or implementing development projects in Paris. We are therefore dependent on these firms for the timely completion of our projects. In addition, if a contractor involved in any such project were to go out of business or file for bankruptcy, or if the quality of its services were to decline, this could delay completion of the project and drive up costs. Unexpected delays in renovation or remodelling could extend the period during which our properties are unavailable for rent, which could have an unfavourable impact on our business, financial position or results. Contractor and/or supplier bankruptcy could also prevent compliance with performance bonds.

12 – 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 tax regime, we are required to comply with a number of other regulations including construction codes, health, safety and environmental regulations, commercial lease regulations and permit requirements. Failure to comply with such regulations, and 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 policy could result in material cost increases and have a negative impact on 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, health and safety regulations.

We are subject to environmental and public health regulations, and can be held liable for non-compliance with such regulations in our capacity as the current or former owner or the developer of the property in question. These regulations often hold the owner or developer liable regardless of whether they were aware of or responsible for the existence of hazardous or toxic sub-

stances. They may impose the reduction or elimination of material containing asbestos when a property is damaged, demolished, renovated, rebuilt or extended, and also apply to the exposure of asbestos 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 an adverse effect on our results, business or financial position. Non-compliance 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 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. Legal expenses may also be incurred to mount a defence against environmental claims or take measures to remedy newly identified environmental risks.

We have set up a risk management system guided by an environmental charter that describes the procedures for managing each identified environmental risk. Updated on a regular basis, tables monitoring the portfolio's exposure to such risks can be accessed on a dedicated server by all employees concerned.

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 impact on the business, assets and liabilities, financial position or results of the Company or the Group.

13 – RISKS ASSOCIATED WITH GOVERNMENT-RELATED PROCEDURES

For most large-scale renovation projects, building and/or other permits have to be obtained from the relevant municipal authorities, sometimes including commercial property authorizations from the CDAC or improvement permits from local commissions overseeing the health and safety of buildings open to the public.

The process of securing these permits entails a risk of project delays, as certain permits take longer than others to obtain, and a risk of changes to the building plan, as a permit's issuance may be conditional on the project's compliance with certain criteria. Once the permits are obtained, there is still a risk that third parties will raise objections, which may introduce further project delays and, sometimes, plan changes.

We endeavour to limit these risks by drawing on the expertise of architects, design and engineering firms, inspection and certifi-

cation firms, firms specialised in obtaining retail permits and other professionals, and by systematically reviewing projects with the municipal authorities to obtain feedback before submission and before the start of renovation work.

14 – RISKS OF NEIGHBOURHOOD COMPLAINTS

Most SFL properties are located in densely settled urban areas, where large renovation projects can generate noise disamenities or vibration.

Neighbourhood complaints can lead to significant compensation claims or even injunctions to stop work.

When demolition work or work on the fabric of a building is planned, we systematically arrange for a court-appointed expert to prepare a report on the condition of neighbouring properties and on existing disamenities before the work begins.

Contractors are required to take measures to limit disamenities, mainly by keeping public spaces clean and managing traffic, dust, noise and vibrations. Noise levels and other disamenities are also regularly monitored. In addition, contractors are required to meet the high or very high-performance criteria under France's HQE standards for maintaining "green" worksites with a minimal environmental footprint.

15 – RISKS ASSOCIATED WITH THE MAJORITY SHAREHOLDER

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, as well as the ordinary and extraordinary decisions of shareholders in General Meetings. This means that Colonial can decide issues that are important for SFL, such as the election of directors, the approval of the financial statements, the distribution of dividends and changes to the Company's share capital.

In 2010, Colonial reached an agreement with its lender banks, Calyon, Eurohypo and RBS concerning the refinancing of its €4.9 billion in debt. A total of €1.9 billion was raised through two new debt issues that are secured by Colonial's SFL shares.

16 – RISKS ASSOCIATED WITH THE SIIC TAX REGIME

16.1 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 from 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 sales of properties and shares in property companies and on dividends received from qualifying subsidiaries.

Eligibility for the regime depends on certain conditions being met and SIICs are also subject to certain minimum distribution obligations.

16.1.1 Conditions for eligibility

SFL's eligibility for the SIIC tax regime depends on its ongoing compliance with all of the following conditions:

- The SIIC must be listed on a regulated market in France or a regulated market that complies with the requirements of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.
- 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 the 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 are themselves SIICs.

16.1.2 Distribution obligations

The 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, within one financial year.
- 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, within two financial years.
- 100% of the dividends received from subsidiaries that have elected to be taxed as an SIIC, within one financial year.
- 100% of the dividends received from other SIICs or from foreign REITs or from variable capital property investment compa-

nies ("SPPICAVs") that have been over 5%-owned for at least two years, within one financial year.

16.2 Consequences of non-compliance with the conditions of eligibility for the SIIC tax regime

16.2.1 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% (or 19% as of 1 January 2009) on election for SIIC status (or when new assets became eligible for the SIIC regime) would be taxed at the full corporate income tax rate at the exit date, less the tax paid when the election for SIIC status was made (or the assets became eligible for the SIIC regime).
- 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 (or the 19% tax for new assets that became eligible for the SIIC regime after 1 January 2009).
- All tax-exempt profits generated while the Company was an SIIC and not paid out in the form of dividends would have to be added back to the taxable profit of the Company and its subsidiaries when they exited the SIIC regime. All dividends subsequently paid out of after-tax profit would be eligible for the affiliation privilege, as would dividends paid out of profits taxed at the standard corporate income tax rate while the Company was an SIIC.
- Lastly, the Company would be subject to an additional 25% tax on the portion of unrealised capital gains generated during the tax-exempt period. Specifically, this rate would apply to the amount of unrealised capital gains generated on tax-exempt property since the Company's election for SIIC status, reduced by one tenth for every calendar year in which the Company was taxed as an SIIC.

16.2.2 Non-compliance with the 60% ownership ceiling

If the 60% limit were to be exceeded, the Company's SIIC status would simply be suspended for the fiscal year concerned,

provided that (i) the breach was the first to occur since the election for SIIC status, i.e. during the 10 years following the Company's decision to be taxed as an SIIC or the subsequent 10-year period; and (ii) the situation was remedied before the fiscal year-end. As a consequence of this suspension, the Company would be subject to corporate tax at the standard rate on that year's profit, except that capital gains on sales of properties would be calculated by reference to the value used to calculate the exit tax paid when they became eligible for the SIIC regime, less depreciation previously deducted from tax-exempt earnings.

The suspension would be temporary, provided that the situation was remedied before the end of the fiscal year in which the breach occurred. The Company and its subsidiaries could therefore recover tax-exempt status the following year. However, if the 60% limit were still exceeded at the end of that year, the SIIC status of the Company and its subsidiaries would be definitively revoked.

With the return to tax-exempt status, the amount of tax due in respect of unrealised gains on property normally eligible for SIIC tax exemption would be limited to those gains generated during the suspension period. They would be taxable at the reduced rate of 19%. Unrealised gains on taxable property would however not be immediately subject to tax.

If the limit were to be exceeded during the year due 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.

If its SIIC status were definitively revoked after a suspension period, the Company would be subject to tax at the abovementioned rates, plus the amount of tax that it would have paid had it returned to SIIC status, i.e. tax on unrealised capital gains generated during the suspension period on property normally eligible for SIIC tax exemption.

16-2-3 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.

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

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from tax or 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 "SIIC" activities.

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 has been paid to date because Colonial has issued a statement attesting that dividends paid by SFL out of profits generated by the "SIIC" activities 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.

16.4 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 2010, SFL built on prior years' negotiations with insurers to maintain levels of cover and insurance rates in a tighter insurance market due to the financial and economic crisis and the higher loss ratios caused in particular by severe weather events.

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. This 36-month period has been extended to 48 months for the following properties:

38-44 Rue de Washington,
29-31 rue de Berri,
43-45 Rue d'Artois,
1-6 rue Paul Cézanne,
27 rue de Courcelles,
168-172 rue du Faubourg Saint Honoré,
Square EDOUARD VII,
12 Cours Michelet,
81-83 rue de Richelieu,
Rue de Gramont,
Rue Ménard,
Rue Gréty,
62-76 Quai de la Rapée,
151 rue St Honoré,
2 Place du Palais Royal,
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.

Furthermore, any supplementary costs incurred directly or indirectly by SFL for the purposes of maintaining the affected property's normal operations are covered for up to €750,000 per 12-month period.

Lastly, cover has been extended to losses incurred during repair and maintenance work that is not covered by a contractor's all risks policy. The cap on this cover is €7.5 million.

With the insurance market badly affected by the unstable financial market environment and by escalating property and casualty loss ratios, we have protected our asset portfolio with a long-term policy that fixes insurance rates over a long period.

II. PROPERTY OWNER'S LIABILITY

The policy covers our liability for bodily injury and material and non-material losses, whether consequential or inconsequential, caused by:

- Our properties or any of the equipment installed in those properties.
- Errors or negligence 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 and per underwriting year.
- Consequential bodily injury, material and non-material losses caused by legionella for up to €6 million per claim and per underwriting year.
- Consequential bodily injury, material and non-material losses caused by accidental pollution for up to €1 million per claim and 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 that would be 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 policy provides all of the Group's companies and operations, including both property management and trading, with improved cover.

As of 1 January 2010, this general liability policy covered:

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

- Professional liability insurance for the Group, up to a maximum of €3 million per claim and 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.

III. DIRECTORS' AND OFFICERS' LIABILITY

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

IV. CONSTRUCTION INSURANCE

The following insurance cover is purchased for all of our property remodelling projects:

- Structural damage and developer insurance
- Building site all-risks insurance
- Project sponsor liability insurance, which is in addition to the cover provided by the general liability policy described in II above.

CLAIMS AND LITIGATION

No governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) may have or have had significant effects on the Company's financial position or profitability during the last 12 months.

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 1 January 1992 to 1 January 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	-	€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	-	-	-	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	€312,205.90	43,075,952	€86,151,904.00
30 March 2007	Issuance of shares for cash	3,425,349	€6,850,698	€191,819,544.00	46,501,301	€93,002,602.00
2007	Exercise of stock options	1,000	€2,000	€25,590.00	46,502,301	€93,004,602.00
2008		-	-	-	46,502,301	€93,004,602.00
2009	Exercise of stock options	3,375	€6,750	€86,366.25	46,505,676	€93,011,352
2010 ⁽⁴⁾	Exercise of stock options	23,298	€46,596	€596,195.82	46,528,974	€93,057,948

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 other transactions took place in the period to 31 december 2010.

5.2 Ownership Structure

OWNERSHIP STRUCTURE AND VOTING RIGHTS AT 31 DECEMBER 2010

Major shareholders		Total	Total voting rights	Group total	% interest	% voting rights ⁽²⁾
INMOBILIARIA COLONIAL SA (a)		24,870,165	24,870,165	24,870,165	53.45%	54.00%
CACIB (ex CALYON) (b)		4,091,541	4,091,541		8.79%	8.88%
PRÉDICA (c)	GROUPE CRÉDIT AGRICOLE SA	2,368,484	2,368,484	6,461,025	5.09%	5.14%
CRÉDIT AGRICOLE CHEUVREUX (d)		1,000	1,000		n.m.	n.m.
ROYAL BANK OF SCOTLAND (e)		3,372,714	3,372,714	3,372,714	7.25%	7.32%
ORION III EUROPEAN 3 SARL (f)		2,972,714	2,972,714	2,972,714	6.39%	6.45%
EUROHYPO AG (g)		3,372,714	3,372,714	3,372,714	7.25%	7.32%
REIG CAPITAL GROUP (h)		2,038,955	2,038,955	2,038,955	4.38%	4.43%
Sub-total, main shareholders				43,088,287	92.61%	93.56%
Treasury stock	SFL	473,611	-	473,611	1.02%	-
Number of shares		31 Dec. 2010			100.00%	-
		Capital at 31 December 2009⁽¹⁾	46,505,676	46,528,974		-
		Shares issued between 1 January and 31 December 2010	23,298			
Number of voting rights			46,055,363			98.98%
Of which free float		2,967,076	2,967,076	2,967,076	6.38%	6.44%

(a) Spanish property company, a subsidiary of Grupo Inmocaral SA.

(b) Investment bank within the Crédit Agricole Group.

(c) Personal insurance subsidiary of the Crédit Agricole Group.

(d) European broker of the Crédit Agricole Group and a wholly-owned subsidiary of Cacib.

(e) A bank 70%-owned by the UK government.

(f) A Luxembourg-based fund managed by Orion Capital Managers.

(g) International bank specialised in real estate and public finance, subsidiary of the Commerzbank Group.

(h) Andorran holding company for the investments of the Reig Moles family.

1. As placed on record by the Board of Directors on 12 February 2010.

2. No shares carry double voting rights, all shares are in the same class, and treasury shares are stripped of voting rights. On this basis, SFL's outstanding share capital at 31 December 2010 was €93,057,948.

To the best of the Company's knowledge, no other shareholder holds over 5% of the capital or voting rights and no agreement exists that could lead to a change of control of the Company.

Changes in shareholders' interests disclosed to the Company in 2010

None.

Since 1 January 2011

211C0256

On 2 March 2011, Eurohypo AG⁽¹⁾ (Helfmann Park 5, 65760 Eschborn, Germany) disclosed that it had sold its SFL shares in an off-market transaction and was no longer a shareholder.

(1) Controlled by Commerzbank AG.

211C0257

On 2 March 2011, Unibail-Rodamco SE (7, place du Chancelier Adenauer, 75016 Paris, France) disclosed that it had increased its interest in SFL to over 5% of the Company's capital and voting rights and that at that date it held 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights⁽¹⁾.

The shares were purchased off-market pursuant to a share purchase agreement signed on 24 February 2011 between inter alia Eurohypo AG and Unibail-Rodamco SE.

(1) Based on a total of 46,528,974 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 (2007 AND 2008)

		COLONIAL	PREDICA	REIG CAPITAL GROUP	EUROHYPO AG	Treasury shares	Free float	Total
31 Dec. 2007	Number of shares	39,321,239	2,368,509	2,038,955	-	461,574	2,312,024	46,502,301
	Number of voting rights	39,321,239	2,368,509	2,038,955	-	-	2,312,024	46,040,727
	% interest	84.56%	5.09%	4.38%	-	0.99%	4.97%	100%
	% voting rights*	85.41%	5.14%	4.43%	-	-	5.02%	99.01%
31 Dec. 2008	Number of shares	35,675,525	2,368,509	2,038,955	3,372,714	505,297	2,541,301	46,502,301
	Number of voting rights	35,675,525	2,368,509	2,038,955	3,372,714	-	2,541,301	45,997,004
	% interest	76.72%	5.09%	4.38%	7.25%	1.09%	5.46%	100%
	% voting rights*	77.56%	5.15%	4.43%	7.33%	-	5.53%	98.91%

MAIN SHAREHOLDERS OF THE COMPANY (2009)

	COLONIAL	CALYON	PREDICA	CREDIT AGRICOLE CHEVREUX	ROYAL BANK OF SCOTLAND	ORION III EUROPEAN 3 SARL	EUROHYPO AG	REIG CAPITAL GROUP	Treasury stock	Free float	Total
Number of shares	24,870,165	4,091,541	2,368,509	1,000	3,372,714	3,372,714	3,372,714	2,038,955	472,992	2,544,372	46,505,676
Number of voting rights	24,870,165	4,091,541	2,368,509	1,000	3,372,714	3,372,714	3,372,714	2,038,955	-	2,544,372	46,032,684
% interest	53.48%	8.80%	5.09%	n.m.	7.25%	7.25%	7.25%	4.38%	1.02%	5.47%	100%
% voting rights*	54.03%	8.89%	5.15%	n.m.	7.33%	7.33%	7.33%	4.43%	-	5.53%	98.98%

* No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.

To the best of the Company's knowledge, there were no other shareholders holding more than 5% of the capital or voting rights in 2009.

Disclosures made to the Company in 2008

D&I 208C2161, D&I 208C2162, D&I 208C2163, D&I 208C2164, D&I 208C2165, D&I 208C2166 and D&I 208C2167: On 1 December 2008, in accordance with Article L.233-11 of the French Commercial Code, the French securities regulator AMF was notified of the existence of certain clauses pertaining to SFL shares in call option agreements between Spanish company Inmobiliaria Colonial SA (Colonial) and a certain number of banks, as follows:

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., and
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 owed 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 Madrid as an option and not an obligation to purchase the shares.

The option was 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 would then be transferred no later than 10 calendar days after the option had

been exercised and Colonial had been notified, which meant that the transfer had to take place no later than 20 January 2009.

The exercise price was set at €35 per share.

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

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

If one of the banks involved in the agreement exercised its call, the debt restructuring agreement stipulated that it would become an independent SFL shareholder and would not act in concert with any other shareholder, its sole purpose being to secure its claim. If the call was not exercised during the exercise period, it would automatically lapse. Colonial could make any decision it deemed 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.

D&I 208C2265: 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⁽¹⁾ of the French Commercial Code – to over 10% of SFL's capital and voting rights, held through its subsidiaries Calyon,

Prédica and Crédit Agricole Cheuvreux⁽²⁾ 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
Prédica**	2,368,509	5.09
Crédit Agricole Cheuvreux**	1,000	n.m.
Total Crédit Agricole SA	5,742,223	12.35

*Includes shares that may be acquired upon exercise of the call option.

**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).

Calyon's individual interest – within the meaning of Article L.233-9-I-4 of the Commercial Code – also stood at over 5% of SFL's capital and voting rights at 11 December 2008, with 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights.

(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) 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.

(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.

D&I 208C2267: 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, with 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.

D&I 208C2268: 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 Inter-

national 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	n.m.
Total Goldman Sachs Group	3,373,492	7.25

*Includes shares that may be acquired upon exercise of the call option.

**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.

D&I 208C2269: 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.

D&I 208C2335: On 24 December 2008, the AMF was informed that, on 23 December 2008, ING Real Estate Finance SE E.F.C. had sold to Calyon 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 concerning 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.

D&I 208C2364: Crédit Agricole SA's letters dated 24 December and 30 December 2008 included the following statement of intent:

"Following the increase in our indirect interest in SFL to over 10% on 11 December 2008, within the meaning of Article L.233-9-1-4 of the French Commercial Code, as disclosed on 16 December in accordance with paragraph 7, Article 233-7 of the French Commercial Code, 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 still 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."

D&I 209C0020: Supplement to D&I 208C2335 dated 24 December 2008

On 31 December 2008, the AMF was informed by Crédit Agricole SA that, on 23 December 2008, 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 2008.

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 was exercisable between 11 December 2008 and 10 January 2009 at a price of €35 per share.

As explained above, Calyon SA also held a call option on 3,372,714 SFL shares⁽³⁾.

(1) See D&I 208C2166 dated 3 December 2008 and D&I 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 208C2162 dated 3 December 2008, D&I 208C2265 dated 16 December 2008 and D&I 208C2364 dated 31 December 2008.

Disclosures made to the Company in 2009

D&I 209C0047: On 8 January 2009, Crédit Agricole SA (91-93, boulevard Pasteur, 75015 Paris) disclosed that its subsidiary Calyon had exercised its call option on 4,091,541 SFL shares⁽¹⁾, there-

by 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, at 5 January 2009, 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

Calyon's individual interest was increased to over 5% of SFL's capital and voting rights⁽²⁾ and, at 5 January 2009, it held 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 208C2364 dated 31 December 2008).

D&I 209C0086: On 16 January 2009, The Royal Bank of Scotland (36 Saint Andrew Square, Edinburgh EH22YB, UK) disclosed that it had exercised the option to purchase 3,372,714 SFL shares granted to it by Immobiliara Colonial SA on 25 November 2008⁽¹⁾, thereby increasing its interest to over 5% of SFL's capital and voting rights⁽²⁾ and that, at 9 January 2009, it held 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights⁽³⁾.

(1) See D&I 208C2162 dated 3 December 2008, D&I 208C2265 dated 16 December 2008 and D&I 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.

(1) See D&I 208C2167 dated 3 December 2008 and D&I 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.

D&I 209C0090: On 19 January 2009, The Goldman Sachs Group Inc. (Corporation Trust Center, 1209 Orange Street, Wilmington DE 1980, USA) disclosed that it had exercised the option to purchase 3,372,714 SFL shares granted to it by Inmobiliara Colonial SA on 25 November 2008⁽¹⁾, thereby increasing its indirect interest

to over 5% of SFL's capital and voting rights⁽²⁾ and that, at 7 January 2009, it held 3,379,215 shares and voting rights 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 208C2165 dated 3 December 2008 and D&I 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.

D&I 209C0104: On 20 January 2009, Inmobiliara 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 209C0086 dated 16 January 2009 and D&I 209C0090 dated 19 January 2009.

D&I 209C0145: 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.

D&I 209C0154: 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.

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
2007	€3.20*	€1.10*	€2.10*
2008	€1.90*	-	-
2009	€2.10*	-	-

* Individual shareholders who are liable for French personal income tax are entitled to 40% tax relief on their total dividends (Article 158-3-2 of the French Tax Code). Other shareholders are not eligible for this tax relief. In addition, no tax relief is available for dividends qualified as repayments of capital contributions or share premiums (Article 112-1° of the French Tax Code).

Dividend policy

The amount and manner of payment of future dividends will be decided each year according to the Company's earnings, cash position, financing terms, 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 recommendation 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 the Chairman, the Chief Executive Officer and the Managing Director in 2010

No stock options were granted to or exercised by the Chairman, the Chief Executive Officer or the Managing Director in 2010.

Stock options outstanding at 31 December 2010

	Plan	Number of options granted	Exercise price (in €)	Expiry date	Number of options exercised	Number of options outstanding at 31 December 2010
Nicolas REYNAUD	13/03/2007 SFL	25,000	62.60	12/03/2015	-	25,000
Total		25,000			-	25,000

The General Meeting of 19 April 2010 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.

– 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.

The number of shares that may 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 €50 per share.

At 31 December 2009, the Company held 473,611 shares in treasury, representing 1.02% of the capital and breaking down as follows:

1. 450,328 shares purchased for allocation to SFL Group employees.
2. No shares were purchased under a liquidity contract with an investment firm.
3. No shares were held for delivery on exercise of rights attached to share equivalents.
4. 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.
5. No shares were purchased for the purpose of being cancelled.

The Board of Directors has decided to table a resolution at the 9 May 2011 Annual General Meeting authorising a further buyback programme. The maximum purchase price for these shares would be set at €50 (19th 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 2010, the authorisation would concern the buyback of up to 4,652,898 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 that may 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. 2,326,449 shares.

The authorisation would be given for a period of eighteen months.

Summary of disclosures

Disclosure of treasury share transactions for the period from 1 January 2010 to 31 December 2010

Percentage of capital held by the Company and/or its subsidiaries	1.02%
Number of shares cancelled in the last 24 months	0
Number of shares held	473,611
Carrying amount of the portfolio	€26,282,808.84
Market value of the portfolio	€16,410,621.15

(at 31 December 2010)

	Cumulative transactions		Open positions on the publication date of programme details			
	Purchases	Sales/Transfers	Open buy positions		Open sell positions	
			Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	55,662	55,043	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average transaction price	€33.92	€34.04	-	-	-	-
Average exercise price	-	-	-	-	-	-
Amount	€1,888,168.57	€1,873,828.20	-	-	-	-

Transaction costs under the liquidity contract amounted to €26,800 in 2010.

Transactions carried out by directors or parties closely related to them in 2010.

PERSON: Bertrand Letamendia, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 11 June 2010

DISCLOSURE DATE: 14 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.50

TOTAL AMOUNT: €29,500

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 11 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.26

TOTAL AMOUNT: €2,838.22

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 11 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.10

TOTAL AMOUNT: €1,455

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 11 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.27

TOTAL AMOUNT: €1,551.31

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 11 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.00

TOTAL AMOUNT: €17,400

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 14 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.88

TOTAL AMOUNT: €5,976

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 14 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.50

TOTAL AMOUNT: €8,850

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 15 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.50

TOTAL AMOUNT: €4,425

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 14 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.60

TOTAL AMOUNT: €5,920

PERSON: Pere Viñolas Serra, Director

TYPE OF INSTRUMENT: Shares

TYPE OF TRANSACTION: Purchase

TRANSACTION DATE: 15 June 2010

DISCLOSURE DATE: 18 June 2010

MARKET: NYSE Euronext Paris

UNIT PRICE: €29.65

TOTAL AMOUNT: €4,447.50

5.5. Eléments susceptibles d'avoir une incidence en cas d'offre publique d'achat

5.5.1 Corporate mutual fund

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 met on 24 November 2010 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.

5.5.2. Employee compensation and severance schemes

Five employees (including Nicolas Reynaud, Chief Financial Officer and Managing Director) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their responsibilities 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 were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008. The total compensation potentially payable amounted to €2,360,790 at 31 December 2010.

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
22 years or more	10 months + ½ month per year of service beyond 21 years

5.5.3. Disclosure obligations under the Articles of Association

Paragraph III of Article 10 of the Company's Articles of Association states that in addition to the obligations arising from 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 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.

5.5.4 Shareholders' pact

D&I 204C1487: 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) on 1 December 2004. 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 sits on the Company's Audit Committee and will also sit on 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 NYSE 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.

or

- If SFL is merged into Colonial.

However, the number of shares covered by the put option is capped in such a way as 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

In exchange 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 (including shares held 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 period of five years and is automatically renewable for successive five-year periods unless either party gives notice of its intention to withdraw from the pact at least six months before the next renewal date.

210C1218:

1. A copy of the 25 November 2010 shareholders' pact between SFL and Spanish company Realia Patrimonio SLU ("Realia")⁽¹⁾ concerning SIIC de Paris shares was transmitted to the French securities regulator (Autorité des Marchés Financiers) on 26 November 2010.

The pact arose from the transactions to be carried out pursuant to the terms of the exclusive negotiation letters signed on 20 October 2010 between (i) SFL and SIIC de Paris and (ii) SFL and Realia⁽²⁾, as confirmed by the agreements dated 25 November 2010.

At the time of the agreements, Realia held 84.83% of the capital and voting rights of SIIC de Paris.

The transactions described in the agreements dated 25 November 2010 are as follows:

- Contribution by SFL to SIIC de Paris of two office properties together valued at approximately €286 million, in exchange for 15,476,190 newly issued SIIC de Paris shares representing 36.36% of its capital and voting rights⁽³⁾. The purchase and share issue would be subject to approval by SIIC de Paris's shareholders at an Extraordinary General Meeting to be held on 27 December 2010. The share issue would have the effect of reducing Realia's interest in SIIC de Paris to 53.99% of the capital and voting rights.

- Immediately after the above transaction, SFL would sell to Realia 2,706,652 SIIC de Paris shares, corresponding to 6.36% of the capital and voting rights, at a price of €18.48 per share (representing a total of approximately €50 million), in order to reduce its interest to 29.99% of the capital and voting rights. It was agreed that Realia would sell a certain number of SIIC de Paris shares prior to the Extraordinary Meeting, so that after acquiring these shares from SFL, its interest in SIIC de Paris would stand at between 56.36% and 59.75%.

2 – The 25 November 2010 shareholders' pact between SFL and Realia, the main terms of which were agreed in the exclusive negotiation letters signed on 20 October 2010, is primarily intended to protect SFL's position as a minority shareholder of SIIC de Paris. The principal clauses are as follows:

- The SIIC de Paris Board of Directors will have ten members, of which three nominated by SFL, and certain fundamental decisions⁽⁴⁾ of the Board may only be made by a majority vote of eight of the ten members.

- SFL will have a pre-emptive purchase right in the event of (i) the planned transfer by Realia of all or some of its SIIC de Paris shares in a transaction that will reduce its interest to less than 50% of the capital and voting rights, and (ii) any subsequent transfer of SIIC de Paris shares by Realia⁽⁵⁾.

(1) In turn controlled by Realia Business SA

(2) See joint press release published by SFL and SIIC de Paris on 21 October 2010.

(3) Based on a total of 42,565,130 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

(4) Defined as (i) any decision that may result in SIIC de Paris no longer qualifying for taxation as an SIIC; (ii) any material change to the company's articles of association (including any capital increase or reduction, merger, demerger, asset contribution, or issue of equity instruments) or its corporate purpose; (iii) any transaction that increases the company's debt by €200 million or more or that increases the loan-to-value ratio to over 55%; (iv) any investment that exceeds €75 million or has the effect of increasing the total investments made over the previous 12 months to more than €120 million; (v) any asset acquisition/disposal/transfer that exceeds €75 million or has the effect of increasing the total acquisitions/disposals/transfers carried out over the previous 12 months to more than €120 million; (vi) the signature, amendment or renewal of any agreement between an SIIC de Paris group company and SFL or Realia; and (vii) generally, any regulated agreement governed by Article L.225-38 of the French Commercial Code.

(5) Realia has given a commitment that if, as a result of exercising its pre-emptive right to acquire SIIC de Paris shares, SFL were to be required to make a takeover bid for the company, no SIIC de Paris shares held by any companies in the Realia group would be tendered to the offer.

- To compensate for the lack of a liquid market for SIIC de Paris shares, the pact includes a joint exit clause whereby, in the event of a planned transfer of SIIC de Paris shares by Realia, SFL will have the right to simultaneously transfer:

- A number of SIIC de Paris shares at least equal to the number of SIIC de Paris shares to be transferred by Realia if (i) Realia plans to transfer all or some of its shares in a transaction that will reduce its interest to less than 55% of the capital and voting rights, and (ii) Realia subsequently decides to transfer additional SIIC de Paris shares without reducing its interest to less than 45% of the capital and voting rights.

- All or part of its interest in SIIC de Paris if (i) Realia plans to transfer all or some of its shares in a transaction that will reduce its interest to less than 45% of the capital and voting rights and (ii) Realia subsequently decides to transfer additional SIIC de Paris.

- Realia will have a pre-emptive purchase right in the event of a planned transfer of SIIC de Paris shares by SFL to a third party if SFL also plans to transfer its rights under the shareholders' pact to the acquirer.

- SFL will have a put option on its total interest in SIIC de Paris that will be exercisable in the event of a change of control of Realia Business SA (Realia's parent company) that does not result in a compulsory takeover bid for SIIC de Paris (or any breach by Realia Business SA of its commitment to retain exclusive control of Realia). The option price will be equal to SIIC de Paris's most recently published NAV per share and will be payable, at Realia's discretion, either in cash or – in certain circumstances – in assets held by Realia or any of its wholly-owned subsidiaries.

- The pact also describes:

- The rules governing the possible transfer by SFL to a third party of its rights under the pact at the same time as the SIIC de Paris shares were transferred.

- The system of reciprocal put options that would be exercisable if either party were to acquire over 60% of the capital and voting rights of SIIC de Paris, alone or jointly with another shareholder, resulting in SIIC de Paris temporarily or permanently losing the right to be taxed as an SIIC.

- Realia's commitments concerning any sales of SIIC de Paris shares that could have an impact on the level of debt of SIIC de Paris or Realia.

- The parties' reciprocal commitments not to transfer any SIIC de Paris shares (except in certain specified circumstances) within six months of the completion date of the asset contribution, in order to avoid adversely affecting the SIIC de Paris share price.

Lastly, in the pact, SFL and Realia both state that they are not acting in concert.

3 – SFL's application for a waiver of the obligation to file a takeover bid for SIIC de Paris was reviewed by the AMF at its meeting on 16 November 2010.

The sale of assets in exchange for shares described in paragraph 1 would result in SFL acquiring over one-third of the SIIC de Paris's capital and voting rights, although its interest would immediately be reduced to below this threshold. Under stock market rules (Article 234-2 of the AMF's general regulations), SFL would therefore normally be required to file a takeover bid for the company.

SFL applied for a waiver of this rule based on Article 234-9-6 of the AMF's general regulations.

The AMF noted that (i) SFL would temporarily acquire over one-third of SIIC de Paris's capital and voting rights as a result of the asset contribution, and would immediately sell some of the shares in order to reduce its interest to 29.99% of the capital and voting rights, and (ii) Realia held and would continue to hold individually the majority of voting rights in SIIC de Paris.

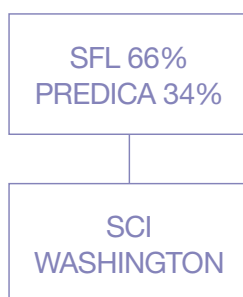
On this basis, and having noted that SFL and Realia did not intend to act in concert with regard to SIIC de Paris, the AMF agreed to waive the requirement for SFL to file a takeover bid for SIIC de Paris.

5.5.5. Partnerships

Partner	Joint venture	Main clauses
PRÉDICA ⁽¹⁾	SCI Washington (66%-owned by SFL)	In the case of a change of control (50%) of SFL or Prédica the other partner has the option of: - agreeing to the change of control ⁽²⁾ ; or - 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.

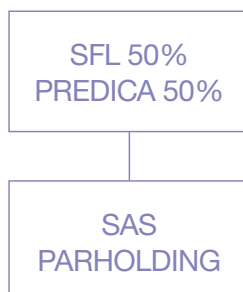
(1) Life insurance subsidiary of Crédit Agricole Assurances.

(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.



Partner	Joint venture	Main clauses
PRÉDICA ⁽¹⁾	Parholding SAS (50%-owned by SFL)	In the case of a change of control (50%) of SFL or Prédica the other partner has the option of: - agreeing to the change of control; or - 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) Prédica, the life insurance subsidiary of Crédit Agricole Assurances, became SFL's partner in Parholding on 6 October 2009 by acquiring the 50% stake previously held by Ile-de-France Investissements. The joint venture was approved by the European Commission on 25 September 2009.



5.6. Share performance

SFL shares have been quoted in Compartment A of the 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: 0000033409).

		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €m)
2009	July	27.99	24.30	34,591	0.902
	August	30.90	27.25	68,460	1.946
	September	35.00	28.00	65,873	2.070
	October	34.37	30.80	102,116	3.386
	November	33.78	30.70	50,333	1.606
	December	33.75	31.01	39,794	1.280
2010	January	37.98	33.02	68,068	2.366
	February	36.80	34.05	60,879	2.150
	March	36.75	34.40	81,247	2.865
	April	37.87	33.00	52,570	1.886
	May	33.70	27.65	46,625	1.420
	June	31.19	28.45	41,153	1.213
	July	32.04	28.50	59,272	1.826
	August	31.63	28.90	29,759	0.900
	September	36.00	30.94	76,797	2.606
	October	35.80	33.95	77,563	2.738
	November	35.30	33.30	34,487	1.197
	December	35.30	33.60	36,927	1.280
2011	January	35.49	34.55	38,007	1.334
	February	36.30	35.00	93,361	0.943

Source: NYSE Euronext

6. Employee and environmental information

6.1. Employee information

6.1.1 Number of employees

At 31 December 2010, SFL had a total of 85 employees, broken down by category and type of contract as follows:

Category	Men	Women	Total
Managers	29	23	52
Supervisors	2	13	15
Other administrative staff	-	15	15
Total Administrative staff	31	51	82
Caretakers	1	2	3
Building employees	-	-	-
Total Building staff	1	2	3
Total employees	32	53	85

of which:

Fixed-term contracts	-	1	1
Permanent contracts	32	52	84

Five people were hired in 2010:

Type of contract	Administrative staff	Building staff	Total
Fixed-term contracts	2	-	2
Permanent contracts	3	-	3
Total	5	-	5

Five employees left the Company in 2010:

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

No layoff plans were implemented by the Group in 2010.

The net decrease in the number of employees from 86 at 31 December 2009 to 85 at the 2010 year-end was due to the fact that one employee included in the 2009 total left the Group on 31 December 2009.

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

6.1.2 Working hours and absenteeism rate

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. Pursuant to the company-level agreement dated 1 July 1999 and subsequent addenda, 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 statutory holiday entitlements.

Breakdown of full-time and part-time administrative staff by gender at 31 December 2010

Working hours	Women	Men	Total
Full-time	40	30	70
Part-time	11	1	12

Breakdown of employee absences in 2010

Reason	Number of working days
Illness	620
Maternity leave	87
Occupational and commuting accidents	56
Leave to take care of sick children	30
Other family reasons (including paternal leave)	31

6.1.3 Remuneration, benefits and gender equality

Remuneration payable to Group employees is calculated as part of the annual budgeting and wage negotiation process.

All Group employees receive a fixed monthly salary and an annual performance-related bonus based on individual targets. Following the annual pay round in December 2009, average individual salary increases were set at 2% as from 1 January 2010.

Each employee may pay voluntary contributions into the SFL PERCO employee pension savings scheme (Plan d'Epargne Retraite Collectif). The Company matches employee contributions up to a maximum of €3,600 per participant.

In 2010, voluntary contributions paid into the scheme amounted to €209,160, representing an increase of 2.58% over 2009.

Statutory and discretionary profit-sharing respectively totalled €597,910 and €303,534 in 2010, representing over 13% 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 each employee was given €600 worth of human services vouchers (Chèques Emploi Service Universel) financed jointly by SFL and the Works Council.

Total Group payroll for the year ended 31 December 2010 amounted to €7,258,475.

Social security and other employee benefit contributions break down as follows for 2010:

– URSSAF (general Social Security contributions)	€2,940,784
– ASSEDIC (unemployment benefit contributions)	€347,968
– Supplementary pension contributions	€1,126,524
– Health and death/disability insurance contributions	€283,887

The SFL Group is committed to promoting gender equality.

Line managers in particular are reminded each year about the importance of applying the principle of equal pay when they award the pay rises agreed on during annual pay rounds.

The participants in the annual pay negotiations of December 2010 noted that the principle of gender equality was being actively applied to hiring, training and promotion practices.

6.1.4 Collective agreements

In addition to the Collective Bargaining Agreements applicable 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 employees as defined in 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.
- Addendum no. 8 dated 30 June 2009 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, 2 April 2007 and 29 February 2008.
- 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 Pension Savings Plan (PERCO) of 31 January 2005 and addenda dated 21 December 2006, 2 April 2007 and 12 December 2007.
- Agreement concerning actual salaries, actual working hours and the organisation of working time dated 9 December 2010.

6.1.5. Health and safety

The role of the Health, Safety and Working Conditions Committee, whose members were reappointed in 2009, is to contribute to improving employee health and safety and working conditions.

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

SFL continued to implement an active training policy in 2010, investing the equivalent of some 4% of the total payroll.

Close to 2,700 hours of training were given to 68 employees, in such topics as property management, accounting, IT, people management and languages.

6.1.7 Disabled workers

As part of its policy of supporting measures to help the disabled to find work, each year the Group allocates a significant proportion of the amount payable under the apprenticeship tax scheme to ADAPT, a not-for-profit organisation working in this area. In 2010, the Group's contribution amounted to €6,335.

In addition, €52,920 were contributed to Association de Gestion du Fonds pour l'Insertion Professionnelle des Travailleurs Handicapés (AGEFIPH) in fulfilment of the Group's obligations concerning the employment of disabled workers.

6.1.8 Company welfare schemes

As well as financing the Works Council's operating budget as legally required, the Group allocates 1.20% of the total payroll each year to financing social and cultural activities for its employees. In 2010, total Works Council funding amounted to €84,529.

6.2 Environmental information

Environmental expenditure

Pollution

- Historical data has been obtained for all properties owned by SFL. The budget for the Quai Le Gallo renovation includes a €1 million provision for pollution risks. No other provisions have been set aside for potential environmental liabilities.

Environmental certification

- Les projets de redéveloppement sont systématiquement certifiés. All redevelopment projects are systematically designed to comply with France's high environmental quality (HQE) standards: 112 Wagram, 103 Grenelle, 247 Saint-Honoré and 92 Champs-Élysées are already certified (in the latter two cases, the certification only covers the design and scheduling phases as the redevelopment work is still in progress). For the Quai Le Gallo and Ilot Richelieu projects, as well as obtaining HQE certification, we are aiming to

meet the highest UK benchmarks (BREEAM and LEEDS) for building performance, while energy consumption at Quai Le Gallo should meet the exacting standards set under France's BBC certification programme.

A programme is under way with a view to managing all properties in the portfolio in accordance with HQE Exploitation green building management standards and 103 Grenelle has already been certified.

- To obtain certification, the properties must meet very strict standards in terms of water and energy consumption, the choice of materials (and therefore of raw materials) and the treatment of waste.

See also the Sustainable Development section of the Annual Report (pages 22 and 23)

(in € thousands)	Commitments excluding tax	SFL's share
Diagnostics/Analyses/HQE audits (I)	680	674
WORK (II)		
Asbestos removal	936	767
Work on cooling and air treatment systems	281	203
Replacement of lead pipes with copper pipes	1,740	1,698
Work to isolate coatings that contain lead particles	1,637	1,480
Enhanced thermal insulation and sound-proofing (dry lining, double glazing)	2,367	2,340
Modernisation of air conditioning and heating systems to reduce energy consumption	18,012	17,157
Expenditure to improve security installations and related compliance work (sprinklers, fire extinguishers, video surveillance systems, etc.)	3,243	3,169
TOTAL INITIATIVES (I + II)	28,897	27,488

7. Appendices

Appendix 7.1 Special Report to the Annual General Meeting of 9 May 2011 on Stock Options (prepared 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 2010.

- 1) No stock options were granted by SFL or any related companies during the year to the Chairman, the Chief Executive Officer or the Managing Director in respect of directorships or corporate functions held in SFL.
- 2) No stock options were granted during the year to the Chairman, the Chief Executive Officer or the Managing Director by any companies in which SFL has a controlling interest in respect of directorships or corporate functions held in those companies.
- 3) No options on shares in the companies mentioned in 1) and 2) above were exercised during the year by the Chairman, the Chief Executive Officer or the Managing Director.
- 4) No stock options were granted in 2010 by SFL or any related companies to any employees of the Company other than the Chairman, the Chief Executive Officer or the Managing Director.
- 5) No employees of the Company other than the Chairman, the Chief Executive Officer or the Managing Director exercised any options on shares in the companies mentioned in 1) and 2) above in 2010.

The Board of Directors

Appendix 7.2 Board of Directors' Special Report on Share Grants (prepared in accordance with Article L.225-197-4 of the French Commercial Code)

To the shareholders,

In compliance with the first paragraph of Article L. 225-197-4 paragraph 1 of the French Commercial Code, we hereby present our 2010 report to you on share grants for the Chairman, the Chief Executive Officer, the Managing Director and employees.

- 1) No share grants were made by SFL or any related companies during the year to the Chairman, the Chief Executive Officer or the Managing Director in respect of any directorships or corporate functions held in SFL.
- 2) No share grants were made during the year to the Chairman, the Chief Executive Officer or the Managing Director by the companies in which SFL has a controlling interest in respect of any directorships or corporate functions held in those companies.
- 3) No share grants were made during the year by SFL or any related companies to any employees other than the Chairman, the Chief Executive Officer or the Managing Director.

The Board of Directors

Appendix 7.3
Five-year financial summary (parent company) (in euros)
(prepared in accordance with Article R. 225-102 of the French Commercial Code)

	2006	2007	2008	2009	2010
I. Capital at 31 December					
Share capital	86,151,904	93,004,602	93,004,602	93,011,352	93,057,948
Number of ordinary shares outstanding	43,075,952	46,502,301	46,502,301	46,505,676	46,528,974
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	-	-	-	-	-
. On exercise of warrants	-	-	-	-	-
II. Results of operations					
Net revenue	118,470,330	123,879,444	128,851,442	130,513,358	130,779,707
Profit before tax, depreciation, amortisation and provisions	120,515,903	121,840,846	70,266,806	120,028,141	90,116,934
Income tax (expense)/benefit	(1,427,250)	263,017	9,249,487	386,328	(386,328)
Net profit	87,499,459	100,843,567	(3,141,109)	31,566,023	97,098,358
Total dividends	148,804,163	148,807,363	88,354,372	97,661,920	97,710,845
III. Earnings per share					
Earnings per share after tax, before depreciation, amortisation and provisions	2.83	2.61	1.31	2.57	1.95
Earnings per share	2.03	2.17	(0.07)	0.68	2.09
Net dividend per share	3.20	3.20	1.90	2.10	2.10
IV. Employee data					
Number of employees at year-end	76	76	73	70	70
Including building staff	4	4	3	3	3
Total payroll	7,941,466	7,669,244	6,443,873	6,511,026	6,778,433
Total benefits	3,927,593	3,149,109	3,304,790	3,098,388	3,202,378

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 shareholder authorisations given to the Board to issue shares pursuant to

Articles L. 225-129-1 and L. 225-129-2 of said Code, along with details of their utilisation in 2010.

Date of AGM	Authorisation	Used/ unused in 2010	Duration of authorisation
15 June 2009	To issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders	Unused	26 months
15 June 2009	To issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders	Unused	26 months
15 June 2009	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
15 June 2009	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
15 June 2009	To issue securities with rights to debt securities	Unused	26 months
15 June 2009	To increase the Company's capital by capitalising reserves, profits or share premiums	Unused	26 months
15 June 2009	To issue shares to employees who are members of a Sharesave Plan	Unused	26 months
19 April 2010	To issue bonds with redeemable equity warrants (OBSAARs), without pre-emptive subscription rights	Unused	18 months

Appendix 7.5 Chairman's Report (prepared in accordance with Article L.225-37 of the French Commercial Code)

In accordance with Article L.225-37 of the French Commercial Code, we present below our report on the membership of the Board of Directors and the Board's application of the principle of gender balance, the practices of the Board of Directors, and the Company's internal control and risk management procedures.

The report was approved by the Audit Committee and the Board of Directors on 14 March 2011.

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 had 15 members as of 31 December 2010, including nine representing the majority shareholder Colonial, two (Jean-Jacques Duchamp of Prédica and Reig Capital Group, Luxembourg, represented by Alejandro Hernández-Puér-

tolas) representing significant minority shareholders, three independent directors (Tony Wyand, Jean Arvis and Jacques Calvet) and one non-voting director (Yves Defline).

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.

Board of Directors from 1 January to 12 February 2010	Term expires at the end of the Annual General Meeting called to approve the financial statements for:
Yves MANSION Chairman and Chief Executive Officer	2010
Jean ARVIS Director	2009
Juan José BRUGERA CLAVERO Director	2009
Jacques CALVET Director	2009
Yves DEFLINE Director	2009
Jean-Jacques DUCHAMP Director	2009
Manuel Fernando MENENDEZ LOPEZ Director	2010
Carmina GAÑET CIRERA Director	2010
Julian ZAMORA SAÍZ Director	2010
Pere VIÑOLAS SERRA Director	2009
Anthony WYAND Director	2009
Francisco José ZAMORANO GOMEZ Director	2011
Carlos FERNANDEZ-LERGA GARRALDA Director	2009
José Maria SAGARDOY LLONIS Director	2010
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2009

SFL 2010 MANAGEMENT REPORT

Board of Directors from 12 February to 14 April 2010	Term expires at the end of the Annual General Meeting called to approve the financial statements for:
Yves MANSION Chairman and Chief Executive Officer	2010
Jean ARVIS Director	2009
Juan José BRUGERA CLAVERO Director	2009
Jacques CALVET Director	2009
Aref LAHHAM ⁽¹⁾ Director	2009
Jean-Jacques DUCHAMP Director	2009
Manuel Fernando MENENDEZ LOPEZ Director	2010
Carmina GAÑET CIRERA Director	2010
Julian ZAMORA SAIZ Director	2010
Pere VIÑOLAS SERRA Director	2009
Anthony WYAND Director	2009
Francisco José ZAMORANO GOMEZ Director	2011
Carlos FERNANDEZ-LERGA GARRALDA Director	2009
José María SAGARDOY LLONIS Director	2010
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2009
Yves DEFLINE ⁽²⁾ Non-voting director	2010

1) Appointed by the Board to replace Yves Defline

2) Appointed by the Board on 12 February 2010 for a one-year term

Board of Directors from 14 April to 19 April 2010	Term expires at the end of the Annual General Meeting called to approve the financial statements for:
Juan José BRUGERA CLAVERO ⁽³⁾ Chairman of the Board	2009
Jean ARVIS Director	2009
Jacques CALVET Director	2009
Aref LAHHAM ⁽¹⁾ Director	2009
Jean-Jacques DUCHAMP Director	2009
Manuel Fernando MENENDEZ LOPEZ Director	2010
Carmina GAÑET CIRERA Director	2010
Julian ZAMORA SAÍZ Director	2010
Pere VIÑOLAS SERRA Director	2009
Anthony WYAND Director	2009
Francisco José ZAMORANO GOMEZ Director	2011
Carlos FERNANDEZ-LERGA GARRALDA Director	2009
José Maria SAGARDOY LLONIS Director	2010
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2009
Yves DEFLINE ⁽²⁾ Non-voting director	2010

1) Appointed by the Board to replace Yves Defline

2) Appointed by the Board on 12 February 2010 for a one-year term

3) Appointed Chairman of the Board on 14 April 2010 to replace Yves Mansion, following the decision to separate the positions of Chairman and Chief Executive Officer

SFL 2010 MANAGEMENT REPORT

Board of Directors from 19 April to 11 June 2010	Term expires at the end of the Annual General Meeting called to approve the financial statements for:
Juan José BRUGERA CLAVERO ⁽³⁾ Chairman of the Board	2012
Jean ARVIS Director	2010
Jacques CALVET Director	2010
Aref LAHHAM ⁽¹⁾ Director	2012
Jean-Jacques DUCHAMP Director	2012
Manuel Fernando MENENDEZ LOPEZ Director	2010
Carmina GAÑET CIRERA Director	2010
Julian ZAMORA SAÍZ Director	2010
Pere VIÑOLAS SERRA Director	2012
Anthony WYAND Director	2012
Francisco José ZAMORANO GOMEZ Director	2011
Carlos FERNANDEZ-LERGA GARRALDA Director	2012
José María SAGARDOY LLONIS Director	2010
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2012
Yves DEFLINE ⁽²⁾ Non-voting director	2010

1) Appointed by the Board to replace Yves Defline

2) Appointed by the Board on 12 February 2010 for a one-year term

3) Appointed Chairman of the Board on 14 April 2010 to replace Yves Mansion, following the decision to separate the positions of Chairman and Chief Executive Officer

Board of Directors from 11 June to 5 October 2010	Term expires at the end of the Annual General Meeting called to approve the financial statements for:
Juan José BRUGERA CLAVERO ⁽³⁾ Chairman and Chief Executive Officer	2012
Jean ARVIS Director	2010
Jacques CALVET Director	2010
Aref LAHHAM ⁽¹⁾ Director	2012
Jean-Jacques DUCHAMP Director	2012
Anne-Marie de CHALAMBERT ⁽⁴⁾ Director	2010
Carmina GAÑET CIRERA Director	2010
Luis MALUQUER TREPAT ⁽⁵⁾ Director	2010
Pere VIÑOLAS SERRA Director	2012
Anthony WYAND Director	2012
Carlos LOSADA MARRODAN ⁽⁶⁾ Director	2011
Carlos FERNANDEZ-LERGA GARRALDA Director	2012
Bertrand LETAMENDIA ⁽⁷⁾ Director	2010
REIG CAPITAL GROUP Luxembourg, represented by José CAIRETA RIERA Director	2012
Yves DEFLINE ⁽²⁾ Non-voting director	2010

- 1) Appointed by the Board to replace Yves Defline
- 2) Appointed by the Board on 12 February 2010 for a one-year term
- 3) Positions of Chairman and Chief Executive Officer combined
- 4) Appointed by the Board to replace Manuel Fernando Menendez Lopez
- 5) Appointed by the Board to replace Julián Zamora Saiz
- 6) Appointed by the Board to replace Francisco José Zamorano Gomez
- 7) Appointed by the Board to replace José Maria Sagardoy Llonis

Board of Directors from 5 October to 31 December 2010	Term expires at the end of the Annual General Meeting called to approve the financial statements for:
Juan José BRUGERA CLAVERO ⁽³⁾ Chairman of the Board	2012
Jean ARVIS Director	2010
Jacques CALVET Director	2010
Aref LAHHAM ⁽¹⁾ Director	2012
Jean-Jacques DUCHAMP Director	2012
Anne-Marie de CHALAMBERT ⁽⁴⁾ Director	2010
Carmina GAÑET CIRERA Director	2010
Luis MALUQUER TREPAT ⁽⁵⁾ Director	2010
Pere VIÑOLAS SERRA Director	2012
Anthony WYAND Director	2012
Carlos LOSADA MARRODAN ⁽⁶⁾ Director	2011
Carlos FERNANDEZ-LERGA GARRALDA Director	2012
Bertrand LETAMENDIA ⁽⁷⁾ Director	2010
REIG CAPITAL GROUP Luxembourg represented by Alejandro HERNANDEZ-PUERTOLAS ⁽⁸⁾ Director	2012
Yves DEFLINE ⁽²⁾ Non-voting director	2010

- 1) Appointed by the Board to replace Yves Defline
- 2) Appointed by the Board on 12 February 2010 for a one-year term
- 3) Positions of Chairman and Chief Executive Officer separated
- 4) Appointed by the Board to replace Manuel Fernando Menendez Lopez
- 5) Appointed by the Board to replace Julián Zamora Saiz
- 6) Appointed by the Board to replace Francisco José Zamorano Gomez
- 7) Appointed by the Board to replace José María Sagardoy Llonis
- 8) Appointed by the Board to replace José Caireta Riera

General information about the directors in office at 31 December 2010

Juan José Brugera Clavero, 64, 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 lectured in 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 BancoSabadell. He moved to Sindibank as Chief Executive Officer in 1987 and held the same position at Colonial from 1994 to 2006 and at Mutua Madrileña from 2006 to 2007. He was also a director of SFL from 2004 to 2006. He has been the Chairman of Panrico since 2007 and Chairman of Colonial since 2008.

Jean Arvis, 75, is an independent director, with over forty 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 served as Vice Chairman then Chairman of Fédération Française des Sociétés d'Assurance between 1991 and 1998. He has also sat on the Board of Directors of several companies, both in France and abroad.

Jacques Calvet, 79, 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 the Economy and Finance, including, from 1970 to 1974, Director of the staff of the Minister, Valéry Giscard d'Estaing. In 1974, he joined BNP as Deputy Chief Executive Officer, becoming Chief Executive Officer in 1976 and then Chairman from 1979 to 1982. He has been an Honorary Chairman of BNP Paribas since 1997. He also occupied various senior management positions within the PSA Peugeot Citroën 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).

Jean-Jacques Duchamp, 56, 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 Gen-

eral 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, 61, is a lawyer specialized in civil and corporate law. He is also the Secretary General of Fundación Autor. He began his career as Advisor to the Spanish Minister and the Secretary of State for the European Union (1978-1983) before joining Grupo Banco Hispano Americano as Chief Executive Officer of the bank's Asesoramiento Comunitario SA subsidiary. He is a member of the Board of Directors of Colonial and several other companies. A former professor at Madrid University, he has written several books on competition law and intellectual property law.

Carmina Gañet Cirera, 42, is an economist by training who started her career at Caixa de Catalunya and later joined Arthur Andersen as an auditor (1991-1995). She moved on to work for La Caixa's industrial holding company (now Criteria) as Director of Management Control within the Finance, Insurance and Property department, a position that led her to participate in the Inmobiliaria Colonial IPO process. In 2000, she was appointed Chief Financial Officer of Inmobiliaria Colonial, before becoming Corporate Managing Director in January 2009. She has been a member of the Junta del Circulo de Economía economic think tank and is a former professor at Ramon LLull University.

Pere Viñolas Serra, 48, 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 Research, Chief Financial Officer and finally Deputy Chief Executive Officer. 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, 67, 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). He is currently a member of the Board of Directors of Société Générale (France) and Unicredito.

Reig Capital Group Luxembourg is represented by Alejandro Hernández-Puértolas, 39, who holds an MBA in financial management from Jacksonville University in Florida. He was Marketing Director (1995-1998), Deputy Chief Executive Officer and then Chief Executive Officer (1999-2002) of Viajes Iberia, a member of the Iberostar Group, Chief Executive Officer of MedGroup Hospitality, a member of the MedGroup Investments Group (2003-2007) and most recently Chief Executive Officer of the Reig Capital

Hotels & Real Estate Division of Reig Capital Group (2007-2010). He is currently Chairman and Chief Executive Officer of Reig Capital Management, the holding company that manages the Reig Moles family's interests and investments.

Yves Defline, 75, is a non-voting director of SFL with over 40 years' experience in the property sector. He began his career as Branch Manager at Banque de la Construction et des Travaux Publics (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.

Aref Lahham, 46, is a civil engineer with degrees from Cornell University (M.Eng.) and Purdue University (B.Sc.). He began his career in 1986 as a structural engineer with Leslie E. Robertson Associates in New York, working on several office towers such as the Bank of China building in Hong Kong and the Puerta Europa building in Madrid. In 1990, he began the MBA programme at the INSEAD business school in Fontainebleau, France, and on graduation joined Segece-Compagnie Bancaire as Director, Shopping Centre Projects. In 1992, he was chosen by LaSalle Partners, a firm of property consultants, to open their London office. In 1994, he opened the Paris office which he managed until 1999. During this period, he participated in the purchase of bank receivables in France and managed the Francilienne fund, which acquired several office buildings in France. He also served as Chief Executive Officer of Lafayette Partenaires, a subsidiary of Société Générale. In 1999, with two of his partners, he set up Orion Capital Managers, which he continues to manage and which has sponsored several European property funds.

Anne-Marie de Chalambert, 67, was i) Marketing Director of Valois (1970-1980); ii) founder, Chairman & Chief Executive Officer of VLGI, a subsidiary of Banque Lazard (1980-1996); iii) Chairman & Chief Executive Officer of Generali Immobilier (1996-2004), where

she shifted the focus of the Generali France portfolio from residential to office property located primarily in Paris and the Paris region; iv) Chairman of Generali Real Estate Europe (2004-2008), where she consolidated Generali's various property management teams in Europe and invested in joint transactions; and v) Chairman of Generali Immobiliare (2009-2010). Since 2010, she has been acting as an advisor to Generali Immobilier and Institut Pasteur. She is also a director of Nexity and Foncière des Régions.

Bertrand Letamendia, 64, is a graduate of ESSEC business school. A member of the Supervisory Board of Klépierre since 1998, he has spent his entire career in property. Between 1997 and 2008, he was successively Development Manager at STIM (Bouygues Group), Director at Kaufman & Broad and Property Director at AGF. In 2009, he set up AITA Conseils SAS, a firm of economic, marketing and property consultants.

Luis Maluquer Trepas, 55, has degrees in law (from Barcelona University) and international institutions (from Geneva University). He has been a lawyer and partner of the Maluquer Advocats law firm since 1995. He headed the BNP Paribas external law firm from 1980 to 1992 and the Caja Nacional del Crédito Agrícola external law firm in Barcelona from 1992 to 1998. He has represented Spain on the Board of the European Society for Banking and Financial Law since 2000. He also lectures in taxation at the Barcelona Chamber of Commerce.

Carlos Losada Marrodan, 53, holds a doctorate in management sciences from ESADE-Universitat Ramon Llull, a law degree from Barcelona University (1979), an MBA from ESADE (1980) and a diploma from Harvard University (1994). He began his career by participating in the creation of Kernel SA, serving as the company's Chief Executive Officer until 1981. He then joined the Catalan regional government, where he held a variety of positions, of which the most recent was Secretary General of the Public Administration and Civil Service. He served as an expert in public sector management and modernisation for the United Nations Management Development Programme (PNUD-MDP) and the Inter-American Development Bank (IDB). He has been an Associate Professor in the ESADA Department of Business Policy since 1988, specialising in business administration, corporate strategy and public management. Since September 2000, he has been Chief Executive Officer of ESDAE.

Independent directors

The election of independent directors is part of the general trend to enhance the corporate governance practices of listed companies.

The AFEP-MEDEF corporate governance code states that “A director is independent of the corporation’s management when he or she has no relationship of any kind whatsoever with the corporation or its group which might risk colouring his or her judgment.” Consequently, an independent director is to be understood not only as a “non-executive director”, i.e., one not performing management duties in the corporation or its group, but also one devoid of particular bonds of interest (significant shareholder, employee, other) with them.

The AFEP-MEDEF lists the criteria that should be applied to determine whether a director is independent and to prevent conflicts of interest between the director, on the one hand, and management, the company or the group on the other. In particular:

- The director is not an employee or corporate officer (mandataire social) of the company, nor an employee or director of its parent or of one of its consolidated subsidiaries, and has not been one during the previous five years.
- The director is not a customer, supplier, investment banker or commercial banker that is material for the company or its group or for which the company or its group represents a material proportion of the entity’s activity.
- The director does not have any close family ties with a corporate officer (mandataire social) of the company.
- The director has not been an auditor of the company over the past five years.
- The director has not been a director of the company for more than twelve years.
- The director is not a significant shareholder of the company.
- The director is not a corporate officer (mandataire social) of a company in which the company holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the company designated as such or by a current or former (going back five years) corporate officer of the company.

The Board of SFL has decided that the fact that a director has served on the Board for more than 12 years does not automatically disqualify him or her from being considered as independent. The three independent directors are:

- Anthony 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 L.225-21 and L.225-77 of the French Commercial Code on multiple directorships.

Juan José Brugera Clavero

Chairman of the Board

First elected in 2004

Current term expires in 2013

Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held at 31 December 2010

In France:

- Chairman of the Board of Directors of Société Foncière Lyonnaise SA

Outside France (Spain)*:

- Director and Chairman of Inmobiliaria Colonial SA

Other directorships and positions held in the past five years

- Chairman of Panrico (Spain)
- Director of Creapolis (Spain)
- Chief Executive Officer of Mutua Madrileña (Spain)
- Chief Executive Officer of Colonial (Spain)

Jean Arvis

Director

First elected in 1987

Current term expires in 2011

Business address: 151 rue Saint Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA
- Non-voting director* of Compagnie Financière Saint-Honoré (CFSH Rothschild)
- (Non-executive) Chairman of Groupement Français de Cautions (GFC)*

Outside France*:

- Chairman of Atlas Finances Conseil (Morocco), Massinissa (Morocco) and Alma Capital Europe (Luxembourg)
- Director of SCOR US, SCOR Canada, Wafa (Morocco)
- Director of the Monitoring Board of Friends Provident (UK)

Other directorships and positions held in the past five years

- Director of Adyal
- Director of IMI
- Director of AXA Sun Life Monitoring Board (UK)
- Legal Manager of Azbenar (Morocco)
- Non-voting director of GIMAR

Jacques Calvet

Director

First elected in 1999

Current term expires in 2011

Business address: 151 rue Saint Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA
- Vice-Chairman of the Supervisory Board of Galeries Lafayette SA
- Director of Laser Cofinoga SA*
- Director of Laser SA*
- Director of Cottin Frères SA
- Director of Icade SA
- Director of Le Meilleur Holding SAS*
- Chairman of the Supervisory Board of Bazar de l'Hôtel de Ville SAS (BHV)*
- Non-voting director of EPI - Société Européenne de Participations Industrielles, SAS*
- Non-voting director of Agence H (formerly Scherlafarge)*
- Honorary Chairman of BNP Paribas*
- Adviser to Banque de France*
- Honorary adviser to the Cour des Comptes (French National Audit Office)*

Other directorships and positions held in the past five years

- Director of Aldeta*
- Non-voting director of Société Foncière Lyonnaise
- Director of Novarte
- Director of Société Foncière des Pimonts-Icade

Anne-Marie de Chalambert

Director

First appointed in 2010

Current term expires in 2011

Business address: 151 rue Saint-Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA
- Director of Nexity SA
- Chairman of AMCH SASU*
- Legal Manager of Société Civile du Golf du Morfontaine*

Other directorships and positions held in the past five years

- Director of Pema Immobilier
- Vice Chairman of Fédération des Sociétés Immobilières et Foncières (FSIF)
- Chairman of the Board of Directors of Generali Immobiliare (Italy)
- Chairman of the Supervisory Board of Generali Immobilier Gestion
- Chairman of the Supervisory Board of Generali Immobilier Conseil
- Chairman of the Board of Directors of Generali Real Estate Europe
- Representative of Generali IARD on the Board of Directors of SILIC
- Representative of Generali Vie on the Supervisory Board of Foncière des Logements
- Representative of Generali Vie on the Supervisory Board of Foncière des Régions
- Member of the Board of Fédération des Sociétés Immobilières et Foncières (FSIF)

Yves Defline

Non-voting director

First elected in 1994

Resigned on 31 December 2010

Business address: 151 rue Saint Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2010

- Honorary Chairman and non-voting director of Société Foncière Lyonnaise SA

Other directorships and positions held in the past five years

- Director of Société Foncière Lyonnaise SA

Jean-Jacques Duchamp

Director

First elected in 2004

Current term expires in 2013

Business address: 50/56 rue de la Procession, 75015 Paris, France

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA
- Member of the Prédica Financial Services Executive Committee*
- Director of Crédit Agricole Immobilier SA*
- Director of CPR Asset Management SA*
- Director of Unimo SAS*
- Representative of Prédica on the Board of Directors of Dolcea Via SA*
- Member of the Supervisory Board of Korian SA
- Representative of Prédica on the Board of Directors of Gecina SA
- Representative of Prédica on the Board of Directors of Sanef SA

Outside France*:

- Director of BES Vida SA (Portugal)
- Director of CA Vita SA (Italy)

Other directorships and positions held in the past five years

- Director of Gecina
- Director of Previsio Obsèques
- Director of CPR Asset Management
- Director of Groupe Batipart: Suren (nursing home group) - Medidep - Foncière des Régions

Carlos Fernandez-Lerga Garralda

Director

First elected in 2008

Current term expires in 2013

Business address: Barbara de Braganza 7, 28004 Madrid (Spain)

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA

Outside France (Spain)*:

- Director of Inmobiliaria Colonial SA
- Director of Gamesa Corporación Tecnológica SA
- Director of EUR Consultores SL

Other directorships and positions held in the past five years

Director of Abantia Empresarial (Spain)

Carmina Gañet Cirera

Director

First elected in 2009

Current term expires in 2011

Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA
- Director of SIIC de Paris SA

Other directorships and positions held in the past five years

- Director of Torre Marenstrum (Spain)

Aref Lahham

Director

First elected in 2010

Current term expires in 2013

Business address: 2 Cavendish Square - W1G OPD London (UK)

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA
- Chairman of CIB Management SAS*
- Joint Legal Manager of Orion Capital Managers France SARL*
- Legal Manager of Mina House SC*
- Legal Manager of Bois Joly House SC*

Other directorships and positions held in the past five years

None

Bertrand Letamendia

Director

First appointed in 2010

Current term expires in 2011

Business address: 30 rue de la Ferme, 92200 Neuilly sur Seine, France

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA
- Director of Sogeprom SA
- Member of the Supervisory Board of Klépierre SA

- Vice Chairman of the Supervisory Board of Texavenir II SAS*
- Chairman of AITA Conseils SASU*

Other directorships and positions held in the past five years

- Director of Immovalor Gestion

Carlos Losada Marrodan

Director

First appointed in 2010

Current term expires in 2012

Business address: Avenida Pedralbes 60.62, 08008 Barcelona (Spain)

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA

Outside France*

- Director of Gas Natural Fenosa SA (Spain)
- Director of KIC InnoEnergy SE (Netherlands)

Other directorships and positions held in the past five years

- Director of Union Fenosa Gas (Spain)
- Director of Junta del Circulo de Economia (Spain)
- Chairman of the Board of Directors of Clickair (Spain)
- Director of Intermon Oxfam (Spain)
- Director of Penteo ICT Analyst (Spain)
- Director of Banc de Sang i Teixits (Spain)

Luis Maluquer Trepas

Director

First appointed in 2010

Current term expires in 2011

Business address: Rambla de Catalunya 123,6 - 08008 Barcelona (Spain)

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA

Outside France (Spain)*:

- Chairman of the Board of Directors of Balaguer 98 de Inversiones Simcav SA
- Chairman of the Board of Directors of Inver 99 Sicav SA
- Director of Aldesago SL
- Director of Maluquer Advocats SCP
- Director of Filux SA
- Director of Vitek SA
- Director of M&M Entertainment SL
- Director of Fortunella SL
- Director of Pineapple Tree SL

Other directorships and positions held in the past five years

None

Pere Viñolas Serra

Director

First elected in 2008

Current term expires in 2013

Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held at 31 December 2010

In France:

- Director of Société Foncière Lyonnaise SA
- Director of SIIC de Paris SA

Outside France (Spain)*:

- Chief Executive Officer of Inmobiliaria Colonial SA
- Director of Riva y García
- Director of Mekanotubo

Other directorships and positions held in the past five years

- Chief Executive Officer of Inmobiliaria Colonial (Spain)

Anthony Wyand

Director

First elected in 1995

Current term expires in 2013

Business address: 151 rue Saint Honoré, 75001 Paris, France

Directorships and other positions held at 31 December 2010

In France:

- Director and Honorary Chairman of Société Foncière Lyonnaise SA
- Director of Aviva France SA*
- Director of Aviva Participations SA
- Director and Vice Chairman of Société Générale SA

Outside France*:

- Director of Unicredito (Italy)

Other directorships and positions held in the past five years

- Director of Grosvenor Continental Europe
- Member of the Supervisory Board of Aviva France
- Director of Grosvenor (UK)

Reig Capital Group Luxembourg SARL (represented by Alejandro Hernández-Puértolas)

Director

First elected in 2007

Current term expires in 2013

Business address: Avenida Diagonal, 477 – 8 a Planta – 08036
Barcelona (Spain)

Directorships and other positions held at 31 December 2010

In France:

- Permanent representative of Reig Capital Group Luxembourg SARL on the Board of Directors of Société Foncière Lyonnaise

Outside France*:

- Chief Executive Officer of Reig Capital Management (Spain)

Other directorships and positions held in the past five years

- Chief Executive Officer of Reig Capital Hotels & Real Estate Division (Spain)
- Chief Executive Officer of Medgroup Hospitality (Spain)

1.1.2 Role of the Board of Directors

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

In addition, the Annual General Meeting of 15 June 2009 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 €100 million.

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, 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. The aggregate par value of ordinary shares that may be issued under this authorisation may not exceed €100 million.

- 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. The aggregate par value of ordinary shares issued under this authorisation may not exceed 10% of the Company's share capital.

- 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 also capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums.

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 (38-month authorisation).

- 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 (38-month authorisation).

The Annual General Meetings of 15 June 2009 and 19 April 2010 also granted an 18-month authorisation to the Board of Directors to issue up to €200 million worth of bonds with redeemable equity warrants (OBSAARs) entailing the waiver of shareholders' preemptive 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. They also authorised 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.

The Board will propose that shareholders renew these authorisations at the Annual General Meeting on 9 May 2011.

Authorisations concerning treasury shares are described on page 97 of the Management Report.

1.1.3. Role and practices of the Board of Directors

BOARD MEETINGS

The Board of Directors met nine times in 2010, with an average attendance rate of 97%.

At least five days before each regularly scheduled meeting, the directors are given a file on the agenda items that warrant prior analysis and consideration. Where applicable, the file includes the recommendations of the Committees of the Board.

The issues covered during the 2010 meetings were as follows:

Agenda of the 12 February 2010 meeting

1. Update on ownership structure.
2. Review and approval of the 2009 financial statements, the Audit Committee's report and the Auditors' report (business review, review of current restructuring operations, current and planned acquisitions, and leasing activity).
3. Preparation of the Annual General Meeting (recommended dividend, review of the draft management report and notice of meeting).
4. Decision placing on record the capital increase resulting from the exercise of stock options.
5. Other business (report of the Remuneration and Selection Committee, renewal of the authorisation to guarantee the commitments of Locaparis, resignation/appointment of a director).

Agenda of the 25 February 2010 meeting

1. Information about the Colonial financial restructuring plan.
2. Preparation of the Annual General Meeting (notice of meeting/agenda, approval of the proposed resolutions).

Agenda of the meeting of 14 April 2010

1. Decision by Yves Mansion to stand down as Chairman and Chief Executive Officer, decision concerning his termination benefit and stock options.

Agenda of the meeting of 19 April 2010

1. Business review (first-quarter revenue, 92 Champs-Élysées, Quai Le Gallo)
2. Proposed bond issue
3. 2010 forecast.

Agenda of the meeting of 11 June 2010

1. Appointment of Juan José Brugera Clavero as Chief Executive Officer, confirmation of Nicolas Reynaud as Managing Director (Chairman appointed to fill vacant CEO position, determination of the Chairman and CEO's remuneration).
2. Resignations/appointments of directors, membership of the Board Committees.
3. Bond issue.
4. Other business (247 Saint-Honoré property).

Agenda of the meeting of 22 July 2010

1. Review of the 2010 interim financial statements and first-half business performance, property appraisals, NAV, Audit Committee report and Auditors' review report (first-half key figures, revenue and results).
2. Revised 2010 budget.
3. Bond issue.
4. Property management strategy.
5. Planned acquisition.

Agenda of the meeting of 5 October 2010

1. Appointment of Bertrand Julien-Laferrière as Chief Executive Officer (confirmation of Nicolas Reynaud as Managing Director).
2. Planned investment in SIIC de Paris.
3. Third-quarter business review (Washington Plaza, 103 Grenelle, 92 Champs-Élysées, Les Miroirs).
4. Update on Quai Le Gallo project.
5. Disposal of 12 Capucines (Old England building).
6. Update on bond issue, refinancing.
7. Other business (winding up of SCI 5 de Vigny and SNC Fly Tolbiac).

Agenda of the meeting of 18 November 2010

1. Approval of the SIIC de Paris transaction (terms and conditions of the asset contribution and approval of the project, authorisation for the Chief Executive Officer to sign the agreement covering the contribution of assets by SFL to SIIC de Paris and the shareholders' pact between Realia Patrimonio and SFL).
2. Refinancing.
3. 2010 forecast, 2011 budget and 2012-2015 business plan.

Agenda of the meeting of 14 December 2010

1. 2010 forecast, 2011 budget and 2012-2015 business plan.
2. Interim dividend.

1.1.4 Restrictions on the powers of the Chief Executive Officer and the Managing Director decided by the Board

Yves Mansion

Chairman and Chief Executive Officer until 14 April 2010

Juan José Brugera

Chairman and Chief Executive Officer from 11 June to 5 October 2010

Bertrand Julien-Laferrière

Chief Executive Officer since 5 October 2010

Nicolas Reynaud

Managing Director

Chief Financial Officer and Secretary to the Board

The Chief Executive Officer and the Managing Director represent the Company in its dealings with third parties. In accordance with the law, they have the broadest powers to act in any and all circumstances in the Company's name within the limits of its corporate purpose, except for those powers expressly attributed by law to the shareholders and the Board of Directors. The Board of Directors' authorization must, however, be obtained prior to any and all acquisitions, disposals or financial commitments in excess of €20 million.

MEASURES TAKEN BY THE BOARD OF DIRECTORS TO ASSESS ITS PERFORMANCE

The Board of Directors has strengthened the position of its independent directors by creating a Committee of Independent Directors, whose expert, objective oversight will help to improve the quality of the Board's work.

ADOPTION OF THE SIIC CODE OF CONDUCT

Responding to concerns raised by French securities regulator (AMF) about certain SIICs that are primarily run by outside managers in exchange for significant fees, the French industry federation, FSIF, stated that this was the standard operating procedure for REITs all over the world. However, at the AMF's request, FSIF prepared a code of conduct to ensure the transparency of information about fees paid by SIICs to related parties and external service providers.

The FSIF Board of Directors 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.

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 at www.fonciere-lyonnaise.com.

The rules describe the Board's duties and practices, as well as the rights and obligations of individual directors. They reflect the main corporate governance recommendations of French securities regulator AMF, the provisions of the December 2008 AFEP-MEDEF corporate governance code (revised April 2010) and the guidelines issued by the Institut Français des Administrateurs and the Association Nationale des Sociétés par Actions.

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. The Directors' Charter requires directors to disclose any conflicts of interest to the Board and to abstain from voting on related topics.

OTHER INFORMATION

The main terms and conditions of shareholder agreements are described on pages 56 to 59 of the Management Report

RELATED-PARTY AGREEMENTS

The Auditors' report on related-party agreements is on page 196.

1.2 Committees of the Board

The purpose of these Committees, whose members may or may not be directors, is to improve the Board's efficiency and generally enhance the Company's corporate governance.

The decision to create a committee is made by the Board. Each committee generally has three or four members who are appointed by the Board. They are selected for their skill and experience and are not necessarily directors or shareholders of the Company.

The committees only examine issues submitted to them by the Board of Directors or the Chairman, in the areas falling within their terms of reference as decided by the Board. They act exclusively in a consultative capacity; under no circumstances may they interfere in the management of the Company or act in any way that would indirectly reduce the powers of the Chief Executive Officer or the Managing Director(s). The committees report to the Board of Directors.

Their members are appointed for the duration of their term as director (where applicable), or for a shorter period.

They may be removed by the Board or stand down at any time, without any reason having to be given.

The members of the committees have the same obligations of allegiance and confidentiality as the directors.

In line with its commitment to transparency and to ensuring equitable treatment of all shareholders, particularly individual shareholders, at the end of 1995 SFL set up several committees whose purpose is to involve the Board more deeply in defining and overseeing strategies related to the Company's financial and operating performance.

The Committees report to the Board on their work after each of their meetings.

Audit Committee (two meetings in 2010, on 12 February and 22 July, attendance rate 90%)

Members of the Audit Committee in 2010:

Chairman: Carlos Fernandez-Lerga Garralda

Members: Jean Arvis

Jacques Calvet

Yves Defline (non-voting director from 12 February 2010)

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.

The Company refers to the report of the Poupart-Lafarge work group on audit committees dated 22 July 2010.

The main recommendations of this report that the Company does not apply are as follows:

"Information: the Audit Committee must be able to make inquiries of:

- Company employees, without accounting and finance managers and members of senior management being present.

- The external auditors, at least once a year without any members of the company being present.

Reports: a written report on the work of the Committee must be included in the minutes of the Board meeting at which the report is presented.

Assessment: companies are encouraged to perform an assessment of the Committee's practices each year at the same time as the Board's practices are assessed."

Remuneration and Selection Committee (five meetings in 2010, on 12 February, 14 April, 11 June, 22 July and 5 October, attendance rate 100%)

Members of the Remuneration and Selection Committee in 2010:

Chairman: Juan José Brugera Clavero (until 11 June 2010)

Pere Viñolas Serra (from 11 June 2010)

Members: Jean Arvis

Juan José Brugera Clavero (from 11 June 2010)

Yves Mansion (until 14 April 2010, except for decisions concerning him)

Anthony Wyand

Role:

- To make recommendations to the Board concerning the remuneration of the Chairman, the Chief Executive Officer and the Managing Director, directors' fees, stock option plans and specific incentive bonus plans.
- To make recommendations to the Board concerning candidates for election to the Board and 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 (three meetings in 2010, on 8 July, 20 September and 13 December, attendance rate 93%)

Members of the Executive and Strategy Committee in 2010:

Chairman: Juan José Brugera Clavero

Members: Jean-Jacques Duchamp
Carmina Gañet Cirera
Aref Lahham (from 11 June 2010)
Yves Mansion (until 14 April 2010)
Pere Viñolas Serra
Francisco José Zamorano Gomez
(until 11 June 2010)

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 fulfill 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 report to the Board on the fulfilment of its responsibilities.

Committee of Independent Directors

Discussions about the changes in SFL's ownership led the Board, on 14 February 2008, to create a Committee of Independent Directors. Its members are:

Members: Jean Arvis
Jacques Calvet
Yves Defline (non-voting director from
12 February 2010)
Anthony Wyand

The Committee meets separately from the full Board. Its role is to make recommendations to the Board concerning any proposed

transactions related to a possible reorganisation of the Company's ownership structure. It did not hold any meetings in 2010.

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. They 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 recorded in the shareholder's account 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 registered in their name as of the record date.

These formalities must be completed no later than midnight CEST on the fourth day preceding the date of the 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, if it thinks fit, require that they be shown prior to admittance.

II - Any shareholder may, on the basis prescribed in the applicable laws and regulations, vote remotely 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 remote 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 defined 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 with double voting rights.

For General Meetings of listed companies held on or after 1 January 2011, shareholders may now give proxy to any person of their choice (government order of 9 December 2010 incorporated in the French Commercial Code in Articles L.225-106, I para. 2 et seq.) (see 18th extraordinary resolution: amendment of Article 25 of the Articles of Association).

2. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES (2010 FINANCIAL YEAR)

This report describes the procedures set up by the Company to prevent and control risks arising in the course of its business, in line with the Chairman's legal obligation to report to shareholders on the measures taken to guarantee (i) the reliability of accounting and financial information, (ii) compliance with all applicable laws and regulations and (iii) the security of reporting or management processes.

The Company applies all the recommendations and key processes contained in the AMF's reference framework for risk management and internal control dated 22 July 2010, and follows the guidance issued by French business organisations (MEDEF, AFEP and ANSA) and accounting authorities (CNCC).

The pillars of the internal control system are:

- A standard set of procedures.
- Accountable operations, finance and audit teams.
- Team-work in decision-making processes
- Segregation of duties between the authorisation of expenditure and the related payments.

This report contains:

- A general presentation of the internal control system, the people and structures responsible for its implementation, and the process for preparing financial and accounting information for shareholders.
- A presentation of internal control procedures, with details of their scope of application and the risks covered, including the specific risks inherent in the Company's business, and the Chairman's assessment of their appropriateness and effectiveness.
- A description of the procedures carried out to prepare this report.

I. GENERAL PRESENTATION OF INTERNAL CONTROL

Managers have front-line responsibility for identifying risks and implementing appropriate control measures.

Senior management ensures that the necessary organisation is in place to permit effective control and oversees managers' activities in this area with support from the Internal Auditor. Senior management reports to the Audit Committee on the supervision of internal control.

a) Overall organisation

Internal control procedures over business processes are communicated to all employees concerned and updated to reflect process changes.

The Company 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.

To limit the risks of fraud, payables accounting and payment functions are strictly segregated. The Treasury Department is independent from the Accounting 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 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. Detailed 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.

The SFL Group is fully consolidated in the accounts of its main shareholder, Colonial, 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 external partners, who also have recurring and increasingly extensive reporting needs. These reports are submitted to the Boards of the companies that are the partners in these joint ventures, representing a valuable opportunity to share expertise and best practices.

b) Signing authority

Signing authority is granted only for payments, with dual signatures required in all cases. A strict segregation of duties is maintained between the authorisation of expenditure and the related payments.

The list of authorised signatories is checked periodically and updated to take account of organisational changes.

c) Information systems governance

The information system was upgraded in 2004 based on the Group's IT masterplan. The current system covers all business processes.

The Information Systems Department is responsible for issuing systems security standards covering:

- System 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, which provides 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.

Operation of mission-critical property management applications 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 activity reports comprising indicators to monitor the quality of information systems administration services.

The Information Systems Department, which is responsible for coordinating security procedures and data processes, supports the external auditors in their analysis of information systems risks and their audit of control processes and transaction traceability.

The auditors' recommendations concerning the issue of written control procedures, notably for the recently installed accounting applications, are in the process of being implemented.

d) Internal code of ethics

All Group employees are required to comply with the SFL Code of Ethics, whose guidelines are to be especially applied in dealings with third parties. All staff members have also been specifically notified of the rules concerning insider trading and the use of inside information.

II. INTERNAL CONTROL PROCEDURES

a) Procedures for identifying and managing business-specific risks

Existence and valuation controls over the properties that constitute the bulk of the Group's assets are performed by independent valuers during their quarterly portfolio valuations.

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

To this end, a member of the accounting team 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 develops risk maps for all major property remodelling and renovation projects planned by the Group. The map lists and measures 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 process.

Procedures are performed at several levels to ensure that internal control objectives of completeness and valuation are met for liabilities:

- Tenant risks are reviewed regularly by the property specialists in the Legal Department and second-tier controls are performed by an accounting manager on a centralised basis.
- The risk of legal disputes with the Company's partners is closely monitored by the profit centres, with guidance from the property specialists in the Legal Department.
- The Treasury Department participates actively in collecting information about off-balance sheet commitments related to hedging and debt instruments, as well as commitments to suppliers, and ensuring that the information is complete.

b) Identifiable risks

The Company's main identifiable risks are associated with:

- 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
- Fraud

The risks specific to the Company and the industry are described in detail on pages 30 to 40.

c) Insurance

The Company's insurance 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.

d) Controls over the quality of accounting and financial information

As a listed company, SFL has to take a more rigorous, highly disciplined approach to preparing financial information.

With a very high capital-per-employee ratio, SFL uses the services of external experts to stay 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.

SFL participates 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.

- Book-keeping procedures

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.

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.

- Procedure for the preparation of the consolidated financial statements

To comply with the reporting procedures of Colonial, the Company's majority shareholder, 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 defined 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.

- Budget and business plan procedures

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.

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.

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

e) Controls over liquidity risks

SFL's liquidity management policy consists of maintaining long maturities of debt, in order to be in a position to efficiently roll over

or replace borrowings without having to contend with market distortions which, while rare, nevertheless exist.

f) 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.

g) 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.

h) 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 prepared 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.

i) Purchases and competing bids

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

III. PROCEDURES FOR PREPARING THE REPORT

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 was made up of representatives from the Company's various departments, drew up recommendations that were 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 showed that current procedures are effective. The results suggested that risk management could be further improved by tightening independent controls to ensure that the procedures are correctly implemented.

On direct orders from senior management, the Internal Auditor conducts spot audits to control the work being performed in a specific area or to address an identified issue.

Lastly, since the European Union audit directive was transposed into French law on 8 December 2008, the risk management and internal control roles and responsibilities of the Audit Committee have been broadened. The Company's Audit Committee has stepped up its commitment accordingly, with at least two additional working group meetings scheduled for 2010.

The Company's system of internal control is designed 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.

Chairman of the Board of Directors

Appendix 7.6

Agenda of the Annual General Meeting of 9 May 2011

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 Company financial statements for the year ended 31 December 2010.
- Auditors' report on the consolidated financial statements for the year ended 31 December 2010.
- Auditors' special report on agreements governed by Articles L.225-38 et seq. of the French Commercial Code.
- Auditors' special report on commitments governed by Article L.225-42-1 of the French Commercial Code.
- Approval of the Company financial statements for the year ended 31 December 2010.
- Transfer from the share premium account.
- Appropriation of profit.
- Approval of the consolidated financial statements for the year ended 31 December 2010.
- Ratification of the appointment as director of Anna-Marie Chalambert
- Ratification of the appointment as a director of Bertrand Letamendia.
- Ratification of the appointment as a director of Luis Maluquer Trepas.
- Ratification of the appointment as a director of Carlos Losada Marrodan.
- Re-election as a director of Anne-Marie de Chalambert.
- Re-election as a director of Carmina Gañet Cirera.
- Re-election as a director of Bertrand Letamendia.
- Re-election as director of Luis Maluquer Trepas.
- Re-election as a director of Jean Arvis.
- Re-election as a director of Jacques Calvet.
- Re-appointment of a Statutory Auditor
- Re-appointment of a substitute Statutory Auditor.
- 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 reports.
- 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, through a public offer.
- 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, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code.
- 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 grant stock options to employees and officers.
- Authorisation given to the Board of Directors to make share grants to eligible employees and officers.
- Authorisation given to the Board of Directors to carry out a restricted issue of bonds with redeemable equity warrants (OBSAARs), without pre-emptive subscription rights.
- Determination of the categories of beneficiaries of rights to redeemable equity warrants stripped from OBSAARs.
- Authorisation given to the Board of Directors to reduce the capital by cancelling treasury shares.
- Amendments to the Articles of Association.
- Works Council opinion.
- Powers to carry out formalities.

Annual General Meeting of 9 May 2011

Ordinary resolutions

First ordinary resolution

(Approval of the Company financial statements for the year ended 31 December 2010)

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 Company financial statements for the year ended 31 December 2010, showing net profit of €97,098,358.17, together with the transactions reflected in these financial statements or described in these reports.

Second ordinary resolution

(Transfer from the share premium account)

The Annual General Meeting:

- Notes that the balance of the share premium account at 31 December 2010 amounts to €1,116,330,432.98 following the issue of:

- 23,298 new shares on exercise of the same number of stock options.

- Resolves, based on the recommendation of the Board of Directors, to transfer €4,659.60 from the share premium account to the legal reserve, to raise this reserve to one tenth of the new capital.

- Notes that the balance of the share premium account after this deduction will amount to €1,116,325,773.38.

Third ordinary resolution

(Appropriation of profit)

The Annual General Meeting:

- Notes that net profit for the year, after tax and provision charges, amounts to €97,098,358.17.

- Notes that profit available for distribution, including retained earnings brought forward from the prior year, is as follows:

Net profit for the year ended 31 December 2010	€97,098,358.17
<hr/>	
Retained earnings brought forward from the prior year	€993,797.70
<hr/>	
Profit available for distribution	€98,092,155.87
<hr/>	

- Resolves, based on the recommendation of the Board of Directors, to:

- Pay a total dividend of €97,710,845.40 representing a dividend per share of €2.10. After deducting the interim dividend of €0.70 paid on 23 December 2010, the final dividend will amount to €1.40 per share.

- Appropriate the balance of €381,310.47 to retained earnings.

The Annual General Meeting authorises the Board of Directors to withdraw the amounts necessary to pay the above dividend 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 16 May 2011.

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.

Individual shareholders resident in France for tax purposes will be eligible for the 40% tax relief on the dividend provided for in Article 158-3-2 of the French Tax Code, unless they have elected to pay the 19% flat-rate dividend withholding tax under Article 117 quater of the Code.

Shareholders eligible for the 40% tax relief or who elect to have tax withheld at the 19% rate will be liable for prélèvements sociaux and contributions additionnelles withholding taxes at the aggregate rate of 12.3%.

Dividends paid to non-resident shareholders will be subject to 19% withholding tax in application of Article 119 bis of the French Tax Code. However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries who choose to

receive their dividend in cash will be required to provide a certificate of residence to benefit from the treaty rate.

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from French corporate income tax or an equiv-

alent foreign tax, the Company must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by "SIIC" activities. To avoid the 20% tax, the non-resident shareholder must provide a certificate stating that the dividends paid out of profits generated by the "SIIC" activities will be taxed at a rate of more than 11.11%.

In accordance with Article 243 bis of the French Tax Code, information on dividends paid in the last three years is provided below:

Year	Dividend per share	Interim dividend	Final dividend
2007	€3.20*	€1.10*	€2.10*
2008	€1.90*	-	-
2009	€2.10*	-	-

* Individual shareholders who are liable for French personal income tax are entitled to 40% tax relief on their total dividends (Article 158-3-2 of the French Tax Code). Other shareholders are not eligible for this tax relief. In addition, no tax relief is available for dividends qualified as repayments of capital contributions or share premiums (Article 112-1 of the French Tax Code).

Fourth ordinary resolution

(Approval of the consolidated financial statements for the year ended 31 December 2010)

The Annual General Meeting, having considered the Board of Directors' management report and the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2010 as well as the transactions reflected in these accounts and described in the Board of Directors' management report.

Fifth 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.

Sixth ordinary resolution

(Commitments given to Bertrand Julien-Laferrière governed by Article L.225-42-1 of the Commercial Code)

The Annual General Meeting, having considered the Auditors' special report on commitments governed by Articles L.225-38 and L.225-42-1 of the French Commercial Code, notes the infor-

mation contained in the report and approves the commitments towards Bertrand Julien-Laferrière referred to therein.

Seventh ordinary resolution

(Ratification of the appointment as a director of Anne-Marie de Chalambert)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 11 June 2010 to appoint:

Anne-Marie de Chalambert (101 avenue Henri Martin, 75016 Paris, France) as a director to replace Manuel Fernando Menendez Lopez who has stood down from the Board.

Consequently:

Anne-Marie de Chalambert will serve as a director for the remainder of her 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 2010.

Eighth ordinary resolution

(Ratification of the appointment as a director of Bertrand Letamendia)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 11 June 2010 to appoint:

Bertrand Letamendia (30 rue de la Ferme, 92200 Neuilly-sur-Seine, France) as a director to replace José Maria Sagardoy Llonis, who has stood down.

Consequently:

Bertrand Letamendia 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 2010.

Ninth ordinary resolution

(Ratification of the appointment as a director of Luis Maluquer Trepàt)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 11 June 2010 to appoint:

Luis Maluquer Trepàt (Rambla de Catalunya 123, 6°, Barcelona, Spain) as a director to replace Julián Zamora Saíz, who has stood down.

Consequently:

Luis Maluquer Trepàt 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 2010.

Tenth ordinary resolution

(Ratification of the appointment as a director of Carlos Losada Marrodan)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 11 June 2010 to appoint:

Carlos Losada Marrodan (Els Vergos, 30, 6° 2°, Barcelona, Spain) as a director to replace Francisco José Zamorano Gomez, who has stood down.

Consequently:

Carlos Losada Marrodan 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 2011.

Eleventh ordinary resolution

(Re-election as a director of Anne-Marie de Chalambert)

The Annual General Meeting, having noted that Anne-Marie de Chalambert's term of office as a director expires at the close of the Meeting, resolves to re-elect her 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 2013.

Twelfth ordinary resolution

(Re-election as a director of Carmina Gañet Cirera)

The Annual General Meeting, having noted that Carmina Gañet Cirera's term of office as a director expires at the close of the Meeting, resolves to re-elect her 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 2013.

Thirteenth ordinary resolution

(Re-election as a director of Bertrand Letamendia)

The Annual General Meeting, having noted that Bertrand Letamendia's term of office as a director expires at the close of the 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 2013.

Fourteenth ordinary resolution

(Re-election as a director of Luis Maluquer Trepàt)

The Annual General Meeting, having noted that Luis Maluquer Trepàt's term of office as a director expires at the close of the 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 2013.

Fifteenth ordinary resolution

(Re-election as a director of Jean Arvis)

The Annual General Meeting, having noted that Jean Arvis's term of office as a director expires at the close of this 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 2011.

Sixteenth ordinary resolution

(Re-election as a director of Jacques Calvet)

The Annual General Meeting, having noted that Jacques Calvet's term of office as a director expires at the close of this 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 2011.

Seventeenth ordinary resolution

(Re-appointment of a Statutory Auditor)

The Annual General Meeting, having noted that the term of Deloitte & Associés as Statutory Auditor expires at the close of the Meeting, resolves to re-appoint Deloitte & Associés as Statutory Auditor for a six-year term, expiring at the close of the Annual General Meeting to be held to approve the 2016 financial statements.

The Annual General Meeting acknowledges that it has been informed that Deloitte & Associés has not participated in any capital contribution or merger involving the Company or its subsidiaries in either of the last two years.

Eighteenth ordinary resolution

(Re-appointment of a substitute Statutory Auditor)

The Annual General Meeting, having noted that the term of BEAS as substitute Statutory Auditor expires at the close of the Meeting, resolves to re-appoint BEAS as substitute Statutory Auditor for a six-year term, expiring at the close of the Annual General Meeting to be held to approve the 2016 financial statements.

The Annual General Meeting acknowledges that it has been informed that BEAS has not participated in any capital contribution or merger involving the Company or its subsidiaries in either of the last two years.

Nineteenth 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, resolves, in accordance with Article L.225-209, paragraph 2, of the French Commercial Code:

- To cancel with immediate effect the unused portion of the authorisation given in the seventeenth ordinary resolution of the General Meeting of 19 April 2010 to buy back the Company's shares.

- To 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 €232,644,870 based on the number of shares outstanding at 31 December 2010. 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 in an extraordinary resolution of the Annual Meeting.

- 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 shall 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 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.

Twentieth 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, L.228-92 and L.228-93 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 15 June 2009.

- 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, third, sixth and seventh 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 ninth 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, or repayable in instalments. They 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 terms and conditions under which this pre-emptive right may be exercised will be set by the Board of Directors in accordance with the applicable laws. 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 provided for in Article L.225-134 of the French Commercial Code, 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 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, through a public offer)

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, L.228-92 and L.228-93 of the French Commercial Code, to:

- Cancel, with immediate effect, the unused portion of the authorisation given in the second extraordinary resolution of the General Meeting of 15 June 2009.
- 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 immediate and/or deferred rights to preference shares.

The Extraordinary General Meeting resolves that this authorisation may be used to carry out public offers of ordinary shares and/or securities with immediate and/or deferred rights to ordinary shares.

Any such public offers decided pursuant to this resolution may be linked – in a single issue or several simultaneous issues – to any offers governed by Article L.411-2-II of the French Monetary and Financial Code that may be decided pursuant to the third extraordinary resolution of this Meeting.

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 in respect of adjustments made 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, third, sixth and seventh 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 ninth 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 non-transferable priority right to subscribe for the ordinary shares or securities with rights to ordinary shares, exercisable pro rata to their existing shareholdings. In addition, shareholders may be given a non-transferable 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 terms and conditions under which these priority rights may be exercised will be set by the Board of Directors in accordance with the applicable laws. Ordinary shares and securities with rights to ordinary shares not taken up by shareholders exercising their priority right will be placed on the market in France and/or abroad and/or on the international market.

If the issue is not taken up in full by shareholders and the public, the Board of Directors may (i) limit the amount of the issue, or (ii) freely allocate all or some of the unsubscribed shares or securities with rights to shares. 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 to issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code)

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 Article L.411-2-II of the French Monetary and Financial Code, to:

- 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 immediate and/or deferred rights to preference shares.

The number of shares issued in any 12-month period shall not represent more than 20% of the Company's issued capital. The Board of Directors shall check that said 20% limit has not been reached during the 12 months preceding a planned issue, taking into account changes in the Company's issued capital affecting the denominator.

Any offers governed by Article L.411-2-II of the French Monetary and Financial Code that are decided pursuant to this resolution may be linked – in a single issue or several simultaneous issues – to any public offers that may be decided pursuant to the second resolution of this Meeting.

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 in respect of adjustments made 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, second, sixth and seventh 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 ninth 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 non-transferable priority right to subscribe for the ordinary shares or securities with rights to ordinary shares, exercisable pro rata to their existing shareholdings. In addition, shareholders may be given a non-transferable 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 terms and conditions under which these priority rights may be exercised will be set by the Board of Directors in accordance with the applicable laws.

If the issue is not taken up in full by shareholders and the public, the Board of Directors may (i) limit the amount of the issue, (ii) place the shares or securities with rights to shares on the market in France and/or abroad and/or on the international market, or (iii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

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. 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.

Fourth 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 15 June 2009.
- Give the Board of Directors a 26-month authorisation from the date of this Meeting, for each issue decided pursuant to the second and third extraordinary resolutions, 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 offer 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 and third extraordinary resolutions.

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, in the case of a share issue with or without pre-emptive subscription rights, to increase the number of shares 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 15 June 2009.
- 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, second and third extraordinary resolutions, to increase the number of securities offered for subscription, on the basis allowed under the above 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.

Sixth 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 15 June 2009.

- 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 and third extraordinary resolutions. 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.
- Set the terms and conditions of issue and the characteristics of securities issued under this authorisation.
- 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.
- Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations.

- 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.

Seventh 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)

The Extraordinary General Meeting, having considered the Board of Directors’ report and the Auditors’ special report, 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 15 June 2009.

- 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-emp-

tive 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.

Eighth extraordinary resolution

(Blanket ceiling on the authorisations)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, and having voted the first, second, third, fourth, fifth, sixth and seventh 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, sixth and seventh 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.

Ninth 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 15 June 2009.

- 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, undat-

ed 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 future or retrospective 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 other organisations, take any and all measures and carry out any and all formalities as required and do whatever else 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.

Tenth 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 under 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 15 June 2009.
- 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 separate from 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, sixth and seventh 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.

Eleventh 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 15 June 2009.
- 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 separate from 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, sixth and seventh extraordinary resolutions.

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 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 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 NYSE 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 French 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 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 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 ordinary shares 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 else 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.

Twelfth extraordinary resolution

(Authorisation given to the Board of Directors to grant stock options to employees and officers)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves to:

• Cancel, with immediate effect, the unused portion of the authorisation given in the first extraordinary resolution of the General Meeting of 23 May 2008.

• Give full powers to the Board of Directors, in accordance with Articles L.225-177 et seq. of the French Commercial Code, to grant stock options on one or several occasions on the basis set out below.

The options may be granted to employees or officers (within the meaning of Article L.225-185, paragraph 4, of the French Commercial Code) of the Company or of related companies or entities within the meaning of Article L.225-180 of the French Commercial Code. The grants may be made to all such employees and officers or to selected employees and/or officers.

This authorisation is given for a period of 38 months from the date of this Meeting.

Each option shall be exercisable for one new or existing ordinary share. The total number of options granted under this authorisation may not be exercisable for a number of shares representing more than 3% of the Company's issued capital at the date of this Meeting, based on the number of shares per option at the grant date.

If the authorisation is used to grant options exercisable for existing shares, these shares will be purchased by the Company either pursuant to Article L.225-208 of the French Commercial Code or under the share buyback programme to be authorised in the nineteenth ordinary resolution of this Meeting pursuant to Article L.225-209 of the Code or any past or future buyback programme.

The exercise price of stock options granted under this authorisation shall be set by the Board of Directors on the following basis:

- The option exercise price shall represent at least 95% of the average of the prices quoted for SFL shares on NYSE Euronext Paris over the 20 trading days immediately preceding the option grant date. No options may be granted in the 20 trading days that follow the dividend payment date or any capital increase.

- In addition, if the authorisation is used to grant options on existing shares, the option exercise price shall not represent less than 80% of the average price paid for the shares held by the Company under Article L.225-208 of the French Commercial Code or under the share buyback programme to be authorised in the nineteenth ordinary resolution of this Meeting pursuant to Article L.225-209 of the Code or any past or future buyback programme.

The exercise price may not be adjusted during the life of the options, except in the case of any financial transactions or corporate actions for which the Company is required by law to take the necessary measures to protect option holders' interests. In any such case, the Board of Directors shall implement the necessary measures to take into account the effect of the corporate action(s), in accordance with the applicable regulations. In particular, option exercise rights may be suspended temporarily following a corporate action that gives rise to an adjustment in accordance with Article 225-181 paragraph 2 of the French Commercial Code or any other financial transaction where the Board considers such a suspension to be appropriate.

Stock options granted under this authorisation must be exercised within ten years of the grant date.

The Extraordinary General Meeting notes and resolves that this authorisation automatically entails the waiver by existing shareholders of their pre-emptive right to subscribe for any shares issued on exercise of the options.

The Extraordinary General Meeting gives full powers to the Board of Directors - which may be assisted by a committee made up of persons of its choice - within the limits specified above, to:

- Decide the dates of the option grants, on the basis and subject to the restrictions specified by law.

- Draw up the list of grantees and set the number of options to be granted to each grantee; decide the terms of grant and exercise of the options; specify the conditions governing the exercise of the options and, in particular, decide to limit, restrict or prohibit (a) the exercise of the options, or (b) the sale of the ordinary shares received on exercise of the options, during certain periods or following certain events, with said decision applying to (i) all or some of the options and (ii) all or some of the grantees.

- In the cases provided for by law, take the necessary measures to protect the interests of option holders on the basis provided for in Article L.228-99 of the French Commercial Code.

- Generally, directly or through a representative appointed as provided for by law, enter into any and all agreements, draw up any and all documents, place on record the capital increases resulting from the exercise of options, amend the Articles of Association to reflect the new capital, carry out any and all reporting and other formalities with any and all organisations and do whatever else is necessary.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution.

Thirteenth extraordinary resolution

(Authorisation given to the Board of Directors to make share grants to eligible employees and officers)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves to:

- Cancel, with immediate effect, the unused portion of the authorisation given in the second extraordinary resolution of the General Meeting of 23 May 2008.

- Authorise the Board of Directors to make grants of existing or newly-issued ordinary shares of the Company in accordance with Articles L.225-197-1 et seq., on the basis specified below.

The grants may be made to employees or officers (within the meaning of Article L.225-197-1 II paragraph 1 of the French Commercial Code) or to certain categories of employees or officers of the Company or of related companies or entities within the meaning of Article L.225-197-2 of the French Commercial Code.

This authorisation is given for a period of 38 months from the date of this Meeting.

The total number of ordinary shares granted under this authorisation may not represent more than 1% of the Company's issued capital at the date of this Meeting.

The Board of Directors shall set the vesting period applicable to each grant, which shall not be less than two years as from the grant date.

The Board of Directors shall also set the lock-up period applicable to each grant, which shall not be less than two years as from the vesting date.

However, the shares may vest immediately in the event that a grantee becomes disabled, within the definition set down in the second or third categories under Article L.341-4 of the French Social Security Code. In the event of death of a grantee, his or her heirs may apply for the shares to be allocated to them within six months of the date of death. Any shares that vest immediately in the event of a grantee's disability or that are transferred to a deceased grantee's heirs shall become freely transferable with immediate effect.

If the authorisation is used to grant existing shares, these shares shall be purchased by the Company either pursuant to Article L.225-208 of the French Commercial Code or under the share buyback programme authorised in the nineteenth ordinary resolution of this Meeting pursuant to Article L.225-209 of the French Commercial Code or any past or future buyback programme.

The Extraordinary General Meeting notes and resolves that this authorisation automatically entails the waiver by existing shareholders of their pre-emptive right to subscribe for the ordinary shares to be issued in respect of the grants. It also resolves that if this authorisation results in a capital increase at the end of the vesting period, to be paid up by capitalising retained earnings, profits or the share premium, shareholders shall automatically waive their right to the capitalised portion of retained earnings, profits or the share premium.

The Extraordinary General Meeting gives full powers to the Board of Directors - which may be assisted by a committee made up of persons of its choice - within the limits specified above, to:

- Set the terms of the ordinary share grants and the allocation criteria, if any.
- Decide the dates of the share grants, on the basis and subject to the restrictions prescribed by law.

- Draw up the list of grantees, the number of ordinary shares to be granted to each grantee, and the terms and conditions of grant.

- Decide the terms and conditions governing adjustments to the number of ordinary shares granted.

- Generally, directly or through a representative appointed as provided for by law, enter into any and all agreements, draw up any and all documents, place on record the capital increases resulting from the share grants, amend the Articles of Association to reflect the new capital, carry out any and all reporting and other formalities with any and all organisations and do whatever else is necessary.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution.

Fourteenth extraordinary resolution

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

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, 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 first extraordinary resolution of the General Meeting of 19 April 2010.
2. To authorise the Board of Directors – directly or through a representative appointed as provided for in Article L.225-129-4 of the French Commercial Code – to issue bonds with redeemable equity warrants (OBSAARs) 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, third, sixth and seventh extraordinary resolutions of this Meeting.
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 eighth extraordinary resolution of this Meeting.

5. In accordance with Article L.225-138 of the French Commercial Code, (i) to waive shareholders' pre-emptive rights to subscribe 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 of 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 fifteenth and/or sixteenth 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 redeemable 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 redeemable equity warrant may not be lower than the average of the prices quoted for SFL shares on NYSE Euronext Paris 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 5 above; and (ii) set the terms and conditions of the issues, including the number of securities to be offered to each underwriting bank, the exercise price of the redeemable equity warrants in accordance with paragraph 7 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 – directly or through a representative appointed 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.

Fifteenth extraordinary resolution

(Definition of a category of Beneficiaries of redeemable equity warrants detached from bonds with redeemable equity warrants issued by the Company)

The Extraordinary General Meeting, having considered the Board of Directors' report, resolves:

1. That equity warrants detached from the bonds with redeemable equity warrants issued under the fourteenth 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 officers who are 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. That this resolution is subject to the adoption of the fourteenth extraordinary resolution of this Meeting.

Sixteenth extraordinary resolution

(Definition of a category of Beneficiaries of redeemable equity warrants detached from bonds with redeemable equity warrants issued by the Company)

The Extraordinary General Meeting, having considered the Board of Directors' report, resolves:

1. That equity warrants detached from the bonds with redeemable equity warrants issued under the fourteenth 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 officers (mandataires sociaux) 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 when 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 said Article L.233-3 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. That this resolution is subject to the adoption of the fourteenth extraordinary resolution of this Meeting.

3. Shareholders who fall within the category of Beneficiaries defined in this resolution may not take part in the vote.

Seventeenth 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 – directly or through a representative appointed 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 18 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.

Eighteenth extraordinary resolution

(Amendments to the Articles of Association)

The Extraordinary General Meeting, having considered the Board of Directors' report, resolves to:

- Align the Articles of Association with Decree 2010-1619 of 23 December 2010 adopted in application of government order 2010-1511 of 9 December 2010 transposing into French law European directive 2007/36 on the exercise of certain rights of shareholders in listed companies.

- Make another amendment to the Articles of Association.

The Extraordinary General Meeting therefore resolves to amend the Articles of Association as follows:

ARTICLE 24

The Extraordinary General Meeting resolves to replace Article 24 with the following text:

“General Meetings are called in accordance with the applicable laws and regulations.

They 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.

The Board of Directors sends or makes available to shareholders the documents required to enable them to make informed decisions about whether to vote for resolutions and an informed judgement about the management of the Company's business.

Following communication of the above information, shareholders may submit written questions to the Board of Directors to be answered during the General Meeting. If several questions are submitted on the same subject, the Board may issue a single statement in reply to all the questions.

A written question is considered as having been answered when the reply is posted on the FAQs page of the Company's website.”

ARTICLE 25

The Extraordinary General Meeting resolves to replace the first paragraph of Article 25-II with the following text:

“II - Any shareholder may, on the basis stipulated in the applicable laws and regulations, vote remotely or give proxy to his or her spouse or civil partner or to another shareholder or to any other person or legal entity in order to be represented at General Meetings, by writing to the Company to request a distance voting/proxy form. Written requests for a proxy voting form must be received at the Company’s registered office at least six days before the Meeting.

If a shareholder gives proxy to a person other than his or her spouse or civil partner, the proxyholder must notify the shareholder of any situation that could give rise to a conflict of interest so that the shareholder can assess the risk of the proxyholder not voting in the shareholder’s best interests.

If any such situation arises, the proxyholder shall notify the shareholder without delay and the shareholder shall then be required to formally confirm the proxy. Failing that, the proxy will not be valid and the proxyholder must notify the Company.

Any individuals or entities other than a shareholder’s spouse or civil partner that actively solicit proxies (for example, a minority shareholder or an organisation set up to defend shareholders’ interests) by offering, directly or indirectly and by any method, to represent one or several shareholders, must disclose their voting policy. Said individuals or entities may also disclose their voting intentions with regard to the resolutions tabled at the Meeting. In this case, they will be required to vote in accordance with their stated intentions for all proxies received without any voting instructions.

If a proxyholder fails to comply with any of the above obligations, the represented shareholder may ask the commercial court in the jurisdiction where the Company has its registered office to ban the proxyholder from acting in this capacity at all General Meetings of the Company for a period of up to three years. The Company may file a similar application but only if the proxyholder has breached the rules governing the active solicitation of proxies.”

ARTICLE 28

The Extraordinary General Meeting resolves to replace Article 28 with the following text:

“The agenda of the General Meeting is decided by the person who calls the Meeting. One or more shareholders representing the percentage of the issued capital specified in the applicable laws and

regulations may ask for additional items or resolutions to be included on the agenda. The General Meeting may not vote on any issue that is not included on the agenda and if the Meeting is held on second call, the agenda may not be changed. However, the General Meeting can always remove one or more directors from the Board and replace them.”

ARTICLE 18

The Extraordinary General Meeting resolves to replace the second paragraph of Article 18 with the following text:

“The Chairman is required to retire from this position at the close of the Annual General Meeting called to approve the financial statements for the year of his 70th birthday. »

Nineteenth extraordinary resolution

(Power 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

Resolutions tabled at the Extraordinary General Meeting of 9 May 2011

We invite shareholders to vote the nineteen resolutions presented below, based on the quorum and majority voting rules applicable to extraordinary resolutions with the exception of the tenth resolution for which the quorum corresponds to one fifth of the shares making up the issued capital and a simple majority vote by the shareholders present and represented is required.

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. Shareholders are also asked to grant additional delegations of competence. These delegations are dealt with in separate resolutions, which are necessary due to legal exceptions to the principle of a blanket delegation.

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 offers 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.

I. Authorisation to issue ordinary shares and securities with rights to ordinary shares

In the first, second and third 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 accord-

ance with articles L.225-129-2, L.225-135, L.225-136, L.228-92 and L.228-93 of the French Commercial Code. The aggregate par value of ordinary shares issued under these authorisations will not exceed €100 million

The Board considers it appropriate to exclude from these authorisations:

- Preference share issues
- Issues of securities with immediate or future 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)

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 €2 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, third, sixth and seventh 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 ninth 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. In addition, the securities may 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 French 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 terms and conditions under which shareholders' pre-emptive subscription rights may be exercised pro rata to their existing shareholding will be set by the Board of Directors in accordance with the applicable laws. The Board may also give shareholders a pre-emptive right to subscribe 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 issue is not taken up in full by shareholders exercising their pre-emptive rights, the Board of Directors could take all or some of the following courses of action provided for in Article L.225-134 of the French Commercial Code, 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 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 through a public offer (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 a twenty-six month authorisation to issue ordinary shares or securities with rights to ordinary shares without pre-emptive subscription rights for existing shareholders. The resolution includes a cap on the amount of the issues which would be subject to the same conditions as for issues under the first extraordinary resolution and the specific conditions specified in points b) and e) below.

The ordinary shares or securities with rights to ordinary shares would be issued through public offers.

Any such public offers could be linked – in a single issue or several simultaneous issues – to private placements governed by paragraph II of Article 411-2 of the French Monetary and Financial Code that may be decided pursuant to the third extraordinary resolution of this Meeting.

The aggregate nominal value of debt securities issued under the second extraordinary resolution will be capped at €2 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 €2 billion ceiling represents the maximum aggregate authorised amount of issues of debt securities under the first, third, sixth and seventh extraordinary resolutions of this Meeting; however, any

issues of debt securities decided or authorised by the Board pursuant to the ninth extraordinary resolution, as provided for in Article L.228-40 of the French 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.

The issue price of 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 above amount, 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 French 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 fourth 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 the fourth extraordinary resolution (see paragraph I.4 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 prior-

ity 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 by shareholders and the public, the Board of Directors may (i) limit the amount of the issue, or (ii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

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 through a private placement (third 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 third extraordinary resolution, the Board is seeking a twenty-six month authorisation to issue ordinary shares or securities with rights to ordinary shares without pre-emptive subscription rights for existing shareholders. The resolution includes a cap on the amount of the issues which would be subject to the same conditions as for issues under the first extraordinary resolution and the specific conditions specified in points b) and e) below.

The share issues would be carried out through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code and would be limited to the equivalent of 20% of the issued capital per 12-month period. The Board of Directors will check that the 20% limit has not been reached during the 12 months preceding a planned issue, taking into account the changes in the Company's issued capital affecting the denominator.

Any such private placements could be linked – in a single issue or several simultaneous issues – to public offers that may be decided pursuant to the second extraordinary resolution of this Meeting.

The aggregate nominal value of debt securities issued under the third extraordinary resolution will be capped at €2 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 €2 billion ceiling represents the maximum aggregate authorised amount of issues of debt securities under the first, second, sixth and seventh extraordinary resolutions of this Meeting; however, any issues of debt securities decided or authorised by the Board pursuant to the ninth extraordinary resolution, as provided for in Article L.228-40 of the French 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 French 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 fourth extraordinary resolution of this Meeting, for ordinary share issues representing no more than 10% of the capital carried out in any 12-month period the Board may choose not to apply the legal pricing rules and to set the issue price by the method stipulated in the fourth extraordinary resolution (see paragraph I.4 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 by shareholders and the public, the Board of Directors may (i) limit the amount of the issue, (ii) place the shares or securities with rights to shares on the market in France and/or abroad and/or on the international market, or (iii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

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 third extraordinary resolution, on the same basis as for the first extraordinary resolution (see above).

I.4 Issues without pre-emptive subscription rights: determination of the issue price by the Board of Directors by the method decided by shareholders (fourth extraordinary resolution)

In accordance with the alternative rules introduced in Article L.225-136 of the French 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 offer or a private placement governed by Article 411-2-II of the French 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 12-month period under the authorisation given in the second and third extraordinary resolutions. 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 offers or private placements governed by Article L.411-2-II of the French 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 and third extraordinary resolutions.

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 fourth 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.5 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 (fifth extraordinary resolution)

In accordance with the new rules introduced in Article L.225-135-1 of the French Commercial Code, in the fifth extraordinary resolution the Board of Directors is seeking an authorisation to decide, for all issues carried out pursuant to the first, second and third 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, by permitting the exercise of a greenshoe option in the event that an offer is over-subscribed.

In accordance with Article R.225-118 of the French 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, second and third 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.6 Issues of securities carrying the right to debt securities (ninth extraordinary resolution)

The ninth extraordinary resolution concerns a 26-month delegation of competence to the Board to decide to issue securities with rights to debt securities, as provided for in Articles L.225-129-2 and L.228-92 of the French 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 €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.

I.7 Capital increase to be paid up by capitalising reserves, profits or share premiums (tenth extraordinary resolution)

The tenth extraordinary 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 French 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 separate from the ceilings set in the first seven 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 securities in connection with a public exchange offer made by the Company (sixth extraordinary resolution)

Article L.225-148 of the French 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 sixth 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.

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 and third extraordinary resolutions 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.

II-2 Issues in payment for shares or securities with rights to shares contributed to SFL (seventh extraordinary resolution)

In accordance with the rules introduced in Article L.225-147 of the French Commercial Code, the seventh 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 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 eighth extraordinary resolution, for issues carried out under the first seven extraordinary resolutions.

If the seventh 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 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 (eighth 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 seven extraordinary resolutions. 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 will be in addition to this ceiling.

II-4 Share issues to employees who are members of an SFL Sharesave Plan (eleventh 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 French Commercial Code (Articles L.225-129-6, L.225-138 I and II and L.225-138-1) and 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 seven 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 separate from the ceiling set in the tenth 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 NYSE 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 Stock option plans (twelfth extraordinary resolution)

The Board of Directors is seeking an authorisation to grant stock options to all or certain employees and officers of the Company and related companies. Each option will be exercisable for one ordinary share, to be issued or bought back on the market for this purpose.

This authorisation will enable the Board to reward grantees for their commitment to the Company, by enabling them to become shareholders and thus to participate in the Company's development.

If the authorisation is used to grant options on new shares, shareholders will be asked to waive, in favour of the option holders, their pre-emptive right to subscribe the shares to be issued on exercise of the options.

If the authorisation is used to grant options on existing shares, these shares will be purchased by the Company either pursuant to Article L.225-208 of the French Commercial Code or under the share buyback programme to be authorised in the nineteenth ordinary resolution of this Meeting or any past or future buyback programme.

The option exercise price will be set at an amount representing at least 95% of the average of the prices quoted for SFL shares over the 20 trading days immediately preceding the option grant date. No options will be granted in the 20 trading days that follow the dividend payment date or any capital increase.

In addition, if the authorisation is used to grant options on existing shares, the option exercise price will not represent less than 80% of the average price paid for the shares held by the Company under Article L.225-208 of the Code or under the share buyback programme to be authorised in the nineteenth ordinary resolution of this Meeting or any past or future buyback programme.

The exercise price may not be adjusted during the life of the options, except in the case of any financial transactions or corporate actions for which the Company is required by law to take the necessary measures to protect option holders' interests. In any such case, the Board of Directors will implement the necessary measures to take into account the effect of the corporate action(s), in accordance with the applicable regulations. In particular, the decision may be made to temporarily suspend the right to exercise the options following a corporate action that gives rise to an adjustment in accordance with Article 225-181 paragraph 2 of the Code or any other financial transaction where the Board considers that it is appropriate to suspend option exercise rights.

This authorisation is being sought for a period of 38 months from the date of this Meeting. The total number of options granted will not be exercisable for shares representing more than 3% of the Company's issued capital at the date of this Meeting, based on the number of shares per option at the grant date.

The Board of Directors will report to shareholders each year on all option grants made under this authorisation.

II-6 Share grants for eligible employees and officers (thirteenth extraordinary resolution)

The Board of Directors is also seeking an authorisation to grant new or existing ordinary shares to employees – or certain employ-

ee categories – and officers of the Company and related companies.

If the authorisation is used to grant new shares, shareholders will be asked to waive, in favour of the grantees, their pre-emptive right to subscribe for the shares to be issued when the rights under the share grant vest, as well as their pre-emptive right to subscribe for any rights to ordinary shares granted under this authorisation.

If the authorisation is used to grant existing shares, these shares will be purchased by the Company either pursuant to Article L.225-208 of the French Commercial Code or under the share buyback programme to be authorised in the nineteenth ordinary resolution of this Meeting or any past or future buyback programme.

The Board of Directors will decide the vesting period applicable to each grant, which will not be less than two years as from the grant date.

This authorisation is being sought for a period of 38 months from the date of this Meeting. The total number of shares granted will not exceed 1% of the Company's issued capital at the date of this Meeting.

However, the shares may vest immediately in the event that a grantee becomes disabled, within the definition set down in the second or third categories under Article L.341-4 of the French Social Security Code. In addition, in the event of death of a grantee, his or her heirs may apply for the shares to be allocated to them within six months of the date of death. Any shares that vest immediately in the event of a grantee's disability or that are transferred to a deceased grantee's heirs will be freely transferable.

The Board of Directors will report to shareholders each year on the grants made under this authorisation.

II-7 Issue of bonds with redeemable equity warrants (fourteenth to sixteenth 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, it 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:

- The first phase would consist of an issue of bonds with redeemable equity warrants underwritten by one or several banks.

- The redeemable equity warrants would then be stripped from the bonds and sold by the underwriting banks to selected officers 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 and their willingness to incur a financial risk in the process, 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 NYSE 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.

They will be detachable from the bonds from the issue date and will be offered for sale exclusively to SFL Group employees and officers 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, third, sixth and seventh extraordinary resolutions of this Meeting.

The aggregate par value of shares issued upon exercise of redeemable 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 eighth extraordinary resolution of this Meeting. The warrants' dilutive impact will be limited 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 that will hold the underlying bonds.

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 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 French 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 officers and/or employees of the Company.

So that shareholders can make an informed decision concerning the proposed operation, the ultimate purpose of which is to issue redeemable equity warrants to officers and employees, three separate resolutions will be put to the vote:

- A resolution concerning the issue of bonds with redeemable equity warrants (fourteenth 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 officers who are salaried employees of the Company (fifteenth extraordinary resolution) and to officers who are not salaried employees and hold less than 1% of the Company's capital (sixteenth extraordinary resolution).

Shareholders who fall within the categories of beneficiaries defined in the sixteenth extraordinary resolution will be required to abstain from voting on this resolution.

Shareholders will be asked to grant full powers to the Board of Directors – directly or through a representative appointed 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.

The description of the reasons for and effects of the authorisations sought in these resolutions is provided in compliance with legal and regulatory requirements.

II-8 Authorisation to cancel SFL shares held in treasury (seventeenth extraordinary resolution)

In relation to the nineteenth ordinary resolution and in accordance with Article L.225-209 of the French 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 nineteenth 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.

Cancellation of authorisations and delegations of competence given at the Extraordinary Meetings of 23 May 2008, 15 June 2009 and 19 April 2010

If the resolutions tabled at this Meeting are voted by shareholders, the unused portions of the authorisations given to the Board of Directors by the Extraordinary General Meetings of 23 May 2008, 15 June 2009 and 19 April 2010 will be automatically cancelled.

III. Amendments to the Articles of Association (eighteenth extraordinary resolution)

Decree 2010-1619 of 23 December 2010, adopted in application of government order 2010-1511 of 9 December 2010, completes the transposition into French law of European directive 2007/36 of 11 July 2007 on the exercise of certain rights of shareholders in listed companies.

The new rules apply to general meetings of sociétés anonymes and sociétés en commandite par actions as from 2011.

The proposed amendments to the Articles of Association result from the following changes to the law:

ARTICLE 24

The board of directors of a listed or unlisted company may issue a single statement in reply to several similar questions submitted in writing by shareholders before the meeting. A written question will be considered as having been answered when the reply is posted on the FAQs page of the company's website (C. com. art. L.225-108 amended).

ARTICLE 25

At general meetings of listed companies, shareholders may now give proxy to any person of their choice in accordance with Article L.225-106-1 para. 2 s. of the French Commercial Code, based on the government order of 9 December 2010. The measures for the application of these rules are set out in Article 8 of the new decree.

The proxy holder must notify the shareholder of any possible situation that could give rise to a conflict of interest and of the occurrence of any such situation. The decree stipulates that the notification must be given to the shareholder by registered letter with return receipt requested or, with the shareholder's prior agreement, by e-mail (C. com. art. R.225-82-1 new).

If, after being informed of the occurrence of a situation that creates a conflict of interest, the shareholder does not formally confirm the proxy, the proxy holder must notify the company that the proxy is no longer valid by registered letter with return receipt requested or by e-mail (C. com. art. R.225-82-2 new).

Any individuals or entities that actively solicit proxies must disclose their voting policy (C. com. art. L.225-106-2 new, para. 1) by publishing it on their website and making it available for consultation at their head office, whose address must be specified on the site, in accordance with paragraphs I to III of Article R.225-82-3 new of the French Commercial Code.

The voting policy document must include the following information:

- For an individual: name, date and place of birth, address.
- For a legal entity: legal form, business name, share capital, registered office, corporate purpose, structure responsible for reviewing the resolutions to be voted upon and structure responsible for deciding which way to vote.
- A description of the principles that the proxy holder intends to refer to when exercising the voting rights corresponding to proxies received without any voting instructions.
- A presentation of the voting policy for each type of resolution tabled at general meetings. The resolution types should include at

least: decisions leading to an amendment of the articles of association; approval of the financial statements; election and removal from office of directors or equivalent; related party agreements with management or leading shareholders; share issuance and buyback programmes; appointment of the external auditors.

- A description of the procedures in place to detect, prevent and resolve conflicts of interest that could affect the free exercise of voting rights by the proxy holder.

Individuals or entities that solicit proxies may also disclose their voting intentions with regard to the resolutions tabled at the Meeting. In this case, they will be required to vote in accordance with their stated intentions for all proxies received without any voting instructions (C. com. art. L.225-106-2 new, para. 2). The new text stipulates that these voting intentions must be publicly disclosed on the proxy holder's website (C. com. art. R.225-82-3, IV new).

The proxy form sent to shareholders by the company, its registrar or securities services provider must clearly present the legal rules governing proxies, including the new right for shareholders to be represented by any person of their choice (C. com. art. R.225-81-6 amended; Decree art. 7).

New Article R.225-81-6 states that the proxy form must "clearly present the provisions of Articles L.225-106 to L.225-106-4" of the French Commercial Code. In fact, there is no Article L.225-106-4 and the form should therefore only mention Articles L.225-106 to L.225-106-3.

In addition, the company must take into account the lifting of restrictions on the choice of proxy holder in the list of options available to shareholders who are unable to attend the meeting in person (see C. com. art. R.225-81-7 amended; Decree art. 7).

ARTICLE 28

The decree adapts a certain number of provisions contained in the regulatory section of the Commercial Code, to take into account the right of individual shareholders or shareholder groups owning a certain percentage of the capital to ask for items to be added to the agenda.

Shareholders are required to explain the reasons for their request.

Requests to add agenda items or resolutions must be received by the company at least 25 days before the meeting date (10 days when a takeover bid is in progress) and no more than 20 days after the publication of the notice of meeting.

The list of items added to the agenda must now be published without delay on the company's website, along with any resolutions tabled by shareholders. The company may but is not obliged to publish the board of directors' comments on each such item.

ARTICLE 18

The articles of association must set an age limit for serving as chairman of the board. Unless specified otherwise in the articles of association (when the company is set up or subsequently), the age limit is 65 (C. com. art. L.225-48, para. 1). Any appointment in breach of the age limit specified in the articles of association or the legal age limit will be null and void (C. com. art. L.225-48, para. 2). The chairman is required to retire when he or she reaches the age of 65 (or the age limit set in the articles of association) (C. com. art. L.225-48, para. 3).

Activities of the Company since 1 January 2011

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 2010

A - Consolidated Statement of Financial Position	124
B - Consolidated Statement of Comprehensive Income	126
C - Consolidated Statement of Changes in Equity	127
D - Consolidated Statement of Cash Flows	128
E - Notes to the Consolidated Financial Statements	129
I - Accounting Policies	129
II - Measurement Methods	130
III - Segment Information	135
IV - Significant Events of the Year	137
V - Scope of Consolidation	138
VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income	139

The financial statements were approved for publication by the Board of Directors on 10 February 2011.

A – Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 December 2010	31 December 2009	31 December 2008
Intangible assets	6-1	311	389	682
Property and equipment	6-2	15,929	15,654	365,292
Investment properties	6-3	3,059,344	3,116,890	2,992,804
Investments in associates	6-4	252,096	-	-
Financial assets	6-5	675	1,446	2,668
Other non-current assets	6-6	4,437	3,096	3,156
Total non-current assets		3,332,793	3,137,475	3,364,602
Investment properties held for sale	6-7	383	68,626	242,161
Inventories and work in progress		-	-	-
Trade and other receivables	6-8	42,137	41,681	52,245
Other current assets	6-9	3,509	2,495	3,675
Cash and cash equivalents	6-10	13,583	19,590	14,152
Total current assets		59,613	132,392	312,234
Total assets		3,392,406	3,269,867	3,676,835

PASSIF

(in thousands of euros)	Notes Section E	31 December 2010	31 December 2009	31 December 2008
Share capital		93,058	93,011	93,005
Reserves		1,607,493	1,975,384	2,460,712
Profit/(loss) for the period		164,627	(252,239)	(392,956)
Equity attributable to equity holders of the parent		1,865,179	1,816,156	2,160,760
Non-controlling interests		79,155	75,020	94,696
Total non-controlling interests		79,155	75,020	94,696
Total equity	6-11	1,944,334	1,891,176	2,255,457
Long-term borrowings and other interest-bearing debt	6-12	1,205,143	1,182,293	1,104,437
Long-term provisions	6-13	1,894	1,878	1,725
Deferred tax liabilities	6-14	65,413	56,262	72,818
Accrued taxes	6-15	2,183	4,258	6,285
Other non-current liabilities	6-16	12,901	16,451	16,175
Total non-current liabilities		1,287,534	1,261,141	1,201,440
Trade and other payables	6-17	16,772	26,467	21,426
Short-term borrowings and other interest-bearing debt	6-12	107,185	56,414	170,188
Short-term provisions	6-13	150	1,085	1,070
Other current liabilities	6-18	36,430	33,584	27,254
Total current liabilities		160,538	117,551	219,938
Total equity and liabilities		3,392,406	3,269,867	3,676,835

B - Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	31/12/2010	31/12/2009	31/12/2008
Property rentals		174,897	182,981	181,513
Property expenses, net of recoveries		(13,082)	(10,310)	(10,317)
Net property rentals	6-19	161,815	172,671	171,196
Service and other revenues	6-20	346	241	380
Other income	6-21	4,804	5,991	4,405
Depreciation and amortisation expense	6-22	(964)	(855)	(1,208)
Provision (expense)/reversals, net	6-23	(117)	(314)	(17,808)
Employee benefits expense	6-24	(12,111)	(11,838)	(11,892)
Other expenses	6-25	(7,145)	(7,824)	(10,268)
Profit/(loss) on disposal of investment properties	6-26	(33,860)	(14,005)	29
Gains and losses from remeasurement at fair value of investment properties	6-27	107,030	(385,463)	(528,977)
Operating profit/(loss)		219,797	(241,395)	(394,142)
Profit on disposal of other assets	6-28	-	-	9
Share of profits of associates	6-29	13,327	-	-
Finance costs and other financial expenses	6-30	(58,803)	(50,150)	(68,264)
Financial income	6-30	14,896	9,207	17,890
Gains and losses from remeasurement at fair value of financial instruments	6-31	(4,141)	(529)	(4,228)
Discounting adjustments to receivables and payables		(238)	(299)	593
Interest on receivables	6-32	1,167	1,138	861
Provision (expense)/reversals, net - financial assets	6-33	(784)	(287)	-
Other financial income and expenses		-	-	-
Profit/(loss) before income tax		185,222	(282,315)	(447,282)
Income tax (expense)/benefit	6-34	(10,182)	15,402	31,589
Profit/(loss) for the period		175,041	(266,913)	(415,693)
Attributable to equity holders of the parent		164,627	(252,239)	(392,956)
Attributable to non-controlling interests		10,413	(14,673)	(22,737)
Other comprehensive income				
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)		12,529	(7,028)	(14,246)
Deferred tax impact of valuation gains and losses on financial instruments taken to equity		(496)	336	2,326
Other comprehensive income		12,033	(6,693)	(11,920)
Comprehensive income		187,074	(273,605)	(427,613)
Attributable to equity holders of the parent		176,660	(258,932)	(404,876)
Attributable to non-controlling interests		10,413	(14,673)	(22,737)
Basic earnings/(loss) per share	6-35	€3.54	€(5.42)	€(8.45)
Diluted earnings/(loss) per share	6-35	€3.54	€(5.42)	€(8.45)

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Other reserves	Other comprehensive income	Profit/(loss) for the period attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests
Equity at 31 December 2008	93,005	1,182,916	21,440	(19,936)	1,313,406	(37,115)	(392,956)	2,160,760	94,696
Dividends paid to equity holders of the parent					(87,423)			(87,423)	
Profit transferred to non-controlling interests									(5,004)
Equity at 1 January 2009 after appropriation of profit	93,005	1,182,916	21,440	(19,936)	1,225,983	(37,115)	(392,956)	2,073,337	89,693
<i>Movements for the period</i>									
Loss for the period							(252,239)	(252,239)	(14,673)
Other comprehensive income						(6,693)		(6,693)	
Comprehensive income								(258,932)	(14,673)
Appropriation of loss		(2,103)			(390,853)		392,956		
Par value of shares issued during the period	7							7	
Adjustment to share premiums		86						86	
Treasury share transactions				1,350				1,350	
Gains and losses on sales of treasury shares				(425)				(425)	
Impact of share-based payments					732			732	
Equity at 31 December 2009	93,011	1,180,899	21,440	(19,010)	835,862	(43,807)	(252,239)	1,816,156	75,020
Dividends paid to equity holders of the parent					(96,668)			(96,668)	
Profit transferred to non-controlling interests									(6,277)
Equity at 1 January 2010 after appropriation of profit	93,011	1,180,899	21,440	(19,010)	739,194	(43,807)	(252,239)	1,719,488	68,742
<i>Movements for the period</i>									
Profit for the period							164,627	164,627	10,413
Other comprehensive income						12,033		12,033	
Comprehensive income								176,660	10,413
Appropriation of profit		(65,165)			(187,074)		252,239		
Par value of shares issued during the period	47							47	
Adjustment to share premiums		596						596	
Treasury share transactions				(21)				(21)	
Gains and losses on sales of treasury shares				7				7	
Impact of share-based payments					641			641	
Interim dividend paid to equity holders of the parent					(32,239)			(32,239)	
Equity at 31 December 2010	93,058	1,116,330	21,440	(19,025)	520,522	(31,774)	164,627	1,865,179	79,155

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	31/12/2010	31/12/2009	31/12/2008
Cash flows from operating activities:				
Profit/(loss) for the period		164,627	(252,239)	(392,956)
(Gains) and losses from remeasurement at fair value of investment properties		(107,030)	385,463	528,977
Depreciation and amortisation expense and impairment losses		2,387	1,288	18,526
Net additions to/(reversals of) provisions		(919)	168	(2,312)
Net (gains)/losses from disposals of assets, after tax		33,860	14,005	1,244
Discounting adjustments and valuation (gains)/losses on financial instruments		4,379	828	3,635
Deferral of rent-free periods and key money		4,655	2,182	1,837
Employee benefits		641	732	676
Share of profits of associates		(13,327)	-	-
Non-controlling interests in profit/(loss) for the period		10,413	(14,673)	(22,737)
Other movements		-	(1)	-
Cash flow after finance costs and income tax		99,687	137,753	136,890
Interest on receivables		(1,167)	(1,138)	(861)
Finance costs		42,849	35,650	51,340
Income tax		10,182	(15,402)	(32,871)
Cash flow before finance costs and income tax		151,550	156,863	154,498
Change in trade receivables		(5,099)	11,282	(2,330)
Change in other receivables		(2,146)	3,235	(5,048)
Change in trade payables		443	(1,431)	1,718
Change in other payables		(2,597)	1,654	2,280
<i>Change in working capital</i>		<i>(9,400)</i>	<i>14,740</i>	<i>(3,380)</i>
Interest paid		(55,944)	(50,812)	(63,320)
Interest received		1,175	1,240	4,960
Income tax paid		(2,591)	(6,010)	(2,794)
Net cash provided by operating activities		84,791	116,022	89,964
Cash flows from investing activities:				
Acquisitions of and improvements to investment properties		(83,269)	(103,898)	(30,237)
Acquisitions of intangible assets and property and equipment		(3,122)	19	(81,481)
Acquisitions of subsidiaries, net of the cash acquired	6-38	-	-	-
Proceeds from disposals of intangible assets and property and equipment	6-38	58,247	114,590	11,233
Proceeds from disposals of subsidiaries, net of the cash sold	6-38	-	-	-
Other cash inflows and outflows		(22)	1,765	(1,802)
Net cash (used)/provided by investing activities		(28,166)	12,475	(102,287)
Cash flows from financing activities:				
Proceeds from the issue of ordinary shares		643	-	-
Purchases and sales of treasury shares, net		(14)	93	(2,036)
Dividends paid to equity holders of the parent		(128,907)	(87,423)	(96,643)
Dividends paid to minority shareholders		(6,277)	(5,004)	(4,445)
Dividends received from associates		-	-	-
Proceeds from new borrowings		494,821	390,196	231,760
Repayments of borrowings		(416,140)	(403,060)	(126,995)
Other		(4,348)	5,016	(356)
Net cash (used)/provided by financing activities		(60,224)	(99,255)	1,285
Net change in cash and cash equivalents		(3,599)	29,242	(11,038)
Cash and cash equivalents at beginning of period	6-38	7,758	(21,484)	(10,446)
Cash and cash equivalents at end of period	6-38	4,159	7,758	(21,484)
Net change in cash and cash equivalents		(3,599)	29,242	(11,038)

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 in the consolidated financial statements for the year ended 31 December 2010 are the same as those used in the financial statements for the year ended 31 December 2009, with the following exceptions:

- The following revised or amended standards, improvements to standards and new interpretations applied at 31 December 2010 had no material impact on the consolidated financial statements:

- IAS 27 (revised) – Consolidated and Separate Financial Statements.
- IFRS 3 (revised) – Business Combinations.
- 2008 Amendment to IAS 39 – Eligible Hedged Items.
- Amendment to IFRS 2 – Group Cash-settled Share-based Payment Arrangements.
- Annual IFRS improvements issued in April 2009.
- IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 17 – Distributions of Non-Cash Assets to Owners and IFRIC 18 – Transfers of Assets from Customers.

- The Group chose not to early adopt the following revised or amended standards and new interpretations adopted by the European Union that were not yet applicable as of 31 December 2010:

- IAS 24 (revised) – Related Party Disclosures.
- Amendment to IAS 32 – Classification of Rights Issues.
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement.

- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments.

- The following standards, and amendments and improvements to existing standards issued by the IASB have not yet been adopted by the European Union:

- IFRS 9 – Financial Instruments.
- Annual IFRS improvements issued in May 2010.
- Amendment to IFRS 7 – Financial Instruments: Disclosures–Transfers of Financial Assets.
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

1-2) Accounting conventions

The consolidated financial statements are presented in thousands of euros.

The Group has chosen to measure investment properties using the fair value model (see Note 2-3).

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.

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 is 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.

Negative goodwill, corresponding to the excess of the acquisition-date fair value of the Group's interest in the associate's identifiable assets and liabilities over the cost of the shares acquired is recognised directly in the statement of comprehensive income.

1-6) Business combinations

In accordance with IFRS 3 (revised), the identifiable assets, liabilities, contingent liabilities and off-balance sheet items of entities acquired in a business combination are recognised at their fair values at the acquisition date.

General administrative costs and other costs not included in the cost of the business combination are recognised as an expense when incurred.

The excess of the acquisition cost over the acquisition-date fair value of the share of the net assets acquired is recognised as an asset under "Goodwill" in the consolidated statement of financial position. Any negative goodwill arising on the business combination is recognised directly in the statement of comprehensive income.

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.

1-7) 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 statement of comprehensive income.

1-8) Income taxes

The results of businesses subject to income tax are taxed at the standard rate.

For businesses subject to 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 five years.

2-2) Property and equipment

Property and equipment consist mainly of furniture, computer equipment and owner-occupied property. 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.

As from 1 January 2009, the fair value model is also used to measure buildings acquired for renovation that will subsequently be transferred to the “Investment property” portfolio, in compliance with the revised version of IAS 40.

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 period-end 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 statement of financial position at 31 December 2010 correspond to the prices obtained from independent valuations according to the method described below.

Changes in fair value, which are recognised in the statement of comprehensive income 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 asset captions, to avoid these effects being taken into account twice.

Valuation method

SFL’s entire property portfolio was valued at 31 December 2010 by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.

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.

Independent experts are rotated in compliance with the SIIC code of ethics, which states: “Regardless of the number of independent

experts used by the SIIC, the following principles must be upheld:

- Appointments should be based on a selection process evaluating each candidate’s independence, qualifications and competency to value property within the asset classes and geographical locations concerned.

- When a firm of valuers is used, the SIIC should ensure that the firm’s internal valuation teams are rotated after a period of seven years.

- An independent valuer may serve for no more than two 4-year terms for any given client, unless that valuer is a company in which case the above team rotation rule applies.”

SFL’s portfolio is appraised on a half-yearly basis by a group of three independent firms, each of which is responsible for valuing part of the total portfolio (Group share, excluding transfer costs), as follows:

- CBRE: 33%
- JLL: 54%
- BNP Paribas Real Estate: 13%

The firms ensure that their internal teams are rotated as required, and concurring appraisals are organised every six months on a portion of the assets in the portfolio. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them.

The properties were valued primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Revenue assumptions take into account passing 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. Each property was analysed in detail, based on the type of use and the surface area of each unit, lease by lease.

The valuers noted that rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.

Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs for the period until the units are re-let. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure except for expenditure that will improve or enhance the property and the related future benefits from this 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 are quoted both including transfer costs (calculated on the basis of a standard 6.20% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs.

However, given that these appraisal values are essentially estimates, the sale price 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, financial assets and goodwill. No goodwill is carried in the Group's consolidated statement of financial position.

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 approximates 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 statement of financial position include cash at bank and on hand and short-term deposits with original maturities of less than three months.

Net 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 statement of comprehensive income, 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. The calculation parameters are determined separately for each individual company, based on historical experience.

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 payments is required

only for equity instruments that were granted after 7 November 2002 and had not yet vested at 1 January 2005.

Stock options are measured at the grant date using the Black & Scholes option-pricing model and the related expense is recognised over their 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. It 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 instru-

ment 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.

In compliance with IAS 17 and SIC 15, 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 recognised as an expense.

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 using 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 properties are similar in nature and, although they are managed separately in the same manner, none are large enough to be treated as separate reportable segments. They are grouped into geographical segments according to the principles previously applied under IAS 14.

Comprehensive income can be analysed as follows by geographical segment:

	Golden Triangle	Financial District	Golden Crescent La Défense	Autres	Structures	Total
Property rentals	55,032	64,558	41,795	13,512	-	174,897
Property expenses, net of recoveries	(4,627)	(8,089)	(2,057)	1,691	-	(13,082)
Net property rentals	50,405	56,469	39,738	15,203	-	161,815
Service and other revenues	-	-	-	-	346	346
Other income	2,046	1,427	912	-	419	4,804
Depreciation and amortisation expense	0	(244)	-	-	(721)	(964)
Provision reversals/(expense), net	(431)	(14)	-	376	(49)	(117)
Employee benefits expense	-	-	-	-	(12,111)	(12,111)
Other expenses	-	-	-	-	(7,145)	(7,145)
Profit/(loss) on disposal of investment properties	-	-	(34,388)	528	-	(33,860)
Gains and losses from remeasurement at fair value of investment properties	72,456	36,207	(17,827)	16,194	-	107,030
Operating profit/(loss)	124,476	93,846	(11,565)	32,301	(19,261)	219,797
Profit on disposal of other assets	-	-	-	-	-	-
Share of profits of associates	-	13,327	-	-	-	13,327
Finance costs and other financial expenses	-	-	-	-	(58,803)	(58,803)
Financial income	-	-	-	-	14,896	14,896
Gains and losses from remeasurement at fair value of financial instruments	-	-	-	-	(4,141)	(4,141)
Discounting adjustments to receivables and payables	-	-	-	-	(238)	(238)
Interest on receivables	-	-	-	-	1,167	1,167
Provision expense, net - financial assets	-	-	-	-	(784)	(784)
Other financial income and expenses	-	-	-	-	-	-
Profit/(loss) before income tax	124,476	107,174	(11,565)	32,301	(67,164)	185,222
Income tax benefit/(expense)	(8,926)	-	2,701	(2,926)	(1,031)	(10,182)
Profit/(loss) for the period	115,550	107,174	(8,864)	29,375	(68,194)	175,041
Attributable to equity holders of the parent	105,137	107,174	(8,864)	29,375	(68,194)	164,627
Attributable to non-controlling interests	10,413	-	-	-	-	10,413
Other comprehensive income						
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	-	-	-	-	12,529	12,529
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	-	-	-	-	(496)	(496)
Other comprehensive income	-	-	-	-	12,033	12,033
Comprehensive income	115,550	107,174	(8,864)	29,375	(56,161)	187,074
Attributable to equity holders of the parent	105,137	107,174	(8,864)	29,375	(56,161)	176,660
Attributable to non-controlling interests	10,413	-	-	-	-	10,413

CONSOLIDATED FINANCIAL STATEMENTS

Assets break down as follows by geographical segment:

	Golden Triangle	Financial District	Golden Crescent La Défense	Autres	Structures	Total
Segment assets	1,551,241	1,243,839	175,999	358,893	1,851	3,331,822
Unallocated assets	-	-	-	-	60,584	60,584
Total assets	1,551,241	1,243,839	175,999	358,893	62,434	3,392,406

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-Poissonnière in the east, and from rue de Châteaudun 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.

IV - Significant Events of the Year

4-1) Asset purchases and sales

In 2010, an investment property classified as held-for-sale was sold and an agreement terminating the T8 project was signed, in line with the decision made to that effect in 2009.

On 27 December 2010, SIIC de Paris issued 15,476,190 new shares at a price of €18.48 per share to finance its acquisition of two SFL buildings in La Défense (the Coface and Miroirs C buildings) for a total amount of €286 million. SFL immediately sold 2,706,652 of these SIIC de Paris shares to Realia Patrimonio for €50 million. Following these transactions, SFL held roughly 29.99% of SIIC de Paris.

Details of these transactions are provided in Note 6-26.

4-2) Financing

In December 2010, SFL obtained a new €350-million syndicated revolving line of credit from a banking syndicate for which Natixis acted as the agent. Of this amount, €200 million was put towards the early repayment of the second instalment of the first Natixis syndicated loan signed in 2005. The new 5-year bullet loan pays interest at the 3-month Euribor plus 215 bps.

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 €4,950 thousand reassessment of the tax base. An amount of €2,010 thousand (including late interest) was paid following a ruling by the Administrative Court. However, 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

Following the Group's payment of €451 thousand in VAT claimed on deemed revenue further to a VAT reassessment, a partial tax rebate of €322 thousand was received on 2 February 2010.

Analysis of property values between the value of the land and that of the building

The tax authorities challenged the breakdown of the value of certain properties in the accounts between the value of the land and that of the building and 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 amounted to €780 thousand (including late interest) at 31 December 2010.

4-4) Subsequent events

No significant events occurred between 31 December 2010 and the date these financial statements were approved for publication.

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 103 Grenelle	440,960,276	100	100
SCI Paul Cézanne	438,339,327	100	100
Proportionately consolidated companies			
SAS Parholding	404,961,351	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
Associated companies accounted for by the equity method			
SIIC de Paris	303,323,778	29.99	29.99

Two former fully-consolidated subsidiaries, SCI 5 de Vigny and SNC Fly Tolbiac, were merged into SFL in 2010, and a former proportionately-consolidated subsidiary, SC Parsherbes, was merged into SAS Parholding.

SIIC de Paris has been included in the scope of consolidation since 27 December 2010, accounted for by the equity method based on SFL's 29.99% interest.

At 31 December 2010, Société Foncière Lyonnaise was 53.45%-owned by the Spanish company Inmobiliaria Colonial SA.

VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income

The key items in the statement of financial position and the statement of comprehensive income are analysed below. All amounts are stated in thousands of euros.

6-1) Intangible assets

	31 December 2008	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31 December 2009
Cost						
Computer software	3,320	149	-	-	-	3,469
Other intangible assets	136	-	(136)	-	-	-
Accumulated amortisation						
Computer software	(2,774)	(306)	-	-	-	(3,080)
Other intangible assets	-	-	-	-	-	-
Carrying amount	682	(157)	(136)	-	-	389

	31 December 2009	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31 December 2010
Cost						
Computer software	3,469	93	-	-	-	3,562
Other intangible assets	-	-	-	-	-	-
Accumulated amortisation						
Computer software	(3,080)	(171)	-	-	-	(3,251)
Other intangible assets	-	-	-	-	-	-
Carrying amount	389	(78)	-	-	-	311

6-2) Property and equipment

	31 December 2008	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31 December 2009
Cost						
Owner-occupied property	16,034	-	-	-	-	16,034
Equipment	371,310	29	(386)	(366,589)	-	4,363
Accumulated depreciation						
Owner-occupied property	(2,308)	(234)	-	-	-	(2,542)
Equipment	(19,744)	(319)	386	17,475	-	(2,202)
Carrying amount	365,292	(524)	-	(349,115)	-	15,654

	31 December 2009	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31 December 2010
Cost						
Owner-occupied property	16,034	-	-	198	-	16,232
Equipment	4,363	993	(308)	(424)	-	4,624
Accumulated depreciation						
Owner-occupied property	(2,542)	(244)	-	-	-	(2,786)
Equipment	(2,202)	(550)	308	302	-	(2,142)
Carrying amount	15,654	199	-	76	-	15,929

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 €18,141 thousand at 31 December 2010 versus €22,528 thousand a year earlier.

CONSOLIDATED FINANCIAL STATEMENTS

6-3) Investment property

	31 December 2008	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2009
Fair value								
Investment properties	2,992,804	107,077	2,368	(968)	(367,289)	382,898	-	3,116,890
Total	2,992,804	107,077	2,368	(968)	(367,289)	382,898	-	3,116,890

	31 December 2009	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2010
Fair value								
Investment properties	3,116,890	98,374	152,493	(320,399)	(45,439)	57,423	-	3,059,344
Total	3,116,890	98,374	152,493	(320,399)	(45,439)	57,423	-	3,059,344

	31 December 2010	31 December 2009	31 December 2008
Appraisal value of investment properties	3,078,927	3,137,641	3,015,531
Adjustments to reflect specific lease terms	(19,583)	(20,751)	(22,727)
Fair value of investment properties carried in the statement of financial position	3,059,344	3,116,890	2,992,804

Investment properties are valued by independent experts at half-yearly intervals.

6-4) Investments in associates

	% interest	31 December 2008	31 December 2009	Acquisitions of subsidiaries	Dividends received	Profit	31 December 2010
SIIC de Paris	29.99	-	-	238,769	-	13,327	252,096
Total		-	-	238,769	-	13,327	252,096

The 29.99% interest in SIIC de Paris acquired by Société Foncière Lyonnaise on 27 December 2010 was valued at €252,096 thousand at 31 December 2010.

6-5) Financial assets

	31 December 2008	31 December 2009	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	Reclassifications	31 December 2010
Investments in non-consolidated companies	1,071	1,071	-	-	-	-	-	1,071
Provisions for impairment	-	(287)	-	(784)	-	-	-	(1,071)
Investments in non-consolidated companies, net	1,071	784	-	(784)	-	-	-	-
Deposits	1,557	653	22	-	-	-	-	675
Hedging instruments	39	9	-	-	(9)	-	-	-
Advances to non-consolidated companies	1,596	662	22	-	(9)	-	-	675
Total	2,668	1,446	22	(784)	(9)	-	-	675

In 2010, provisions for impairment of investments in non-consolidated companies concerned the Groupe Vendôme Rome.

At 31 December 2010, there were no hedging instruments with a positive fair value to be recognised in assets. The amount recognised in respect of such instruments at 31 December 2009 totalled €9 thousand, breaking down as follows:

Valeurs de marché positives des opérations de couvertures	Effective interest rate	Due	Long-term portion		
			31/12/2010	31/12/2009	31/12/2008
BNP Paribas swap	2.265%	30 Sept. 2013	-	9	-
BNP Paribas swap	2.635%	31 Dec. 2010	-	-	39
Total			-	9	39

6-6) Other non-current assets

	31 December 2010	31 December 2009	31 December 2008
Deferred tax assets	1,866	2,947	2,742
Other receivables	463	-	203
Prepayments	2,108	148	210
Total	4,437	3,096	3,156

Deferred tax assets are analysed in Note 6-34.

6-7) Investment properties held for sale

	31 December 2008	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2009
Fair value								
Investment properties held for sale	242,161	6,657	-	(125,867)	(20,542)	(33,784)	-	68,626
Total	242,161	6,657	-	(125,867)	(20,542)	(33,784)	-	68,626

	31 December 2009	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2010
Fair value								
Investment properties held for sale	68,626	-	9	(10,596)	(34)	(57,622)	-	383
Total	68,626	-	9	(10,596)	(34)	(57,622)	-	383

Two buildings whose sale had been approved by the Board of Directors were reclassified as investment properties during the year.

CONSOLIDATED FINANCIAL STATEMENTS

	31 December 2010	31 December 2009	31 December 2008
Appraisal value of investment properties held for sale	383	68,626	245,088
Adjustments to reflect specific lease terms	-	-	(2,928)
Fair value of investment properties held for sale carried in the statement of financial position	383	68,626	242,161

No businesses were discontinued during the year.

6-8) Trade and other receivables

	31 December 2010			31 December 2009	31 December 2008
	Total	Due within one year	Due in more than one year	Total	Total
Trade receivables	27,947	4,129	23,818	27,423	34,897
Provisions	(3,075)	(3,075)	-	(2,437)	(2,294)
Trade receivables, net	24,871	1,054	23,818	24,986	32,603
Prepayments to suppliers	273	273	-	371	607
Employee advances	32	32	-	66	57
Tax receivables (other than income tax)	11,321	11,321	-	14,080	16,451
Other operating receivables	5,383	5,383	-	1,873	2,380
Other	256	256	-	304	148
Total	42,137	18,319	23,818	41,681	52,245

Receivables do not bear interest.

Provisions for doubtful debts can be analysed as follows:

	31 December 2010	31 December 2009	31 December 2008
Increases	(902)	(254)	(702)
Reversals	156	112	58
Bad debt write-offs	(68)	(46)	(32)
Total	(814)	(188)	(676)
Property rentals	174,897	182,981	181,513
Net losses as a % of property rentals	0.47%	0.10%	0.37%

6-9) Other current assets

	31/12/2010	31/12/2009	31/12/2008
Accrued interest on hedging instruments	-	-	860
Income tax prepayments	2,796	1,805	829
Other prepayments	713	690	1,986
Total	3,509	2,495	3,675

There has been no accrued interest on hedging instruments since 31 December 2008.

6-10) Cash and cash equivalents

	31 December 2010	31 December 2009	31 December 2008
Cash at bank and in hand	3,662	1,813	449
Short-term investments	9,921	17,778	13,703
Total	13,583	19,590	14,152

Short-term investments are measured at fair value. They break down as follows:

	31 December 2010	31 December 2009	31 December 2008
Rothschild money market fund	1,418	1,325	538
Société Générale money market fund	-	8,680	6,001
HSBC money market fund	5,505	4,342	2,811
Crédit Agricole money market fund	2,998	3,431	4,352
Total	9,921	17,778	13,703

6-11) Equity

The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

	31 December 2008	31 December 2009	Increases	Decreases	31 December 2010
Number of shares	505,297	472,992	65,662	(65 043)	473,611
Average purchase/sale price, in euros	€54.64	€55.52	€38.29	€38.32	€55.49
Total, in thousands of euros	27,612	26,261	2,514	(2,493)	26,283

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

6-12) Short and long-term interest-bearing debt

	Effective interest rate	Due	Long-term portion			Short-term portion		
			31/12/2010	31/12/2009	31/12/2008	31/12/2010	31/12/2009	31/12/2008
Lease liabilities								
131, Wagram	3-month Euribor + 100 bps (calendar quarter-end)	14 June 2016	38,431	41,220	0	2,790	2,790	46,005
Quai le Gallo	3-month Euribor + 75 bps (calendar quarter-end)	28 Feb. 2012	54,521	58,458	62,230	3,937	3,773	3,615
Rives de Seine	6-month Euribor + 75 bps (29 April and 29 October)	29 Oct. 2013	65,021	75,905	86,340	10,884	10,434	10,003
Impact of deferred recognition of debt arranging fees			(5,022)	(3,818)	(686)	(2,025)	(1,518)	(533)
Bank loans								
Natixis 2005 syndicated loan	3-month Euribor + 40 bps (end of drawdown period)	26 Jan. 2012	180,000	400,000	600,000	18	20	5,853
Natixis 2010 syndicated loan	3-month Euribor + 215 bps (end of drawdown period)	17 Dec. 2015	200,000	-	-	265	-	-
BNP Paribas 2009 syndicated loan	3-month Euribor + 270 bps (end of drawdown period)	8 Oct. 2014	265,000	150,000	-	1,844	1,220	-
HSBC-CALYON-CFF loan	3-month Euribor + 250 bps (end of drawdown period)	29 Dec. 2012	76,105	75,336	-	3,461	879	-
HSBC-CALYON-CFF loan	3-month Euribor + 90 bps (29th of the last month of each quarter)	29 Dec. 2009	-	0	0	-	-	68,474
BancoSabadell revolving facility (€50 million)	3-month Euribor + 60 bps (calendar quarter-end)	28 Feb. 2012	50,000	50,000	50,000	2	4	6
BECEM revolving facility (€150 million)	3-month Euribor + 40 bps (end of drawdown period)	4 May 2012	150,000	150,000	140,000	25	7	78
Royal Bank of Scotland	3-month Euribor + 56 bps (calendar quarter-end)	31 Oct. 2013	40,800	40,800	40,800	2	1	5
Deutsche Hypothekbank revolving facility (€50 million)	3-month Euribor + 55 bps (end of drawdown period)	23 Oct. 2012	50,000	50,000	30,000	23	23	385
CADIF loan	1-month Euribor + 65 bps (end of drawdown period)	31 Dec. 2010	-	-	-	15,010	15,001	-
Current account advances	3-month Euribor + 60 bps (calendar quarter-end)	18 May 2011	-	53,314	54,090	57,544	184	-
Hedging instruments with a negative fair value								
Calyon swap	2.218%	29 Dec. 2012	1,311	376	-	7	9	-
Swap no.1 on Calyon/HSBC loan	3.85%	29 Dec. 2009	0	0	0	-	-	554
Swap no.2 on Calyon/HSBC loan	3.56%	29 June 2009	-	0	0	-	-	15
Swap no.3 on Calyon/HSBC loan	3.125%	29 Dec. 2009	-	0	0	-	-	88
BNP Paribas swap	2.635%	31 Dec. 2010	-	-	-	-	803	-
BNP Paribas swap	2.375%	31 Mar. 2012	779	694	-	2	2	-
JPMorgan swap (on €400 million)	12-month Euribor (with a 5.085% cap) + 141.5 bps	3 Jan. 2014	29,234	31,870	30,495	2,495	2,602	-
Calyon swap	3.785%	23 May 2011	-	3,455	2,200	1,379	333	-
RBS swap	3.89%	31 Oct. 2013	2,573	2,433	1,401	7	7	1,
Natixis swap	4.4325%	31 Dec. 2010	-	-	6,921	-	6,839	4
BNP Paribas swap	2.63%	31 Mar. 2014	1,320	462	-	2	3	-
HSBC swap	2.63%	31 Mar. 2014	1,320	462	-	2	3	-
CADIF swap	1.655%	31 Mar. 2014	-	277	-	80	1	-
HSBC swap	2.71%	31 June 2014	2,810	1,049	-	5	5	-
BNP Paribas swap	3.33%	31 Dec. 2010	-	-	645	0	1,154	-
BNP Paribas swap	2.265%	30 Sept. 2013	940	-	-	2	2	-
Bank overdrafts	Various		-	-	-	9,424	11,833	35,636
Total			1,205,143	1,182,293	1,104,437	107,185	56,414	170,188

The following table analyses borrowings by maturity:

	31 December 2010	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 December 2009	31 December 2008
Syndicated loans	647,127	2,127	645,000	-	551,240	605,853
BancoSabadell loan	50,002	2	50,000	-	50,004	50,006
BECM revolving facility	150,025	25	150,000	-	150,007	140,078
Royal Bank of Scotland loan	40,802	2	40,800	-	40,801	40,805
Deutsche Hypothekenbank loan	50,023	23	50,000	-	50,023	30,385
Lease liabilities	175,584	17,611	130,702	27,271	192,580	208,193
HSBC/Calyon/CFF loan	79,566	3,461	76,105	-	76,215	68,474
CADIF loan	15,010	15,010	-	-	15,001	-
Current account advances	57,544	57,544	-	-	53,498	54,090
Deferred debt arranging fees	(7,047)	(2,025)	(5,022)	-	(5,336)	(1,219)
Calyon swap at 2.218%	1,318	7	1,311	-	385	-
Swap no.1 on Calyon/HSBC loan	-	-	-	-	-	554
Swap no.2 on Calyon/HSBC loan	-	-	-	-	-	15
Swap no.3 on Calyon/HSBC loan	-	-	-	-	-	88
BNP Paribas swap at 2.635%	-	-	-	-	803	-
BNP Paribas swap at 2.375%	781	2	779	-	696	-
JP Morgan swap	31,729	2,495	29,234	-	34,472	30,495
Calyon swap at 3.785%	1,379	1,379	-	-	3,788	2,200
RBS swap	2,580	7	2,573	-	2,440	1,402
Natixis swap	-	-	-	-	6,839	6,925
BNP Paribas swap at 2.63%	1,322	2	1,320	-	465	-
HSBC swap at 2.63%	1,322	2	1,320	-	465	-
CADIF swap at 1.655%	80	80	-	-	278	-
HSBC swap at 2.71%	2,815	5	2,810	-	1,054	-
BNP Paribas swap at 3.33%	-	-	-	-	1,154	645
BNP Paribas swap at 2.265%	942	2	940	-	2	-
Bank overdrafts	9,424	9,424	-	-	11,833	35,636
Total	1,312,328	107,185	1,177,872	27,271	1,238,707	1,274,625

At 31 December 2010, SFL had access to confirmed undrawn lines of credit representing €205 million.

Current account advances correspond to Prédica's interest in SCI Washington.

CONSOLIDATED FINANCIAL STATEMENTS

Debt covenants and acceleration clauses:

Credit facilities	Applicable ratios	Actual ratios at 31/12/2010	Actual ratios at 31/12/2009	Acceleration clauses ⁽¹⁾
NATIXIS 2005 SYNDICATED LOAN	Loan-to-value (LTV) <= 50%	36.8%	32.8%	Failure to pay a loan instalment Breach of financial covenants Administration or liquidation Change of control Material adverse event
	EBITDA/net finance costs > 2.5	3.5	4	
	Secured LTV <= 20%	9.1%	9.1%	
	Unrestricted property portfolio value >= €1bn	€3bn	€3.1bn	
NATIXIS 2010 SYNDICATED LOAN	LTV <= 50%	36.8%	-	Payment default Cross default Termination of operations Bankruptcy proceedings Breach of financial covenants Material adverse event
	Interest cover >= 2.5	3.5	-	
	Secured LTV <= 20%	9.1%	-	
	Unrestricted property portfolio value >= €2bn	€2.5bn	-	
BNP PARIBAS SYNDICATED LOAN	LTV <= 50%	36.8%	32.8%	Payment default Cross default Termination of operations Bankruptcy proceedings Breach of financial covenants Loss of SIIC status Material adverse event
	Interest cover >= 2.5	3.5	4	
	Secured LTV <= 20%	9.1%	9.1%	
	Unrestricted property portfolio value >= €2bn	€2.5bn	€2.7bn	
BECM REVOLVING FACILITY	LTV <= 50%	41.9%	37.8%	Payment default Cross default Termination of operations Bankruptcy proceedings Breach of financial covenants Loss of SIIC status Change of control Material adverse event
	Interest cover >= 2	3.5	4	
	Property portfolio value > €2bn	€3.1bn	€3.2bn	
	Secured LTV < 20%	9.6%	9.6%	
	Total surface area/Surface area under renovation < 30%	17.2%	10.7%	
RBS LOAN	LTV <= 50%	41.9%	37.8%	Payment default Cross default Termination of operations Bankruptcy proceedings Breach of financial covenants Change of control Material adverse event
	Interest cover >= 2.5	3.5	4	
	Secured LTV <= 20%	9.6%	9.6%	
	Unrestricted property portfolio value >= €1bn	€2.8bn	€2.9bn	
DEUTSCHE HYPOTHEKEN-BANK LOAN	LTV <= 50%	41.9%	37.8%	Payment default Misrepresentations Default reported to Banque de France Cross default Termination of operations Bankruptcy proceedings Change of control Material adverse event
	Interest cover >= 1.8	3.5	4.0	
CALYON-HSBC/ CFF LOAN FOR PARHOLDING	Consolidated LTV = Outstanding loan/ fair value of property < 70%	34.1%	36.9%	Breach of financial covenants Withdrawal of collateral Bankruptcy proceedings Termination of mandates Auditors' refusal to certify financial statements Asset seizures Failure to pay a loan instalment Material adverse event
	Consolidated ICR = Net property rentals received/ interest expense > 1.40	2.7	2.2	

(1) Summarised list of the main acceleration clauses.

The Group was not in breach of any of its financial covenants at 31 December 2010.

6-13) Short and long-term provisions

	31 December 2008	31 December 2009	Increases	Decreases	o/w utilisations	Reclassifications	31 December 2010
Provisions related to refurbishment work and tenant claims	-	-	-	-	-	-	-
Provisions for taxes other than on income	680	680	100	-	-	-	780
Provisions for employee benefits	1,045	1,116	85	(86)	-	-	1,114
Other provisions	-	-	-	-	-	-	-
Provisions for warranties	-	82	-	(82)	(82)	-	-
Long-term provisions	1,725	1,878	185	(168)	(82)	-	1,894
Provisions related to refurbishment work and tenant claims	350	350	-	(200)	-	-	150
Provisions for taxes other than on income	451	451	-	(451)	(129)	-	-
Provisions for employee benefits	269	210	-	(210)	(161)	-	-
Other provisions	-	-	-	-	-	-	-
Provisions for warranties	-	74	-	(74)	(17)	-	-
Short-term provisions	1,070	1,085	-	(935)	(307)	-	150
Total	2,795	2,963	185	(1,103)	(307)	-	2,044

Provisions for employee benefits include provisions for long-service awards payable to employees on retirement and jubilees for €1,115 thousand.

The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 3.59% and a 2% rate of future salary increases.

- 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 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.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €20 thousand at 31 December 2010.

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.

Provisions are recorded in the financial statements if, and only if, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

6-14) Deferred taxes

See Note 6-34.

6-15) Other long-term tax liabilities

This item corresponds mainly to exit tax. The liability has been discounted in accordance with IAS 32, as follows:

Due	2012	Total
Amount payable	2,183	2,183

CONSOLIDATED FINANCIAL STATEMENTS

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 December 2010	31 December 2009	31 December 2008
Trade payables	5,639	5,295	6,961
Amounts due within one year on asset acquisitions	11,133	21,172	14,465
Total	16,772	26,467	21,426

At 31 December 2010, amounts due within one year on asset acquisitions mainly correspond to the renovation of buildings located at 247 rue Saint-Honoré, 92 and 82-88 avenue des Champs-Élysées and to the modernisation of the Louvre des Entreprises building.

6-18) Other current liabilities

Other current liabilities break down as follows:

	31 December 2010	31 December 2009	31 December 2008
Deposits	1,484	215	377
Customer prepayments	16,583	17,709	9,162
Accrued employee benefits expense	5,012	5,352	5,094
Accrued taxes	4,210	4,157	5,650
Other liabilities	5,630	6,119	5,253
Accruals	3,510	32	1,719
Total	36,430	33,584	27,254

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

Accrued taxes include the 2011 exit tax instalment of €2,282 thousand. In 2009, they included the €2,281 thousand exit tax instalment paid in 2010. In 2008, they included the €3,548 thousand exit tax instalment paid in 2009. Accruals correspond to deferred revenue.

6-19) Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 95.6% of property rentals. Net property rentals take into account the negative impact of recognising rent-free periods, rent step-ups and key money over the lease term. In 2010, this impact was €4,655 thousand.

Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

At 31 December 2010	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Future minimum lease payments	442,675	121,704	269,881	51,089

	31/12/2010	31/12/2009	31/12/2008
Property rentals	174,897	182,981	181,513
Property operating expenses	(41,949)	(41,823)	(41,412)
Property expenses recovered from tenants	28,868	31,513	31,095
Property expenses, net of recoveries	(13,082)	(10,310)	(10,317)
Net property rentals	161,815	172,671	171,196

Property expenses on vacant properties undergoing renovation came to €1,585 thousand in 2010, versus €375 thousand in 2009 and €542 thousand in 2008.

6-20) Service and other revenues

Service and other revenues amounted to €346 thousand in 2010, compared with €241 thousand in 2009 and €380 thousand in 2008.

6-21) Other income

	31/12/2010	31/12/2009	31/12/2008
Own-work capitalised	351	676	1 080
Other income	4,453	5,316	3,325
Total	4,804	5,992	4,405

The caption "Other income" corresponds to work billed to third parties and renovation project management fees.

CONSOLIDATED FINANCIAL STATEMENTS

6-22) Depreciation and amortisation expense

	31/12/2010	31/12/2009	31/12/2008
Amortisation of intangible assets	(171)	(306)	(606)
Depreciation of property and equipment	(794)	(549)	(601)
Total	(964)	(855)	(1,208)

Amortisation of intangible assets relates to computer software, and depreciation of property and equipment concerns the Group's headquarters building and miscellaneous equipment.

6-23) Provision reversals/(expense), net

	31/12/2010	31/12/2009	31/12/2008
Charges to provisions for operating contingencies and charges	(85)	(146)	(13)
Charges to provisions for impairment of current assets	(902)	(254)	(702)
Charges to provisions for other contingencies and charges	(100)	(160)	
Charges to provisions for impairment of property and equipment			(17,475)
Total Charges	(1,086)	(560)	(18,189)
Reversals of provisions for operating contingencies and charges	286	134	203
Reversals of provisions for impairment of current assets	156	112	58
Reversals of provisions for other contingencies and charges	527		120
Total Reversals	969	246	381
Total	(117)	(314)	(17,808)

The 2008 charge to provisions for impairment of property and equipment relates to the building then under renovation at 103 rue de Grenelle in the 7th arrondissement in Paris.

6-24) Employee benefits expense

	31/12/2010	31/12/2009	31/12/2008
Wages and salaries	(7,185)	(6,699)	(6,822)
Social security taxes	(2,792)	(2,784)	(2,872)
Death and disability insurance	(64)	(65)	(56)
Other payroll taxes	(724)	(680)	(780)
Other employee benefits	(641)	(732)	(676)
Statutory and discretionary profit-sharing	(705)	(878)	(687)
Total	(12,111)	(11,838)	(11,892)

In 2010, the Group had 82 administrative staff (83 and 87 respectively in 2009 and 2008) and 3 building staff (unchanged from 2009 and 2008).

The remuneration paid to Company directors and officers (including bonuses and benefits in kind) amounted to €3,353 thousand in 2010, €2,258 thousand in 2009 and €2,625 thousand in 2008.

6-25) Other expenses

	31/12/2010	31/12/2009	31/12/2008
Purchases	(109)	(95)	(98)
General subcontracting	(338)	(236)	(267)
Rent (operating leases)	(1,065)	(1,232)	(1,583)
Maintenance and repairs	(205)	(195)	(241)
Fees	(1,903)	(2,154)	(2,419)
Publications and public relations	(620)	(574)	(916)
Bank charges	(270)	(252)	(338)
Taxes other than on income	(1,205)	(1,217)	(1,096)
Travel and entertainment	(306)	(220)	(240)
Non-recurring expenses	(250)	(711)	(2,257)
Other	(874)	(936)	(814)
Total	(7,145)	(7,824)	(10,268)

In 2008, non-recurring expenses included advisory fees relating to changes in the Company's ownership structure.

6-26) Profit/(loss) on disposal of investment properties

The Group sold the following properties in 2010:

Buildings	Sale price excl. transfer costs and tax	Carrying amount	Disposal gain/(loss)	Disposal date
T8	4,569	4,506	63	27 January 2010
Pavillon Henri IV	6,503	6,038	465	7 April 2010
Michelet La Défense	159,670	176,507	(16,837)	27 December 2010
Les Miroirs	126,330	143,881	(17,551)	27 December 2010
Total	297,072	330,932	(33,860)	

The carrying amount used to calculate the disposal gain or loss corresponds to the most recent appraisal value of the building at the transaction date.

6-27) 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 Notes 6-3 and Note 6-7.

6-28) Profit on disposal of other assets

There were no disposals of other assets in 2010.

CONSOLIDATED FINANCIAL STATEMENTS

6-29) Share of profits of associates

Share of profits of associates in an amount of €13,327 thousand corresponds to negative goodwill recognised on the SIIC de Paris acquisition. The transaction costs relating to this acquisition totalled €2,788 thousand.

6-30) Finance costs and other financial income and expenses

	31/12/2010	31/12/2009	31/12/2008
Interest on bank loans	(19,201)	(18,170)	(46,266)
Interest on lease liabilities	(3,961)	(6,599)	(13,239)
Interest on US Private Placement Notes	(544)	-	-
Interest on external current account advances	(1,598)	(1,916)	(3,337)
Costs related to hedging instruments	(31,927)	(22,059)	(4,889)
Other financial expenses	(1,573)	(1,406)	(534)
Total finance costs and other financial expenses	(58,803)	(50,150)	(68,264)
Interest income	0	(22)	106
Net gains on sales of short-term investments	100	231	966
Financial expense transfers	14,788	8,874	12,825
Other financial income	8	124	3,993
Total financial income	14,896	9,207	17,890
Finance costs and other financial income and expenses, net	(43,906)	(40,943)	(50,375)

Financial expense transfers primarily correspond to capitalised interest on the properties at 247 rue Saint-Honoré, 92 avenue des Champs-Élysées and 46 quai le Gallo that are undergoing renovation.

6-31) Financial instruments

Financial risk management objectives and policy

At a time of financial market restructuring, SFL is prudently managing its various financial risks.

1/ Liquidity risk

Liquidity risk remains a major concern in the current environment. At the end of 2010, the proceeds from a new €350 million syndicated line of credit were used to retire the only debt due in 2011, for €200 million, and to significantly extend the average maturity of borrowings and increase the Group's liquid resources. At 31 December 2010, the average spread on total debt stood at 148 basis points and the average maturity was 3.4 years.

With a loan-to-value ratio of 35.6% and high-quality assets, SFL is in a position to raise additional resources if the need arises.

At 31 December 2010, SFL's undrawn confirmed credit lines included €205,000 thousand for the Company and €4,085 thousand to cover the Group's share of the cost of Parholding's renovation programmes. Unconfirmed lines of credit totalling €65,000 thousand had been drawn down by €24,344 thousand at the year-end.

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. SFL did not incur any losses on money market funds or other investments as a result of the recent crisis and continues to invest in money market funds that are subject to an insignificant risk of changes in value.

Counterparty risk is minimal because available cash is generally used to repay borrowings under 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. SFL considers that its exposure to counterparty risk on its 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, SFL currently has no exposure to currency risks. If applicable, its strategy would be to hedge currency risks in full. Unlike interest rate risks, cur-

rency risks can be hedged in full without any negative interaction, in view of SFL's line of business.

Interest rate risks are clearly identified and monitored. An information system is used to track changes in all financial markets and calculate the fair value of hedging instruments in real time, allowing us to efficiently manage, quantify and analyse the risks associated with interest rate fluctuations and volatility.

a/ Objectives and strategy

SFL's objectives and strategy consist of:

- Using only standard interest rate derivatives that contribute to the secure management of the hedging portfolio and, wherever possible, using only those derivatives that qualify for hedge accounting under IFRS, as the valuation principles are more favourable than for instruments classified under IFRS as trading securities. In addition, as a basic principle, no derivative instruments are acquired for speculative purposes. Hedging instruments with embedded written options are used only as part of a broader strategy, subject to appropriate safeguards in terms of transparency and effective control over risks.

- Hedging most of the Company's debt via plain vanilla swaps or caps, while seizing opportunities to actively and conservatively manage its interest rate risk. At 31 December 2010, 81% of debt was hedged in order to benefit from the current very low interest rate environment that is not expected to last.

b/ Risk assessment

- The average spot cost of debt after hedging stood at 4.13% at 31 December 2010, versus 4.59% at 31 December 2009.

- A 50-basis point rise in interest rates across the yield curve in 2010 would have had the effect of increasing the average cost of debt to 4.23%, and driving up finance costs by €1,191 thousand or 2%. A 50-basis point decline in interest rates across the yield curve would have had the effect of lowering the average cost of debt to 4.04%, and reducing finance costs by €1,072 thousand or 1.8%.

- Concerning the sensitivity of hedging instruments at 31 December 2010, a 50-basis point increase in interest rates would lift their fair value by €8,164 thousand (€12,167 thousand at 31 December 2009), while a 50-basis point drop in rates would reduce their fair value by €8,831 thousand (€12,673 thousand at 31 December 2009).

CONSOLIDATED FINANCIAL STATEMENTS

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
Calyon swap at 2.218%	0	73,053	0	0	0	0	73,053
BNP Paribas swap at 2.375%	0	50,000	0	0	0	0	50,000
JP Morgan swap with cap	0	0	0	400,000	0	0	400,000
Calyon swap at 3.785%	100,000	0	0	0	0	0	100,000
RBS swap at 3.89%	0	0	40,800	0	0	0	40,800
BNP Paribas swap at 2.63%	0	0	0	50,000	0	0	50,000
HSBC swap at 2.63%	0	0	0	50,000	0	0	50,000
CADIF swap at 1.655%	50,000	0	0	0	0	0	50,000
HSBC swap at 2.71%	0	0	0	100,000	0	0	100,000
BNP Paribas swap at 2.265%	0	0	50,000	0	0	0	50,000
Total	150,000	123,053	90,800	600,000	0	0	963,853

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
Syndicated loans	0	180,000	0	265,000	200,000	0	645,000
BECEM revolving facility	0	150,000	0	0	0	0	150,000
RBS loan	0	0	40,800	0	0	0	40,800
CADIF loan	15,000	0	0	0	0	0	15,000
Deutsche Hypothekenbank loan	0	50,000	0	0	0	0	50,000
BancoSabadell loan	0	50,000	0	0	0	0	50,000
HSBC/Calyon/CFF loan	3,438	76,105	0	0	0	0	79,543
Current account advances	57,313	0	0	0	0	0	57,313
Lease liabilities	17,611	68,664	56,458	2,790	2,790	27,271	175,584
Total	93,362	574,769	97,258	267,790	202,790	27,271	1,263,240

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 2010 and 31 December 2014.

	31 December 2010	31 December 2011	31 December 2012	31 December 2013	31 December 2014
Syndicated loans	645,000	645,000	465,000	465,000	200,000
BECM revolving facility	150,000	150,000	0	0	0
RBS loan	40,800	40,800	40,800	0	0
CADIF loan	15,000	0	0	0	0
Deutsche Hypothekbank loan	50,000	50,000	0	0	0
BancoSabadell loan	50,000	50,000	0	0	0
HSBC/Calyon/CFF loan	79,543	76,105	0	0	0
Current account advances (liabilities)	57,313	0	0	0	0
Lease liabilities	175,584	157,973	89,309	32,851	30,061
Total debt	1,263,240	1,169,878	595,109	497,851	230,061
Calyon swap at 2.218%	73,053	73,053	0	0	0
BNP Paribas swap at 2.375%	50,000	50,000	0	0	0
JP Morgan swap with cap	400,000	400,000	400,000	400,000	0
Calyon swap at 3.785%	100,000	0	0	0	0
RBS swap at 3.89%	40,800	40,800	40,800	0	0
BNP Paribas swap at 2.63%	50,000	50,000	50,000	50,000	0
HSBC swap at 2.63%	50,000	50,000	50,000	50,000	0
CADIF swap at 1.655%	50,000	0	0	0	0
HSBC swap at 2.71%	100,000	100,000	100,000	100,000	0
BNP Paribas swap at 2.265%	50,000	50,000	50,000	0	0
Total interest rate hedges	963,853	813,853	690,800	600,000	0
NET UNHEDGED POSITION	299,387	356,025	(95,691)	(102,149)	230,061

At 31 December 2010, 81% of debt was hedged against interest rate risks.

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 at 200 bps. At 31 December 2010, the contract had a negative fair value of €29,234 thousand. It represents a macro-hedging transaction that has as its underlying several clearly identified debts 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 million, setting the interest rate on identified debt at 3.785%. At 31 December 2010, the contract had a negative fair value of €1,081 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 2010, the contract had a negative fair value of €2,573 thousand.

Counterparty: BNP Paribas. **Description:** cash flow hedge. This swap on a notional amount of €50 million was set up on 26 January 2009 as a hedge of identified debt and expires on 31 March 2012. SFL pays a fixed rate of 2.375%. At 31 December 2010, the contract had a negative fair value of €779 thousand.

Counterparty: BNP Paribas. **Description:** cash flow hedge. This swap on a notional amount of €50 million was set up on 31 March 2009 as a hedge of identified debt and expires on 31 March 2014. SFL pays a fixed rate of 2.63%. At 31 December 2010, the contract had a negative fair value of €1,320 thousand.

Counterparty: HSBC. **Description:** cash flow hedge. This swap on a notional amount of €50 million was set up on 7 May 2009 as a hedge of identified debt and expires on 31 March 2014. SFL pays a fixed rate of 2.63%. At 31 December 2010, the contract had a negative fair value of €1,320 thousand.

Counterparty: CADIF. **Description:** swap with no underlying debt. This swap on a notional amount of €50 million was set up on 8 May 2009 and expires on 31 March 2011. SFL pays a fixed rate of 1.655%. At 31 December 2010, the contract had a negative fair value of €79 thousand.

Counterparty: HSBC. **Description:** swap with no underlying debt. This swap on a notional amount of €100 million was set up on 8 July 2009 and expires on 30 June 2014. SFL pays a fixed rate of 2.71%. At 31 December 2010, the contract had a negative fair value of €2,811 thousand. The swap will be backed by underlying debt as from 1 January 2011.

Counterparty: BNP Paribas. **Description:** swap with no underlying debt. This swap on a notional amount of €50 million was set up on 5 October 2009 and expires on 30 September 2013. SFL pays a fixed rate of 2.265%. At 31 December 2010, the contract had a negative fair value of €940 thousand. The swap will be backed by underlying debt as from 1 January 2011.

Interest rate hedges on the financing of the Parholding portfolio

Counterparty: Calyon. **Description:** cash flow hedge. This swap on a notional amount of €73,053 thousand was set up on 29 December 2009 as a hedge of identified debt and expires on 29 December 2012. SFL pays a fixed rate of 2.218%.

At 31 December 2010, the contract had a negative fair value of €1,311 thousand.

Changes in the fair value of hedges between 31 December 2009 and 31 December 2010 resulted in a €8,388 thousand net unrealised gain, recognised as an expense for €4,141 thousand and as an increase in equity for €12,529 thousand.

Measuring hedging instruments

All of SFL's hedging instruments are classified in Level 2 of the fair value hierarchy. Their fair values are estimated based on inputs other than quoted prices included within Level 1 that are observable directly (i.e. as prices) on active and liquid markets. At 31 December 2010, hedging instruments had a total negative fair value of €41,448 thousand.

6-32) Interest on receivables

	31/12/2010	31/12/2009	31/12/2008
Interest on the Champvernier loan	368	449	857
Interest on the Teachers loans	-	-	-
Other financial income	799	690	4
Total	1,167	1,138	861

6-33) Provision expense, net - financial assets

	31/12/2010	31/12/2009	31/12/2008
Provisions for impairment of financial assets	(784)	(287)	-
Reversals of provisions for financial contingencies and charges	-	-	-
Total	(784)	(287)	-

Provisions for impairment of financial assets concerned the shares held in Groupe Vendôme Rome, which is not consolidated.

6-34) 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 arranged prior to 1 January 2005. Deferred taxes recognised in the statement of comprehensive income, calculated at the tax rate applicable at the period-end, consist mainly of the following:

Deferred taxes	Statement of financial position 31/12/2008	Statement of financial position 31/12/2009	Changes in scope of consolidation	Equity	2010 profit	Statement of financial position 31/12/2010
Gains and losses from remeasurement at fair value of investment properties	(57,067)	(51,461)	-	-	(8,532)	(59,994)
Recognition of finance leases in the consolidated statement of financial position	(11,570)	-	-	-	-	-
Hedging instruments	984	1,319	-	(496)	-	824
Adjustment of depreciation	(1,323)	(1,868)	-	-	(759)	(2,628)
Adjustment of property rentals	(2,676)	(2,578)	-	-	150	(2,427)
Capitalisation of interest expense and transaction costs	(59)	(231)	-	-	-	(231)
Recognition of deferred tax assets for tax loss carryforwards	1,747	1,616	-	-	(586)	1,030
Other	(111)	(111)	-	-	(10)	(120)
Net	(70,075)	(53,314)	-	(496)	(9,737)	(63,547)
Of which: deferred tax assets	2,742	2,947	-	(496)	(586)	1,866
Of which: deferred tax liabilities	72,818	56,262	-	-	9,151	65,413

Income tax expense for the year amounted to €445 thousand.

The "Contribution Economique Territoriale" tax (CET) introduced in the 2010 Finance Act to replace the existing "Taxe Professionnelle" business tax has been recognised in 2010 in operating expenses. Consequently, no deferred tax liability was recognised in 2010 in respect of the new tax.

CONSOLIDATED FINANCIAL STATEMENTS

6-35) 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:

	31/12/2010	31/12/2009	31/12/2008
(Loss) profit used to calculate basic earnings per share	164,627	(252,239)	(392,956)
(Loss) profit used to calculate diluted earnings per share	164,627	(252,239)	(392,956)
Number of ordinary shares at 31 December used to calculate basic earnings per share	46,528,974	46,505,676	46,502,301
Weighted average number of ordinary shares used to calculate basic earnings per share	46,525,243	46,502,742	46,502,301
Number of stock options used to calculate diluted earnings per share	-	23,298	26,673
Diluted number of ordinary shares at 31 December	46,528,974	46,528,974	46,528,974
Diluted weighted average number of ordinary shares	46,525,243	46,526,040	46,528,974
Basic (loss) earnings per share	€3.54	€(5.42)	€(8.45)
Diluted (loss) earnings per share	€3.54	€(5.42)	€(8.45)
Basic (loss) earnings per weighted average share	€3.54	€(5.42)	€(8.45)
Diluted (loss) earnings per weighted average share	€3.54	€(5.42)	€(8.45)

There were no other transactions on ordinary shares or potential ordinary shares between the period-end and the date when these financial statements were drawn up.

6-36) Dividends

	31/12/2010		31/12/2009		31/12/2008	
	Total	Per share	Total	Per share	Total	Per share
Declared dividend for prior year	97,662	€2.10	88,354	€1.90	148,807	€3.20
Prior year interim dividend	-	-	-	-	50,733	€1.10
Prior year dividend paid in current year	96,668	€2.10	87,423	€1.90	96,643	€2.10
Total	96,668	€2.10	87,423	€1.90	147,376	€3.20

A 2010 interim dividend of €0.70 per share, representing a total amount of €32,239 thousand, was paid in December 2010.

6-37) Off-balance sheet commitments

All of the Group's off-balance sheet commitments at 31 December 2010 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 9 November 2009

Type of mortgage		Security interest			Standard mortgage				Overall total	Overall total
Company		PARGAL	PARCHAMPS	PARHAUS	PARGAL	PARCHAMPS	PARCHAR	PARHAUS	31/12/2010	31/12/2009
Expiry date		29/12/2013	29/12/2013	29/12/2013	29/12/2013	29/12/2013	29/12/2013	29/12/2013		
Registered by Calyon	Principal	11,460	2,483	7,663	5,982	2,737	1,320	19,922	51,567	51,567
	Costs and incidentals	1,146	248	766	598	274	132	1,992	5,157	5,157
	Total	12,607	2,731	8,429	6,580	3,011	1,452	21,915	56,724	56,724
Registered by HSBC Private Bank	Principal	11,269	2,442	7,535	5,882	2,691	1,298	19,590	50,708	50,708
	Costs and incidentals	1,127	244	754	588	269	130	1,959	5,071	5,071
	Total	12,396	2,686	8,289	6,470	2,960	1,428	21,549	55,778	55,778
Registered by CFF	Principal	7,640	1,655	5,108	3,988	1,825	880	13,282	34,378	34,378
	Costs and incidentals	764	166	511	399	182	88	1,328	3,438	3,438
	Total	8,404	1,821	5,619	4,386	2,007	968	14,610	37,816	37,816
Registered by HSBC France	Principal	7,831	1,697	5,236	4,087	1,870	902	13,614	35,237	35,237
	Costs and incidentals	783	170	524	409	187	90	1,361	3,524	3,524
	Total	8,614	1,866	5,760	4,496	2,057	992	14,975	38,761	38,761
Total		42,022	9,105	28,097	21,932	10,035	4,840	73,048	189,079	189,079
Total SFL		21,011	4,552	14,048	10,966	5,018	2,420	36,524	94,540	94,540

CONSOLIDATED FINANCIAL STATEMENTS

2/ Pledges on shares held by Parholding/Parhaus/Parchamps under the 9 November 2009 loan agreement.

Shareholder	Pledge	Expiry date	31/12/2010		31/12/2009	
			Pledged to lenders	Total value (SFL share)	Pledged to lenders	Total value (SFL share)
Parholding	59,999 Pargal shares	29/12/2013	9,120		9,120	
Parchamps	1 Pargal share	29/12/2013	0		0	
		Sub-total	9,120	4,560	9,120	4,560
Parholding	99,999 Parchamps shares	29/12/2013	1,500		1,500	
PARHAUS	1 Parchamps share	29/12/2013	0		0	
		Sub-total	1,500	750	1,500	750
Parholding	1,373 Parchar shares	29/12/2013	21		21	
Parhaus	1 Parchar share	29/12/2013	0		0	
		Sub-total	21	10	21	10
Parholding	99,999 Parhaus shares	29/12/2013	1,500		1,500	
Parchamps	1 Parhaus share	29/12/2013	0		0	
		Sub-total	1,500	750	1,500	750
		Total	12,141	6,070	12,141	6,070

Pledges and mortgages on the léna property

Company	Type of mortgage	Expiry date	Securing loan from the Royal Bank of Scotland			
			Principal	Costs and incidentals	Total 31/12/2010	Total 31/12/2009
SFL	Standard mortgage	31/10/2014	40,800	4,080	44,880	44,880
Total			40,800	4,080	44,880	44,880

Guarantees and other commitments

	31/12/2010	Within 1 year	Due in 1 to 5 years	Beyond 5 years	31/12/2009
Engagements donnés :					
Guarantee given to Société Générale on behalf of SAS Locaparis pursuant to Article 3-2° of the Act of 2 January 1970	140	140	0	0	615
Property guarantees	4,059	1,708	2,351	0	4,059
Guarantees given on behalf of Pargal	-	-	-	-	1,845
Tax bonds given in connection with tax reassessments	-	-	-	-	2,288
Commitments received					
Guarantees received from tenants and suppliers	47,761	17,558	15,708	14,494	69,940
Guarantees for Parholding renovation work	7,000	7,000	0	0	7,904
Natixis 2005 syndicated line of credit	20,000	20,000	0	0	-
Natixis 2010 syndicated line of credit	150,000	0	150,000	0	-
BNP Paribas syndicated line of credit	35,000	0	35,000	0	150,000
Parholding line of credit to finance renovation work	4,085	4,085	0	0	-

Stock option plans at 31 December 2010

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	23,298	3,000	35,000	254,000
Options granted during the period	-	-	-	-
Options exercised during the period	(23,298)	-	-	-
Options cancelled during the period	-	-	-	25,000
Number of options outstanding	-	3,000	35,000	229,000

The expense recognised in 2010 in respect of share-based payment plans totalled €641 thousand.

Employee benefit obligations

Five employees (including Nicolas Reynaud, Chief Financial Officer and Managing Director) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their responsibilities following a significant direct or indirect change in the shareholder base of SFL or its controlling company.

Bertrand Julien-Laferrière, who is not a salaried employee, is entitled to compensation for loss of office in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct.

At 31 December 2010, the aggregate compensation that would be payable to these individuals amounts to €2,761 thousand.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008 in the case of the employees and on 5 October 2010 in the case of the Chief Executive Officer.

No related provisions have been recorded in the financial statements.

Contractual renovation obligations

At 31 December 2010, the Group's contractual commitments relating to investment properties undergoing renovation totalled €34,549 thousand, compared with €30,213 thousand at 31 December 2009.

6-38) Note to the statement of cash flows

	31/12/2010	31/12/2009	31/12/2008
Proceeds from disposals of intangible assets and property and equipment:			
Sale price	58,303	116,764	12,764
Transaction costs	(56)	(2,174)	(249)
Capital gains tax	-	-	(1,282)
Cash and cash equivalents at end of period:			
Short-term investments	9,921	17,778	13,703
Cash at bank and in hand	3,662	1,812	449
Short-term bank loans and overdrafts	(9,424)	(11,832)	(35,636)

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.

6-39) 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 and proportionately consolidated companies	Between proportionately consolidated companies
Statement of financial position		
Trade receivables	454	-
Current account advances (assets)	44,243	83,191
Other receivables	-	1,630
Trade payables	(454)	-
Current account advances (liabilities)	(44,243)	(83,191)
Other liabilities	-	(1,630)
Statement of comprehensive income		
Service revenue	748	-
Interest on loans and receivables	1,561	2,907
Fees	(748)	-
Interest on current accounts	(1,561)	(2,907)

Remuneration of the members of the Board of Directors and Management Committee

	31/12/2010	31/12/2009	31/12/2008
Short-term benefits, excluding payroll taxes ⁽¹⁾	3,750	2,627	2,883
Payroll taxes on short-term benefits	1,363	1,034	1,098
Post-employment benefits ⁽²⁾	-	-	-
Other long-term benefits ⁽³⁾	-	-	-
Share-based payments ⁽⁴⁾	342	334	334
Total	5,455	3,995	4,315

(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 statement of comprehensive income for stock options and employee rights issues.

Company Financial Statements

YEAR ENDED 31 DECEMBER 2010

Balance Sheet	166
Profit and Loss Account	168
Accounting Policies	169
Significant Events of the Year	171
Notes to the Financial Statements	172

Balance sheet

ASSETS

(in euros)	31 December 2010			31 December 2009
	Total	Depreciation, amortization and provisions	Net	Net
NON-CURRENT ASSETS				
Intangible assets				
Start-up costs				
Software	3,516,292	3,250,552	265,740	343,576
Lease premiums and goodwill ⁽¹⁾	84,025,717	9,069,308	74,956,409	68,065,683
Other				
Intangible assets in progress	216,174		216,174	
Property and equipment				
Land	483,717,018	2,160,542	481,556,476	582,137,700
Buildings	597,930,018	104,173,971	493,756,047	645,966,915
Other	2,523,927	752,338	1,771,588	1,161,651
Assets under construction	280,652,439	71,676	280,580,763	229,715,061
Prepayments to suppliers of property and equipment	1,884,125		1,884,125	148,147
Non-current financial assets ⁽²⁾				
Shares in subsidiaries and affiliates	629,804,457	2,638,219	627,166,237	395,861,325
Advances to subsidiaries and affiliates	16,127,193		16,127,193	48,569,507
Other long-term investments				
Loans	11,881,344		11,881,344	14,059,187
Other	443,792		443,792	443,792
TOTAL I	2 112 722 494	122 116 606	1 990 605 888	1 986 472 544

CURRENT ASSETS

Inventories and work in progress				
Receivables ⁽³⁾				
Prepayments to suppliers	147,884		147,884	90,089
Rental receivables	6,776,566	3,698,343	3,078,223	2,586,811
Other	336,380,112	449,837	335,930,275	333,451,104
Current financial assets				
Treasury shares	26,282,809	10,140,717	16,142,092	15,647,181
Other marketable securities	1,412,704		1,412,704	10,001,664
Cash	22,176,027		22,176,027	20,433,086
Prepaid expenses ⁽³⁾				
	4,123,646		4,123,646	3,956,665
TOTAL II	397,299,748	14,288,897	383,010,851	386,166,600
Deferred charges (III)	6,527,897		6,527,897	4,455,936
Debt redemption premiums (IV)				
TOTAL ASSETS (I + II + III + IV)	2,516,550,140	136,405,504	2,380,144,636	2,377,095,080
(1) Of which, lease premiums			31,808,250	31,808,250
(2) Of which, due within one year (gross)			18,305,036	50,747,350
(3) Of which, due beyond one year (gross)			320,829,743	326,269,936

EQUITY AND LIABILITIES

(in euros)	31 December 2010	31 December 2009
EQUITY		
Share capital	93,057,948	93,011,352
Share premium account	1,116,330,433	1,180,899,135
Revaluation reserve	21,438,656	21,438,656
Reserves:		
Legal reserve	9,301,135	9,300,460
Statutory reserve		
Untaxed reserves		
Other		
Revenue reserves	993,798	931,441
Interim dividend	(32,239,159)	
Profit for the period	97,098,358	31,566,023
Capital and reserves	1,305,981,168	1,337,147,067
Government grants		
Untaxed provisions	13,201,999	14,584,817
TOTAL I	1,319,183,167	1,351,731,883
Income from issuance of shares and share equivalents		
TOTAL Ia		
Provisions	922,374	1,388,190
TOTAL II	922,374	1,388,190
LIABILITIES ^{(1) (2)}		
Convertible bonds		
Other bonds		
Bank borrowings ⁽³⁾	984,374,775	888,966,949
Other borrowings	34,256,640	84,483,224
Prepaid property rentals	8,738,277	12,463,458
Trade payables	7,157,508	7,410,770
Accrued taxes and payroll costs	9,334,071	11,840,336
Due to suppliers of property and equipment	8,604,950	10,534,213
Other liabilities	7,551,565	8,245,147
Deferred income	21,309	30,909
TOTAL III	1,060,039,095	1,023,975,007
TOTAL EQUITY AND LIABILITIES (I + II + III)	2,380,144,636	2,377,095,080
(1) Of which, due beyond one year	987,189,607	921,787,520
(2) Of which, due within one year	72,849,488	102,187,487
(3) Of which, short-term bank loans and overdrafts	31,385,084	31,891,205

Profit and Loss Account

(in euros)	31/12/2010	31/12/2009
OPERATING INCOME		
Property rentals	130,715,589	130,445,490
Service revenue	64,118	67,868
Break-up sales of apartments		
TOTAL REVENUE	130,779,707	130,513,358
Change in inventory		
Own-work capitalized		
Operating grants		
Reversals of depreciation, amortization and provisions	24,161,588	260,597
Other income	2,587,236	3,724,387
Expense transfers	23,631,930	25,780,608
TOTAL I	181,160,460	160,278,950
OPERATING EXPENSE		
Other purchases and external charges	58,430,094	57,584,675
Taxes other than on income		
Payroll-based taxes	666,524	678,152
Other	8,549,499	8,059,399
Payroll costs		
Wages and salaries	6,778,433	6,511,026
Payroll taxes and other employee benefits expenses	3,202,378	3,098,388
Depreciation, amortization and provision expense		
Depreciation and amortization expense	31,554,355	26,221,499
Impairment losses on non-current assets	129,005	19,783,980
Impairment losses on current assets	159,467	1,774,301
Provision expense		5,545,047
Other expenses	542,888	531,107
TOTAL II	110,012,642	129,787,576
OPERATING PROFIT (I-II)	71,147,819	30,491,374
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	23,705,163	48,965,490
From other non-current financial assets	368,078	448,690
Other interest income	5,522,026	6,809,177
Reversals of provisions and impairment losses, and expense transfers	15,158,496	11,914,373
Net gains from sales of current financial assets	29,147	87,048
TOTAL III	44,782,909	68,224,778
FINANCIAL EXPENSES		
Amortization, impairment losses on financial assets and other financial provision expense	784,083	19,821,436
Interest expense	50,143,786	60,598,377
Net losses from sales of current financial assets		
TOTAL IV	50,927,870	80,419,813
NET FINANCIAL INCOME (EXPENSE) (III - IV)	(6,144,960)	(12,195,035)
PROFIT BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)	65,002,858	18,296,338
OTHER INCOME		
From revenue transactions	460,162	242,163
From capital transactions	347,090,726	88,963,500
Reversals of provisions and impairment losses, and expense transfers	16,586,057	649,842
TOTAL V	364,136,946	89,855,504
OTHER EXPENSE		
From revenue transactions	903,224	1,429,073
From capital transactions	328,382,288	54,702,485
Amortization, impairment losses and other provision expense	2,817,562	19,947,051
TOTAL VI	332,103,074	76,078,609
OTHER INCOME (EXPENSE), NET (V - VI)	32,033,872	13,776,895
Employee profit-sharing (IX)	324,700	120,882
Income tax expense (X)	(386,328)	386,328
TOTAL INCOME (I + III + V)	590,080,316	318,359,232
TOTAL EXPENSES (II + IV + VI + IX + X)	492,981,957	286,793,209
NET PROFIT (LOSS)	97,098,358	31,566,023

The financial statements have been prepared in accordance with French generally accepted accounting principles (GAAP).

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 recognized 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, corresponding to the technical merger deficits arising from mergers with:
 - SA Dandy Nuances on 20 November 2006;
 - SAS Léna on 30 June 2008.

These deficits, which have been allocated to the buildings, have been tested for impairment and are regularly monitored by reference to the buildings in accordance with Article 322-5 of standard CRC 99-03 (as amended by standard 2002-10).

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.

All expenses, including eviction compensation paid to tenants of properties scheduled for large-scale renovation, are considered as an integral part of the renovation cost and are 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 analyzed 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 six-monthly intervals and an impairment loss is recognized if market value is less than the carrying amount. The valuation of the portfolio at 31 December 2010 was performed by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.

c) Non-current financial assets

Non current assets are stated at cost, and a provision for impairment is recorded if fair value is less than this amount at the balance sheet date.

The fair value of shares in subsidiaries and affiliates takes into account the market value of the investee's property assets.

Furthermore, a provision for contingencies is recorded when the Company has an obligation to cover losses in excess of the amount of its interest in the subsidiary or affiliate concerned.

The total amount of the provision is booked against the following items, in the order listed: shares in subsidiaries and affiliates, long-term receivables and current account advances, with any balance recognized in liabilities under provisions for contingencies.

d) Stock option and share grant plans

In accordance with CNC standard no. 2008-17 dated 4 December 2008 concerning the accounting treatment of stock option and share grant plans, SFL has bought back shares for allocation to stock option plans based on the probability of options being exercised under those plans.

Shares bought back for allocation to plans under which exercise of options is probable gave rise to a provision for contingencies established based on the employee stock option exercise price.

Impairment of treasury shares not allocated to a stock option or share grant plan is calculated based on their fair value at the balance sheet date.

The increase in the share price above the exercise price for a certain number of options led to the reversal of the provision for impairment of these shares and the recognition of a provision for contingencies determined based on the exercise price of the options.

Details of the plans are presented in Note A-1 2).

e) 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.

f) 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.

g) Expense transfers

Expense transfers correspond mainly to service charges billed to tenants and to various property taxes and deferred borrowing costs.

h) Financial income and expense

Accrued interest payable or receivable under interest rate swaps is recognized in the balance sheet.

Net gains and losses on swaps contracted for hedging purposes are recognized in the profit and loss account on an accruals basis.

No provision is booked for unrealized losses are not recognized as gains and losses on hedged items are offset by losses and gains on the hedging instrument.

i) 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 – SIGNIFICANT EVENTS

Asset purchases and sales

During 2010, SFL sold four buildings for an amount of €297,072 thousand. The disposals resulted in a €30,846 thousand net reversal of impairment losses.

These transactions are presented in Notes A-1 and B-6.

- On 27 January 2010, SFL sold a building held for sale in the Rive Gauche area of Paris and signed an agreement to withdraw from the T8 project, the principle of which was agreed in 2009.
- The Pavillon Henri IV property in Saint Germain en Laye was sold on 7 April 2010 for €6.5 million.
- At the SIIC de Paris shareholders' meeting held on 27 December 2010, the shareholders approved SFL's contribution of the Coface and Les Miroirs buildings in the La Défense business district in exchange for new SIIC de Paris shares.

In consideration for the properties, valued at approximately €286 million, SIIC de Paris issued 15,476,190 new shares at a price of €18.48 per share. SFL immediately sold 2,706,652 of these SIIC de Paris shares to Realia Patrimonio for €50 million, paid in cash.

Following these transactions, SFL owned 29.99 % of SIIC de Paris (12,769,538 shares at a price of €18.48).

- On 15 October 2010, the Company took delivery of a property at 108-112 avenue Wagram acquired under an off-plan purchase agreement on 18 December 2008.

Construction and renovation programmes

Renovation work continued on the building at 247 rue Saint-Honoré. This building will house the first Mandarin Oriental luxury hotel in Paris which is due to open in summer 2011.

Two other buildings at 92 avenue des Champs-Élysées and Quai Le Gallo are being redeveloped and are due for completion in the second half of 2012.

Legal restructuring

In 2010, SFL rationalised its legal structure by merging with two of its subsidiaries which no longer owned any assets:

- SNC Fly Tolbiac
- SCI 5 de Vigny

As the entire capital of the merged companies was owned by SFL, no SFL shares were issued or exchanged as consideration for the merger.

Financing and hedges

In December 2010, SFL obtained a new revolving credit facility of €350 million from a syndicate of banks led by Natixis, of which €200 million was put towards the early repayment of the second instalment of the Natixis syndicated loan obtained in 2005. The new bullet loan has a maturity of five years and is indexed to the Euribor 3 month plus 215 bps.

Hedges are described in Note F.

Interim dividend

SFL paid an interim dividend of €0.70 per share on 23 December 2010, representing a total payout of €32,239,159.

B - TAX AUDITS

Provisions for major repairs

The tax authorities have challenged the method used by SFL to calculate these provisions and have notified the Group of a €3,882 thousand reassessment of the tax base. An amount of €2,010 thousand (including late interest) was paid following a decision of the Administrative Court. However, the Company 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.

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 Company has partially contested the tax authorities' position, and a provision of €780 thousand has been recorded.

III - NOTES TO THE FINANCIAL STATEMENTS

A - NOTES TO THE BALANCE SHEET

Note A-1: Notes on assets

1) Non-current assets

The carrying amount of intangible assets and property and equipment fell to €1,334,987 thousand at 31 December 2010 from €1,527,539 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.

Details concerning impairment of property are presented in Note A-3 1. (a).

Intangible assets and property and equipment (in euros)	Cost at 1 January 2010	Additions	Disposals	Transfers between accounts	Total at 31 December 2010
Intangible assets					
Software	3,423,466	92,827			3,516,292
Lease premiums	31,808,250				31,808,250
Goodwill	52,217,467				52,217,467
Other					
Intangible assets in progress		216,174			216,174
Total	87,449,183	309,001			87,758,183
Property and equipment					
Land	584,169,237		128,812,140	28,359,920	483,717,018
Buildings	396,444,611		80,550,153	(3,658,568)	312,235,890
Fixtures and fittings	366,313,156		91,276,595	10,657,567	285,694,127
Furniture and equipment	1,839,283	992,934	308,291		2,523,927
Assets under construction	252,030,649	83,658,118	17,131,842	(37,904,486)	280,652,439
Prepayments to suppliers of property and equipment	148,147	1,884,125	148,147		1,884,125
Total	1,600,945,083	86,535,177	318,227,168	(2,545,567)	1,366,707,526
Total cost	1,688,394,266	86,844,178	318,227,168	(2,545,567)	1,454,465,709

Amortization and depreciation (in euros)	Accumulated amortization/ depreciation at 1 January 2010	Increases	Decreases	Reclassifications	Accumulated amortization/ depreciation at 31 December 2010
Intangible assets					
Software	3,079,890	170,663			3,250,552
Lease premiums and goodwill					
Other					
Total	3,079,890	170,663			3,250,552
Property and equipment					
Land					
Buildings	20,987,957	4,522,041	6,410,643	(1,049,953)	18,049,402
Fixtures and fittings	91,463,952	25,266,777	32,289,630	(1,495,614)	82,945,485
Furniture and equipment	677,632	382,997	308,291		752,338
Assets under construction					
Total	113,129,541	30,171,815	39,008,564	(2,545,567)	101,747,225
Total amortization/depreciation	116,209,430	30,342,478	39,008,564	(2,545,567)	104,997,777

Impairment losses (in euros)	Accumulated impairment losses at 1 January 2010	Increases	Decreases	Reclassifications	Accumulated impairment losses at 31 December 2010
Intangible assets					
Software					
Lease premiums and goodwill	15,960,034		6,890,726		9,069,308
Other					
Total	15,960,034		6,890,726		9,069,308
Property and equipment					
Land	2,031,537	129,005			2,160,542
Buildings	4,338,943		1,159,859		3,179,084
Fixtures and fittings					
Furniture and equipment					
Assets under construction	22,315,588		22,243,912		71,676
Total	28,686,068	129,005	23,403,771		5,411,302
Total impairment losses	44,646,102	129,005	30,294,497		14,480,610

COMPANY FINANCIAL STATEMENTS

Non-current financial assets (in euros)	Cost at 1 January 2010	Transfers between accounts	Additions	Decreases	Cost at 31 December 2010
Shares in subsidiaries and affiliates	416,713,179		286,000,006	72,908,729	629,804,457
Advances to subsidiaries and affiliates	48,569,507		16,127,193	48,569,507	16,127,193
Loans	14,059,187			2,177,843	11,881,344
Deposits	443,792				443,792
Other					
Total	479,785,665		302,127,199	123,656,079	658,256,785

2) Current financial assets

Treasury shares (in euros)	Cost	Provisions	Carrying amount	Market value	Unrealized gain or loss
SFL shares held for allocation upon exercise of stock options granted prior to 2006	1,150,064		1,150,064	1,316,700	166,636
SFL shares held for allocation upon exercise of stock options granted in 2007	14,335,400	6,400,550	7,934,850	7,934,850	(6,400,550)
SFL shares held for allocation under future stock option plans	10,070,688	3,740,167	6,330,521	6,330,520	(3,740,167)
SFL shares held for future stock-for-stock acquisitions	704,866		704,866	806,756	101,890
SFL shares held under the liquidity contract	21,791		21,791	21,795	3
Total	26,282,809	10,140,717	16,142,092	16,410,621	(9,872,188)

	31 December 2009	Additions	Disposals	31 December 2010
Change in the number of shares held in treasury during the period	472,992	55,662	55,043	473,611
Average purchase/sale price, in euros	€55.52	€33.92	€33.91	€55.49
Total	26,261,352	1,888,169	1,866,712	26,282,809

Stock option plans				
Date of shareholder authorization	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	23,298	3,000	35,000	254,000
Options granted during the period				
Options exercised during the period	23,298			
Options cancelled during the period				25,000
Number of options outstanding		3,000	35,000	229,000

The carrying amount of all treasury shares held by SFL at 31 December 2010 came to €26,283 thousand, whereas their fair value stood at €16,411 thousand. A provision for impairment has therefore been recorded in the amount of €10,141 thousand.

Other current financial assets	Number	Unit purchase price	Cost	Market value	Unrealized gain or loss
Aviva Investors Monétaire C	643,5391	€2,195	€1,412,704	€1,418,225	€5,521
Total	643,5391	€2,195	€1,412,704	€1,418,225	€5,521

No provisions for impairment have been recorded against these financial assets.

3) Subsidiaries and affiliates

Company	Share capital	Reserves	% interest	Carrying amount of 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 with a gross value in excess of 1% of Société Foncière Lyonnaise's capital

1 - Subsidiaries (at least 50%-owned)

SCI PAUL CÉZANNE	56,934,400	113,931,744	100.00%	291,847,234	291,847,234	-	-	16,510,381	11,693,867	-	-
SCI 103 GRENELLE	150	314.905	100.00%	1,169,740	818,469	166,531,136	-	1,131,662	4,199,326	-	-
SCI WASHINGTON	94,872,000	9,181,738	66.00%	79,788,878	79,788,878	111,693,193	-	15,905,917	6,717,147	-	-

2 - Associates (10-50%-owned)

SAS PARHOLDING	15,000,000	4,264,677	50.00%	18,400,300	18,400,300	44,242,739	-	-	1,401,644	6,204,150	-
SA SIIC DE PARIS	68,104,208	537,779,446	29.99%	235,981,062	235,981,062	-	-	65,785,853	1,058,818	-	-

B - Aggregate information about investments not referred to in A above

1 - Subsidiaries (at least 50%-owned)				330,293	330,293	-	-	-	1,263,527	1,373,829	-
2 - Associates (less than 50%-owned)				2,286,735	-	-	-	-	-	-	-

Note A-2: Notes on equity and liabilities

Changes in equity (in euros)

A. Equity at 31 December 2009 before appropriation of profit	1,351,731,884
B. Appropriation of profit decided at the Annual General Meeting	
Transfer to the legal reserve	675
C. Dividend decided by the Annual General Meeting	(96,668,122)
Interim dividend decided by the Board of Directors	(32,239,159)
D. Movements for the period	
Share issues - par value of shares	46,596
Share issues - premium	595,754
Decrease in untaxed provisions	(1,382,818)
Profit for the period	97,098,358
E. Equity at 31 December 2010	1,319,183,167
F. Change in equity during the year	32,548,717

At 31 December 2010, the Company's share capital comprised 46,528,974 ordinary shares with a par value of €2. The number of voting rights at that date was 46,055,363.

Société Foncière Lyonnaise was 53.45%-owned by the Spanish company Inmobiliaria Colonial SA at 31 December 2010.

The increase in untaxed provisions corresponds exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties, less any reversals arising due to their sale.

Note A-3: Notes on items affecting both assets and liabilities

1) Provisions (in euros)

	1 January 2010	Increases	Decreases	31 December 2010
Untaxed provisions				
Excess tax depreciation	14,584,817	2,717,562	4,100,380	13,201,999
Total	14,584,817	2,717,562	4,100,380	13,201,999
Provisions for contingencies and charges				
Provisions for losses on SFL share grants	142,190	184		142,374
Provisions for property-related contingencies	356,000		356,000	
Provisions for employee-related risks	210,000		210,000	
Provisions for tax risks	680,000	100,000		780,000
Total	1,388,190	100,184	566,000	922,374
Provisions for impairment				
On intangible assets	15,960,034		6,890,726	9,069,308
On property and equipment	28,686,068	129,005	23,403,771	5,411,302
On non-current financial assets	20,851,854	783,899	18,997,534	2,638,219
On trade receivables	3,780,597	159,467	241,721	3,698,344
On other receivables	5,994,884		5,545,047	449,837
On other current financial assets	10,614,171		473,454	10,140,717
Total	85,887,608	1,072,372	55,552,253	31,407,727
Total provisions	101,860,615	3,890,118	60,218,633	45,532,100

(a) The following provisions for impairment were recorded against goodwill and properties, to reflect changes in appraisal values:

(b) The €473,454 reversal of the provision for impairment of treasury shares is based on the average SFL share price for December 2010 of €34.65 (versus €33.50 for December 2009).

2) Receivables and liabilities (in euros)

	1 January 2010	Increases	Decreases	31 December 2010
96, avenue d'Iéna goodwill	15,960,034		6,890,726	9,069,308
Intangible assets	15,960,034	-	6,890,726	9,069,308
Le Vaisseau	6,370,480		1,159,859	5,210,621
108-112, avenue Wagram	5,176,786		5,105,110	71,676
247, rue Saint-Honoré	5,019,125		5,019,125	0
T8 project	12,119,677		12,119,677	0
Stockholm parking garage		24,990		24,990
Saint-Augustin parking garage		104,015		104,015
Property and equipment	28,686,068	129,005	23,403,771	5,411,302

Receivables	Total	Accrued expenses	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current assets					
Advances to subsidiaries and affiliates	16,127,193		16,127,193		
Other long-term investments					
Loans	11,881,344		2,177,843	8,711,373	992,128
Deposits	443,792				443,792
Current assets					
Amounts receivable from tenants and trade receivables	6,776,566	236,873	2,783,385	3,993,181	
Employee advances	25,474		25,474		
Prepaid and recoverable taxes	11,051,877		11,051,877		
Current account advances	322,838,226	2,008,482	2,008,482	320,829,743	
Miscellaneous receivables	2,464,535		2,464,535		
Prepaid expenses	4,123,646		4,123,646		
Total receivables	375,732,653	2,245,355	40,762,435	333,534,297	1,435,920

Liabilities	Total	Accrued expenses	Due within 1 year	Due in 1 to 5 years	Due beyond years
Long and short-term debt					
Convertible bonds					
Bank borrowings	984,374,775	2,270,237	33,574,775	950,800,000	
Other borrowings					
Tenant deposits	6,602,175			6,602,175	
Payables					
Prepaid property rentals	8,738,277		8,738,277		
Trade payables	7,157,508	6,957,466	7,157,508		
Accrued employee benefits expense	4,500,902	3,800,431	4,500,902		
Accrued taxes	4,833,169	43,581	2,520,797	2,312,372	
Due to suppliers of property	8,604,950	7,478,587	8,604,950		
Current account advances	27,654,464	387,830	387,830	27,266,634	
Other liabilities	7,551,565	4,965,001	7,551,565		
Deferred income	21,309		21,309		
Total liabilities	1,060,039,095	25,903,132	73,057,913	986,981,182	

Prepaid property rentals correspond to rental income received in advance and expenses falling due in the first quarter of 2011.
Accrued employee benefits expense includes discretionary profit-sharing and bonus accruals.
Accrued taxes include the two annual exit tax instalments for a total amount of €4,624,744.
Other liabilities include the balance payable for the off-plan purchase of the building at 108-112, avenue Wagram for €2,351,404.

3) Long and short-term debt (in euros)

	2010	2009	Year-on-year change
Natixis 2005 syndicated loan	180,018,060	400,019,578	(220,001,518)
Natixis 2010 syndicated loan	200,264,583	-	200,264,583
BNP Paribas syndicated loan	266,844,397	151,219,750	115,624,647
Banco Sabadell loan	50,002,264	50,003,661	(1,397)
BECM revolving credit facility	150,025,463	150,007,342	18,121
Royal Bank of Scotland loan	40,801,802	40,801,448	354
Deutsche Hypothekenbank loan	50,022,717	50,023,022	(306)
CADIF loan	15,010,405	15,000,943	9,463
Lease liabilities	187,465,152	206,639,956	(19,174,804)
Bank overdrafts	31,385,084	31,891,205	(506,121)
Total	1,171,839,927	1,095,606,905	76,233,022

B - NOTES TO THE PROFIT AND LOSS ACCOUNT

Note B-1: Net revenue (in euros)

	2010	2009
Property rentals – residential	1,327,493	1,319,608
Property rentals – retail	11,997,506	12,952,718
Property rentals – small business premises	519,174	620,550
Property rentals – parking garages	3,190,119	3,402,105
Property rentals – offices	88,333,148	105,238,594
Property rentals - other	221,293	257,055
Property management fees	1,154,297	1,046,943
Penalties for failure to vacate premises on the lease termination date	375,724	714,755
Lease termination penalties	18,263,990	-
Les Citadines and Servcorp Edouard VII revenue	4,182,295	3,801,640
Fees	1,214,668	1,159,389
Total	130,779,707	130,513,358

Note B-2: Payroll costs (in euros)

	2010			2009
	Building staff	Administrative staff	Total	Total
Wages and salaries				
Wages and salaries	101,025	6,677,408	6,778,433	6,511,026
Allowances				
Total	101,025	6,677,408	6,778,433	6,511,026
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	45,458	2,561,731	2,607,189	2,506,183
Other employee benefits expenses	5,732	589,458	595,189	592,206
Total	51,189	3,151,189	3,202,378	3,098,389
Total	152,214	9,828,597	9,980,811	9,609,415

The remuneration paid to Company directors and officers (including bonuses and benefits in kind) amounted to €3,352,652 in 2010.

Directors' fees represented a total of €378,000 in 2010.

Note B-3: Number of employees at 31 December 2010

	2010	2009
Building caretakers	3	3
Administrative employees	9	8
Supervisors	13	13
Managers	45	46
Officers	2	1
Total	72	71

Note B-4: Fees paid to the Auditors (*) (in euros)

	2010	2009	2010	2009
	PricewaterhouseCoopers Audit		Deloitte & Associés	
Statutory and contractual audits	242,870	240,600	242,746	256,960
Other services	25,961	-	158,931	-
Total	268,831	240,600	401,677	256,960

(*) Share of non-deductible VAT included.

Note B-5: Net financial income (expense) (in euros)

	2010	2009
Income from subsidiaries and affiliates		
Dividends from SAS Parholding	6,204,150	
Dividends from SA Segpim	1,373,829	395,991
Revenue from SCI Paul Cézanne	11,693,867	16,293,860
Revenue from SCI Washington	4,433,317	12,185,673
Revenue from SCI 5 de Vigny		20,089,966
Interest income from the SCI Champvernier loan	368,078	448,690
Interest received from swaps		83,242
Interest income from current account advances to subsidiaries	5,522,026	6,725,935
Capitalized interest expense	13,866,573	7,807,287
Reversals of impairment of treasury shares	473,454	4,107,086
Reversals of impairment of shares in subsidiaries and affiliates	818,469	
Net gains from sales of current financial assets	29,147	87,048
Total	44,782,909	68,224,778
Total finance costs and other financial expenses		
Loss from SNC Fly Tolbiac	1,298,062	
Loss from SCI 103 Grenelle		22,159,747
Interest paid on swaps	30,835,815	20,833,411
Interest expense on bank borrowings	14,733,737	14,895,554
Interest expense on current account advances from subsidiaries	971,864	748,874
Interest expense on bank overdrafts	371,973	523,382
Bank fees related to borrowings	1,422,783	814,559
Other financial expenses	509,553	622,849
Provision for financial risks	184	142,190
Impairment of shares in subsidiaries and affiliates	783,899	19,679,246
Total	50,927,870	80,419,813
Net financial Income (Expense)	(6,144,960)	(12,195,035)

Capitalized interest expense primarily corresponds to capitalized interest on the properties at 247 rue Saint-Honoré, 92 avenue des Champs-Élysées and Quai Le Gallo, which are undergoing renovation.

Impairment of shares in subsidiaries and affiliates mainly corresponds to SCA Groupe Vendôme Rome shares.

Note B-6: Other income and expense (in euros)

	2010	2009
Total capital gains on property disposals	18,726,481	34,476,734
Income tax rebates received		14,729
Property and business acquisition transaction costs	(18,043)	(16,389)
Miscellaneous project costs		(960,791)
Gains and losses on adjustments of prior period balances, net	(719,008)	97,312
Gains and losses on other prior period adjustments, net	397,541	44,387
Gains and losses on adjustments during the period, net	(157,826)	(157,347)
Net gains/(losses) on sales of other shares	7,116	(424,530)
Technical merger gains	29,115	
Exceptional depreciation and provisions	(2,717,562)	(7,671,374)
Reversals of/(charges to) provisions for rent guarantees, net	156,000	(156,000)
T8 project impairment loss	12,119,677	(12,119,677)
Reversals of provisions for employee-related and tax risks	210,000	
Reversals of provisions for accelerated capital allowances	4,100,380	649,842
Charges to provisions for employee-related and tax risks	(100,000)	
Total other income and expense, net	32,033,871	13,776,895

Note B-7: Analysis of net capital gains on disposals (in euros)

	Disposal date	Sale price excl. transfer costs and tax	Carrying amount	Net capital gains and losses
Non-current financial assets				
SIIC de Paris shares	28/12/2010	50,018,929	50,018,929	0
Total		50,018,929	50,018,929	0
Investment properties				
T8 project	27/01/2010	4,568,648	4,457,820 ^(*)	110,828
Pavillon Henri IV	07/04/2010	6,503,158	4,043,804	2,459,354
Les Miroirs	27/12/2010	126,329,991	127,509,820	(1,179,829)
Coface	27/12/2010	159,670,000	130,214,196	29,455,804
Total		297,071,797	266,225,639	30,846,158
Total net capital gains on disposals		347,090,726	316,244,568	30,846,158

(*) Including €12,119,677 in reversals of impairment losses.

Note B-8: Income tax expense (in euros)

	2010	2009
Income tax on businesses taxable at the standard rate	(386,328)	386,328
Total	(386,328)	386,328

C - NOTE ON ITEMS AFFECTING BOTH THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Note C-1: Related party transactions (in euros)

	2010	2009
Balance sheet		
Non-current financial assets	627,517,508	414,426,231
Advances to subsidiaries and affiliates	16,127,184	48,569,498
Other receivables	322,838,226	328,065,421
Liabilities related to advances to subsidiaries and affiliates		22,159,747
Trade payables	2,957,565	3,755,883
Other liabilities	27,654,464	53,521,680
Profit and loss account		
Revenue	289,182	1,590,038
Other purchases and external charges	(6,228)	191,151
Property management fees	2,575,949	3,002,334
Dividend income from subsidiaries and affiliates	23,705,163	48,965,490
Interest income on advances to subsidiaries and affiliates	4,971,681	3,837,070
Financial expenses related to investments in subsidiaries and affiliates	1,298,062	22,159,748
Interest expense on liabilities related to advances to subsidiaries and affiliates	421,624	405,739

Note C-2: Prepaid expenses

At 31 December 2010, prepaid operating expenses amounted to €3,919,610, corresponding mainly to finance lease payments due in 2011.

Note C-3: Deferred charges (in euros)

	Maturity	Total	Accumulated amortization at 1 January 2010	Amortization for the year	Accumulated amortization at 31 December 2010	Net
Natixis 2005 syndicated loan fees	84 months	2,598,624	1,830,400	371,393	2,201,793	396,831
BECM loan fees	5 years	300,000	159,770	59,934	219,704	80,296
Deutsche loan fees	5 years	120,000	52,611	23,974	76,585	43,415
BNP Paribas loan fees	5 years	3,650,000	169,907	729,600	899,507	2,750,493
Natixis 2010 syndicated loan fees	5 years	3,283,837	0	26,976	26,976	3,256,861
Total		9,952,461	2,212,688	1,211,877	3,424,565	6,527,896

Fees are amortized over the life of the loan.

D - UNRECOGNIZED DEFERRED TAXES

Information about unrecognized deferred taxes is not relevant due to the Company's tax-exempt status under the SIIC regime.

E - FINANCE LEASES

Properties under finance leases (in euros)

	2010				2009
	Cost at inception of the lease	Depreciation for the year	Depreciation accumulated	Carrying amount	Carrying amount
Land	148,168,000			148,168,000	148,168,000
Buildings	181,094,000	4,421,764	34,813,720	146,280,280	151,002,044
Other					
Total	329,262,000	4,421,764	34,813,720	294,448,280	299,170,044

Future minimum lease payments (in euros)

	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⁾	19,174,804	133,535,691	19,789,328	47,345,539	28,679,559	91,650,726
Other						
TOTAL	19,174,804	133,535,691	19,789,328	47,345,539	28,679,559	91,650,726

(1) The values shown concern 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 the latter option.

F - OFF-BALANCE SHEET COMMITMENTS

Guarantees and other commitments (in euros)

	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Commitments given				
Property guarantees	4,058,904	4,058,904		
Commitments received				
Guarantees received from tenants and suppliers	38,957,642	5,688,082	25,680,147	7,589,413
BNP Paribas syndicated line of credit	35,000,000		35,000,000	
Natixis 2005 syndicated line of credit	20,000,000	20,000,000		
Natixis 2010 syndicated line of credit	150,000,000		150,000,000	
Total	248,016,546	29,746,986	210,680,147	7,589,413

Pledges and mortgages on the léna property, securing the €40.8 million RBS loan

Company	Type of mortgage	Due	Principal	Costs and incidentals	Total
SFL	Standard mortgage	31/10/2014	40,800,000	4,080,000	44,880,000

Hedging

General hedges of floating rate debt

Counterparty: JP Morgan. 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. At 31 December 2010, the contract had a negative fair value of €29,234 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. This 5-year swap was set up on 23 May 2006 for €100 million, setting the interest rate on an identified balance sheet item at 3.785%. At 31 December 2010, the contract had a negative fair value of €1,081 thousand.

Counterparty: RBS. This 7-year swap on a notional amount of €40.8 million was set up on 31 October 2006 as a hedge of an

identified balance sheet item. SFL pays a fixed rate of 3.89%. At 31 December 2010, the contract had a negative fair value of €2,573 thousand.

Counterparty: BNP Paribas. This swap on a notional amount of €50 million was set up on 26 January 2009 as a hedge of an identified balance sheet item and expires on 31 March 2012. SFL pays a fixed rate of 2.375%. At 31 December 2010, the contract had a negative fair value of €779 thousand.

Counterparty: BNP Paribas. This swap on a notional amount of €50 million was set up on 31 March 2009 as a hedge of an identified balance sheet item and expires on 31 March 2014. SFL pays a fixed rate of 2.63%. At 31 December 2010, the contract had a negative fair value of €1,320 thousand.

Counterparty: HSBC. This swap on a notional amount of €50 million was set up on 7 May 2009 as a hedge of an identified balance sheet item and expires on 31 March 2014. SFL pays a fixed rate of 2.63%. At 31 December 2010, the contract had a negative fair value of €1,320 thousand.

Counterparty: CADIF. Swap set up on 8 May 2009 for a notional amount of €50 million and expiring on 31 March 2011. SFL pays a fixed rate of 1.655%. At 31 December 2010, the contract had a negative fair value of €79 thousand.

Counterparty: HSBC. Swap set up on 8 July 2009 for a notional amount of €100 million and expiring on 30 June 2014. SFL pays a fixed rate of 2.71%. At 31 December 2010, the contract had a negative fair value of €2,811 thousand. It will be used to hedge designated liability as of 1 January 2011.

Counterparty: BNP Paribas. Swap set up on 5 October 2009 for a notional amount of €50 million and expiring on 30 September 2013. SFL pays a fixed rate of 2.265%. At 31 December 2010, the contract had a negative fair value of €940 thousand. It will be used to hedge a designated liability as of 1 January 2011.

Property purchases

The remaining balance due for the building at 112 avenue de Wagram delivered on 15 December 2010 amounts to €2,351,404. The price will not be indexed, discounted or revised.

Contractual renovation obligations

At 31 December 2010, the Group's contractual commitments relating to investment properties undergoing renovation totalled €31,627,028 (€43,534,171 at 31 December 2009).

The buildings at 247 rue Saint Honoré, 92 Champs Elysées and Quai Le Gallo accounted for 96.39% of the commitments in 2010.

Employee benefits

SFL has elected not to use the recommended method for recognizing pension and other post-employment benefit obligations.

The amount of these obligations, for which no provision has been set aside, amounted to €625,767 at 31 December 2010.

The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at age 65 at the employer's initiative. The calculation parameters are determined on a historical basis. The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 3.97% and a 2% rate of future salary increases.

- Length-of-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 SFL does not have any such defined benefit obligations, no sensitivity analyses are presented.

G – ADDITIONAL INFORMATION

There were no subsequent events requiring disclosure.

H – 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 (ISIN code: ES0139140018).

Statutory Auditors' report

Statutory Auditors' report on the consolidated financial statements	190
Statutory Auditors' report on the Company financial statements	192
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	194
Statutory Auditors' special report on related party agreements and commitments	196

Statutory Auditors' report

ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

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 2010, 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 financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the 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 includes examining, on a test

basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies, in accordance with IFRSs as adopted by the European Union.

Without qualifying our opinion expressed above, we draw your attention to Note 1-1 to the consolidated financial statements, which describes the effect of new standards and interpretations.

II. Justification of our assessments

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

by qualified independent valuers to estimate their fair value. Our work consisted in verifying the valuation methods used by the independent experts, ensuring that fair value measurements of 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 6-31 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 examined the classification and documentation criteria required under IAS 39 and obtained assurance that the accounting policies used and the disclosures provided in the notes were appropriate

These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verification

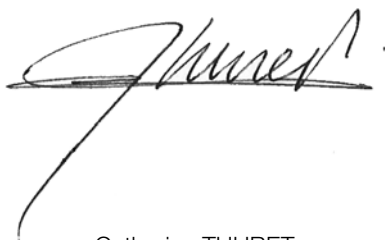
In accordance with the professional standards applicable in France, we have also verified the information given in the group management report.

We have no matters to report regarding the fair presentation of this information and its conformity with the consolidated financial statements.

Neuilly-sur-Seine, 4 April 2011

The Statutory Auditors

PricewaterhouseCoopers Audit



Catherine THURET

Deloitte & Associés



Laure SILVESTRE-SIAZ

Statutory Auditors' report

ON THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2010

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 2010, 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 the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit

also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's results for the period as well as of its financial position, assets and liabilities at the period-end, in accordance with the accounting rules and principles applicable in France.

II. Justification of our assessments

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) on accounting policies for property and equipment, all of the Company's property assets have been measured 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 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 formation of the unqualified opinion expressed in the first part of this report.

III. Specific verifications and information

In accordance with the professional standards applicable in France, we have also verified the information given in the financial statements.

We have no matters to report concerning the fair presentation of this information and its conformity with the Board of Directors' management report and with the documents addressed to shareholders regarding the Company's financial position and financial statements.

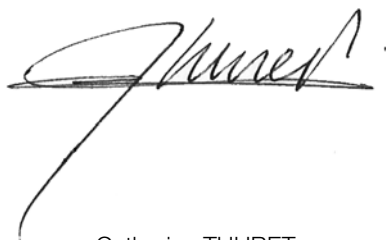
We have examined the information provided in accordance with Article L.225-102-1 of the French Commercial Code concerning compensation and benefits granted to executive directors and any other commitments made in their favour, and verified its conformity with the information used to prepare the Company financial statements and, where necessary, with data collected by your Company from its controlling shareholders or subsidiaries. On this basis, we have no matters to report concerning the fair presentation of this information.

In accordance with the law, we obtained assurance that the necessary disclosures were made in the management report concerning acquisitions of controlling and other interests and the identity of shareholders and holders of voting rights.

Neuilly-sur-Seine, 4 April 2011

The Statutory Auditors

PricewaterhouseCoopers Audit



Catherine THURET

Deloitte & Associés



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 2010

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 2010.

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 contained in the Chairman's report on internal control procedures relating

to the preparation and processing of accounting and financial 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 the professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of accounting and financial information

French professional standards require that we perform procedures to assess the fairness of the information contained in the Chairman's report on internal control procedures relating to the

preparation and processing of accounting and financial information. These procedures mainly consisted of:

- Obtaining an understanding of the internal control procedures relating to the preparation and processing of accounting and financial information underpinning the information given in the Chairman's report, 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 whether any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we may have identified during the course of our work are appropriately disclosed in the Chairman's report.

Based on our procedures, we have no matters to report concerning the information given on internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors, prepared in accordance with Article L. 225-37 of the French Commercial Code.

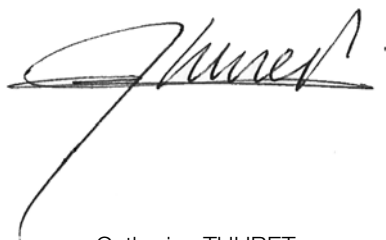
Other information

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, 4 April 2011

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 2010

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

We are required to report to shareholders, based on the information provided, about the main terms and conditions of the related party agreements and commitments that have been disclosed to us or that we identified during our audit, without commenting on their relevance or substance. Our responsibility does not include identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (Code de Commerce), it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We are also required to disclose the information provided for under Article R.225-31 of the French Commercial Code concerning the performance during 2010 of any related party agreements and commitments approved in prior years by shareholders.

We performed the procedures we deemed necessary to carry out this responsibility in accordance with the professional guidelines of the French Institute of Statutory Auditors (CNCC). These standards require us to perform procedures to verify that the information given to us agrees with the underlying documents.

RELATED PARTY AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE ANNUAL GENERAL MEETING

Agreements and commitments authorised during 2010

In accordance with Article L.225-40 of the French Commercial Code, we were advised of the following agreements and commitments authorised by your Board of Directors during 2010.

Agreement with Yves Mansion

Agreement authorised by the Board of Directors on 14 April 2010

Corporate officer concerned: Yves Mansion, Chairman and Chief Executive Officer until 14 April 2010.

Nature and purpose:

Termination benefit and stock options.

Payment to Yves Mansion of a €580,000 termination benefit and waiver of the continuing employment requirement applicable to the 44,000 stock options granted to him under the 13 March 2007 plan.

Agreement with Bertrand Julien-Laferrière

Agreement authorised by the Board of Directors on 5 October and 14 December 2010

Corporate officer concerned: Bertrand Julien-Laferrière, Chief Executive Officer since 5 October 2010.

Nature and purpose:

Compensation for loss of office. Payment to Mr. Julien-Laferrière of compensation for loss of office in an amount equal to six months' remuneration in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct.

During the first three years, the compensation would correspond to one half of his annual salary and one half of his most recent bonus approved by the Board.

As from 1 January 2014, it would be based on one half of his latest annual salary and 50% of the average of his bonuses for the three years preceding his dismissal.

Payment of the compensation for loss of office would be subject to certain performance criteria being met, as determined by the Board at its meeting of 14 December 2010.

Effective from 2011, half of Mr. Julien-Laferrière's bonus will be based on qualitative performance criteria and half on quantitative criteria, to be determined each year by the Board of Directors based on the recommendation of the Remuneration Committee.

The quantitative criteria used to determine half of Mr. Julien-Laferrière's annual bonus would also be applied to determine his compensation for loss of office.

If average performance was at least equal to 60% of the target, the compensation for loss of office would be payable in full. If average performance was below 60% of the target, no compensation for loss of office would be payable.

Assistance agreement with the Maluquer Advocats law firm in Barcelona, Spain, of which Luis Maluquer-Trepas is a partner and co-director

Agreement authorised by the Board of Directors on 18 November 2010

Corporate officer concerned: Luis Maluquer-Trepas, director of Société Foncière Lyonnaise.

Nature and purpose:

Legal services concerning the acquisition of an interest in SIIC de Paris.

The fees billed to SFL for these services amounted to €79,402 excluding tax, of which €1,242 in expenses.

AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS

Agreements and commitments that were applied in 2010

In accordance with Article R.225-30 of the French Commercial Code, we were informed of the following agreements and commitments authorised in prior years that were applied in 2010.

Agreement with Locaparis

Agreement renewed by the Board of Directors on 12 February 2010

Nature and purpose:

The counter guarantee given by Société Foncière Lyonnaise, 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, was reduced from €615,000 to €140,000 (excluding tax).

Agreement with Alec Emmott

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 his departure from the Group, if he left before 30 June 2007. This arrangement may be extended at the end of successive one-year periods, by mutual agreement between Alec Emmott and the Company (represented by its Chairman). Under this agreement, which was renewed for one year with effect from 1 October 2010, fees paid to Alec Emmott during the year amounted to €100,000 (excluding tax).

Agreement with Prédica

Nature and purpose:

Partnership agreement signed on 6 October 2009 to structure the relationship between Prédica and Société Foncière Lyonnaise as the joint shareholders of Parholding.

Agreement with Parholding

Nature and purpose:

Pledges of Parholding shares and/or other financial instruments to enable the company to obtain a no-recourse mortgage loan for €172 million at a spread of 250 bps, due December 2012.

Agreements and commitments that were not applied in 2010

We were also informed that the following related party agreements and commitments – which were approved in prior years by shareholders – were not applied in 2010.

Agreements with Yves Mansion

Nature and purpose:

Agreement to pay Yves Mansion 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 would have (i) resulted in Yves Mansion being dismissed or forced to resign from his position as Chief Executive Officer or (ii) significantly altered 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 would have been payable at Yves Mansion's request during the 18-month period following the direct or indirect change in ownership structure.

The gross amount payable would have been 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 preceded the direct or indirect change in ownership structure.

Payment of such compensation would have been 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 exceeded operating profit before fair value adjustments for the fourth year preceding such termination. In effecting the comparison, account would have been taken of changes in the property portfolio in the years concerned.

The compensation would have been paid after the Board of Directors had formally acknowledged that the above performance

criterion had been met, within two months of payment being claimed. If the Board had failed to notify Yves Mansion of its decision within said two-month period, the performance criterion would automatically have been considered as having been fulfilled.

On 14 April 2010, the Board of Directors noted that the conditions governing the payment of compensation for loss of office had not been fulfilled. Given Yves Mansion's resignation on 14 April 2010, the agreement is no longer applicable.

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 after he left the Group, regardless of the reasons for or circumstances of his departure.

Given Yves Mansion's resignation on 14 April 2010, the agreement is no longer applicable.

Agreement with Alec Emmott

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 after he left the Group, regardless of the reasons for or circumstances of his departure.

Agreement entered into with Nicolas Reynaud

Nature and purpose:

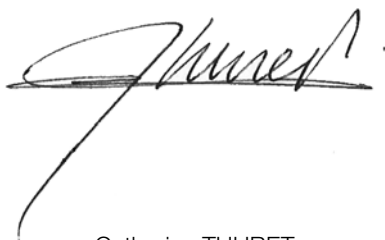
Nicolas Reynaud is both an officer and an employee of the Group, as Managing Director since 24 October 2008 and Chief Financial Officer. Under the terms of his employment contract, he will receive a termination benefit in the event of a change in ownership structure.

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.

Neuilly-sur-Seine, 4 April 2011

The Statutory Auditors

PricewaterhouseCoopers Audit



Catherine THURET

Deloitte & Associés



Laure SILVESTRE-SIAZ

Additional Information

1. Persons Responsible for the Registration Document and the Audit of the Accounts	202
2. Additional Legal Information	204
3. Additional Information about the Company's Capital and Share Ownership	205
4. Additional Information about the Group's Operations and Organisational Structure	208
5. Documents on display	210

1. Persons Responsible for the Registration Document and the Audit of the Accounts

1.1 Statement by the person responsible for the Registration Document

Name and position

Bertrand Julien-Laferrière, Chief Executive Officer.

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.

The auditors' report on the consolidated financial statements for the year ended 31 December 2010, containing one observation, is presented on pages 190-191 of the 2010 financial report."

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 EUROS)

Fees paid to the Auditors and the members of their networks in the past three years

(in euros)	PricewaterhouseCoopers Audit SA						Deloitte & Associés					
	Amount (excl. VAT)			%			Amount (excl. VAT)			%		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
Statutory and contractual audits												
Issuer	235,924	240,600	241,915	66%	72%	60%	235,829	245,608	238,386	60%	100%	80%
Fully consolidated subsidiaries	95,156	94,745	98,535	27%	28%	25%	-	-	-	-	-	-
Audit-related services												
Issuer	25,220	-	60,000	7%	-	15%	155,363	-	60,000	40%	-	20%
Fully consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	356,300	335,345	400,450	100%	100%	100%	391,192	245,608	298,386	100%	100%	100%
Other services												
Legal and tax advice	-	-	-	-	-	-	153,016	-	-	100%	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	153,016	-	-	100%	-	-
TOTAL	356,300	335,345	400,450	100%	100%	100%	544,208	245,608	298,386	100%	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 Excerpts 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.

The share capital is increased by the issue of ordinary shares or preference shares, or by raising the par value of existing shares. It may also be increased through the exercise of rights attached to securities with 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 55 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 pledger.

ADDITIONAL INFORMATION

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 Share capital

Share capital at 31 December 2010

As of 31 December 2010, the Company's issued share capital amounted to €93,057,948 divided into 46,528,974 ordinary shares with a par value of €2, all fully paid-up.

Authorised, unissued capital

The Annual General Meeting of 15 June 2009 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 to be paid up in cash or by capitalising debt. The aggregate amount by which the capital may be increased under this authorisation is capped at €100 million.

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, 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. The aggregate par value of ordinary shares that may be issued under this authorisation shall not exceed €100 million.

- 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. The aggregate par value of ordinary shares that may be issued under this authorisation shall not exceed 10% of the Company's share capital.

- 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 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 will cover 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 Meetings of 15 June 2009 and 19 April 2010 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. They also authorised 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.

The Board will propose that shareholders renew these authorisations at the Annual General Meeting to be held to approve the 2010 financial statements.

Authorisations concerning treasury shares are described on pages 51 and 52 of the Management Report.

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 42 of the Management Report.

In application of Article 21 of the Articles of Association, the functions of Chairman of the Board and Chief Executive Officer were separated on 14 April 2010.

The Chairman's report on corporate governance and internal control can be found on page 68 of the Management Report.

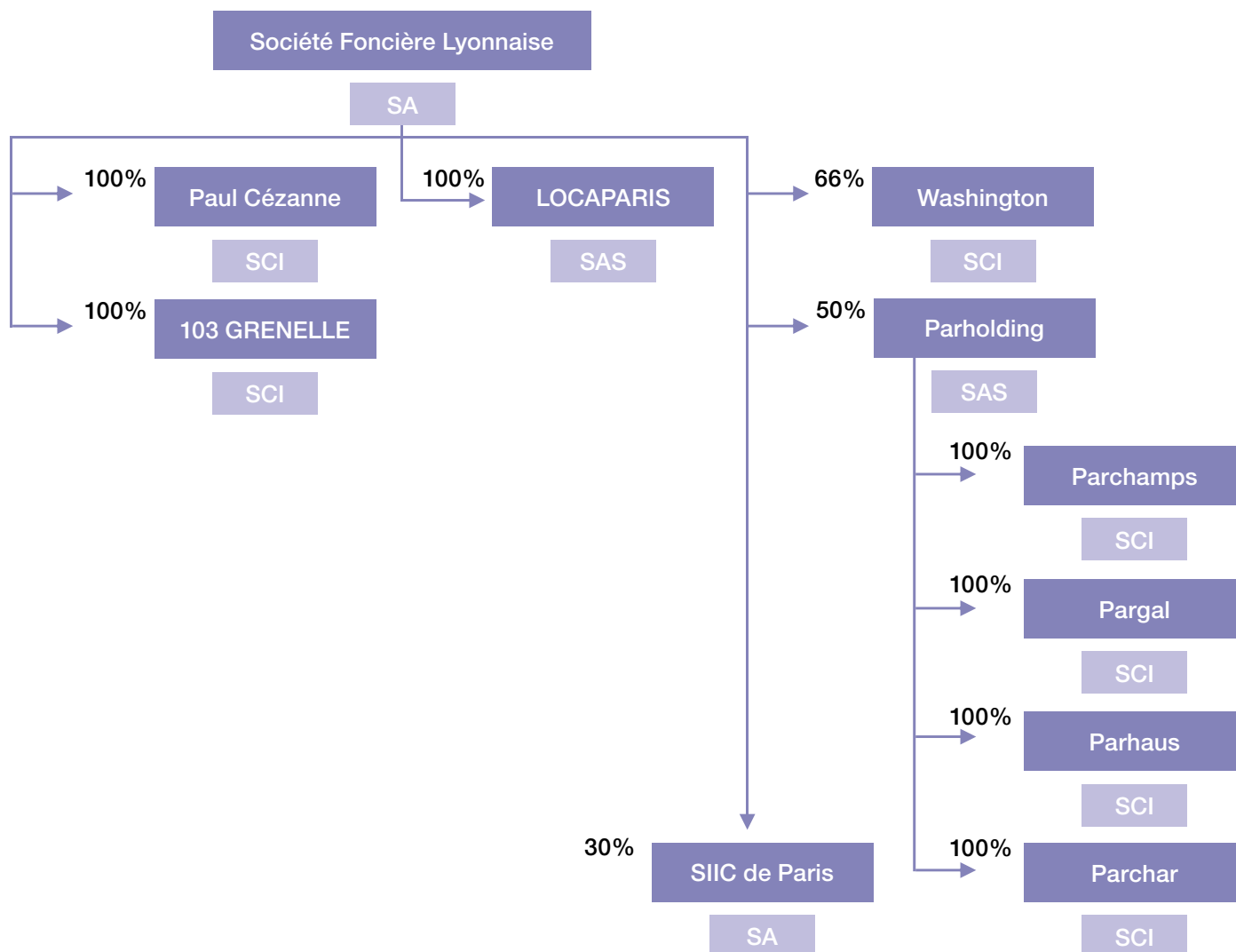
As far as the Company is aware, no arrangements exist whose implementation may result in a change in control in the future.

3.4 Shareholder's pacts

See pages 56 to 59 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

Dependence

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 2010, 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 BNP Paribas Real Estate Expertise).

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 valuers noted that fourth-quarter 2010 rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account to value the prop-

erties according to their current occupancy, based on the duration of the underlying leases.

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 2010 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 2010 is **€2,959,647,870 excluding transfer costs and €3,119,740,807 including transfer costs.**



DENIS FRANÇOIS
EXPERT EN EVALUATION
IMMOBILIÈRE - FNAIM


BNP PARIBAS REAL ESTATE
VALUATION FRANCE
Adresse Postale : 32 rue Jacques Ibert
92309 LEVALLOIS CEDEX
327 657 169 RCS NANTERRE


 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

ADDITIONAL INFORMATION

5. Documents on display

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 2010

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	Address for consultation
Prédica and Société Foncière Lyonnaise acquire co-ownership units in the 8th arrondissement in Paris	04/01/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL 2009 Results	12/02/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Share issue (in French only)	12/02/2010	The Paris Commercial Court	www.infogreffe.fr
Change of Director (in French only)	12/02/2010	The Paris Commercial Court	www.infogreffe.fr
Notice of AGM (in French only)	05/03/2010	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Notice of AGM (in French only)	02/04/2010	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Information on the total number of voting rights as of 31 March 2010 (in French only)	12/04/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Ordinary and Extraordinary General Meeting of 19 April 2010 (in French only)	12/04/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Publication of the 2009 registration document (in French only)	13/04/2010	Autorité des Marchés Financiers	www.amf-france.org
SFL announces the filing of the 2009 registration document (in French only)	13/04/2010	Autorité des Marchés Financiers	www.amf-france.org
Yves Mansion stands down as Chairman and Chief Executive Officer and is appointed Honorary Chairman of Société Foncière Lyonnaise (in French only)	14/04/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Resignation of the Chairman	14/04/2010	The Paris Commercial Court	www.infogreffe.fr
Resignation of the Chief Executive Officer	14/04/2010	The Paris Commercial Court	www.infogreffe.fr
Resignation of a director	14/04/2010	The Paris Commercial Court	www.infogreffe.fr
Appointment of a new Chairman (in French only)	14/04/2010	The Paris Commercial Court	www.infogreffe.fr
SFL - First Quarter 2010	29/04/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Approval of the financial statements for the year ended 31 December 2009 (in French only)	30/04/2010	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Information on the total number of voting rights as of 30 April 2010 (in French only)	05/05/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 May 2010 (in French only)	09/06/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL: Appointment of new directors and Juan José Brugera as Chairman and Chief Executive Officer	11/06/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Decision to combine the positions of Chairman and Chief Executive Officer	11/06/2010	The Paris Commercial Court	www.infogreffe.fr
Resignation of a Director	11/06/2010	The Paris Commercial Court	www.infogreffe.fr
Appointment of a Director (in French only)	11/06/2010	The Paris Commercial Court	www.infogreffe.fr
Statement of transactions in SFL shares carried out by directors of the Company (in French only)	16/06/2010	Autorité des Marchés Financiers	www.amf-france.org
Statement of transactions in SFL shares carried out by directors of the Company (in French only)	22/06/2010	Autorité des Marchés Financiers	www.amf-france.org
New leases signed at 103 rue de Grenelle, Paris 7	08/07/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 30 June 2010 (in French only)	19/07/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com

Title	Filing/ publication date	Filed with/published by	Address for consultation
SFL – First half 2010 results	22/07/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL releases its 2010 Interim Financial Report (in French only)	27/07/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
First lease signed for Washington Plaza (in French only)	27/08/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Second lease signed for Washington Plaza (in French only)	30/08/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 July and 31 August 2010 (in French only)	07/09/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Appointment of a permanent representative (in French only)	07/09/2010	The Paris Commercial Court	www.infogreffe.fr
Bertrand Julien-Laferrière named Chief Executive Officer of SFL	05/10/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Change of Chief Executive Officer (in French only)	05/10/2010	The Paris Commercial Court	www.infogreffe.fr
Information on the total number of voting rights as of 30 September 2010 (in French only)	06/10/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Publication concerning compensation for loss of office in accordance with Article R.225-34-1, paragraph 1 of the French Commercial Code (in French only)	11/10/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SIIC de Paris and Société Foncière Lyonnaise (SFL) enter into exclusive negotiations (in French only)	21/10/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL - Third Quarter 2010	03/11/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SIIC de Paris and Société Foncière Lyonnaise (SFL) pursue their exclusive negotiations (in French only)	22/11/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SIIC de Paris and Société Foncière Lyonnaise (SFL) sign an asset contribution agreement (in French only)	26/11/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 October 2010 (in French only)	30/11/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 30 November 2010 (in French only)	09/12/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL – Payment of an interim dividend	14/12/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Publication concerning compensation for loss of office in accordance with Article R.225-34-1, paragraph 1 of the French Commercial Code (in French only)	15/12/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL obtains new €350 million loan	17/12/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Shareholders at the General Meeting of SIIC de Paris approve the transaction with SFL (in French only)	27/12/2010	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
PORTS 1961 is opening a store on rue Saint Honoré on the ground floor of the new Mandarin Oriental Paris Hotel	04/01/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Half-yearly report on the liquidity contract	07/01/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL strengthens its management organisation			
Information on the total number of voting rights as of 31 December 2010	26/01/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL's 2010 Results	10/02/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Lagardère and Universal to move into Washington Plaza, Louis Vuitton Malletier into Louvre Des Entreprises and ESMA into 103 Grenelle	10/02/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Share issue (in French only)	10/02/2011	The Paris Commercial Court	www.infogreffe.fr
Change in SFL's ownership structure	10/02/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Notifications received under disclosure threshold rules (in French only)	02/03/2011	Autorité des Marchés Financiers	www.amf-france.org
Information on the total number of voting rights as of 31 January 2011	02/03/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Zurich France, a leading corporate insurer, is moving into 112 avenue de Wagram	04/03/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 28 February 2011			
Paris prime real estate market remains strong	07/03/2011	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com

Cross-reference table

Information	Annual report	Registration document
1. Persons responsible		
1.1 Name and position of persons responsible		202
1.2 Statement by persons responsible		202
2. Statutory Auditors		
		203
3. Selected financial information		
	28 to 35	
4. Risk factors		
4.1 Liquidity risk		31
4.2 Counterparty risks		31
4.3 Market risk		31
4.4 Interest rate risk		32
4.5 Hedging risks		33
4.6 Risks associated with the economic climate and the property market		34
4.7 Risks associated with a competitive environment		34
4.8 Risks associated with tenants		34
4.9 Risks associated with the availability and cost of financing		35
4.10 Risks associated with the loss of key personnel		35
4.11 Risks associated with subcontractors and other service providers		35
4.12 Risks associated with the regulatory environment		35
4.13 Risks associated with government-related procedures		36
4.14 Risks associated with neighbourhood complaints		36
4.15 Risks associated with the majority shareholder		37
4.16 Risks associated with the SIIC tax regime		37
5. Information about the issuer		
5.1 History and development of the issuer	5	
5.2 Investments		6
6. Business overview		
6.1 Principal activities	15 to 25	5
6.2 Principal markets	1 to 5	
6.3 Exceptional factors	NA	NA
6.4 Dependence on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes		208
6.5 The basis for statements made by the issuer regarding its competitive position		34

Information	Annual report	Registration document
7. Organizational structure		
7.1 Brief description of the Group	1	208
7.2 List of significant subsidiaries		10, 11, 171, 176
8. Property, plant and equipment		
8.1 Existing or planned material tangible fixed assets and any major encumbrances thereon	38 to 47	124, 128, 130, 139, 166, 169, 172, 173, 178, 192
8.2 Environmental issues that may affect the utilisation of tangible fixed assets	23, 25, 39	35, 36, 64
9. Operating and financial review		
9.1 Financial condition		7 to 9
9.2 Operating results		8, 168
10. Capital resources		
10.1 Information concerning capital resources	32, 33	7, 11, 125, 127, 135, 143, 156, 157, 167, 176
10.2 Cash flows		126, 128, 135, 162
10.3 Borrowing requirements and funding structure	9, 30	30, 32, 33, 35, 37, 128, 133, 144, 153 to 157, 171, 198
10.4 Restrictions on the use of capital resources		30, 32, 33, 35, 37, 128, 133, 144, 153 to 157, 171, 198
10.5 Information regarding anticipated sources of funds needed to fulfil capital expenditure commitments	NA	NA
11. Research and development, patents and licenses		
	NA	NA
12. Trend information		
12.1 The most significant recent trends in production, sales and inventory, and costs and selling prices		29, 30
12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	17	30 to 40
13. Profit estimates or forecasts		
	NA	NA
14. Administrative, management, and supervisory bodies and senior management		
14.1 Board member and senior management information	1, 6 to 8	12, 30, 68 to 85
14.2 Conflicts of interest	7	77, 83
15. Remuneration and benefits		
15.1 Remuneration and benefits in kind		15 to 24, 62
15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits		25 to 29

CROSS-REFERENCE TABLE

Information	Annual report	Registration document
16. Board practices		
16.1 Date of expiration of current terms of office		74
16.2 Service contracts with members of the administrative, management or supervisory bodies		208
16.3 Committee information	6,7	84, 85
16.4 Statement of compliance with France's corporate and governance regime	7	83
17. Employees		
17.1 Number of employees		61
17.2 Shareholdings and stock options		62, 63, 179, 203
17.3 Arrangements for involving employees in the company's capital		9, 172
18. Major shareholders		
18.1 Shareholders owning over 5% of the capital or voting rights	35	42
18.2 Different voting rights		42
18.3 Control of the issuer		42
18.4 Arrangements which may result in a change in control of the issuer		42
19. Related party transactions		55, 84, 162, 196
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
20.1 Historical financial information		66, 210
20.2 Pro forma financial information	NA	NA
20.3 Financial statements		166 to 187
20.4 Auditing of historical annual financial information		190 to 199
20.5 Age of latest financial information		211
20.6 Interim and other financial information	NA	NA
20.7 Dividend policy		50
20.8 Legal and arbitration proceedings		40
20.9 Significant change in the issuer's financial or trading position		29
21. Additional Information		
21.1 Share capital		206
21.2 Memorandum and articles of association		205, 206
22. Material contracts		208
23. Third party information, statement by experts and declarations of any interests		209
24. Documents on display		210, 211
25. Information on holdings		11

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.

Information	Registration document
1. Financial statements of the Company	166 to 187
2. Consolidated financial statements	124 to 163
3. Management report	5 to 122
4. Statement by the person responsible for the registration document	202
5. Auditors' reports on the financial statements of the Company and the consolidated financial statements	190 to 193
6. Fees paid to the statutory auditors	203
7. Chairman's report drawn up in accordance with Article L.225-37 of the French Commercial Code)	68 to 91
8. Auditors' report on the report of the Chairman of the Board of Directors	194, 195

Historical financial information

Financial statements and Statutory Auditors' reports for 2010: see table above.

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 2008, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 92-130 and 153-154

of the 2008 Registration Document filed with the AMF on 15 May 2009 under No. D.09-0423.

- The consolidated financial statements for the year ended 31 December 2009, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 85-125 and 150-151 of the 2009 Registration Document filed with the AMF on 13 April 2010 under No. D.10-0249.



A French joint stock company with capital of €93,057,948
Registered office: 151 rue Saint Honoré, 75001 Paris, France
Phone: +33 (0)1 42 97 27 00 – Fax: + 33 (0)1 42 97 27 26
www.fonciere-lyonnaise.com
Registered with the Paris Companies Registry under number 552 040 982

