SOCIETE FONCIERE LYONNAISE

2008
Annual Report

Since electing for the SIIC (REIT-style) tax regime in 2003, SFL has qualified for tax benefits that it transfers to shareholders through its dividend policy. The Company's ongoing eligibility for these tax benefits has been assured since January 2009, following the reduction of Colonial's interest in its capital and the resulting increase in the free-float to above the threshold for the regime's application.

SFL's strength lies in the quality of the properties in its portfolio and their prime locations, mainly in Paris's Central Business District. The total portfolio is valued at nearly €3.7 billion, including transfer costs. Their environmental and technical certifications enhance the properties' lettability and help to sustain revenues in a struggling market.

Strength

€3,672m*

Portfolio value, including transfer costs

Sustainability

€100m*

Current cash flow, attributable to equity holders

Prudence

31.5%*

Loan-to-value ratio

Quality

HQE

Early compliance and certification for renovation projects

* At 31 December 2008 or for the year ended at that date.

SFL is listed on NYSE Euronext Paris, in compartment A.

1995

Acquired by the Victoire insurance group in 1987, SFL launches its strategic refocusing on prime commercial properties in Paris's Central Business District. Its first major acquisition is the Louvre des Entreprises complex.

1879

Henri Germain, founder of Crédit Lyonnais, creates Société Foncière Lyonnaise.
During the first two decades of the 20th century, until after World War I, SFL expands its business in Paris – where in 1900 it owns more than 300 properties and nearly 2,000 hectares of land – as well as on the French and Italian Rivieras and in Belgium.

2004

Spanish property company Colonial acquires 95% of SFL through a public tender offer. One year later, its stake is reduced to 79.5%.

2006

> SFL's ownership structure changes following the takeover of Colonial by Spanish property company Inmocaral. Colonial's direct interest in SFL increases to 85%.

2009

> Colonial's interest in SFL is reduced to 53.4%. SFL's other main shareholders include banks for 28.4%, the Reig Capital Group investment fund for 4.4% and, since January, the Orion fund with 7.25%.

2006-2008

> SFL continues its value creation strategy, purchasing properties on rue Saint-Honoré and rue de Grenelle in Paris, obtaining HQE (High Environmental Quality) certification for its buildings and launching health and pollution risk management plans.

A unique portfolio

SFL's portfolio of prime properties, such as Edouard VII, Louvre des Entreprises, Galerie des Champs-Elysées, Rives de Seine and soon the Mandarin Hotel on rue Saint-Honoré, is let to first-class covenants attracted by their premium services. The portfolio is managed prudently. This was particularly the case in 2007 and 2008 during the boom in office property prices.

Recognised expertise

SFL is internationally renowned for its expertise in both managing property assets and undertaking major renovation and remodelling projects. Following our work on 103 rue de Grenelle and Louvre des Entreprises, in 2009 we will be renovating Galerie des Champs-Elysées and 247/251 rue Saint-Honoré, the future location of Paris's Mandarin luxury hôtel.

Environmental expertise

Ahead of the regulatory curve, we have for several years implemented an assertive social and environmental policy. We have made exemplary environmental performance a priority in our relationships with contractors and tenants, enabling us to command higher rents for our properties. Drawing on our expertise, we helped to establish France's HQE (High Environmental Quality) seal, which has been awarded to several of our buildings.

LONG-TERM PARTNERSHIPS WITH ARCHITECTS

We ensure not only that our properties offer premium services but also that they meet the highest architectural standards, by retaining the services of the most talented architects.

PHILIPPE CHIAMBARETTA
103, rue de Grenelle

VINCENT CORTES
92, Champs-Élysées et Alfred-de-Vigny

DTACC
Haussmann Saint-Augustin

JEAN NOUVEL
Galerie des Champs-Élysées

RUDY RICCIOTTI
T8 project

SRA
Galerie des Champs-Élysées

JEAN-MICHEL WILMOTTE
Saint-Honoré Hotel

Designers :

SYBILLE DE MARJORIE
Saint-Honoré Hotel

PATRICK JOUIN
Saint-Honoré Hotel

JUAN TRINDADE
Le Louvre des Entreprises et des Antiquaires

Interview with the Chairman

This time last year, you predicted an uncertain and difficult environment. With the financial crisis and the beginnings of a recession you have been proved right.

We did indeed see a downturn in the property cycle and declining portfolio values. For SFL, the year was something of a paradox. On the one hand, our strategy and the market conditions that prevailed in prior years led to our highest-ever operating profit before fair value adjustments, but on the other hand, falling property values drove our bottom line sharply into the red. This occurred, however, at a time when demand for goods and services dropped across every sector in the wake of the global economic crisis which, while perceptible in the first months of the year, suddenly deepened with the US financial crisis. We're not facing a classic real estate crisis triggered by oversupply and price inflation. New unlet properties and buildings under construction in the greater Paris area represent no more than one year's demand, and the vacancy rate has been contained at 5.6%.

Does the decline in SFL property values reflect the economic downturn?

Yes, the problems that the banks had been accumulating since the summer led them to ration credit and turn down big-ticket loan requests. Consequently, transaction volume for the year was down 60% in the Paris area and as from the autumn it was impossible to raise financing for deals in excess of €100 million. Without transactions, there were no price data on which to base property valuations. Based on models incorporating discount rates and rental values, the value of our property portfolio decreased by an estimated 11.5%, in line with the market. The negative fair value adjustments led us to report a loss of €393 million for the year. However, operating profit before fair value adjustments grew to a record high of €152.3 million.

How do things look for 2009?

Last year, we enjoyed a very healthy level of rental revenues and a record-breaking occupancy rate of 98.3%. In 2009, tenants are likely to be hit by the economic slowdown and this could translate into higher vacancy rates and lower rental yields. We've adopted a lucid, pragmatic strategy to renegotiate rents with certain tenants, in exchange for extended lease terms. Scheduled for delivery in the first quarter of 2009, the rue de Grenelle building will most likely be let in units rather than to a single occupant as originally planned. The keyword in our strategy is "security". Securing the rent roll and avoiding risks helps to protect our core strengths: a high quality portfolio, our strategic focus on Paris's Central Business District and our first-class covenants. This strategy has also helped to keep our balance sheet healthy. At the end of 2008, the loan-to-value ratio stood at roughly 30%, which is still very reasonable.

After two years of portfolio stability, are you planning to embark on a new programme of asset sales and purchases?

As an SIIC, we are exempt from capital gains tax. It therefore makes sense for us to turn over the portfolio periodically, but in 2007 and 2008 our majority shareholder, the Spanish property group Colonial, asked us to suspend transactions. Following changes in the composition of Colonial's management and Board in summer 2008, we are once again free to carry out such transactions, but we remain both selective and assertive. We will only buy or sell properties if the price is right.
At the end of last year, we purchased one property and sold another, both representing fairly modest transactions. In 2009, we are planning to sell several mature assets with relatively small price tags. At the same time, we are securing future revenue streams with current renovation projects concerning the Louvre des Entreprises, rue Saint-Honoré and Galerie des Champs-Elysées buildings.

Has your ownership structure stabilised?

Colonial has been our majority shareholder for the past four years. In 2008, it experienced serious financial difficulties that led to a complete overhaul of its senior management team in the summer and the implementation of a restructuring plan. This led to three major banks and an institutional investor becoming shareholders of our Company. The reduction of Colonial's interest to 53.4% was a good thing for SFL, as it allowed us to keep our SIIC tax status. We will retain our management and financial autonomy, a strategy that has enabled us to protect our core strengths in the interest of all our shareholders.

Management **Committee**

1_ YVES MANSION
Chairman and Chief Executive Officer

2_ NICOLAS REYNAUD
Managing Director,
Chief Financial Officer

3_ FRANÇOIS SEBILLOTTE
Company Secretary

4_FRANCK DATTÉE
Technical Director

5_ JEAN-LUC POTIER
Development Director

6_ OLIVIER ROCHEFORT
Asset Management Director

7_ MARC STRAVOPODIS
Marketing Director

Governance

The composition of SFL's Board of Directors was modified in February, May and July of 2008 in sync with changes in the Board of its main shareholder Colonial. Luis Manuel Portillo Muñoz, who resigned on 5 February 2008 as Chairman of the Board of Directors and member of the Executive and Strategy Committee, was replaced in both functions by Mariano Miguel Velasco, who in turn resigned on 23 July 2008. On that date, the Board appointed Juan José Brugera Clavero, Pere Viñolas Serra and Carlos Fernandez-Lerga Garralda to replace three directors who had resigned. Yves Mansion was re-appointed as Chairman, following the Board's decision to once again combine this position with that of Chief Executive Officer, as in the period until 2006.

Board of Directors

YVES MANSION, Chairman and Chief Executive Officer
JEAN ARVIS, Director
JUAN JOSE BRUGERA CLAVERO(1)**,** Director
JACQUES CALVET, Director
YVES DEFLINE, Honorary Chairman and Director
JEAN-JACQUES DUCHAMP, Director
CARLOS FERNANDEZ-LERGA GARRALDA(2)**,** Director
MANUEL FERNANDO MENENDEZ LOPEZ, Director
PEDRO RUIZ LABOURDETTE, Director
JOSE MARIA SAGARDOY LLONIS, Director
PERE VIÑOLAS SERRA(3)**,** Director
TONY WYAND, Honorary Chairman and Director
JULIAN ZAMORA SAIZ, Director
FRANCISCO JOSE ZAMORANO GOMEZ, Director
REIG CAPITAL GROUP Luxembourg SARL, represented by JOSE CAIRETA RIERA, Director

Board meetings are also attended by

Works Council Representatives:
THIERRY BUHOT, Works Council Representative
AKILA BOUREBOUHAT, Works Council Representative (since 30 March 2009)
Management Committee Member:
NICOLAS REYNAUD(4)**,** Managing Director, Secretary to the Board

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

(1) Replacing Josep Manuel Basanez Villaluenga.
(2) Replacing Antonio Lopez Corral.
(3) Replacing Mariano Miguel Velasco.
(4) Nicolas Reynaud was appointed Managing Director on 24 October 2008 to replace Philippe Depoux who left the Company on that date.

Audit Committee

Chairman
CARLOS FERNANDEZ-LERGA GARRALDA
(since 23 July 2008)
Members
JEAN ARVIS
JACQUES CALVET
YVES DEFLINE
JEAN-JACQUES DUCHAMP

Role
- Make recommendations concerning the appointment or re-appointment of the Auditors.
- Review the financial statements to be presented to the Board.
- Assess the effectiveness of internal controls over procedures, risks and compliance with ethical standards.
- Review the audit plans of the internal and external auditors.
- At each period-end, make inquiries of the Auditors without any member of management being present.

Remuneration and Selection Committee

Chairman
JUAN JOSE BRUGERA CLAVERO (since 23 July 2008)
Members
JEAN ARVIS
YVES MANSION (except for decisions concerning him)
TONY WYAND

Role
- Make recommendations to the Board concerning the remuneration of executive directors, directors' fees, stock option plans and other incentive bonus plans.
- 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

Chairman
JUAN JOSE BRUGERA CLAVERO (since 23 July 2008)
Members
JEAN-JACQUES DUCHAMP
YVES MANSION
PEDRO RUIZ LABOURDETTE
PERE VIÑOLAS SERRA (since 17 February 2009)
FRANCISCO JOSE ZAMORANO GOMEZ

Role
- Advise the Board and senior management on SFL's strategies to promote business growth in the best interests of the Company and all of its shareholders.
- Help the Board and senior management to efficiently fulfil their respective responsibilities, by acting as an interface for strategic issues and transactions.
- Review business plans and projections in order to assess the Company's medium and long-term outlook.
- Review planned transactions that require the Board's prior approval.
- Authorise senior management to carry out any acquisition, sale or financial commitment representing an amount in excess of €20 million(1).
- Report to the Board on the fulfilment of its responsibilities.

(1) Prior to 17 February 2009, the ceiling was €50 million..

Committee of Independent Directors

Members
JEAN ARVIS
JACQUES CALVET
YVES DEFLINE
TONY WYAND

Role
Review relations between SFL and its controlling shareholder that may have a material impact on financial flows, assets, the financial statements or the SFL share price and make recommendations to the Board.

The Committee of Independent Directors was created in February 2008 after the Board's decision of 5 February 2008 to open a data room for the Investment Corporation of Dubai (ICD). After ICD abandoned its planned acquisition of SFL and in light of Colonial's plan to sell part of its stake in the Company, the Committee was tasked with providing an opinion to the Board of Directors on any and all transactions likely to materially affect SFL's ownership structure.

THE WORK OF THE DIRECTORS

In 2008, the Board of Directors met nine times, the Committee of Independent Directors and the Audit Committee both met twice and the Remuneration and Selection Committee met three times.

AN ETHICS CHARTER FOR DIRECTORS

The Directors' Charter is more than a simple description of directors' statutory rights and obligations. It also deals with such issues as directors' transactions in SFL shares, potential conflicts of interest, multiple directorships, regular attendance at Board meetings and confidentiality. Each director and non-voting director, elected in his or her own name or as permanent representative of a corporate director, is required to hold at least 25 SFL shares registered in his or her name. Directors are also required to write to the Chairman of the Board of Directors, providing full details of any and all SFL shares purchased or sold during the period. In addition, each Director must notify the Chairman of all directorships and corporate functions held in all other companies (giving the names of the companies concerned) at the end of each year and whenever any change occurs. Directors must act at all times in the Company's interest, notify the Board of any conflicts of interest, attend General Meetings and treat all information received as strictly confidential.

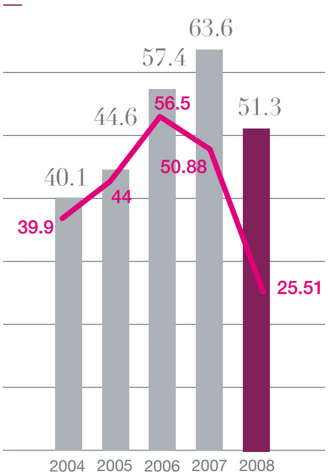
2008 Performance

In 2008, property rentals, operating profit before fair value adjustments and current cash flow all reached record highs. However, the Company ended the year with a net loss due to negative fair value adjustments to the property portfolio. In all, these adjustments had the effect of reducing the portfolio value by 11.5% to €3,477 million excluding transfer costs.

_2008 was a paradoxical year for SFL, with the Company reporting a record high operating profit before fair value adjustments, at €152.3 million, while at the same time experiencing its biggest-ever fall in portfolio value, down 11% to €3,477 million excluding transfer costs. The negative fair value adjustments recorded in application of IFRS led to a net loss for the year of €393 million. Property rentals increased 6.5% while the occupancy rate stood at 98.3% at 31 December. Including the building at 103 rue de Grenelle, which is scheduled for delivery in the first quarter of 2009, the occupancy rate would still be a very high 93.5%.

_**More than 40,000 sq.m. of office space and 2,000 sq.m. of retail space were relet during the year.** The 62 Beaubourg building was leased as well as more than half of the vacant units in the Louvre des Entreprises building. Large-scale renovation and remodelling work continued on four properties in our portfolio and work began at 247 rue Saint-Honoré and Galerie des Champs-Elysées. In first-quarter 2009, renovation work was completed on the 17,000 sq.m. building at 103, rue de Grenelle. Lastly, the average remaining life of leases was maintained at more than five years following the lease term extensions negotiated in exchange for rent reductions.

NAV per share (in €)



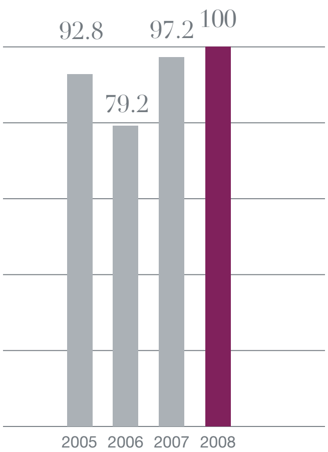
up6.4%

CAGR (Compound Annual Growth Rate)

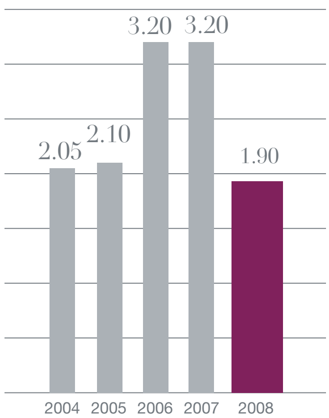
Share price (in €) at 31 December 2008

Current cash flow

attributable to equity holders (in € millions)



Net dividend per share (in €)

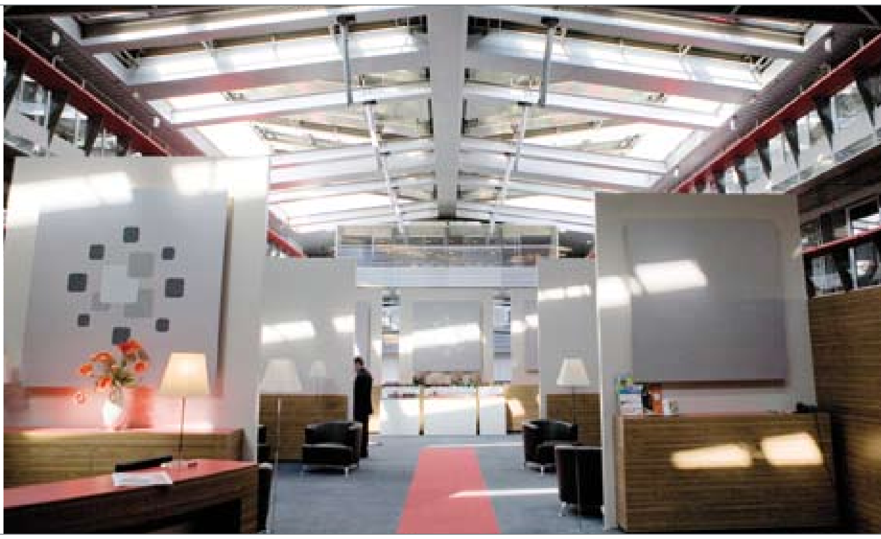


_ **NAV** including transfer costs fell 19.3% in 2008, due to the impact on net assets of negative fair value adjustments to the property portfolio. Higher debt also weighed on NAV, although the loan-to-value ratio remained satisfactory at 31.5%. The Company's shares were trading at a 50% discount to NAV per share at the year-end.

_ **Owning** one of the finest portfolios of properties in the Paris Central Business District, we are well equipped to create value for our shareholders. Value creation at SFL stems from our policy of selecting buildings with high reversionary potential and from our recognised expertise in renovating and remodelling large office complexes.

_ **Current cash flow** attributable to equity holders grew by 2.8% in 2008 to reach a record high. The increase, achieved in a market stalled by the financial crisis in the latter part of the year, was driven by the 6.5% rise in property rentals. In addition to the positive impact of rent escalation clauses and the high occupancy rate, the quality of our buildings and services also contributed to this good performance.

_ **Despite the net loss** of €393 million attributable to equity holders of the parent, resulting from negative fair value adjustments to the property portfolio, our balance sheet remains healthy and the Board of Directors therefore decided to recommend paying a dividend for 2008.



Portfolio value

€3,672 m
appraisal value (Group share), including transfer costs

430,000 sq.m
total surface area

Debt

€1,159 m
net debt[3]

2.6 years
average maturity

4.4 %
cost of debt[3]

31.5 %
loan-to-value[4]

Leases

€181.5m
property rentals

93.5 %
occupancy rate
(including the Grenelle building delivered in first-quarter 2009)

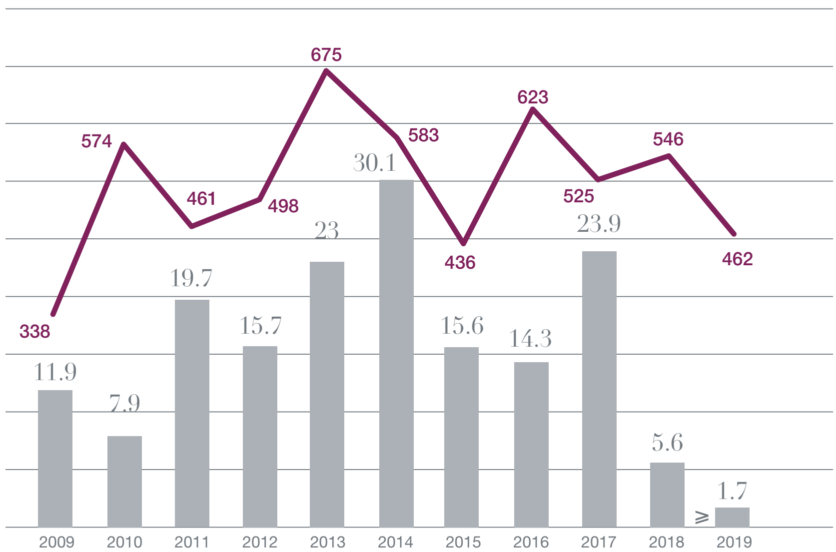
€559/sq.m./year
average office rent

Secure revenue stream

5.15 years
average period to lease expiry [1]

3.5 years
average period to next lease exit date [2]

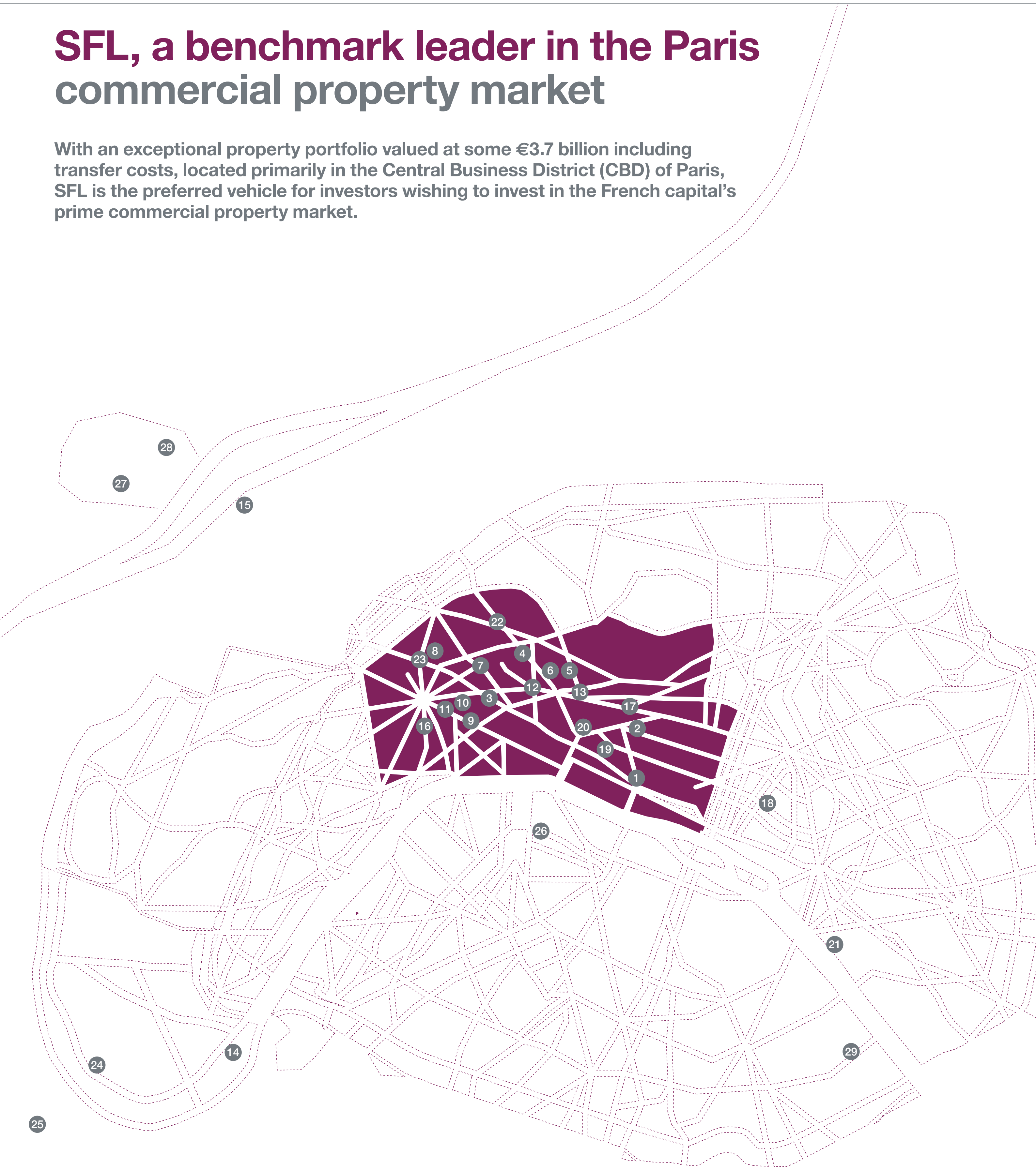
(1) Weighted average remaining life of commercial leases in progress at 31 December 2008.
(2) Weighted average period to next potential exit date for commercial leases in progress at 31 December 2008.
(3) Net of cash and cash equivalents, excluding current account advances and accrued interest at 31 December 2008.
(4) Net debt/Assets at appraisal value



Lease renewals calculated on the basis of 31 December 2008 rent roll (in €m).
Average annual rent for leases expiring in the year indicated (in €/sq.m.)

SFL, a benchmark leader in the Paris commercial property market

With an exceptional property portfolio valued at some €3.7 billion including transfer costs, located primarily in the Central Business District (CBD) of Paris, SFL is the preferred vehicle for investors wishing to invest in the French capital's prime commercial property market.



72 %

Central Business District (CBD)

Market covering part of the 1^{st}, 2^{nd}, 8^{th}, 9^{th}, 16^{th} and 17^{th} *arrondissements* of Paris, including the Golden Triangle and Financial District.

6 %

Gare de Lyon

Market covering the area around the Gare de Lyon railway station, extending out to the Bercy district.

17 %

The Golden Crescent and La Défense

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

5 %

Other Districts

Including the Telegraph complex and 103 rue de Grenelle in the 7^{th} *arrondissement*.

1. Louvre des Entreprises - Louvre des Antiquaires
2. Îlot Richelieu
3. Washington Plaza
4. Avenue Velasquez
5. Boulevard Haussmann
6. Haussmann Saint-Augustin
7. Rue Alfred-de-Vigny
8. Prony-Wagram
9. 82-88, galerie des Champs-Élysées
10. 90, Av. des Champs-Élysées
11. 92, Av. des Champs-Élysées
12. Cézanne Saint-Honoré
13. Édouard-VII
14. Le Vaisseau Issy-les-Moulineaux
15. Avenue Charles-de-Gaulle Neuilly-sur-Seine
16. Avenue d'Iéna
17. Rue de Hanovre
18. Rue Beaubourg
19. Rue Saint-Honoré
20. Boulevard des Capucines
21. Rives de Seine
22. Rue de Prony
23. Avenue de Wagram
24. Quai Le Gallo Boulogne-Billancourt
25. Pavillon Henri-IV Saint-Germain-en-Laye
26. 103, rue de Grenelle
27. Tour Coface la Défense
28. Tour Les Miroirs la Défense
29. T8

SFL, a benchmark player in the Paris commercial property market

LOUVRE DES ENTREPRISES LOUVRE DES ANTIQUAIRES

—

2, place du Palais-Royal
75001 Paris

Let property
PURCHASED IN 1995
TOTAL SURFACE AREA: 47,801 SQ.M.
OFFICES: 28,219 SQ.M.
RETAIL UNITS: 7,090 SQ.M.
OTHER (ARCHIVES, STOCK ROOMS & OTHER): 3,929 SQ.M.
COMMON AREAS: 8,563 SQ.M.
PARKING SPACES: 234

Main tenants
Banque de France, Louvre des Antiquaires

The building was completed in 1852. Its façade, designed by architects Percier and Fontaine, matched that of all the other buildings on rue de Rivoli in line with the wishes of Napoleon III. In 1855, the year of Paris's Exposition Universelle, two shopkeepers, Alfred Chauchard and Auguste Hériot, opened the capital's first department store, the Grands Magasins du Louvre, with the financial backing of the Péreire brothers. The building housed the Hotel du Louvre and the department store served as a shopping mall. A century later, large companies began renting offices in the building which became a highly sought-after location for French and international corporations. In 1975, the British Post and Telegraph Employee Pension Fund acquired the building, which had become vacant, and set out to convert it into a modern business centre with Louvre des Antiquaires on the ground floor, creating the world's largest specialised antique centre at the heart of Paris's art and culture-focused 1st *arrondissement*. In 1978, the renovated building became the most prestigious business centre in Paris. It was acquired by SFL in 1995. In 2007 and 2008, 13,000 sq. m. of the Louvre des Entreprises building were renovated, of which 10,000 sq. m. had been relet as of 31 December 2008.

131, AVENUE DE WAGRAM

—

131, avenue de Wagram
75017 Paris

Let property
PURCHASED IN 1999
TOTAL SURFACE AREA: 9,186 SQ.M.
OFFICES: 7,100 SQ.M.
OTHER (ARCHIVES, STAFF RESTAURANT & COMMON AREAS): 2,086 SQ.M.
PARKING SPACES: 124

Tenant
TV5 Monde

The building is located halfway between Parc Monceau and Place de l'Etoile on the corner of rue de Prony. Completely remodelled in 2004 and 2005, it comprises nine floors of offices and four underground levels. After the previous tenant – Sony – moved out, the interior was extensively renovated to meet the needs of TV5 Monde for its future headquarters, which include 2,000 square metres of meeting rooms, an auditorium, store rooms and a restaurant as well as 7,000 square metres of offices. The property's long lease, which does not expire until 2018, will help to preserve SFL's future results.

ÉDOUARD VII

—

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

Let property
PURCHASED IN 1999
TOTAL SURFACE AREA: 54,119 SQ.M.
OFFICES: 28,112 SQ.M.
RETAIL UNITS: 7,331 SQ.M.
RESIDENTIAL UNITS: 4,509 SQ.M.
THEATRES: 8,019 SQ.M.
RESIDENTIAL HOTEL: 3,125 SQ.M.
OTHER (WORKSHOPS & STOCK ROOMS): 3,023 SQ.M.
PARKING SPACES: 509

Main tenants
L'Olympia, Allen & Overy, Ashurst

Built on a one-and-a-half-hectare plot, the Edouard VII complex is located on the edge of the 8th and 9th *arrondissements*, between Opéra Garnier and La Madeleine. With the highest concentration of companies in all of Paris, the district is home to nearly half of the city's Japanese companies, three-quarters of its American companies and a host of French and foreign consulting and service businesses. Boasting boutiques, department stores, cinemas, theatres and restaurants, and served by the Météor subway system and the RER commuter rail, this is one of liveliest areas in Paris. This completely remodelled and renovated Haussmann-style property, which has nonetheless kept its original façades, is fully let. In addition to offices, the complex houses shops, apartments, a residential hotel and, of course, the legendary Edouard VII and Olympia theatres.

AVENUE DES CHAMPS-ÉLYSÉES

—

90, avenue des Champs-Élysées
75008 Paris

Let property
PURCHASED IN 2000
50% OWNED IN PARTNERSHIP
WITH IDF INVESTISSEMENTS SA
TOTAL SURFACE AREA: 6,036 SQ.M.
OFFICES: 6,036 SQ.M.

Main tenants
Ateac, National Bank of Kuwait

SFL acquired a 50% interest in this contemporary office building in partnership with Ile-de-France Investissements SA (Latsis group). Comprising several floors of offices above Galerie des Champs-Elysées, it is one of the best-placed buildings on the Champs-Elysées.

92, avenue des Champs-Élysées

Let property scheduled for renovation
PURCHASED IN 2000
TOTAL SURFACE AREA: 7,641 SQ.M.
OFFICES: 4,209 SQ.M.
RETAIL UNITS:3,396 SQ.M.
COMMON AREAS: 36 SQ.M.

Main tenant
Morgan

Like its neighbour at number 90, this is one of the best-placed buildings on the sunny side of the Champs-Elysées, on the corner of rue de Berri. The home of Thomas Jefferson during his stay in Paris between 1785 and 1789, the building comprises retail units on the ground floor and offices on the upper floors. A technical and architectural study is under way in preparation for the building's remodelling and renovation, starting in September 2009. The project will be led by architect Vincent Cortes.

WASHINGTON PLAZA

—

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

Let property
PURCHASED IN 2000
66% OWNED BY SFL AND 34% BY PREDICA
TOTAL SURFACE AREA: 47,097 SQ.M.
OFFICES: 39,811 SQ.M.
RETAIL UNITS:460,SQ.M.
OTHER (ARCHIVES
& STAFF RESTAURANT): 4,513 SQ.M.
COMMON AREAS: 2,313 SQ.M.
PARKING SPACES: 662

Main tenants
Poweo, Norton Rose

Located just off the Champs-Elysées, on an 8,000-square meter plot, Washington Plaza is one of the capital's finest complexes with a total lettable surface area of more than 40,000 square meters and over 660 parking spaces. Extensively remodelled and renovated in 1993, the building offers a full range of facilities and services to meet the expectations of the Parisian rental market. This prestigious address serves as headquarters for utility provider Poweo and Caisse Centrale de Réescompte among other companies. Its lobby and part of its common areas are scheduled for renovation in autumn 2009.

QUAI LE GALLO

—

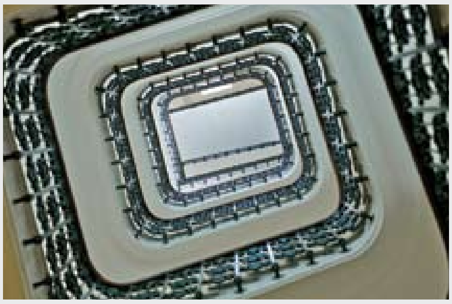
46, quai Le Gallo
92100 Boulogne-Billancourt

Let property
PURCHASED IN 2000
TOTAL SURFACE AREA: 33,806 SQ.M.
OFFICES: 31,003 SQ.M.
STAFF RESTAURANT AND OTHER: 1,275 SQ.M.
COMMON AREAS: 1,528 SQ.M.
PARKING SPACES: 425

Main tenant
Thomson Multimédia

Located between the Sèvres and Saint-Cloud bridges, 46 Quai Le Gallo is immediately adjacent to the future Western Paris urban development site on Ile Seguin and the 50-hectare site of the former Renault factory. Built in 1923, the building was originally home to Le Matériel Téléphonique (LMT), which in 1937 developed the period's most powerful transmitter, installed at the top of the Eiffel Tower. In 1997, Thomson Multimedia made this telecoms and media centre of excellence its headquarters. A former industrial building, 46 Quai Le Gallo was converted into an efficient, practical modern office complex flooded with natural light from its huge windows. Sitting on a more than one-and-a-half-hectare plot, with interior fittings designed by Philippe Stark, the property comprises a main six-storey building, a "campus" of several multi-purpose rooms, a restaurant, a multi-storey parking garage and a medical centre.

SFL, a benchmark player in the Paris commercial property market



AVENUE D'IÉNA

–

96, avenue d'Iéna,
3, rue de Presbourg,
83-85 bis, avenue Marceau
75016 Paris

Let property
25% PURCHASED IN 2001,
REMAINING 75% IN 2007
TOTAL SURFACE AREA: 8,858 SQ.M.
OFFICES: 7,296 SQ.M.
OTHER (ARCHIVES, STOCK ROOMS & OTHER): 1,202 SQ.M.
COMMON AREAS: 360 SQ.M.
PARKING SPACES: 262

Main tenant
Compagnie générale de santé

SFL acquired a 25% interest in this five-storey property on Place de l'Etoile in 2001 in partnership with US pension fund TIAA-CREF. In 2007, we became the sole owners of the property through an asset swap to unwind the joint venture. The property features an interior courtyard and terraces offering exceptional views of the Arc de Triomphe from three sides of the building. It has high reversionary potential.

CÉZANNE SAINT-HONORÉ

–

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

Let property
50% PURCHASED IN 2001 AND 100% IN 2007
TOTAL SURFACE AREA: 29,021 SQ.M.
OFFICES: 24,411 SQ.M.
RETAIL UNITS: 1,849 SQ.M.
OTHER (ARCHIVES & STOCK ROOMS): 1,257 SQ.M.
COMMON AREAS: 1,504 SQ.M.
PARKING SPACES: 125

Main tenants
Freshfields, Bruckhaus Deringer, Citigroup, CCR, 3I, TCR, Charterhouse, Proudreed, Athema

This exceptional office and retail complex is comprised of two separate buildings located across from one another on either side of a 100-meter long, 15-meter wide private street that functions as a private parking lot. Rue Paul Cézanne links rue de Courcelles and rue du Faubourg Saint-Honoré. Built in the 1930s without any interior supporting walls, the structure is well suited to the installation of large, functional units. Acquired in partnership with Prédica in 2001, the building was entirely restored before being delivered in March 2005. The Cézanne Saint-Honoré complex has won two awards. It was named Renovation Project of the Year at the 2004 SIMI Awards and, a year later, received the European Grand Prize in The Urban Land Institute's Awards for Excellence 2005. A large portion of the building is let to an international law firm. SFL is now the sole owner of the complex, after acquiring Prédica's 50% interest at the beginning of 2007.

HAUSSMANN SAINT-AUGUSTIN

–

104–110, boulevard Haussmann
75008 Paris

Let property
PURCHASED IN 2002 AND 2004
50% OWNED IN PARTNERSHIP WITH IDF INVESTISSEMENTS SA
TOTAL SURFACE AREA: 13,434 SQ.M.
OFFICES: 11,683 SQ.M.
RETAIL UNITS: 791 SQ.M.
OTHER (ARCHIVES, STOCK ROOMS & OTHER): 960 SQ.M.
PARKING SPACES: 102

Main tenant
GIE La Mondiale Groupe

With an 82-meter wide freestone façade, the Haussmann Saint Augustin complex was created out of four initially separate buildings. After two years of work, the seven-storey property was delivered in July 2007 to a single tenant. Fully renovated in keeping with the charm and spirit of the Haussmann style, the complex features a spacious entrance hall bathed in natural light from a monumental glass roof, natural, noble materials that breathe warmth and architectural styling, and open-air common areas such as balconies, terraces and private interior courtyards.Two underground parking levels were also built, providing around 100 parking spaces. Nominated for a 2008 MIPIM Award, and as befits a property of this standard, the complex offers high quality services on a 24/7 basis to ensure optimum working conditions. Its facilities include a professionally staffed reception desk, a cafeteria for relaxing and enjoying a meal in friendly surroundings, multifunctional spaces that can be laid out as meeting rooms or libraries, a modular conference area with seating for 145 and spaces set aside for coffee breaks throughout the complex.

RIVES DE SEINE

—

68-74, quai de la Rapée,
75012 Paris

Let property
PURCHASED IN 2004
TOTAL SURFACE AREA: 22,670 SQ.M.
OFFICES: 19,362 SQ.M.
OTHER (ARCHIVES, STAFF RESTAURANT AND OTHER): 3,118 SQ.M.
COMMON AREAS: 190 SQ.M.
PARKING SPACES: 366

Tenant
Natixis

Located adjacent to the Gare de Lyon, the Rives de Seine building offers easy access to the banks of the Seine. Built in 1974, it features 16 floors rising above a vast lobby that overlooks the river. Its extensive renovation, completed in 2001, has made it a landmark that is symbolic of the revival underway in the Eastern Paris business district. During lease renegotiations with the tenant in May 2008, the lease term was extended to nine years, thereby securing future revenues from the investment.

TOUR COFACE

—

12, cours Michelet
92800 Puteaux-La Défense

Let property
PURCHASED IN 2004
TOTAL SURFACE AREA: 28,418 SQ.M.
OFFICES: 26,716 SQ.M.
OTHER (ARCHIVES, STAFF RESTAURANT AND OTHER): 1,702 SQ.M.
PARKING SPACES: 235

Tenant
Coface

Located in the Michelet quarter of La Défense, not far from CNIT, this 1986 nine-storey construction offers unique amenities, including a four-level underground car park with space for some 200 vehicles. The building is named after its tenant. The long-term lease guarantees the sustainability of revenues from this investment in Europe's leading business district.

ÎLOT RICHELIEU

—

81-83, rue de Richelieu,
2-8, rue Ménars,
16-18, rue de Gramont,
1-5, rue Gréty
75002 Paris

Let property
PURCHASED IN 2004
TOTAL SURFACE AREA: 38,207 SQ.M.
OFFICES: 24,392 SQ.M.
OTHER (ARCHIVES, STOCK ROOMS, STAFF RESTAURANT AND OTHER): 5,095 SQ.M.
COMMON AREAS: 8,720 SQ.M.
PARKING SPACES: 94

Main tenant
Crédit Lyonnais

Ilot Richelieu is a three-building complex within short walking distance of the Paris Stock Exchange building, Palais Brongniart, in the heart of the city's financial district. It was partially renovated in the 1990s. The complex is fully let to a major French bank under a long-term lease and has generated recurring cash flow since its acquisition.

SFL, a benchmark player in the Paris commercial property market

TOUR LES MIROIRS C

—

18, avenue d'Alsace
92400 Courbevoie-La Défense

Let property
PURCHASED IN 2005
TOTAL SURFACE AREA: 19,874 SQ.M.
OFFICES: 19,432 SQ.M.
STAFF RESTAURANT: 442 SQ.M.
PARKING SPACES: 220

Tenant
Atos Origin

Built in 1981, Les Miroirs is part of a flagship complex in La Défense. The building is 97-meters tall and offers spectacular 360-degree views of La Défense from its upper storeys. A typical example of the buildings constructed during the third phase of La Défense's development, which are better suited to the needs of their tenants, the property is designed around a garden and features direct parking access from the Boulevard Circulaire ring-road. The entire building has been let to first-class covenant Atos Origin under a long-term lease.

ALFRED DE VIGNY

—

5, rue Alfred-de-Vigny
75008 Paris

Let property
PURCHASED IN 2005
TOTAL SURFACE AREA: 3,845 SQ.M.
OFFICES: 2,639 SQ.M.
OTHER (ARCHIVES
& STAFF RESTAURANT): 124 SQ.M.
COMMON AREAS: 1,082 SQ.M.
PARKING SPACES: 12

Tenant
Artois audit

Located close to Parc Monceau in the Paris Central Business District, which is already home to many prestigious companies, this office building was fully remodelled under the direction of architect Vincent Cortes and delivered in early 2007. Its modern façade gives it a distinctive strength of character that clearly reflects its high quality services. The property's renovation brought the building into compliance with technical, safety and disabled access standards and created a more pleasant environment, while minimising its environmental footprint. The building is particularly noteworthy for having achieved a level of environmental performance that surpasses the regulatory requirements. Its atrium garden and 7th floor terrace with a panoramic view of Parc Monceau and the capital add unquestionable charm and elegance.

103, GRENELLE

—

103, rue de Grenelle
75007 Paris

Let property
PURCHASED IN 2006
TOTAL SURFACE AREA: 18,403 SQ.M.
OFFICES: 16,749 SQ.M.
RETAIL UNITS: 131 SQ.M.
OTHER (ARCHIVES, STAFF RESTAURANT AND STOCK ROOMS): 1,523 SQ.M.
PARKING SPACES: 100

We completed the acquisition of the former headquarters of the French Post Office in 2006. Ideally located close to the official residence of the French Prime Minister, Hôtel Matignon, in the Left Bank district that is home to many government offices, the building offers views of the Ministry of Agriculture gardens. The complex is dominated by a tower that housed the first Chappe telegraph system in the 19th century. Launched in June 2007, the remodelling and renovation project carried out under the direction of architect Philippe Chiambaretta was completed in the first quarter of 2009. The property was the first 19th century freestone building in France to be awarded High Environmental Quality (HQE) certification, in 2007. It offers nearly 18,000 square meters of prime office space for let. We are currently in discussions with tenants interested in leasing part or all of the building.

RUE SAINT-HONORÉ

—

247-251, rue Saint-Honoré
75001 Paris

Building under renovation
PURCHASED IN 2006
TOTAL SURFACE AREA: 22,024 SQ.M.
HOTEL (ESTIMATE): 14,960 SQ.M..
RETAIL UNITS (ESTIMATE): 1,309 SQ.M.

Tenant
Mandarin Oriental Hotel Group

Located a short distance from Place Vendôme in the first *arrondissement*, this office and retail complex comprises two major buildings that were erected in different periods, one in the 1930s by architect Charles Letrosne and the other in the 1950s by architects Marcel Réby and François Robic. Having previously housed insurance company offices, it was home to the Ministry of Justice in the 1970s and 1980s, the ground floor however being reserved for fashion and luxury boutiques. Now destined to become a hotel, the building will be remodelled under the guidance of architect Jean-Michel Wilmotte in cooperation with designers Patrick Jouin and Sybille de Marjorie. The work will be carried out by Groupement Lainé Delau and GTM Bâtiment of the Vinci group. The 142-room luxury destination hotel – the seventh in Paris – is scheduled to open in the spring of 2011. It will be the first with HQE certification and the Mandarin Oriental group's first Paris location, under a long-term lease.

PRONY-WAGRAM

—

108–112, avenue de Wagram
and 66–72, rue de Prony
75017 Paris

Building under renovation
PURCHASED IN 2008
TOTAL SURFACE AREA: 5,869 SQ.M.
OFFICES: 4,159 SQ.M.
RETAIL UNITS: 893 SQ.M.
OTHER (TECHNICAL FACILITIES AND OTHER): 817 SQ.M.
PARKING SPACES: 26

Built in the latter third of the 19th century, this former private mansion was repaired and updated several times in the 20th century. In the 1970s, when the building was acquired by the French State, several new openings were constructed and the floorplan was changed to provide direct passage to the Post Office building at 110 avenue Wagram. We purchased the complex at the end of 2008 with the aim of converting it into a single prestigious building complying with HQE environmental quality standards. Under the guidance of B&B Architectes, the remodelling and renovation work will be carried out by Transimmeubles-Emerige, with delivery scheduled for the beginning of 2011.

PROJET T8

—

Avenue de France,
rue Neuve-Tolbiac
75013 Paris

Under construction
MEMORANDUM OF UNDERSTANDING SIGNED IN 2007
NET FLOOR SPACE(1): 36,800 SQ.M.

At the end of 2007, we signed a memorandum of understanding with SEMAPA for the acquisition in second-half 2010 of construction rights for the T8 project. This followed the June 2007 selection of the SFL-Nexity-Ricciotti team in the competitive bidding process organised by SEMAPA to build on the Paris Rive Gauche development site in the 13th *arrondissement*. Located at the intersection of rue Tolbiac and avenue de France, opposite the François Mitterrand National Library, the new development will rise above the cover built by SEMAPA over the Gare d'Austerlitz railroad tracks. The complex will comprise 36,800 square meters (net floor area) of office, retail and housing space. Nexity is in charge of developing the property, under a contract from SFL, which is the investor for the entire project. Delivery is scheduled for the first quarter of 2012.

(1) Net floor area: Total floor area excluding surfaces not suitable for development.

1. SFL's portfolio of assets is valued by independent valuers Jones Lang LaSalle, CBRE and AtisReal at least twice annually.
2. The Cézanne Saint-Honoré, Iéna and 104-110 Haussmann buildings, which were acquired or delivered in 2007, contributed €9 million in additional rent in 2008.

The Paris Central Business District, Our Market

In a lacklustre economic environment, demand for property in the heart of Paris declined as businesses experienced financial difficulties and put potential moves on hold. After continuing to rise in the first half of 2008, rents started to turn downwards in the latter part of the year. We adapted to this new market situation, avoiding the worst effects thanks to our positioning in the premium segment.

_Transactions started to slow in the last quarter of 2007 and the trend continued throughout 2008 in the greater Paris area. Letting volume decreased by 14% to 2.4 million square meters, while the stock of properties available for immediate occupancy rose 13% to 2.7 million square meters. Although the market was negatively impacted by reduced demand from government and public sector institutions, which was previously high in Paris outside of the Central Business District, the vacancy rate rose only slightly, to 5.6% at 31 December 2008 versus 4.9% a year earlier. Rents continued their ascent, at a rate of 5%, despite longer marketing periods and increased reliance on deal sweeteners.

The market was tighter in the Central Business District and West Central Paris than in the rest of the greater Paris area. This was mainly due to a lack of supply, with only 366,650 square meters available to let, representing 16% of the total available office space in the region. Another reason was the falloff in demand, particularly from banks, insurance companies, law firms and consulting firms. The bedrocks of the office rental market in the Central Business District and West Central Paris, they were the first to be affected by the economic slowdown. The result was a 24% increase in the stock of immediately available properties, although the vacancy rate remained low, at 3.6%. At €830 per square meter per year, nominal rents for prime properties were up 10.7% over the previous year. In West Central Paris, average rents stood at €412 per square meter per year, a 5% increase, while in the Central Business District average rents were €529 per square meter per year, up 6%.

A LESS LIQUID MARKET

The credit crunch triggered by the financial crisis brought commercial property investment nearly to a halt in the Paris area, leading to a considerably less liquid market for low-yield assets and big ticket properties. At the same time, the dearth of larger transactions made it more difficult to set new rents.

A FURTHER DECLINE IN TRANSACTION VOLUME IN 2009

Transaction volumes are expected to contract further in 2009, while the stock of available office space looks set to continue growing. With tenants exercising caution, rental values will have to be adjusted downwards and deal sweeteners will become the norm. Construction projects in the Paris area will likely come to a standstill, but this is unlikely to have an immediate impact as the market's ability to absorb a net increase in supply is becoming increasingly limited.

_Investor demand for commercial property lagged across France in 2008, with investments falling 49% to €15.5 billion. Offices continued to attract the majority of those investments, representing 64% of the total versus 66% in 2007. Retail space accounted for a much lower 7% of the total versus 14% a year earlier, while warehouses fell back to 6% of the market from 8% in 2007. However, the portion of total investments dedicated to service properties more than doubled, reaching 19% in 2008 versus 7% a year earlier. The western part of the greater Paris area attracted 25% of the region's commercial property investment, to the detriment of West Central Paris and the capital's Central Business District. Investments in the capital itself came to €1.7 billion, representing 21% of the greater Paris area total, versus 23% in 2007. Prime yields in the Central Business District rose 125 to 150 basis points to end the year between 5.50% and 5.75% and risk premiums climbed further in early 2009, particularly on lower quality buildings exposed to a greater risk of rent arrears. At the same time, asset values remained on a downward trend as the credit crunch continued to dampen demand for investment property. This trend will persist until banks start lending again, but there is little indication as to when this will occur.

COMPARISON OF EUROPEAN OFFICE RENTAL MARKETS IN 2008

Main markets	Take-up			Vacancy rates			Prime rents			Average rent CBD Q4 08 & y-on-y change (€/sq.m./yr)
	2008 (thousand sq.m.)	2007 (thousand sq.m.)	Change (%)	Q4 08	Q4 07	Change (period-on-period)	Q4 08 (€/sq.m./yr)	Q4 07 (€/sq.m./yr)	Change (period-on-period)	
Central Paris	1,931	2,205	- 12.4%	5.5%	4.9%	+ 13%	830	825	+ 0.6%	566 (+ 2%)
Central London	851	1,220	- 30.2%	7.2%	4.8%	+ 50%	1,113	1,336	- 17%	543 (+ 0%)
Madrid	505	963	- 47.6%	8.9%	7.3%	+ 22%	492	480	+ 2.5%	394 (+ 25%)
Munich	786	834	- 5.8%	8.4%	8.6%	- 2%	408	372	+ 10%	222 (+ 5%)
Frankfurt	596	629	- 5.2%	12.2%	13.3%	- 8%	450	450	+ 0%	239 (- 17%)
Brussels	463	524	- 11.6%	9.3%	9.7%	- 4%	295	295	+ 0%	198 (+ 3%)
Berlin	468	500	- 6.4%	7.7%	8.2%	- 6%	264	264	+ 0%	190 (+ 2%)
TOTAL	**5,600**	**6,875**	**- 18.5%**							

Source: AtisReal

The **business**

Internationally recognised for the quality of our assets and our expertise in bringing large office buildings into compliance with exacting standards, we carried out major remodelling and renovation projects in 2008, investing a total of €90 million. At the same time, more than 40,000 square meters of offices and 2,000 square meters of retail space were let, lifting the occupancy rate to 98.3%.

_Our business can be broken down into three main areas, as follows: portfolio development and turnover, building remodelling and renovation and tenant services. In a slower property market, we are all the more committed to our fundamental principles of location quality, technical quality and tenant service quality.

A prudent approach to portfolio turnover

—

Our business is to let offices and other premises to companies from among the assets in our high quality portfolio, and to turn over the portfolio. In 2008, as in 2007, the portfolio remained relatively stable due to a surge in prices and our deliberate policy of prudence. The property market came to a standstill in the summer of 2008 and no transactions in excess of €100 million have taken place since then. In 2008, we nevertheless sold the building at 19, boulevard Malesherbes for €25.5 million, excluding transfer costs. This small transaction concerned 2,300 square meters of office space and 650 square meters of residential space. At the same time, we acquired 5,500 square meters at 108-112 avenue de Wagram for €56.2 million including transfer costs. Following these transactions, the size of our portfolio was roughly unchanged at 430,000 square meters across 28 properties.

Ultimately, we were a net investor by €30.7 million in 2008, versus €181 million in 2007. Launched in the second half of the 1990s and continued since then, our strategy of investing in the Paris Central Business District has lessened our portfolio's sensitivity to economic conditions. It is valued at least every six months by independent valuers Jones Lang LaSalle, CBRE and AtisReal.

430,000 sq.m.

Total surface area of the 28 properties in SFL's portfolio.

- 3%

Decline in nominal rents for new and renegotiated leases at 31 December 2008.

85 %*

Let properties

Let properties are operational assets. They represent a secure source of cash flows and operating profit over an average of 3.5 years until the next potential exit date, or an average of 5.1 years until the lease expiry date. At 31 December 2008, the average rent on our office properties was €559 per square meter per year. The occupancy rate at that date was 98.3%, which is very high compared with the market rates of 96.3% for La Défense, 95.9% for the Paris Central Business District and 94.4% for the greater Paris area.

15 %*

Buildings under renovation

The properties at 92 avenue des Champs-Elysées, the Galerie des Champs-Elysées, 247-251 rue Saint-Honoré and 103 rue de Grenelle were or are currently undergoing renovation. Undertaking such work is the key to securing future revenues. We are renowned for our ability to optimise rental values by offering customers high quality technical services and environmental performance in line with the latest standards.

*Based on market values excluding transaction costs at 31 December 2008.

The business

Recognised technical expertise

—

The four remodelling and renovation projects launched or ongoing in 2008 offset the impact of the slower asset turnover. Our teams are recognised for their technical expertise and "renovated by SFL" is considered a stamp of quality.

At 88 avenue des Champs-Elysées, the project to renovate the Galerie des Champs-Elysées shopping arcade was able to proceed after the final permit was issued. Designed by architect Jean Nouvel, the renovated arcade will be delivered in the second half of 2010. H&M has already committed to opening a store and plans to organise fashion shows and makeover corners that will enhance the arcade's appeal.

The remodelling and renovation of 103 rue de Grenelle was completed in the first quarter of 2009.

The biggest ongoing project concerns the 22,000-square meter site of the future Mandarin Hotel at 247-251 rue Saint-Honoré, which is due to open in 2011. At the end of the year, renovation work will begin on the retail units on the ground floor of 92 avenue des Champs-Elysées, on the corner of rue de Berri, with delivery scheduled for the first half of 2012. Louvre des Entreprises was partially renovated in 2008 at a cost of €17.8 million. Of the 13,000 square meters that were renovated, 10,000 had been relet by the year-end. In addition, the 2,500 square meters at 162 rue Beaubourg were let to the Ministry for Culture.

Lastly, starting this autumn, 11,000 square meters will be renovated at Washington Plaza. The work will mainly concern the modernisation of units that have fallen vacant and the entrance hall.

INVESTMENT IN REMODELLING AND RENOVATION WORK (IN € MILLIONS)

	2008	2007	% change
Large-scale remodelling and renovation work[1]	59.5	32.9	+80.8%
Other capitalised work[2]	30.6	15.5	+97.5%
Total	**90.1**	**48.4**	**+86.1%**

(1) Of which 103 rue de Grenelle for €39.1 million, 247 rue Saint-Honoré for €17.2 million, 92 avenue des Champs-Elysées for €1.8 million and Galerie des Champs-Elysées for €1.4 million.
(2) Of which Louvre des Entreprises for €17.8 million.


RENOVATION PROJECTS UNDERWAY IN 2008

Building	Usage	Useful surface area under renovation	Expected rent (€m)	Delivery date
103 rue de Grenelle	Offices	17,630 sq.m.	11.3	Q1 2009
Galerie des Champs-Elysées	Retail	6,239 sq.m.	9.2	H2 2010
247-251 rue Saint-Honoré	Hotel/Retail	16,203 sq.m.	10.5 to 12.7	H2 2010
92 avenue des Champs-Elysées	Offices/Retail	7,313 sq.m.	8.8	H2 2011

Concerning the off-plan purchase of the property at 108-112 avenue de Wagram, delivery is scheduled for March 2011.

Customer service underpinning our profitability

—

Property companies are in the business of providing local services. Beyond the technical aspects, the supplier/customer relationship is of vital importance. It takes special expertise to manage contractual relationships. A satisfied customer is a loyal customer.

In a sluggish property market, nurturing tenant relationships is more important than ever. Some of our tenants felt the initial effects of the economic crisis starting in the spring of 2008. Rents on leases signed during the year were down 3%, with offices marketed or remarketed at a price of €572 per square meter per year and retail units at €538 per square meter per year.

Our rental revenues nonetheless grew by 6.5% during the period to €181.5 million. The acquisition of the remaining 50% of the Paul Cézanne and Iéna buildings in 2007 and the delivery of the 104-110 boulevard Haussmann property offset the “lost” revenue from the partial renovation of Louvre des Entreprises.

To reduce risks, we have been putting less emphasis on finding single tenants to occupy our properties. Vacant units in the Louvre des Entreprises building, which was renovated in 2008, have been let to several companies, including GIE Cartes Bancaires and Musée du Louvre. Similarly, the 103 rue de Grenelle property, which is designed for multi-tenant occupancy, has been marketed to several potential tenants since its delivery in March 2009.

The business

Developing new standards

—

The volatility of the Construction Cost Index (ICC), which is the basis used to determine commercial rent increases in France, has been a difficult issue for property owners and tenants alike. In response, SFL has been working with other industry participants to promote a new, less volatile and more manageable index on which to base office rents. Modelled on the existing Retail Rent Index (ILC), the new index is known as the Office Rent Index (ILAT).
The Retail Rent Index was developed in partnership with lessors and members of Association Française des Sociétés de Placement Immobilier (ASPIM), Fédération des Sociétés Immobilières et Foncières (FSIF) and Association des Directeurs Immobiliers (ADI) who are dissatisfied with the INSEE Construction Cost Index.
The industry is thinking of developing a specific index, 50% of which would be based on the Consumer Price Index (IPC), excluding tobacco and rent, 25% on the Construction Cost Index and 25% on GDP excluding the effect of inflation. Its use would be determined contractually, leaving lessors and tenants free to negotiate the lease terms. It would allow us to pursue within a broader framework our rental policy of anticipating market values rather than playing catch-up.

We work with our tenants to determine deal sweeteners, such as paying part of the cost of fixtures and fittings or discounts on service charges.

MAIN LOCATIONS IN 2008

Building	Usage	Surface area (sq.m.)	Tenant
Rives de Seine	Offices	22,030	Natixis
62 rue Beaubourg	Offices	2,922	Ministry for Culture
LDE	Offices	2,731	GIE Cartes Bancaires
LDE	Offices	2,669	Proparco
LDE	Offices	1,854	Musée du Louvre
Edouard VII	Offices	1,747	Servcorp
96 avenue d'Iéna	Offices	1,174	W Finance
Edouard VII	Offices	1,094	Lyonnaise des Eaux
38-44 rue Washington	Offices	962	Poweo

Social and environmental **responsibility**

At SFL, we believe that social and environmental responsibility is a key factor in our future profitability, because it allows us to anticipate emerging technical and regulatory standards and integrate them into our renovation projects and asset management processes.

As an asset manager, we are faced with two converging trends – the application of increasingly stringent social and environmental standards to large office buildings and the steady rise in the features and services demanded by our tenants. European Union directives have broadened property owner responsibilities, particularly in terms of environmental, health and safety protection and subcontractor compliance with the labour code. At the same time, companies are committed to offering their employees much better working conditions. For example, air conditioning was still rare in France at the start of the decade but is now a standard feature in office buildings.

Anticipating environmental standards

—

More rigorous standards put "secondary" properties at a disadvantage. The High Environmental Quality (HQE) standard has become the minimum requirement for companies looking for new offices and yet only a very few commercial properties currently comply. Moreover, France's Grenelle de l'Environnement regulations applicable as of 2012 will concern not only residential buildings but also all renovated commercial buildings of more than 1,000 square meters.

At the forefront in applying HQE criteria in our major remodelling and renovation projects, we were well prepared for this regulatory and social change. Specialized in planning and designing prime office properties, we understand our tenants' needs. Beyond a first-rate address and a prestigious lobby they want the very best in safety, technical features and environmental performance.

The future Mandarin Oriental luxury hotel at 247-251 rue Saint-Honoré is emblematic of our approach. Built in 1576, the former Capuchin convent has served a wide variety of functions over the years, housing a race track, circus, general store, insurance offices and most recently the Ministry for Justice, which moved out in

Social and environmental responsibility

July 2005. The remodelling work, which is being carried out by Lainé Delau and GTM Bâtiment, will involve demolishing part of the property and then replacing the three small existing courtyards with a single atrium uniting the buildings. Our goal is to deliver France's first HQE-compliant luxury hotel.

Even the development site for this pilot project has been designed to have a small environmental footprint. For example, the 450 people working at the site have been provided with eco-friendly bungalows that are more expensive, but consume 66% less energy than traditional temporary worker housing. Our task is to contribute the expertise we have acquired since 2007 in helping to define HQE standards for hotels in France.

HQE standards, a management resource

—

Since 2003, we have treated HQE standards as a management resource. They led us to come up with an Environmental & Safety Procedures Charter. The Charter has been updated several times, to revise either overall or specific content concerning such issues as elevator safety, *legionella* prevention and Labour Code amendments or changes. It has one section devoted to health and pollution and another to safety, covering such topics as building surveillance, technical installation controls and fire prevention systems. HQE certification is subject to compliance with 14 criteria that are rolled down into sub-criteria. They concern relationship dynamics, products and processes, the work site, energy, water, operational waste, maintenance and upkeep, humidity, noise, lighting, odours, sanitation, air and water quality.

The Charter sets out the appropriate procedures to be followed and the responsibilities of the different participants. Based on quantifiable objectives, performance is measured through a system of reports that are reviewed annually by the SFL environmental commission. In this way, the Charter ensures that work site procedures are carefully monitored and validated by HQE auditors. Of course, the appropriate management resources have to be in place at project inception to help the contracting party to apply the procedures required for certification.

A cost-saving solution

—

Integrating HQE standards into the building renovation process has cost benefits not only for SFL but also for its future tenants. A prime example is 103 rue de Grenelle, the first renovated freestone building in France to obtain HQE certification, which is usually reserved for new builds. The goal was to convert the historic property into a complex of 4- to 6-storey buildings providing 20,000 square meters of functional office space and complying with HQE standards. This was accomplished within 18 months, with 95,000 hours of labour, 335 tonnes of steel and 3,600 square meters of concrete.

At each stage of the project, we found ways to save on materials and reduce future running costs. The project managers' first challenge was to find a low-cost approach to installing dropped ceilings. The traditional method is to use gypsum board or BA13 plaster board, which has the disadvantage of very poor acoustic quality. It was ultimately decided to use metal ceiling panels with a silver finish, which are more attractive, less expensive and excellent sound insulators. The second challenge was finding an innovative water management solution. To help our tenants save thousands of cubic meters of water in the future, faucets incorporating infrared motion sensors and flow restrictors were installed.

Our commitment to reducing the environmental footprint of our buildings extends to all our renovation projects, both large and small. For example, during the renovation of a 10,000-square meter section of the Louvre des Entreprises building in 2008, we took the opportunity to install motion sensors to automatically switch lights on and off as needed, and light intensity sensors to prevent over-illumination in offices.

A systematic approach starting upstream

—

Before renovation work gets underway, our technical teams work closely with the marketing and asset management teams to shape the project around customer needs, future profitability expectations and environmental standards. In addition, we always ensure that the renovated space is completely flexible and divisible into units of 500 square meters on average.

We draw up a plan describing how the work will be organised and accomplished. For the initial phase, the plan defines target outcomes, as well as zoning and regulatory restrictions on construction and on the use of new technologies and materials. The project then enters the design phase, at which point the architects and engineering departments take on the responsibility of overseeing the project. Tasks are assigned to the project managers once checks have been completed concerning the qualifications and quality of the subcontractors who will be working on-site. The Environmental & Safety Procedures Charter is then adapted to the site, with input from contractors, by setting up a system to monitor operations and provide the traceability so critical for technical maintenance and control as well as for HQE compliance. At each stage of the project, we systematically call on outside experts to certify that our operations are up to standard. The HQE certification process has benefits not only in terms of improved building quality but also in helping us to complete projects on time and within budget. And it also gives us a valuable competitive advantage. Both Galerie des Champs-Elysées and the Prony-Wagram building will be delivered to tenants after being renovated in compliance with HQE standards.

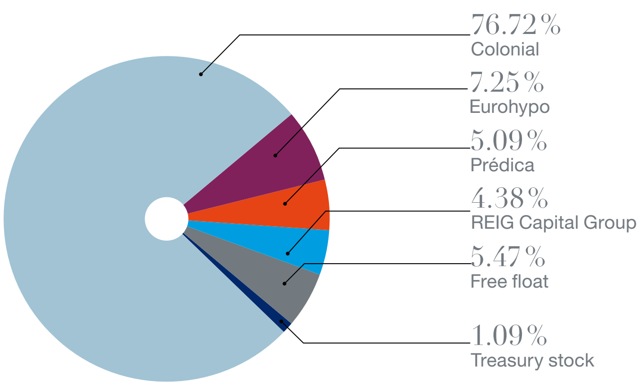
ENVIRONMENTAL EXPENDITURE

	Commitments, excluding tax (in €m)	Group share (in €m)
TESTS (I)	187,387	177,771
WORK (II)		
Asbestos removal	1,953,590	1953,590
Work on cooling and air treatment systems	428,082	428,082
Replacement of lead pipes with copper pipes	0	0
Work to isolate coatings that contain lead particles	503,195	503,195
Strengthening of heat insulation and sound-proofing (double glazing, installation of thicker glass)	1,133,774	1,133,774
Modernisation of air conditioning and heating systems to reduce energy consumption	2,793,980	2,793,980
Expenditure to improve security installations and related compliance work (sprinklers, fire extinguishers, videosurveillance systems, etc.)	589,441	589,441
TOTAL INITIATIVES (I) + (II)	**7,589,449**	**7,579,833**

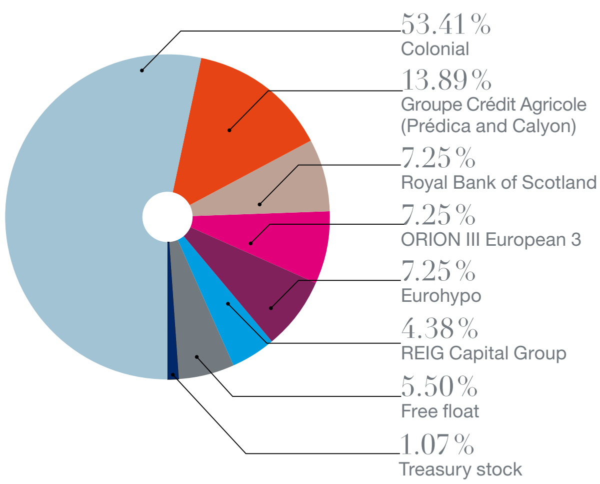
SFL and the stock market

As announced in September 2008, SFL's controlling shareholder Colonial reduced its interest in the Company from 84% to less than 60% in January 2009. The resulting increase in the free-float will enable SFL to continue being taxed under the SIIC (REIT-style) regime.

Ownership structure at 31 December 2008



Ownership structure at 31 January 2009



_**Spanish property group Colonial,** SFL's controlling shareholder with 84.6% of the capital at 1 January 2008, took steps in April to sell its entire interest in SFL. The process was never completed however, and, faced with financial difficulties, Colonial went back on its decision. In September, Colonial signed a debt restructuring agreement with its four largest lender banks – Goldman Sachs, Eurohypo, Calyon and Royal Bank of Scotland – and other creditors. Against this backdrop, Colonial sold 33% of its interest in SFL and announced its intention to remain a majority shareholder of the Company. On 21 January 2009, Colonial's lender banks announced that they had exercised the call options on SFL shares granted to them by Colonial. Calyon (Groupe Crédit Agricole) obtained 8.8% of SFL's capital, Eurohypo and Royal Bank of Scotland each obtained 7.25% and The Goldman Sachs Group obtained 7.26%. On 23 January 2009, Goldman Sachs sold its stake to property investment fund ORION III European 3. With Colonial's interest reduced to less than 60%, SFL will continue to qualify for SIIC tax status.

Market for the Company's shares

Stock Market
NYSE Euronext Paris

ISIN Code:
FR0000033409

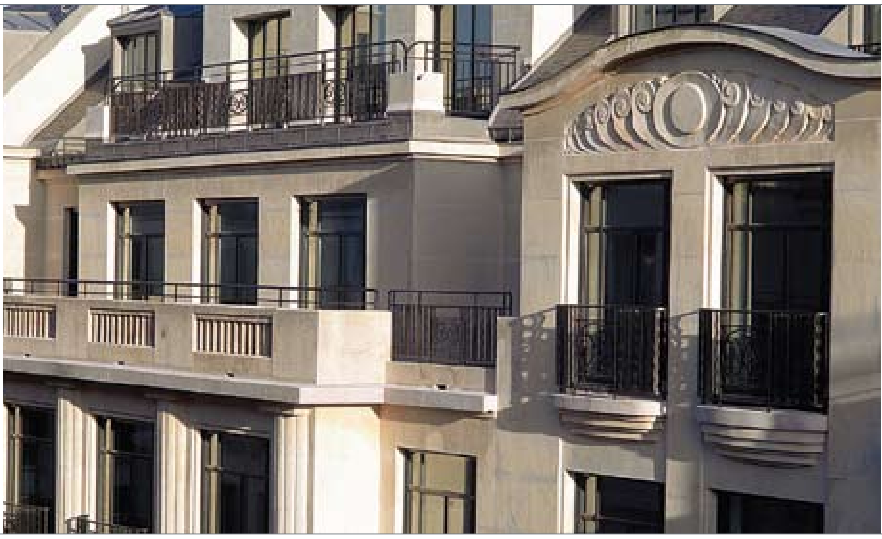
Reuters:
FLYP.PA

Bloomberg:
FLY.FP

Shareholder relations

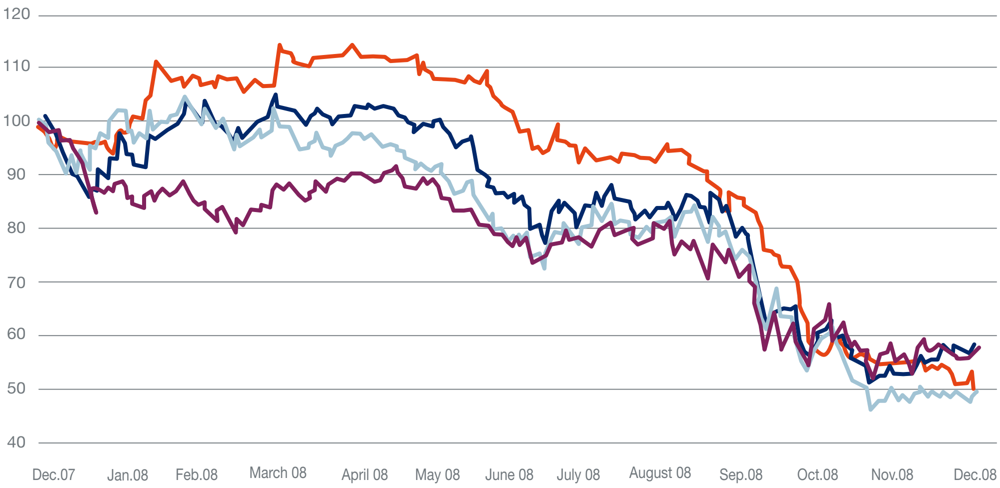
Financial Information and Investor Relations
Nicolas Reynaud – Managing Director
Tel: +33 (0) 1 42 97 27 00

2009 Investor Calendar
2008 Results Presentation: 18 February 2009
Annual General Meeting: 15 June 2009



Share Price

Mirroring the performance of other property stocks traded on the Paris market, in 2008 our share price rose during the early part of the year, then dipped in early May and stabilised during the summer, before dropping sharply. As a result of this downward trend, the discount to NAV widened to 50%, despite the protection offered by the SIIC regime and our portfolio's strong yield profile. The shares ended the year at €25.51, after reaching a high of €59.49 on 25 April and a low of €25.47 on 21 November. Average daily trading volume stood at 2,214 shares, excluding off-market transactions.



SIIC : **– 42 %**
CAC 40 : **–43 %**
SFL : **– 50 %**
EPRA Europe : **–51 %**

SFL share price
CAC 40
SIIC index
EPRA Europe

Base 100 as of 31 December 2007
Data up to 31 December 2008

Sources: Euronext, Epra.

SIIC 4: A FAVOURABLE TAX REGIME FOR OUR SHAREHOLDERS

The SIIC 4 regime sets a 60% ceiling on the percentage ownership of an SIIC by a majority shareholder or shareholders acting in concert. SIICs were afforded a two-year grace period as from 1 January 2007 in which to comply with this new requirement. Colonial has complied by reducing its interest in SFL to 53.4%. Also under SIIC 4, 20% withholding tax is due on dividends paid from 1 July 2007 to shareholders that hold at least 10% of the SIIC's capital and are not taxed on the dividends at a rate at least equal to one-third of the French rate. This withholding tax may be due on dividends paid by SFL to Colonial if Colonial is not taxed on the dividends in Spain. If this is the case, it has been agreed that Colonial will reimburse SFL for the withholding tax. SFL's Articles of Association were amended to extend this arrangement to all shareholders in the same tax position as Colonial. However, SIICs such as SFL enjoy a competitive advantage, as they are taxed on capital gains at a reduced rate.

Cash flow, debt and NAV

In 2008, the contribution of our properties to EBITDA rose by more than 4%, while debt increased by 10%. Profitable operations and tight control over debt are among SFL's strengths. To foster transparent communication with shareholders, we publish information on the contribution of each property to consolidated cash flow, a detailed breakdown of debt and the calculation of adjusted net assets (NAV).

I - Contribution to results of operations

Contribution to consolidated EBITDA by property (in € thousands)

Property	2008 contribution	2008 (€k)	2007 (€k)	Comments
Beaubourg 62	0.6%	989	521	
Champs Elysées 90	0.5%	847	882	
LDE	6.8%	11,630	20,107	
Capucines	1.3%	2,260	2,116	
Edouard VII	14.5%	24,831	23,471	
Hanovre	0.9%	1,621	1,601	
Haussmann 63	0.9%	1,514	1,436	
Les Miroirs	5.7%	9,720	8,754	
Le Vaisseau	1.0%	1,713	1,634	
Michelet - Coface	7.7%	13,147	12,591	
Neuilly	1.3%	2,197	2,787	
Pavillon Henri IV	0.3%	480	429	
Prony 11	0.9%	1,529	1,355	
Prony-Wagram	2.5%	4,353	2,924	
Quai Le Gallo	4.5%	7,656	7,347	
Richelieu	8.9%	15,161	14,270	
Rives de Seine	8.1%	13,886	13,105	
Vigny	0.7%	1,276	534	
Velasquez	0.4%	711	374	
Washington-Plaza	15.9%	27,143	25,619	
Total, comparable portfolio	83.4%	142,664	141,856	
Cezanne St-Honoré	10.2%	17,425	13,376	50% acquired in 03/2007
Iéna	3.0%	5,135	1,120	75% acquired in 10/2007
Haussmann 104-110	2.4%	4,159	1,176	Let in 08/2007
Total acquisitions and new lets	15.6%	26,719	15,672	
Champs Elysées 82-88	1.5%	2,573	2,521	2004-2010 renovation
Champs Elysées 92	0.7%	1,281	3,339	2005-2011 renovation
103 Grenelle	-0.1%	-103	-556	Acquired in 07/2006, under renovation
247 St-Honoré	-0.2%	-367	-622	Acquired in 07/2006, under renovation
Total properties under renovation	2,0%	3,384	4,681	
Kléber 46	0.0%	0	867	Sold in 10/2007
Malesherbes 19	0.1%	243	586	Sold in 11/2008
Rome-Vienne	0.0%	-5	-14	Sold in 2005/2006
Other assets	-1.2%	-2,041	-3	2008 Vauban dispute
Total sales	-1.1%	-1,803	1,436	
TOTAL CONTRIBUTION OF PROPERTIES TO EBITDA	100%	170,964	163,646	
CORPORATE		-17,142	-15,831	
TOTAL EBITDA		153,822	147,815	

The above table is presented in accordance with the recommendations of the EPRA Best Practice Committee.

II - Details of Debt

No new lines of credit were established in 2008.

DEBT AND RELATED HEDGES (in € millions)

Description	Company	Used portion	Unused portion	Due	Rate	Hedge
HSBC/CALYON						
(SFL share: 50%)	PARCHAMPS	8,726	0	29-dec-09	3-month Euribor + 90 bps	Swapped for 3.85% on €9.2m until 29 December 2009
	PARHAUS	9,599	0	29-dec-09	3-month Euribor + 90 bps	Swapped for 3.85% on €10.12m until 29 December 2009
	PARHAUS	3,858	0	29-dec-09	3-month Euribor + 90 bps	Swapped for 3.56% on €3.8m until 29 June 2009
	PARHAUS TRAV	22,499	0	29-dec-09	3-month Euribor + 90 bps	Swapped for 3.1250% on €15m until 29 December 2009
	PARHOLDING	1,515	0	29-dec-09	3-month Euribor + 90 bps	Not hedged
	PARCHAR	2,182	0	29-dec-09	3-month Euribor + 90 bps	Swapped for 3.85% on €2.3m until 29 December 2009
	PARGAL	20,070	0	29-dec-09	3-month Euribor + 90 bps	Swapped for 3.85% on €21.16m until 29 December 2009
		68,447	0			
Syndicated loan	SFL	200,000	0	26-jan-10	3-month Euribor + 40 bps	Swapped for 12-month Euribor (capped at 5.0850%) + 141.50 bps on €200m
(including €600m revolving facility)		200,000	0	26-jan-11		Swapped for 12-month Euribor (capped at 5.0850%) + 141.50 bps on €200m
		200,000	0	26-jan-12		Swapped for 4.4325% on €200m until 31 December 2010
		600,000	0			
BANCOSABADELL	SFL	50,000	0	28-feb-12	3-month Euribor + 60 bps	Swapped for 3.33% on €50m until 31 December 2010
BECM (including €150m revolving facility)	SFL	140,000	10,000	4-may-12	1-month Euribor + 40 bps	Swapped for 2.635% on €50m until 31 December 2010
Royal Bank of Scotland	SFL	40,800	0	31-oct-13	3-month Euribor + 56 bps	Swapped for 3.89% on total amount
Deutsche Hypo (including €50m revolving facility)	SFL	30,000	20,000	23-oct-12	3-month Euribor + 55 bps	Not hedged
LEASE FINANCING						
131, Wagram	SFL/FORTIS LEASE	46,005	0	15-june-09	3-month Euribor + 100 bps	Swapped for 3.7850% on €34.15m
Quai le Gallo	SFL/FORTIS LEASE	65,845	0	28-feb-12	3-month Euribor + 75 bps	Swapped for 3.7850% on €65.85m
Rives de Seine	SFL/ELYBAIL	96,343	0	29-oct-13	6-month Euribor + 75 bps	Not hedged
		208,193	0			
OVERDRAFT FACILITY		35,394	0			
TOTAL DEBT		1,172,834	30,000			
ACCRUED INTEREST		6,601				
CURRENT ACCOUNT ADVANCES		54,090				
TOTAL DEBT including accrued interest and current account advances		1,233,525				
IMPACT OF IFRS (negative mark-to-market adjustments to hedges)		42,319 (1)				
IMPACT OF DEFERRED RECOGNITION OF COMMISSIONS		-1,219				
DEPOSITS		16,501				
TOTAL REPORTED DEBT		1,291,126				
Average maturity of debt (excluding impact of IFRS/current account advances/overdrafts)		2.6 years				
Average spot cost of debt (after hedging and excluding current account advances)		4.39%				
Loan-to-Value		31.5% (2)				

(1) Hedging instruments with a positive fair value are entered on the assets side of the balance sheet.
(2) LTV is determined before IFRS adjustments and without deducting treasury stock for the calculation of net debt.

AVERAGE MATURITY AND COST OF DEBT

	31 Dec. 2008	31 Dec. 2007
Average maturity of debt (excluding impact of IFRS)	2.6 years	3.7 years
Average spot cost of debt (after hedging)	4.4%	5.3%
Loan-to-Value	31.5%	25.2%

III - Strict control over risks

Faced with a challenging global environment, SFL is more committed than ever to the prudent management of financial risks.

3.1 Liquidity risk

—

For a number of years, SFL has staggered its financing needs over time to ensure that sufficient funds are available in times of turmoil when credit becomes more expensive or difficult to obtain. Despite the sharp increase in financing margins, the average spread on our total debt remains low, at 57 basis points. Two loans fall due in 2009: our finance lease on 131 avenue de Wagram for €45,767 thousand in June and joint-venture Parholding's debt of €66,647 thousand in December. Although we still have undrawn lines of credit, we are already working on rolling over existing facilities.

Our liquidity risk is also limited by our low loan-to-value ratio of 31.5%, which serves us very well in the current climate. At 31 December 2008, we had €60 million in undrawn credit lines, including €30 million in confirmed facilities.

3.2 Counterparty risk

—

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the investment of available cash in money market funds. We have not incurred any losses on money market funds or other investments as a result of the current crisis and will continue to invest in money market funds, which are not exposed to any risk of a loss of capital. Our counterparty risk is minimal because available cash is generally used to repay borrowings under our revolving lines of credit and interest rate risks are hedged using conventional instruments and strategies.

The rental deposits obtained from tenants offer protection against the risk of rent default.

We consider that our exposure to counterparty risk on our operations is not material.

3.3 Market risk

—

Following the retirement of the US Private Placement Notes on 6 March 2007 and the unwinding of the joint hedge, we currently have no exposure to currency risks. Where applicable, our strategy is to hedge currency risks in full.

Unlike interest rate risks, we can hedge currency risks in full without any negative interaction, thanks to the nature of our business.
Interest rate risks are clearly identified and monitored. We have an information system that allows us to track changes in all financial markets and calculate the fair value of our hedging instruments in real time. The system enables us manage, quantify and analyse the risks associated with changes in interest rates.

a/ Objectives and strategy

—

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

b/ Risk assessment

—

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

IV – NAV and value creation

Independent valuations

—

The portfolio valuation carried out by AtisReal, Jones Lang Lasalle and CBRE put the appraisal value of the portfolio at €3,477 million excluding transfer costs at 31 December 2008, a decrease of 11% compared with €3,909 million at the previous year-end.

Based on a comparable structure and excluding properties undergoing renovation, the portfolio's appraisal value was down by 11.5%, as follows:

AVERAGE APPRAISAL VALUES IN 2008

	Excluding transfer costs	Year-on-year change
Offices and parking spaces	€7,988/sq.m.	-13.7%
Retail	€9,452/sq.m	=
Residential	€5,994/sq.m.	-2.8%

Spot yield

—

The spot yield excluding transfer costs for the portfolio as a whole is 5.8%, calculated as follows: Spot yield = (passing rent + average assumed rent)/(appraisal value including transfer costs + discounted capex).

SPOT YIELDS

Offices	5.76%
Retail	5.83%
Residential	4.32%
Parking spaces	6.31%

APPRAISAL VALUES EXCLUDING TRANSFER COSTS PER SQUARE METER

2008 APPRAISAL VALUES EXCLUDING TRANSFER COSTS PER SQUARE METER (1) – PORTFOLIO AT 31 DECEMBER 2008

Area	Offices €/sq.m.	Retail €/sq.m.	Residential €/sq.m.	Parking spaces €/unit
Outer suburbs	-	1,480	-	-
La Défense	7,271	-	-	21,068
Paris 5/6/7	9,700	-	-	40,000
Paris Marais	6,871	7,042	-	18,342
Paris Rive Gauche	8,255	-	-	31,539
Central Business District	8,321	10,207	5,994	32,771
Western Paris Business District	4,255	6,921	-	14,964

2007 APPRAISAL VALUES EXCLUDING TRANSFER COSTS PER SQUARE METER (1) – PORTFOLIO AT 31 DECEMBER 2007

Area	Offices €/sq.m.	Retail €/sq.m.	Residential €/sq.m.	Parking spaces €/unit
Outer suburbs	-	1,552	-	-
La Défense	8,676	-	-	25,806
Paris 5/6/7	8,901	4,292	-	34,800
Paris Marais	6,639	8,802	-	33,033
Paris Rive Gauche	9,890	-	-	37,106
Central Business District	9,888	10,408	6,337	32,897
Western Paris Business District	4,852	9,977	-	26,236

(1) Based on independent valuations.
(2) Resulting from changes in both portfolio structure and market values.

Change in NAV

—

At 31 December 2008, NAV excluding transfer costs stood at €2,191 million or €47.1 per share, a decrease of 19.86% over the previous year-end. NAV is calculated before and after transfer costs, on a fully diluted basis, with financial instruments marked to market. The entire portfolio is valued at 6-monthly intervals, in December and June. The portfolio valuations are carried out by AtisReal, Jones Lang LaSalle and CBRE, using the discounted cash flows, capitalised net revenue or comparable transactions methods.

NAV PER SHARE

(in €m)	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006
Diluted NAV excluding transfer costs	2,191	2,734	2,283
Transfer costs	195	223	191
Diluted NAV including transfer costs	2,386	2,958	2,474
Diluted number of shares (thousands)	46,529	46,529	43,104
Diluted NAV/share excluding transfer costs	€47.1	€58.8	€53.0
Diluted NAV/share including transfer costs	€51.3	€63.6	€57.4

YEAR-ON-YEAR CHANGE (2)

Area	Offices	Retail	Residential	Parking spaces
Outer suburbs	-	- 5%	-	-
La Défense	- 16%	-	-	-18%
Paris 5/6/7	9%	- 100%	-	15%
Paris Marais	4%	- 20%	-	- 45%
Paris Rive Gauche	- 17%	-	-	- 15%
Central Business District	- 16%	- 2%	- 5%	=
Western Paris Business District	- 12%	- 29%	-	- 43%

PORTFOLIO AT 31 DECEMBER 2008

Total portfolio at 31 December 2008		Surface area (Group share, sq.m.)	Offices (useable area, sq.m.)	Retail (useable area, sq.m.)
Owned properties		343,329	229,320	26,062
Properties under finance leases		65,662	57,466	0
Properties currently for sale		14,796	12,240	549
Properties acquired off plan		5,869	4,159	893
Properties sold during the year		1,484	1,086	0
Total at 31 December 2008		**431,140**	**304,271**	**27,504**

Owned properties		Surface area (Group share, sq.m.)	Offices (useable area, sq.m.)	Retail (useable area, sq.m.)
1st	LDE-LDA	47,801	28,219	7,090
1st	rue de Richelieu	38,207	24,392	
1st	247, rue Saint-Honoré	22,024		
2nd	6, rue de Hanovre	4,761	3,003	
7th	103, rue de Grenelle	18,403	16,749	131
8th	Washington Plaza (66%)	31,084	26,275	303
8th	104/110, boulevard Haussmann (50%)	6,718	5,842	396
8th	Galerie des Champs-Elysées (50%)	2,831		2,831
8th	90, avenue des Champs-Elysées (50%)	3,018	3,018	
8th	92, avenue des Champs-Elysées	7,641	4,209	3,396
8th	1 à 6, rue Paul Cézanne	29,021	24,411	1,849
9th	Edouard VII	54,119	28,112	7,331
9th	12, boulevard des Capucines	2,243		2,243
16th	96, avenue d'Iéna	8,858	7,296	
Neuilly-sur-Seine	176, avenue Charles de Gaulle	7,381	5,621	492
Puteaux	12, cours Michelet - Tour Coface	28,418	26,716	
La Défense	18, avenue d'Alsace - Les Miroirs	19,874	19,432	
Issy-les-Moulineaux	39-51, rue Pierre Poli	6,332	6,026	
Saint-Germain en Laye	21, rue Thiers - Pavillon Henri IV (hotel)	4,596		
	Total	**343,329**	**229,320**	**26,062**

Properties under finance leases		Surface area (Group share, sq.m.)	Offices (useable area, sq.m.)	Retail (useable area, sq.m.)
12th	quai de la Rapée	22,670	19,362	
17th	131, avenue de Wagram	9,186	7,100	
Boulogne Billancourt	46, quai Le Gallo	33,806	31,003	
	Total	**65,662**	**57,466**	**0**

Properties currently for sale (part unsold at 31 December 2008)		Surface area (Group share, sq.m.)	Offices (useable area, sq.m.)	Retail (useable area, sq.m.)
3rd	62, rue Beaubourg	3,810	3,060	381
8th	6, avenue Vélasquez	1,483	1,360	
8th	63, boulevard Haussmann	2,998	2,660	168
8th	5, rue Alfred de Vigny	3,845	2,639	
8th	Ilôt Saint-Augustin	0		
8th	1, rue de Stockholm	0		
16th	38-44, avenue Bugeaud	0		
17th	11, rue de Prony	2,661	2,521	
	Total	**14,796**	**12,240**	**549**

Properties acquired off plan		Surface area (Group share, sq.m.)	Offices (useable area, sq.m.)	Retail (useable area, sq.m.)
17th	Prony Wagram	5,869	4,159	893
	Total	**5,869**	**4,159**	**893**

For reference:

Properties sold during the year		Surface area (Group share, sq.m.)	Offices (useable area, sq.m.)	Retail (useable area, sq.m.)
8th	19, boulevard Malesherbes (50%)	1,484	1,086	
	Total	**1,484**	**1,086**	**0**

	Hotels (useable area, sq.m.)	Cinemas/Theatres (useable area, sq.m.)	Residential (useable area, sq.m.)	Staff restaurants and other infrastructure (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)	2008 rental revenue (100% basis, €k)
	23,913	8,019	4,570	29,767	21,678	2 538	148,276
	0	0	0	5,492	2,704	915	26,477
	0	0	0	707	1,300	83	6,466
	0	0	179	0	638	26	0
	0	0	331	68	0	23	291
	23,913	**8,019**	**5,080**	**36,034**	**26,319**	**3,585**	**181,510**

	Hotels (useable area, sq.m.)	Cinemas/Theatres (useable area, sq.m.)	Residential (useable area, sq.m.)	Staff restaurants, archives and stock rooms (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)	2008 rental revenue (100% basis, €k)
				3,929	8,563	234	12,279
				5,095	8,720	94	15,558
	16,319			5,705			2
			61	1,697			1,575
				1,523		100	71
				2,979	1,527	433	26,859
				480		51	4,262
						130	3,132
							1,081
					36		1,894
				1,257	1,504	125	17,820
	3,125	8,019	4,509	3,023		509	28,700
							2,310
				1,202	360	262	4,454
				426	842	145	2,675
				1,702		235	13,478
				442		220	9,842
				306			1,756
	4,469				127		528
	23,913	**8,019**	**4,570**	**29,767**	**21,678**	**2,538**	**148,276**

	Hotels (useable area, sq.m.)	Cinemas/Theatres (useable area, sq.m.)	Residential (useable area, sq.m.)	Staff restaurants and other infrastructure (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)	2008 rental revenue (100% basis, €k)
				3,118	190	366	14,138
				1,100	986	124	4,465
				1,275	1,528	425	7,873
	0	**0**	**0**	**5,492**	**2,704**	**915**	**26,477**

	Hotels (useable area, sq.m.)	Cinemas/Theatres (useable area, sq.m.)	Residential (useable area, sq.m.)	Staff restaurants and other infrastructure (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)	2008 rental revenue (100% basis, €k)
				250	119	18	1,043
				123		3	721
				170			1,558
				124	1,082	12	1,599
						10	0
						15	0
						1	0
				41	99	24	1,544
	0	**0**	**0**	**707**	**1,300**	**83**	**6,466**

	Hotels (useable area, sq.m.)	Cinemas/Theatres (useable area, sq.m.)	Residential (useable area, sq.m.)	Staff restaurants and other infrastructure (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)	2008 rental revenue (100% basis, €k)
			179		638	26	0
	0	**0**	**179**	**0**	**638**	**26**	**0**

	Hotels (useable area, sq.m.)	Cinemas/Theatres (useable area, sq.m.)	Residential (useable area, sq.m.)	Staff restaurants and other infrastructure (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)	2008 rental revenue (100% basis, €k)
			331	68		23	291
	0	**0**	**331**	**68**	**0**	**23**	**291**

Stock Market
SFL shares are quoted on NYSE Euronext Paris
ISIN code: FR0000033409
Reuters: FLYP.PA
Bloomberg: FLY.FP

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Registered with the Paris Companies Registry under number 552 040 982