FINANCIAL AND LEGAL REPORT 2007

SFL

SOCIETE FONCIERE LYONNAISE

Contents

AMF

This Registration Document was filed with the Autorité des Marchés Financiers (AMF) on 29 April 2008, in accordance with Article 212-13 of the AMF's General Regulations. It may be used in connection with a financial transaction provided that it 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.

ANNUAL GENERAL MEETING OF 23 MAY 2008

Management Report

For the year ended 31 December 2007

Management Report

The Board of Directors has called the Annual General Meeting in accordance with the Company's Articles of Association and the French Commercial Code to report to shareholders on SOCIÉTÉ FONCIÈRE LYONNAISE's operations and earnings for the year ended 31 December 2007 as well as its future outlook, and to submit for shareholder approval the financial statements of the Company and the Group at that date. All documents required by law were sent or made available to shareholders within the applicable timeframes.

1. Business review and significant events of the year

1-1. PROPERTY PORTFOLIO VALUE

The appraisal value of SFL's property portfolio totalled €3.9 billion excluding transfer costs at 31 December 2007, an increase of 17.7% over the year-earlier figure. Including transfer costs it amounted to €4.1 billion. Substantially all of the properties are located in Paris and the Paris region, with 72% (representing €2.8 billion excluding transfer costs) located in the Paris Central Business District. The portfolio essentially comprises fully modernised office properties and retail units, which account for 81% and 15% respectively. Residential units now represent just 1% of the total and are mostly located in mixed-use buildings primarily made over to retail space. Parking garages account for 3% of the portfolio.

The average value per square metre excluding transfer costs was €9,062 in 2007 and the spot yield[1] was 4.9%.

The portfolio includes a number of major office complexes, such as the Louvre Business Centre, Edouard VII, Washington Plaza and Cézanne Saint-Honoré. The properties are leased to first-class covenants, mainly businesses operating in a wide range of industries. The occupancy rate, excluding properties undergoing renovation, is an exceptionally high 98.9%, reflecting the assets' strategic location in Paris' main business districts.

Marketing programme

In 2007, new leases were signed on 40,989 sq.m., representing a robust marketing performance. They included leases on 39,789 sq.m. of office space at an average rent of €625 per sq.m. per year representing annual revenue of €24.9 million (including €18.5 million attributable to SFL). Retail property made up the remaining 1,200 sq.m., at an average rent of €523 per sq.m. per year totalling an annual €0.63 million (of which €0.58 million attributable to SFL).

The average rent for SFL's office properties at 31 December 2007 was €543 per sq.m. per year. The average remaining life of leases in progress rose to 3.5 years, reflecting the signature or renewal of major long-term leases such as with La Mondiale at 104-110 Haussmann, Allen & Overy at Edouard VII, Dexia Asset Management, Hammerson and Poweo at rue Washington, Audit Artois at 5 Alfred de Vigny, Fipam and Athema at Cézanne Saint-Honoré and Curtis at 6 avenue Velasquez.

Based on appraisals performed by the Group's valuers[2], reversionary potential was 22.2%, breaking down as 9.8% for offices and 111.1% for retail.

Since electing for the REIT-style (SIIC) structure in 2003, we have managed the portfolio even more actively, with offices and retail properties now generating 96% of rental revenues.

1-2. PROPERTY PURCHASES AND SALES DURING THE YEAR

In 2007 SFL acquired full ownership of two properties for an aggregate **€274** million. Exclusively dedicated to office space, the buildings cover 20,402 sq.m. and correspond to:
- Cézanne Saint-Honoré (purchase of PREDICA's 50% stake in SCI PAUL CÉZANNE for €199 million excluding transfer costs);
- 96 avenue d'Iéna (purchase of TIAA-CREF's 75% stake in SAS IENA for €75 million excluding transfer costs).

The average purchase price per sq.m. including parking garages and excluding transfer costs was €14,440 for Cézanne Saint-Honoré and €11,289 for 96 avenue d'Iéna.

Proceeds attributable to the Group from disposals during the year totalled **€55.5** million, breaking down as follows:
- **€34.8 million from the sale of the Group's interests in SAS LA DÉFENSE and SNC AMARANTE, owners of thirty floors of the Tour Areva building** (based on a combined attributable asset value of €72.4 million);

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

(2) CBRE, JLL and AtisReal.

• €20.7 million[(1)] from the sale of SFL's stake in SAS PARKLEB, which owns the property at 46 avenue Kléber (corresponding to the attributable asset value).

In all, these transactions represented **approximately 2.8%** of the total portfolio at 31 December 2006 (€3.3 billion at appraisal value excluding transfer costs).

The gross spot yield on the divested properties was **4.07%**, representing the ratio of spot revenue to the sale price including transfer costs.

The divested assets corresponded to an aggregate 12,552 sq.m, made up entirely of office space. The sales concerned Tour Areva, for €72.4 million (12,199 per square metre) excluding transfer costs, and 46 avenue Kléber, for €20.7 million (€6,664 per square metre) excluding transfer costs.

The sales were agreed at prices that were **€13.2 million** (16.56%) **higher than the properties' appraisal values at 31 December 2006** (in both cases excluding transfer costs).

Based on the properties' carrying amounts – corresponding to fair value – the disposal gains amounted to **€3.3 million.**

1-3. INVESTMENTS IN PROGRESS

In June 2007, the team formed by SFL, NEXITY and RUDY RICCIOTTI were declared the winners of the tender process organised by SEMAPA (the City of Paris development agency) concerning the T8 project on the Paris Rive Gauche development site in the 13th arrondissement. A framework agreement was signed by SFL and SEMAPA on 26 October 2007 regarding the acquisition of the related construction rights.

Located at the intersection of rue Tolbiac and avenue de France, in front of the François Mitterand National Library, the new development will rise above the cover built by SEMAPA over the Gare d'Austerlitz railway tracks.

Designed by architect RUDY RICCIOTTI, the complex will comprise 34,500 sq.m (net floor area) of office, retail and housing space. NEXITY will be in charge of developing the property, under a contract from SFL.

Forecast timeline

2008

• March – completion of the preliminary design and signature of the property development contract with NEXITY;
• June – filing the planning permission application with the CDEC;
• October – filing the building permit application,
• Third quarter – completion of the detailed design.

2009

• Third quarter – building permit to be issued;
• Fourth quarter – end of the compulsory waiting period under the building permit.

2010

• Third quarter – completion of the cover, acquisition of construction rights and start of construction.

2012

• Fourth quarter – delivery of the building.

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

2. Results

2-1. CONSOLIDATED RESULTS

Accounting methods

SFL applied IFRS 7 for the first time in its 2007 financial statements. This new standard, which is effective from 1 January 2007, introduces new disclosure requirements for financial instruments.

At 31 December 2006, SFL decided to measure investment properties using the fair value model, as provided for in IAS 40. Prior to that date, investment properties were measured using the cost model, in accordance with IAS 16. This change of method was adopted to facilitate comparisons with other property companies, the majority of which apply the fair value model.

The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. It reflects market conditions at the balance sheet date and not those prevailing at any past or future date. It does not reflect future capital expenditure that will improve or enhance the property or the 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 2007 correspond to the prices including transfer costs obtained from independent valuations, 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.

(1) Value of the SAS Parkleb shares net of the tax discount and net debt.

The Group decided not to early adopt the following standards, interpretations and amendments to existing standards effective for financial periods commencing on or after 1 January 2007:
• IAS 1 (Revised 2007) – Presentation of Financial Statements (mandatory for financial periods commencing on or after 1 January 2009);
• IFRS 8 – Operating Segments (mandatory for financial periods commencing on or after 1 January 2009);
• IFRIC 11 – IFRS 2: Group and Treasury Share Transactions (mandatory for financial periods commencing on or after 1 March 2007).

Growth analysis

Property rentals for the year amounted to €170.4 million, up 5.5% on 2006, and management fees totalled €824 thousand, fuelling a 4.5% year-on-year rise in revenue to €171.2 million from €163.8 million.

Profitability analysis

Profit attributable to equity holders of the parent came to €416.5 million in 2007, down 31% on the prior-year figure of €606.6 million. This decline was due to lower fair value adjustments to the property portfolio, which totalled €365.1 million versus €533.8 million in 2006. All other profit indicators increased year-on-year:
• Property rentals climbed 5.5% to €170.4 million from €161.5 million. Based on a comparable scope of consolidation the increase was 3.6%.
• Operating profit before fair value adjustments rose 9.3% to €147.3 million from €134.8 million.
• Net gains from property disposals amounted to €3.3 million versus €49.5 million in 2006 when the volume of disposals was significantly higher.
• Current cash flow attributable to equity holders of the parent (excluding disposals) rose 22.8% to €97.2 million from €79.2 million, primarily led by higher rents and a reduced impact of rent-free periods. Current cash flow per share – based on the average number of shares outstanding during the year – increased 15.8% to €2.13 from €1.84 in 2006.

NAV and financing

The estimated market value of the property portfolio at 31 December 2007 was €3,909 million excluding transfer costs, an increase of 17.7% compared with €3,320 million at 31 December 2006. The estimated replacement value, including transfer costs, at 31 December 2007 was €4,132 million. On a like-for-like basis, the portfolio value rose 12% over the year.

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

The US$125 million in US Private Placement Notes were redeemed in advance at the beginning of the year, as planned, and three new 5 and 7-year corporate lines of credit were set up for a total of €250 million at a spread of around 50 bps.

Net debt at 31 December 2007 amounted to €1,043 million, representing a loan-to-value ratio of 25.2%. The average cost of debt in 2007 was 5.3% and the average maturity was 4.1 years.

On this basis, at 31 December 2007 fully diluted NAV including transfer costs totalled €2,958 million, up 19.5% on 31 December 2006. NAV excluding transfer costs was €2,734 million, representing a year-on-year increase of 19.8%.

Fully diluted NAV per share including transfer costs stood at €63.6, up 10.7% compared with €57.4 at 31 December 2006. NAV per share excluding transfer costs was €58.8 versus €53.0 at 31 December 2006.

2-2. SFL PARENT COMPANY RESULTS

Changes in accounting methods

The 2007 parent company financial statements were prepared on a going concern basis in accordance with French generally accepted accounting principles, including the principles of prudence and segregation of accounting periods. Accounting policies have been applied consistently from one year to the next.

Parent company results and financial position

Net revenue rose 4.57% in 2007 to €123.9 million from €118.5 million in 2006. Total operating income came to €152.7 million versus €142.9 million, representing an increase of 6.83%, and total operating expense edged up 1.60% to €104.1 million from €102.5 million.

Operating profit climbed 20.08% to €48.6 million in 2007 from €40.4 million the previous year.

Wages and salaries totalled €7.7 million, down 3.4% on the 2006 figure of €7.9 million. Payroll taxes amounted to €3.1 million.

The average number of employees at the parent company was 74.72 in 2007, 1.3% higher than in 2006 when the average was 73.74.

The Company ended the year with net financial income of €32.4 million, compared with net financial expense of €12.9 million in 2006. This positive swing fuelled a 194.02% surge in profit before tax and other income and expense, which came in at €81.0 million versus €27.5 million.

Other income amounted to €20.3 million, employee profit-sharing totalled €140.6 thousand and income tax expense on an adjusted basis came to €263.0 thousand.

The combination of the above results drove a 15.25% rise in net profit to €100.8 million from €87.5 million in 2006.

At 31 December 2007 the Company's total assets amounted to €2.3 billion, up 16.01% from €2.0 billion at the previous year-end.

A five-year financial summary for the parent company is provided in Appendix 7.4 to this Management Report (as required pursuant to Article 148 of the French Decree dated 23 March 1967).

Transfer from the share premium account

At 31 December 2007, the share premium account totalled €1.183,600,915.93 following the issuance of:

• 3,425,349 new fully paid-up shares with a par value of €2 each, allocated to PREDICA as part of the asset swap;

• 1,000 new shares on exercise of the same number of stock options.

Shareholders are invited to transfer €685,269.80 from the share premium account to the legal reserve in order to increase said reserve to one tenth of the Company's capital. Following this transfer the share premium account would stand at €1,182,915,646.13.

Appropriation of net profit

Net profit for the year, after tax and provision charges, amounts to €100,843,567.16.

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

• Net profit for the year ended 31 December 2007	€100,843,567.16
• Retained earnings brought forward from the prior year	€16,554,912.27
• Profit available for distribution	€117,398,479.43

The Board of Directors recommends that shareholders:

• Approve a dividend payment of €148,807,363.20, representing a net dividend per share of €3.20. After deducting the interim dividend of €1.10 paid on 19 November 2007, the final dividend would amount to €2.10 per share;

• Deduct the additional €31,408,883.77 required for the dividend payment from ordinary reserves.

If approved the dividend will be paid as from 30 May 2008. SFL shares held by the Company on that date will be stripped of dividend rights and the corresponding amount will be credited to retained earnings.

Individual shareholders resident in France for tax purposes are eligible for the 40% tax relief referred to in paragraph 3-2 of Article 158 of the French Tax Code (Article 76 I of the 2006 Finance Act no. 2005-1719 of 30 December 2005) on the interim and final dividend.

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 2007 financial documents required under Article L. 432-4 of the French Labour Code were provided to the Works Council at its April 2008 meeting.

2-3. REVIEW OF THE GROUP'S MAIN SUBSIDIARIES

The consolidated financial statements for the year ended 31 December 2007 were prepared according to the fair value model. The scope of consolidation was as follows:

		Percentage	
Consolidated companies	Registration no.	Interest	Voting rights
Consolidated companies			
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 5 DE VIGNY (formerly SCI COFIMMO)	327 469 607	100	100
SCI 103 GRENELLE	440 960 276	100	100
SCI PAUL CÉZANNE	438 339 327	100	100
SAS IÉNA	434 564 357	100	100
SNC IÉNA 1	434 756 904	100	100
SNC IÉNA 2	434 756 987	100	100
Proportionately consolidated companies			
SAS PARHOLDING	404 961 351	50	50
SC PARSHERBES	413 175 639	50	50
SC PARCHAMPS	410 233 498	50	50
SC PARGAL	428 113 989	50	50
SC PARHAUS	405 052 168	50	50
SC PARCHAR	414 836 874	50	50

On 8 February 2007, PREDICA sold its entire 50% interest in SCI PAUL CÉZANNE to SFL, raising SFL's interest to 100%. As a result, SCI PAUL CÉZANNE – which was previously proportionately consolidated – was fully consolidated in 2007.

On 5 May 2007 SC PARGRIN transferred all its assets and liabilities to SAS PARHOLDING.

SAS PARKLEB, owner of the property at 46 avenue Kléber, was sold on 26 October 2007.

SNC AMARANTE, SNC PÉRIDOT and SNC LAZULI – all of which were 15%-owned – as well as SAS LA DÉFENSE and SNC LA DÉFENSE – which were 25%-owned – were accounted for by the equity method until they were sold in 2007 because SFL had two representatives on each company's five-member management committee and was therefore in a position to exercise significant influence over their management. SFL was also responsible for the commercial and technical management of the companies' properties and for their financial and administrative management. Further to an agreement entered into with TIAA (Teachers Insurance and Annuity Association of America), on 1 October 2007 SFL exchanged its minority interests in these companies – which own 30 floors of the Tour Areva building at La Défense – for TIAA's interests in IÉNA, IÉNA 1 and IÉNA 2, owners of the property at 96 avenue d'Iéna in the 16th arrondissement of Paris. Following these asset swaps, SFL owns the entire capital of IÉNA, IÉNA 1 AND IÉNA 2 and these companies have therefore been fully consolidated since 1 October 2007. Prior to this, the companies were accounted for by the equity method.

At 31 December 2007, SOCIÉTÉ FONCIÈRE LYONNAISE was 84.56%-owned by the Spanish company INMOBILIARIA COLONIAL SA.

Information about subsidiaries and associates at 31 December 2007

Company	Share capital	Reserves before appropriation of profit	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Guarantees provided by SFL	2007 net revenue	2007 net profit/(loss)	Dividends paid to SFL in 2007	Amount
				Gross	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 CEZANNE	56,934,400	105,244,563	100.00%	291,847,234	291,847,234	10,463,674	–	15,615,736	10,463,674	–	–
SAS IÉNA	4,825,160	1,090,446	100.00%	49,015,056	49,015,056	20,010	–	–	950,644	651,397	–
SCI 5 DE VIGNY	1,926,448	5,691	100.00%	20,111,069	20,111,069	7,729,085	–	407,602	(861,863)	–	–
SEGPIM SA	1,292,500	1,689,484	100.00%	2,987,373	2,987,373	–	–	–	2,242,007	1,157,725	–
SCI 103 GRENELLE	150	(4,550,747)	100.00%	1,169,740	1,169,740	150,756,767	–	99,806	(1,092,089)	–	–
SCI WASHINGTON	94,872,000	1,232,295	66.00%	79,788,878	79,788,878	118,840,586	–	25,365,570	13,074,540	–	–
2 - Associates (10% to 50%-owned)											
SAS PARHOLDING	15,000,000	5,129,307	50.00%	18,400,300	18,400,300	20,812,911	–	–	12,465,290	26,890,540	–
B- Aggregate information on investments not referred to in A above											
1 - Subsidiaries (at least 50%-owned)				121,500	121,500	–	–	–	–	–	–
2 - Associates (less than 50%-owned)				2,286,735	2,286,735	–	–	–	–	–	–

Related party transactions in 2007 concerned fully and proportionately consolidated companies and associates.

Related party transactions in 2007

	Between fully consolidated companies	Between fully consolidated companies and proportionately consolidated companies	Between fully consolidated companies and associates	Between proportionately consolidated companies
Balance sheet				
Deposits and guarantees received	123	–	–	–
Advances to subsidiaries and associates	19,084	–	–	–
Trade receivables	6,985	313	–	–
Current account advances (assets)	304,475	22,328	–	62,571
Other receivables	–	–	–	486
Deposits and guarantees paid	(123)	–	–	–
Accrued dividends	(19,084)	–	–	–
Trade payables	(6,985)	(313)	–	–
Current account advances (liabilities)	(304,475)	(22,328)	–	(62,571)
Other liabilities	–	–	–	(486)
Profit and loss account				
Service revenue	6,306	1,726	504	–
Other income	723	–	–	–
Interest on loans and receivables	13,644	1,530	542	5,561
Rent (operating leases)	(1,331)	–	–	–
Fees	(4,977)	(1,726)	(504)	–
Maintenance and repairs	2	–	–	–
External personnel costs	(723)	–	–	–
Interest on current accounts	(13,644)	(1,530)	(542)	(5,561)

3. Corporate governance

3-1. MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT COMMITTEE AT 31 DECEMBER 2007

Members of the Board of Directors

Luis Manuel PORTILLO MUÑOZ	Chairman
Yves MANSION	Director
Jean ARVIS	Director
Yves DEFLINE	Director
Jean-Jacques DUCHAMP	Director
Aurelio GONZALEZ VILLAREJO	Director
Mariano MIGUEL VELASCO	Director
Francisco José MOLINA CALLE	Director
Luis Emilio NOZALEDA ARENAS	Director
Diego PRADO PEREZ-SEOANE	Director
Maria Jesús VALERO PEREZ	Director
Tony WYAND	Director
Domingo DIAZ DE MERA	Director
José Ramon CARABANTE DE LA PLAZA	Director
REIG CAPITAL GROUP LUXEMBOURG represented by José CAIRETA	Director
Jacques CALVET	Non-voting director

At the Board meeting of 9 May 2007 Philippe CHAREYRE stated that he did not wish to stand for re-election as non-voting director.

At the same meeting the Board appointed Philippe DEPOUX as Chief Operating Officer to replace Alec EMMOTT who had stepped down from the position.

Members of the Management Committee

Yves MANSION	Chief Executive Officer
Philippe DEPOUX	Chief Operating Officer
Nicolas REYNAUD	Chief Financial Officer – Secretary to the Board of Directors
François SEBILLOTTE	Company Secretary
Franck DATTEE	Technical Director
Olivier ROCHEFORT	Asset Management Director
Jean-Luc POTIER	Development Director

3-2. ROLE AND PRACTICES OF THE BOARD OF DIRECTORS

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

3-3. DIRECTORSHIPS AND OTHER POSITIONS HELD BY THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Luis Manuel PORTILLO MUÑOZ

Chairman of the Board of Directors of Société Foncière Lyonnaise

Directorships and other positions outside France*

- Director of ZENT INVERSIONES, S.L.
- Director of ALINILAM, S.L.
- Director of EXPO-AN, S.A.
- Director of NAZARIA E.C., S.L.
- Director of LAMESASH, S.L.
- Director of ATYMSA NUEVAS TECNOLOGÍAS, S.L.U.
- Director of PLAZA DE TOROS DE MARBELLA, S.L.U.
- Director of ALMITRAVEL, S.L.U.
- Chairman of PRODUCCIONES AGRÍCOLAS NATURE, S.L.
- Director of INVERSIONES PORTIVAL, S.L.
- Director of LANDSHIP INVESTMENTS, S.L.
- Director of DEVELOPMENT RESOURCE, S.L.
- Legal Representative of GRUPO PORTIVAL, S.L. on the Board of EXPOGESTION 2000, S.L.
- Chairman and director of LAS SALINAS DE ROQUETAS S.L.
- Legal Representative of GRUPO PORTIVAL, S.L. as Chairman of VITAFRESH, S.L.U.
- Director of INVERSIONES VENDOME, S.L.
- Chairman and Director of ABACO GRUPO FINANCIERO INMOBILIARIO, S.A.U.
- Director of DESARROLLO TURISTICOS HOTELEROS SANCTI PETRI, S.L.
- Legal Representative of GRUPO PORTIVAL, S.A. on the Board of GESTIONES EMPRESARIALES JARQUE, S.L.
- Representative of MANCOMUNADO as director of INRAMA GESTIONES, S.L.
- Director of RECREO LAS LOMAS, S.L.
- Director of PAIZ Y DIAZ, S.L.
- Legal Representative of GRUPO PORTIVAL, S.A. on the Board of INMOPOLIS CALIDAD SEVILLA, S.A.
- Director of CORPORACIÓN EÓLICA de HUELVA, S.A.
- Director of SOCIEDAD HERDADE DA RENDEIRA-AGRO-PECUARIA, S.A.
- Director of SOCIEDAD AGROPECUARIA DA CORUAJEIRA, S.A.
- Legal Representative of EXPO-AN, S.A on the Board of VILLAS DE CONDEQUINTO S.L.
- Legal Representative of GRUPO PORTIVAL, S.L. as director of INVERSIONES TURÍSTICAS HOTELERAS, S.L.
- Legal Representative of GRUPO PORTIVAL, S.L. as Vice-Chairman of OCCIDENTAL ANDALUZA DE AGROCOMERCIO, S.L.

• Director of INVERSIONES TERSINA, S.L.
• Legal Representative of INVERSIONES TERSINA, S.L. as Chairman of GRUPO INMOCARAL, S.A.
• Director of EXPLOTACIONES FORESTALES Y CINEGETICAS ALTA BAJA, S.A.
• Chairman of INMOBILIARIA COLONIAL, S.A.
• Director of INVERSIONES NOTENTH, S.L.
• Director of INVERSIONES TRES CANTOS, S.L.
• Legal Representative of GRUPO PORTIVAL, S.L. as Chairman of ENTRENUCLEOS DESARROLLOS INMOBILIARIOS, S.L.
• Legal Representative of GRUPO PORTIVAL, S.L. as Chairman of DEHESA DE VALME, S.L.

Yves MANSION

Director and Chief Executive Officer of SOCIÉTÉ FONCIÈRE LYONNAISE

Directorships and other positions in France

• Legal Manager of SCI PAUL CÉZANNE*
• Legal Manager of SCI WASHINGTON*
• Member of the Board of the Autorité des Marchés Financiers (French securities regulator)*
• Member of the Supervisory Board and Audit Committee of EULER HERMES, S.A.
• Chairman of MANSIONS, SAS*
• Legal Manager of SCI DE LA SORBONNE*

Philippe DEPOUX

Chief Operating Officer of SOCIÉTÉ FONCIÈRE LYONNAISE

Directorships and other positions in France

• Chairman and Chief Executive Officer and Director of SEGPIM SA*
• Chairman of LOCAPARIS SAS*
• Director of Institut de l'Epargne Immobilière et Foncière

** 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.*

	Position (1)	Number of SFL shares held (2)	Directors' fees paid in respect of 2007 (gross – in €)
Luis Manuel PORTILLO MUÑOZ	Chairman of the Board of Directors Chairman of the Executive and Strategy Committee	100	24,000
Yves MANSION	Director – Chief Executive Officer Member of the Executive and Strategy Committee Member of the Remuneration and Selection Committee	15,000	18,000
Francisco Jose MOLINA CALLE	Director – Chairman of the Audit Committee Member of the Executive and Strategy Committee	100	24,000
Mariano MIGUEL VELASCO	Director – Chairman of the Remuneration and Selection Committee Member of the Executive and Strategy Committee	100	24,000
Jean ARVIS	Director – Member of the Remuneration and Selection Committee	500	18,000
Yves DEFLINE	Director – Member of the Audit Committee	362	18,000
Jean-Jacques DUCHAMP	Director – Member of the Executive and Strategy Committee Member of the Audit Committee	25	18,000
Tony WYAND	Director – Member of the Remuneration and Selection Committee	100	18,000
Diego PRADO PEREZ-SEOANE	Director – Member of the Audit Committee	25	18,000
Luis EMILIO NOZALEDA ARENAS	Director – Member of the Executive and Strategy Committee	100	18,000
Maria Jesus VALERO PEREZ	Director	100	12,000
José Ramon CARABANTE DE LA PLAZA	Director	25	8,000
Domingo DIAZ DE MERA	Director	100	8,000
Aurelio GONZALEZ VILLAREJO	Director	100	8,000
REIG CAPITAL GROUP Luxembourg, représenté par José CAIRETA	Director	25	8,000
Jacques CALVET	Non-voting director Member of the Audit Committee	825	18,000
Philippe CHAREYRE	Non-voting director and member of the Audit Committee until 9 May 2007	100	7,500
Total		**17,687**	**267,500**

(1) At 31 December 2007.

(2) The Directors' Charter stipulates that each director must disclose to SFL the number of Company shares that they hold directly and indirectly (Article L. 225-109 of the French Commercial Code). Under Article 17 of the Articles of Association, each director is required to hold at least 25 shares.

Re-election/election of directors

As the terms of office as directors of Yves MANSION and José MOLINA CALLE are due to expire at the close of this Annual General Meeting, shareholders are invited to re-elect them for a further three-year term expiring at the close of the Annual General Meeting to be called in 2011 to approve the 2010 financial statements.

The terms of office of Yves DEFLINE and Jean ARVIS are also due to expire at the close of this Annual General Meeting. Shareholders are invited to re-elect these directors for a further one-year term expiring at the close of the Annual General Meeting to be called in 2009 to approve the 2008 financial statements.

Shareholders are also invited to elect Jacques CALVET as an additional member of the Board of Directors for a one-year term expiring at the close of the Annual General Meeting to be called in 2009 to approve the financial statements for the year ended 31 December 2008.

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 AND BENEFITS IN KIND

Remuneration and benefits in kind paid to corporate officers

At its 13 March 2007 meeting, the Remuneration and Selection Committee approved the terms and conditions for setting the 2007 remuneration of corporate officers (other than the Chairman of the Board of Directors). This overall remuneration includes a salary and a variable bonus, which is calculated as a percentage of the salary and is tied to an annual performance target. The performance target used to determine corporate officers' bonuses for 2007 was the €102.2 million objective for operating profit before fair value adjustments set by the Board of Directors in the 2007 Budget.

Corporate officers' bonuses for 2007 were calculated as follows:

Percentage of annual performance target achieved	2007 bonus calculated as a percentage of the salary		
	Chief Executive Officer/ Chief Operating Officer*	Chief Financial Officer	Other corporate officers
A. 115% and over	116%	87%	58%
B. 100%	80%	60%	40%
C. 80%	48%	36%	24%
D. less than 80%	0	0	0

** Exceptionally, the bonus paid to Alec EMMOTT (Chief Operating Officer until 9 May 2007) represented 100% of his annual salary.*

Bonus rates are as follows:

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

Corporate officers and other senior executives participate in the same top-hat pension schemes as the Group's other managers and do not receive any specific additional retirement benefits.

Remuneration paid to the Chairman of the Board of Directors

Luis Manuel PORTILLO MUÑOZ received €24,000 in directors' fees for 2007. He did not receive any other remuneration during the year for his duties as Chairman of the Board of Directors.

Remuneration paid to the Chief Executive Officer

The gross salary paid in 2007 to Yves MANSION, Chief Executive Officer, by SOCIÉTÉ FONCIÈRE LYONNAISE, amounted to €400,000. His bonus for the year – which was calculated as described above and approved by the Board of Directors on 14 February 2008 – totalled €405,035 gross. This amount will be paid in 2008.

Yves MANSION's 2006 bonus – approved on 8 February 2007 – was based on growth in net profit and amounted to €343,200 gross. It was paid in 2007.

Yves Mansion also has the use of a company car, representing a benefit in kind valued at a gross amount of €4,039 in 2007.

In line with the decisions made by the Board of Directors at its meetings of 31 January 2002 and 3 February 2004, Yves Mansion received compensation for loss of office of €1,000,000 following the termination of his duties as Chairman at the Board meeting of 26 October 2006.

During 2007, Yves MANSION also received directors' fees of €18,000 from Group companies.

Total gross remuneration paid to Yves MANSION by the Company for 2007 and 2006 breaks down as follows:

	2006	2007
Salary	343,200.00	400,000.00
Bonus	343,200.00	405,035.00
Benefits in kind	2,841.00	4,039.00
Gains on the exercise of stock options	402,332.00	0.00
Directors' fees	23,000.00	18,000.00
Compensation for loss of office	–	1,000,000.00

Remuneration paid to the Chief Operating Oficer

Alec Emmott held the position of Chief Operating Officer until 9 May 2007 when he was replaced by Philippe DEPOUX.

In addition to being corporate officers, Alec EMMOTT and Philippe DEPOUX had employment contracts with SFL during the year. Alec EMMOTT'S employment contract was terminated on 30 September 2007.

The gross salary paid in 2007 to Alec EMMOTT amounted to €195,787. His bonus came to €180,000 gross and was paid during the year.

Alec EMMOTT's 2006 bonus – approved on 8 February 2007 – was based on growth in net profit and totalled €228,800. It was paid in 2007.

Alec EMMOTT also had the use of a company car, representing a benefit in kind valued at a gross amount of €1,994 in 2007.

In 2007, Alec EMMOTT exercised 30,000 options granted under the Company's 25 April 2003 stock option plan, resulting in a net gain of €1,104,335.

Also in 2007 Alec EMMOTT was paid a gross amount of €20,672 in statutory and discretionary profit-sharing for 2006.

Lastly, in accordance with the decisions taken by the Board of Directors at its meetings of 31 January 2002 and 3 February 2004, Alec EMMOTT received compensation for loss of office of €800,000 gross following termination of his duties as Chief Operating Officer at the Board meeting of 9 May 2007.

Total gross remuneration paid to Alec EMMOTT by the Company for 2007 and 2006 breaks down as follows:

	2006	2007
Salary	229,937.00	195,787.00
Bonus	228,800.00	180,000.00
Benefits in kind	4,194.00	1,994.00
Gains on the exercise of stock options	319,912.00	1,104,335.00
Statutory and discretionary profit-sharing for the previous year	20,891.00	20,672.00
Compensation for loss of office	–	800,000.00

The gross salary paid in 2007 to Philippe DEPOUX amounted to €225,000. His bonus for the year – which was calculated as described above and approved by the Board of Directors on 14 February 2008 – totalled €207,858 gross. This amount will be paid in 2008.

Philippe DEPOUX also has the use of a company car, representing a benefit in kind valued at a gross amount of €2,703 in 2007.

In 2007 Philippe DEPOUX was also paid a gross amount of €20,672 in statutory and discretionary profit-sharing for 2006.

Details of stock options granted to corporate officers during the year are set out in section 5.4 of this Management Report.

The following information concerns remuneration, indemnities and benefits granted to corporate officers and any other commitments made to them in connection with, or subsequent to, their appointment, termination of duties or change in function.

Agreement with Yves MANSION, Chief Executive Officer

(Article L. 225-42-1 of France's Commercial Code)

- Authorised at the Board meeting of 4 April 2008
- Terms of the agreement:

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

It will be equal to twice the total gross annual remuneration paid to him in his capacity as Chief Executive Officer – including any and all bonuses and benefits in kind – for the calendar year that precedes the direct or indirect change in ownership structure.

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

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

Agreement with Philippe DEPOUX, Chief Operating Officer

(Article L. 225-42-1 of France's Commercial Code)

• Authorised at the Board meeting of 4 April 2008

• Terms of the agreement:

As Chief Operating Officer, Philippe DEPOUX is both an officer and an employee of the Group. Although he does not currently receive any remuneration in his capacity as an officer of the Group, the same protection has been offered to him as that given to Yves MANSION, in the event that he is remunerated in the future.

Subject to the same time limit for claiming the compensation and the same performance criterion as for Yves MANSION, Philippe DEPOUX will be paid compensation for loss of office equal to twice the total gross annual remuneration paid to him in his capacity as Chief Operating Officer – including any and all bonuses and benefits in kind – for the calendar year that precedes the direct or indirect change in ownership structure.

Amendment to Philippe DEPOUX's employment contract

(Article L. 225-38 of France's Commercial Code)

At its meeting on 9 February 2004, the Board of Directors decided to insert a specific clause in the employment contracts of the executives who were members of the Company's Management Committee.

The clause was updated in 2006 to provide for the payment of compensation in addition to the termination benefit due by law or under the collective bargaining agreement in the case of (i) dismissal or (ii) resignation as a result of a significant change in responsibilities following a material direct or indirect change in the reference shareholders of the Company or of its controlling shareholder. The amount of said compensation was set at double the individual's annual remuneration for 2006, expressed in euros. As a member of the Management Committee, Philippe DEPOUX is covered by this clause.

To adjust these amounts to reflect changes in the remuneration of the senior executives who are members of the Group's Management Committee, the Board approved a proposal to set the gross compensation at double the total remuneration payable to the executives concerned for the calendar year preceding the significant direct or indirect change in the composition of the group of reference shareholders of the Company or its controlling shareholder.

The Board also approved a proposal to reduce the period during which beneficiaries may claim compensation for loss of office from two years to eighteen months, as from the next direct or indirect change in the ownership structure.

Remuneration and benefits paid to senior managers other than corporate officers

Total gross remuneration paid by SOCIÉTÉ FONCIÈRE LYONNAISE in 2007 to the persons who were members of the Executive Committee at 31 December 2007 (excluding corporate officers) was as follows:

	2007
Salary	625,449.00
Bonus	361,999.00
Benefits in kind	13,413.00
Statutory/discretionary profit sharing for 2006	78,840.00
Top-up pension contributions (PERCO scheme)	7,200.00

4. Outlook and risk management

4-1. SUBSEQUENT EVENTS

The Board of Directors of SOCIÉTÉ FONCIÈRE LYONNAISE met on 5 February 2008 and noted the resignations of the following directors, who had recently resigned from the Board of Directors of COLONIAL, SFL's majority shareholder: Luis Manuel PORTILLO MUÑOZ, José Ramon CARABANTE DE LA PLAZA, Aurelio GONZALEZ VILLAREJO, Luis Emilio NOZALEDA ARENAS, Diego PRADO PEREZ-SEOANE, Domingo DIAZ DE MERA and Maria Jesús VALERO PEREZ. The Board subsequently appointed the following new directors as their replacements: Enrique MONTERO GÓMEZ, Juan RAMIREZ BALTUILLE, Pedro RUIZ-LABOURDETTE, Julian Zamora SAIZ, Josep Manuel BASAÑEZ VILLALUENGA and Antonio LOPEZ CORRAL. The appointment of these new SFL directors – who are also directors of COLONIAL – will be submitted to shareholders for ratification at this Annual General Meeting.

At the same meeting the Board appointed Mariano MIGUEL VELASCO, Chairman and Chief Executive Officer of COLONIAL, to replace Luis Manuel PORTILLO MUÑOZ as Chairman of SFL.

These Board changes have no impact on the Company's executive management team, led by Yves MANSION, Chief Executive Officer, and Philippe DEPOUX, Chief Operating Officer.

The Board was also informed of on-going talks between Investment Corporation of Dubai (ICD) and certain COLONIAL shareholders, as well as of the start of a due diligence period prior to a possible takeover bid for COLONIAL. If these discussions have a positive outcome they will result in a compulsory buyout of SFL. Consequently, the Board has granted ICD access to a data room. SFL is being advised by ORRICK RAMBAUD MARTEL and BNP PARIBAS.

4-2. OUTLOOK

SFL intends to continue actively managing and enhancing the value of its property portfolio in 2008, adopting the same strategic approach as in previous years.

Although early 2007 was very active, with the large number of transactions helping to drive up prices, the market was pounded in the second half by the effects of the US subprime mortgage crisis. The crisis made investors as a whole more cautious and sharply restricted the bank credit available for major property acquisitions. At the same time, we saw continued, strong demand from both investors and users for properties meeting high technical, functional and environmental quality standards.

The tendency to place a higher value on quality favours SFL, which remains focused on the best commercial properties in the Paris Central Business District. Our portfolio looks better able to weather the new uncertainties in the financial and property markets than many others. The value of our properties is more robust, thanks to our near-100% occupancy rate, first class covenants and long leases.

Our business strategy will, however, have to be adapted in line with the Company's ownership structure which is undergoing changes due to two key reasons. First, at the end of 2007, COLONIAL still held 84% of our capital, significantly above the 60% limit applicable under SIIC 4, and an expansion of our shareholder base is therefore inevitable. At the same time, our controlling shareholder is experiencing some problems due to conditions in the Spanish market, and a more radical change in our ownership structure may be in store. However, with our considerable managerial autonomy and experienced management team, we are well equipped to deal with such changes with equanimity.

4-3. RISK FACTORS AND INSURANCE

Financial risk management objectives and policy

Against the backdrop of turbulent global financial markets due to the subprime crisis, SFL is more committed than ever to applying its rigorous, prudent and transparent risk management strategy. As part of this strategy the Group tracks the following risks:

Liquidity risk

In line with our objectives, our liquidity management policy consists of securing long-term financial resources and staggering debt maturities over time to ensure that sufficient funds are always available to sustain our business. One of our priorities is to avoid as far as possible the inclusion of acceleration clauses in our loan agreements. We also diversify our lender base and develop relationships of trust with our banks.

At 31 December 2007, the average spread on our total debt was 55 basis points. We have a low loan-to-value ratio of 25.2%, which serves us well in the current climate. We began 2008 with €161 million in undrawn, confirmed credit lines, with no major debt maturities until June 2009.

Counterparty risk

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

Our largest tenant generates less than 9% of our total rental revenue. 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.

Market risk

Following the 6 March 2007 retirement of the US Private Placement Notes 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.

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

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.

• Converting most of our debt to fixed-rate obligations, in order to control interest costs and maximise the chances of achieving results closely in line with budgets. The portion of debt left at variable rates allows us to leverage market opportunities for establishing new hedges.

Risk assessment

• The average spot cost of our debt after hedging stood at 5.29% at 31 December 2007, down from 5.37% at the previous year-end. A 100-basis point rise or fall in interest rates across the yield curve would have the effect of increasing our borrowing costs to 5.66% or reducing them to 4.67%, representing an improvement compared with 6.04% and 4.69% respectively at 31 December 2006. Borrowing costs are still more sensitive to falling rates than rising ones, due to the use of caps in our hedging strategy, which is designed to enable us to benefit from lower costs if market rates fall.

• As for the sensitivity of our hedging instruments at 31 December 2007, a 100-basis point increase in interest rates would lift their fair value by €20,643 thousand, compared with €14,479 thousand at 31 December 2006, while a 100-basis point drop in rates would reduce their fair value by €15,547 thousand, versus €10,044 thousand at 31 December 2006.

Interest rate risk

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

Fixed rate

	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Swap on CALYON/HSBC/CFF loan at 3.85%	930	42,780	–	–	–	–	**43,710**
Swap on CALYON/HSBC/CFF loan at 3.56%	–	3,800	–	–	–	–	**3,800**
Swap on CALYON/HSBC/CFF loan at 3.1250%	–	15,000	–	–	–	–	**15,000**
Swap on CALYON loan at 3.7850%	–	–	–	100,000	–	–	**100,000**
JPMORGAN swap with cap	–	–	–	–	–	400,000	**400,000**
Swap on RBOS loan at 3.89%	–	–	–	–	–	40,800	**40,800**
Swap on NATIXIS loan at 4.4325%	–	–	200,000	–	–	–	**200,000**
Total	**930**	**61,580**	**200,000**	**100,000**	**–**	**440,800**	**803,310**

Floating rate

	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
NATIXIS syndicated loan	–	–	174,000	200,000	200,000	–	574,000
BECM revolving credit facility	–	–	–	–	65,000	–	65,000
RBOS loan	–	–	–	–	–	40,800	40,800
DEUTSCHE Hypothekenbank loan	–	–	–	–	–	–	–
BANCOSABADELL loan	–	–	–	–	50,000	–	50,000
HSBC/CALYON/CFF loan	3,013	77,663	–	–	–	–	80,676
Current account advances	–	–	56,785	–	–	–	56,785
Lease liabilities	14,005	59,623	14,207	14,821	65,874	53,668	222,198
Total	**17,018**	**137,286**	**244,992**	**214,821**	**380,874**	**94,468**	**1,089,459**

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 2007 and 31 December 2011:

	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011
NATIXIS syndicated loan	574,000	574,000	574,000	400,000	200,000
BECM revolving facility	65,000	65,000	65,000	65,000	65,000
RBOS loan	40,800	40,800	40,800	40,800	40,800
DEUTSCHE HYPOTHEKENBANK facility	–	–	–	–	–
BANCOSABADELL facility	50,000	50,000	50,000	50,000	50,000
HSBC/CALYON/CFF loan	80,676	77,663	–	–	–
Current account advances	56,785	56,785	56,785	–	–
Lease liabilities	222,198	208,193	148,570	134,363	119,542
Total debt	**1,089,459**	**1,072,441**	**935,155**	**690,163**	**475,342**
Swap on CALYON/HSBC/CFF loan at 3.85%	43,710	42,780	–	–	–
Swap on CALYON/HSBC/CFF loan at 3.56%	3,800	3,800	–	–	–
Swap on CALYON/HSBC/CFF loan at 3.1250%	15,000	15,000	–	–	–
Swap on CALYON loan at 3.7850%	100,000	100,000	100,000	100,000	–
JPMORGAN swap with cap	400,000	400,000	400,000	400,000	400,000
Swap on RBOS loan at 3.89%	40,800	40,800	40,800	40,800	40,800
Swap on NATIXIS loan at 4.4325%	200,000	200,000	200,000	–	–
Total interest rate hedges	**803,310**	**802,380**	**740,800**	**540,800**	**440,800**
NET EXPOSURE TO INTEREST RATE RISK	**286,149**	**270,061**	**194,355**	**149,363**	**34,542**

The Group's floating rate exposure, which represented €286 million at 31 December 2007, will decrease gradually over time.

Insurance

Property and casualty insurance

In 2007, SFL restructured its programme for insuring the properties in its portfolio, setting up a new policy with improved cover.

Comprehensive policy for properties in the portfolio

The Group renewed the comprehensive policy for its portfolio properties on 1 January 2007, without any increase in premiums even as a result of price indexation clauses.

The properties are insured on an all-risk basis with named exclusions, subject to a maximum coverage 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:

- WASHINGTON PLAZA
- PAUL CÉZANNE
- 46 quai LE GALLO
- Square ÉDOUARD VII
- 90 avenue des CHAMPS-ÉLYSÉES
- 104/110 boulevard HAUSSMANN
- 12 cours MICHELET
- 81/83 rue de RICHELIEU
- 62/76 quai de LA RAPÉE
- 91/95 boulevard SÉBASTOPOL
- 151 rue ST-HONORÉ
- 18 avenue d'ALSACE (Tour LES MIROIRS)

For properties managed by a third-party administrator, the policy includes "administrator failure" cover. Under this policy, insurance cover for the properties concerned kicks in where the cover taken out by the administrator is inadequate.

The all-risks policy also includes landlord's liability coverage.

Since 1 January 2007 coverage has been extended to losses incurred during repair and maintenance work which is not included in a "contractor's all risks policy". The cap on this coverage is €7.5 million.

All-risks office and IT coverage

On 1 January 2007 SFL negotiated an all-risks office and IT policy to cover the buildings used in the Group's business as well as related revenue losses and expenses.

In parallel, the Group set up a policy covering all the costs that would be required to restore lost data as well as any supplementary IT costs incurred as a result of malicious damage including computer viruses, or a loss of data due to error, an accident or a natural catastrophe.

Liability insurance

SFL also restructured its liability insurance programme on 1 January 2007, setting up a single policy covering all of the Group's operations, including both property management and trading. This new policy was negotiated with improved cover and lower premiums than for 2006.

At 1 January 2007, the Group's liability insurance 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 per underwriting year (combined single limit). Out of this total, €1 million relates to the professional liability insurance for the property management and trading activities carried out by LOCAPARIS.

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

Directors' and officers' liability

On 1 January 2008 the Group restructured its directors' and officers' personal liability insurance programmes, based on higher insured amounts.

In 2007, SFL took advantage of the highly competitive environment in the French insurance industry to overhaul its property asset and corporate liability programmes, negotiating improved cover and lower premiums.

It is currently somewhat difficult to forecast insurance trends for 2008. Although supply continues to outstrip demand, the changes in the economic landscape brought by the subprime crisis and the slump in global financial markets in late 2007/early 2008 will unquestionably affect the world's major insurers given the significant positions these players hold in bonds and equities.

Overall, therefore, the situation in the insurance market is set to be much more unsettled in 2008 than in 2006 and 2007. Consequently SFL's strategy of restructuring its insurance programmes when competition between insurers was at its height would appear to have paid off.

Claims and litigation

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

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

(1) Described in the information document registered with the COB on 20 November 1995 under no. E 95-008.

(2) Described in the information document registered with the COB on 17 October 1997 under no. 97-570. Part of a broad-based fund raising exercise.

(3) Described in the information document registered with the COB on 23 July 1998 under no. 98-665.

(4) No other transactions took place in the period to 31 December 2007.

5-2. OWNERSHIP STRUCTURE

Ownership structure and voting rights at 31 December 2007

Main shareholders	Total	Total voting rights	Group total	% interest	% voting rights (3)
INMOBILIARIA COLONIAL SA	39,321,239	39,321,239	39,321,239	84.56%	85.41%
PREDICA	2,368,509	2,368,509	2,368,509	5.09%	5.14%
REIG CAPITAL GROUP	2,038,955	2,038,955	2,038,955	4.38%	4.43%
RC PRIVATE	689,655	689,655	689,655	1.48%	1.50%
Sub-total, main shareholders			**44,418,358**	**95.52%**	**96.48%**
Treasury shares	**461,574**	**0**	**461,574**	**0.99%**	
Total shares at 31 December 2007			46,502,301	100.00%	
Capital at 31 December 2006(1)	43,075,952				
Shares issued between 1 January and 31 December 2007 (on exercise of stock options)	1,000				
Shares issued between 1 January and 30 March 2007(2)	3,425,349				
TOTAL VOTING RIGHTS AT 31 DECEMBER 2007		**46,040,727**			**99.01%**
Of which free float	**1,622,369**	**1,622,369**	**1,622,369**	**3.49%**	**3.52%**

(1) As placed on record by the Board of Directors on 8 February 2007.

(2) For the Paul Cézanne transaction.

(3) No shares carry double voting rights. Treasury shares are stripped of voting rights.

Based on these figures, SFL's outstanding share capital at 31 December 2007 was €93,004,602.

Disclosure thresholds

The following disclosures were made to the Company during the year:

1. On 4 April 2007, CRÉDIT AGRICOLE SA (91-93, boulevard Pasteur, 75015 Paris) disclosed that it had increased its indirect interest to over 10% of SFL's capital and voting rights held through its subsidiary PREDICA(1), and that, at 2 April 2007, it indirectly held 5,793,858 shares and voting rights, representing 12.46% of SFL's capital and voting rights(2). This interest was also disclosed by PREDICA, on the same day.

The increase in PREDICA's direct interest and CRÉDIT AGRICOLE SA's indirect interest arose from the acquisition of shares issued by SFL in payment for PREDICA's 50% interest in SCI PAUL CÉZANNE(3).

2. CRÉDIT AGRICOLE SA's disclosure letter included the following statement of intent made on behalf of PREDICA in accordance with Article L. 233-7 of the French Commercial Code:

- On 8 February 2007, PREDICA sold its entire 50% interest in SCI PAUL CEZANNE to SFL, raising SFL's interest to 100%, in exchange for 3,425,349 SFL shares issued at a price of €58 per share.
- In the very near future, PREDICA will sell an equivalent number of SFL shares to three investors.
- PREDICA will retain at least 5% of SFL's capital and voting rights.
- PREDICA is not acting in concert with any other shareholders and does not plan to increase its interest in SFL's current capital, although it may take part in any future share issues decided by SFL in the next 12 months, as well as in any transactions to support SFL's development.
- PREDICA does not intend to ask for any additional seats on SFL's Board of Directors.

(1) PREDICA is wholly-owned by CRÉDIT AGRICOLE SA.

(2) Based on a total of 46,501,301 shares and voting rights outstanding.

(3) See the press releases published by SFL on 9 February and 30 March 2007.

3. In the same disclosure letter, CRÉDIT AGRICOLE SA also stated that following PREDICA's acquisition of the above-mentioned 3,425,349 SFL shares, on 2 April 2007:
• PREDICA had raised its direct interest in SFL to above the thresholds of 6%, 8%, 10% and 12% of the Company's capital and voting rights as provided for in the Articles of Association and that it held a total of 5,793,858 SFL shares representing 12.46% of the Company's capital and voting rights.
• CRÉDIT AGRICOLE SA's indirect interest in SFL had been increased to above the thresholds of 6%, 8%, 10% and 12% of the Company's capital and voting rights as provided for in the Articles of Association and that it indirectly held a total of 5,793,858 SFL shares representing 12.46% of the Company's capital and voting rights.

4. On 12 April 2007, REIG CAPITAL GROUP LUXEMBOURG SARL informed the Company that on 5 April 2007 it had acquired 2,038,955 SFL shares through an off-market block trade with PREDICA and had therefore raised its direct interest in SFL to above the thresholds of 2% and 4% of the Company's capital and voting rights as provided for in the Articles of Association. Following this transaction REIG CAPITAL GROUP LUXEMBOURG SARL held 46,501,301 SFL shares and voting rights.

5. On 13 April 2007, the Company was informed that following the off-market sale by PREDICA of 3,425,349 SFL shares, on 11 April 2007:
• PREDICA had reduced its direct interest in SFL to below the thresholds of 11%, 9%, and 7% of the Company's capital and voting rights as provided for in the Articles of Association, and that it held a total of 2,368,509 SFL shares representing 5.09% of the Company's capital and voting rights.
• CRÉDIT AGRICOLE SA's indirect interest in SFL had been reduced to below the thresholds of 11%, 9%, and 7% of the Company's capital and voting rights and that it indirectly held a total of 2,368,509 SFL shares representing 5.09% of the Company's capital and voting rights.

6. On 16 April 2007, CRÉDIT AGRICOLE SA (91-93, boulevard Pasteur, 75015 Paris) disclosed that following an off-market share sale, it had reduced its indirect interest in SFL, held through its subsidiary PREDICA[1], to below 10% of the Company's capital and voting rights, and that it indirectly held a total of 2,368,509 shares and voting rights, representing 5.09% of the Company's capital and voting rights[2].

7. On 17 April 2007 Colonial informed the Company that:
• Following the issue of SFL shares carried out to finance the purchase of PREDICA's 50% interest in SCI PAUL CÉZANNE, INMOBILIARIA COLONIAL held 83.06% of SFL's capital and voting rights.
• Following the purchase of SFL shares by RC CAPITAL GROUP AND RC PRIVATE AM, at 17 April 2007 INMOBILIARIA COLONIAL held a total of 39,321,239 SFL shares, representing 84.56% of the Company's capital and voting rights.

(1) PREDICA is wholly-owned by CRÉDIT AGRICOLE SA.
(2) Based on a total of 46,501,301 shares and voting rights outstanding.

Main shareholders of the Company at 31 December 2004, 2005 and 2006

		COLONIAL[1]	PREDICA[2]	Treasury shares	Free float	Total
31 December 2004	Number of shares	36,760,426	4,126,400	1,004,774	1,095,587	42,987,187
	Number of voting rights	36,760,426	4,126,400	0	1,095,587	41,982,413
	% interest	85.51%	9.60%	2.34%	2.55%	100.00%
	% voting rights[3]	87.56%	9.83%	0	2.61%	97.66%
31 December 2005	Number of shares	34,180,921	4,126,400	179,567	4,576,900	43,063,788
	Number of voting rights	34,180,921	4,126,400	0	4,576,900	42,884,221
	% interest	79.37%	9.58%	0.42%	10.63%	100.00%
	% voting rights[3]	79.71%	9.62%	0	10.67%	99.58%
31 December 2006	Number of shares	38,624,500	2,368,509	130,067	1,952,876	43,075,952
	Number of voting rights	38,624,500	2,368,509	0	1,952,876	42,945,885
	% interest	89.67%	5.50%	0.30%	4.53%	100.00%
	% voting rights[3]	89.94%	5.52%	0	4.55%	99.70%

(1) Spanish property company, subsidiary of the INMOCARAL SA GROUP.
(2) Life insurance company, subsidiary of the CRÉDIT AGRICOLE GROUP.
(3) No shares carry double voting rights, all shares are in the same class, and treasury shares are stripped of voting rights.

5-3. DIVIDENDS PAID IN THE LAST THREE YEARS

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

Year	Dividend per share	
2004	€2.05	including €0.70(1) and €1.35(2)
2005	€2.10	including €0.70(2) and €1.40(3)
2006	€3.20	including €0.70(2) and €2.50(3)

(1) Interim dividend not qualifying for either the avoir fiscal tax credit or tax relief (paid on 10 December 2004).

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

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

5-4. TRANSACTIONS IN SFL SHARES CARRIED OUT BY THE COMPANY

On 13 March 2007, the Board of Directors used the authorisation given by the Annual General Meeting of 21 April 2005 to issue stock options. Based on a recommendation put forward by the Remuneration and Selection Committee, Yves MANSION and Philippe DEPOUX received 44,000 and 35,000 options respectively, with an exercise price of €62.60.

Stock options granted to/exercised by corporate officers in 2007

	Number of options granted	Exercice price (in €)	Expiry date	Plan date
Options granted to corporate officers during the year				
Yves MANSION	44,000	62.60	12/03/2015	13/03/2007
Philippe DEPOUX	35,000	62.60	12/03/2015	13/03/2007
Options exercised by corporate officers during the year				
Alec EMMOTT	30,000	26.41	24/04/2013	25/04/2003

Stock options granted to corporate officers outstanding at 31 December 2007

	Plan	Number of options granted	Exercice price (in €)	Expiry date	Number ot options exercised	Number of options outstanding at 31/12/2007
Yves MANSION	21/03/2002 SFL	100,000	27.78	20/03/2012	100,000	–
	25/04/2003 SFL	100,000	26.41	24/04/2013	100,000	–
	02/03/2006 SFL	22,000	51,07	02/03/2011	22,000	–
	02/03/2006 COLONIAL	22,000	58.23	02/03/2011	22,000	–
	13/03/2007 SFL	44,000	62.60	12/03/2015	–	44,000
Philippe DEPOUX	02/03/2006 SFL	12,500	51.07	02/03/2011	12,500	–
	02/03/2006 COLONIAL	12,500	58.23	02/03/2011	12,500	–
	13/03/2007 SFL	35,000	62.60	12/03/2015	–	35,000

The General Meeting of 9 May 2007 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 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.

The maximum purchase price for these shares was set at €80 per share.

At 31 December 2007, the Company held 461,574 shares in treasury, representing 0.99% of the capital and breaking down as follows:

1. 412,591 shares purchased for allocation to SFL Group employees.
2. 25,700 shares purchased under a liquidity contract with an investment firm.
3. 23,283 shares purchased for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.

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

The Board of Directors has decided to table a resolution at the 23 May 2008 Annual General Meeting authorising the purchase of shares under a further buyback programme. The maximum purchase price for these shares would be set at €65 (twenty-second 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 2007, the authorisation would concern the buyback of up to 4,650,230 shares. This ceiling will be adjusted in the event of any changes in issued capital in the period up to the date of the Annual General Meeting.

The aims of the programme would be:

- To purchase shares for allocation to Group employees in connection with (i) the statutory profit-sharing scheme, (ii) any programme of employee share grants, with or without consideration, governed by Articles L.443-1 *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.

The number of shares bought back to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger would be limited to the equivalent of 5% of the issued capital, i.e. 2,325,115 shares.

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

Disclosures for the period from 1 January 2007 to 31 December 2007

Percentage of capital held by the Company and/or its subsidiaries	0.99%
Number of shares cancelled in the last 24 months	0
Number of shares held	461,574
Carrying amount of the portfolio	€25,704,849.22
Market value of the portfolio	€23,484,885.12 (at 31 December 2007)

	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	418,281	86,774				
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€59.32	€42.22	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€24,811,610	€3,664,001	–	–	–	–

Transactions carried out by senior managers or parties closely related to them.

AMF declaration number	Person/entity	Type of instrument	Type of transaction	Date	Market	Unit price (in €)	Total amount (in €)
207D2264	Entity related to Luis Manuel PORTILLO MUNOZ, Francisco Jose MOLINA CALLE, Mariano Miguel VELASCO, Luis Emilio NOZALEDA ARENAS, Maria Jesus VALERO PEREZ, Diego PRADO PEREZ-SEOANE	Shares	Purchase	12 April 2007	Euronext Paris	58	40,410,862
207D2709	Alec EMMOTT	Other financial instruments	Purchase	2 May 2007	Euronext Paris	26.41	792,300
207D2835	Alec EMMOTT	Shares	Sale	2 May 2007	Euronext Paris	63.40	1,902,000
207D4648	Entity related to Luis Manuel PORTILLO MUNOZ	Shares	Sale	13 July 2007	Euronext Paris	62.60	17,089,800

5-5. ITEMS THAT COULD AFFECT A PUBLIC OFFER FOR THE COMPANY'S SHARES

The "Actions SFL" corporate mutual fund has a Supervisory Board set up in accordance with Article L. 214-40 of the French Financial and Monetary Code. This Board has a total of six members including three shareholders representing employees and former employees and three representatives of SFL. It elected a Chairman and a Secretary at its meeting held on 28 November 2007 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 is required to hold a meeting in order to decide how to allocate the shares held by the fund.

Six employees (including one who is also a corporate officer) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their duties following a significant direct or indirect change in the shareholder base of SFL or its controlling company. The terms and conditions related to this compensation – which total an aggregate €2,095 thousand at 31 December 2007 – were approved by SFL's Board of Directors on 9 February 2004 and 25 July 2006.

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 additional compensation in the event of redundancy. In such a case, total severance pay is calculated as follows, based on the employee's gross monthly salary at the date the employment contract is terminated:

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

Paragraph III of Article 10 of the Company's Articles of Association states that in addition to legal disclosure threshold obligations, any individual or legal entity, acting alone or in concert, that holds – directly or indirectly in accordance with 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 registration of the additional interest, 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, including when the shareholder's interest exceeds 5%.

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

On 1 December 2004, a copy of the shareholders' pact signed on 24 November 2004 between COLONIAL and PREDICA was transmitted to the French securities regulator *(Autorité des Marchés Financiers)*. PREDICA 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 PREDICA to be represented on SFL's Board of Directors whilst exercising complete voting freedom at both Shareholders' and Board meetings. In addition, PREDICA may not be involved in any decisions made by COLONIAL – SFL's controlling shareholder – with respect to determining the Company's strategy and policies. The main terms of the pact are as follows:

PREDICA representatives on the Board of Directors and certain committees

PREDICA has the right to hold one seat on SFL's Board of Directors, for as long as COLONIAL controls SFL and PREDICA's interest represents at least 5%. PREDICA'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 PREDICA and which PREDICA has not had the opportunity to take up, and said issue results in PREDICA'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 PREDICA will sit on the Company's Audit Committee and any Investment Committee that may be set up.

Put option

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

• If SFL decides to revoke its election for the SIIC tax regime.

• If COLONIAL decides to delist SFL shares from the *Premier Marché* of Euronext Paris.

• If COLONIAL decides to change the Company's strategic priorities compared with those announced when it took control of SFL and which are set out in the shareholders' pact.

• If COLONIAL does not respect the provisions of the shareholders' pact concerning PREDICA's representation on SFL's Board of Directors, for a period of over four months.

• If SFL and COLONIAL decide to merge.

However, the number of shares covered by the put option is capped in order to ensure that COLONIAL would not be required to file a tender offer for SFL to comply with French securities regulations. Also, in order for PREDICA 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 PREDICA has not exercised its put option, PREDICA 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 PREDICA, directly or indirectly, to any third party, with the customary exclusions (intercompany transfers by PREDICA and sales of shares to directors), provided that PREDICA may sell on the market in any 12-month period a number of shares representing up to 2% of SFL's capital.

Exit clause

PREDICA 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 obtain an interest representing over one third of SFL's capital; or (iii) the third party is not required to lodge a compulsory tender offer for SFL.

Cap on PREDICA's interest in SFL

As consideration for the commitments given by COLONIAL and in order to ensure the liquidity of SFL shares, PREDICA has undertaken that it will not increase its percentage interest in SFL's capital (held both directly and indirectly through subsidiaries in its group) from the level held at the date of the shareholders' pact, unless there is a reasonably liquid market for the shares (at least 10% of the capital or any other higher threshold required by law).

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

Following discussions entered into since SFL's change of majority shareholder in October 2006, SFL and TIAA decided to terminate their partnership set up in July 2001. As a result, on 1 October 2007, TIAA's interests in the companies that own the property at 96 avenue d'Iéna in the 16th arrondissement of Paris were exchanged for SFL's interests in the companies that own 30 floors of the Tour Areva property at La Défense. Prior to this transaction, SFL held respective 25% and 15% interests in these two sets of companies.

SFL now wholly owns the property at 96 avenue Iéna and TIAA holds the entire capital of the companies that own the 30 floors of the Tour Areva originally owned by SFL.

Partner	Joint venture	Main clauses
PREDICA[1]	• SFL holds 66% of SCI WASHINGTON and 100% of SCI PAUL CÉZANNE since 30 March 2007[2]	In the case of a change in control of SFL or PREDICA (50%), the other partner has the option of: • either agreeing to the change in control[3]; • 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 the CRÉDIT AGRICOLE GROUP.

(2) Following the sale of PREDICA's entire stake in SCI PAUL CÉZANNE to SFL, the shareholders' pact of 25 July 2001 was automatically terminated and the parties were discharged from all of their commitments thereunder as from the transaction date.

(3) Following the takeover of SFL by GRUPO INMOCARAL, through its subsidiary INMOBILIARIA COLONIAL SA, the joint venture partners agreed to SFL's change in control, as provided for under the terms of the related shareholders' pact.

SFL 66%
PREDICA 34%

SCI WASHINGTON

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

(1) LATSIS Group holding company.

(2) Following the takeover of SFL by Grupo Inmocaral, through its subsidiary INMOBILIARIA COLONIAL SA, the joint venture partners agreed to SFL's change in control, as provided for under the terms of the related shareholders' pact.

SFL 50%
IDF INVESTISSEMENTS 50%

SAS PARHOLDING

5-6. SHARE PERFORMANCE

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

		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €M)
2006	July	51.00	45.20	275,866	13.138
	August	50.30	49.15	127,730	6.380
	September	53.00	49.90	128,784	6.601
	October	53.20	51.65	182,816	9.596
	November	55.60	54.70	2,356,963	129.655
	December	57.75	53.75	3,577,876	196.636
2007	January	60.95	55.55	83,928	4.909
	February	65.00	57.95	104,789	6.241
	March	64.00	61.00	62,389	3.924
	April	66.60	62.00	3,504,483	203.713
	May	65.00	62.26	995,096	63.281
	June	64.50	61.00	36,673	2.327
	July	64.80	58.01	331,086	20.764
	August	62.50	52.53	86,896	4.874
	September	60.00	52.55	24,302	1.327
	October	54.97	50.40	38,852	2.028
	November	52.70	45.10	122,275	6.005
	December	51.99	48.00	104,696	5.287
2008	January	50.99	47.00	82,992	4.076
	February	58.50	49.02	164,332	8.768

Source : Euronext.

6. Sustainable development

6-1. EMPLOYEE-RELATED INFORMATION

Group employees at 31 December 2007

Category	Men	Women	Total
Managers	29	26	**55**
Supervisors	4	16	**20**
Administrative staff	–	17	**17**
Caretakers and building employees	2	2	**4**
Total	**35**	**61**	**96**
Fixed-term contracts	–	–	
Permanent contracts	35	61	
Total	**35**	**61**	

Employees hired during 2007

Fixed-term contracts	2
Permanent contracts	3

Employee departures in 2007

Resignations	1
Expiry of fixed-term contracts	2
Dismissal for personal reasons	2
Other	1

Working hours

Total working hours for employees covered by the National Collective Bargaining Agreement for the Property Industry are calculated on an annual basis in accordance with the applicable law and regulations. These employees are granted time off in lieu for hours worked in excess of a thirty-five hour week (calculated on an annual basis) in addition to their holiday entitlements provided for by law and by the collective bargaining agreement.

Employees covered by the National Collective Bargaining Agreement for Site Staff, Caretakers and Building employees (Category A) are subject to the standard provisions relating to working hours contained in the law and the collective bargaining agreement.

Administrative staff

	Men	Women	Total
Full-time	33	51	**84**
Part-time	–	8	**8**

Absenteeism (in days)

Occupational accidents	14.0
Leave to take care of sick children	21.5
Illness	423.0
Maternity leave	88.0
Other family reasons	14.0

Collective agreements

In addition to the Collective Bargaining Agreements relating to Site staff, Caretakers and Building employees, SFL Group employees are covered by the general provisions of the following collective agreements:

• Company-level agreement dated 1 July 1999 – administrative category under the Collective Bargaining Agreement of 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.

• SFL Group Statutory Profit-Sharing Agreement of 20 June 2002 and addenda dated 5 April 2003, 13 April 2005, 27 September 2005 and 2 April 2007.

• SFL Group Discretionary Profit-Sharing Agreement of 27 June 2005 and addendum dated 28 June 2007.

• SFL Group PEE Employee Sharesave Plan of 30 September 2002 and addenda dated 21 September 2004, 29 November 2004 and 2 April 2007.

• SFL Group Pensions Savings Plan (PERCO) of 31 January 2005 and addenda dated 21 December 2006, 2 April 2007 and 12 December 2007.

• Agreement concerning effective salaries, effective working hours and the organisation of working time dated 12 December 2007.

Gender equality in the workplace

The SFL Group complies with the provisions of Act no. 83-635 of 13 July 1983 relating to gender equality in the workplace, particularly concerning remuneration, training, job allocation, qualifications, classification and/or promotion.

	Men	Women	Total
Recruitments on permanent contracts	1	2	**3**
Promotions		2	**2**

Health and safety

The members of the Group's Health, Safety and Working Conditions Committee changed in 2007. This two-member committee comprises staff representatives and contributes to improving employee health and safety and working conditions.

In addition, specific employee safety training is organised each year on such matters as incident prevention plans, fire safety and fire drills.

Thanks to this policy, only two workplace accidents occurred in 2007.

Company benefit schemes

In 2007, the SFL Group paid a total of €130,493 to the Works Council to cover running costs and the financing of social and cultural activities.

Disabled workers

In connection with 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 (50% of the amount available) to ADAPT, an association specialised in this field.

In 2007, the SFL Group contributed €12,967.36 to the Association for the Management of Funds for the Vocational Integration of Disabled People (AGEFIPH) in fulfilment of its obligations concerning the employment of disabled workers.

Employee numbers

At 31 December 2007 the Group had 92 administrative employees, taking into account three new hires during the year and the departure of four employees on permanent contracts. Of the three people hired, two took on newly-created positions in the technical and development departments.

At 31 December 2007, SFL had four caretakers and building employees on its payroll, unchanged from the previous year.

Number of employees at 31 December 2007

	2007	2006
Administrative staff	92	93
Building employees	4	4
Total staff	**96**	**97**

Training

Training is a key human resources priority that forms an integral part of our drive to continually build up the skill sets of our employees and help them adapt to changes in their professions.

For these reasons, we continued to implement an active training policy in 2007, investing the equivalent of almost 4% of the total payroll.

Over 3,800 hours of training were given to 87 employees, in subjects including property management, accounting, IT, business management and languages. Language courses (English and Spanish) represented almost half of the overall training budget in 2007.

Remuneration

Remuneration payable to Group employees is calculated as part of the annual budget process and negotiations that take place each year.

The agreement signed on 21 December 2006 concerning effective salaries, effective working hours and the organisation of working time set general and individual salary increases at 1.40% and 2.60% respectively as from 1 January 2007.

In 2007, statutory and discretionary profit-sharing – respectively totalling €863,892 and €245,243 – represented 15.66% of employees' basic remuneration.

Voluntary contributions paid into the PERCO employee savings scheme *(Plan d'Epargne Retraite Collectif)* amounted to €157,640, representing an increase of more than 40% in 2007, the third year of the scheme's operation. In view of the scheme's success, we have decided to raise the maximum amount of top-up payments on voluntary contributions from €2,400 to €2,880 for 2008 in order to help employees to build up retirement savings with preferential tax and social security status.

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

Payroll and stock option plans

Total payroll and social security and other employee-related contributions

Total Group payroll for the year ended 31 December 2007 amounted to €8,495,223.

Social security and other employee-related contributions break down as follows:

URSSAF	€3,725,269
ASSEDIC	€357,189
Supplementary pension contributions	€1,498,134
Healthcare and personal risk insurance contributions	€317,439

Stock option plans

Four stock option plans were outstanding at 31 December 2007. These plans were set up under the authorisations given at the Extra-ordinary General Meetings of 17 October 1997, 16 May 2002 and 21 April 2005.

Date of shareholder authorisation	17/10/1997	17/10/1997	16/05/2002	21/04/2005
Grant date	06/04/2000	21/03/2002	25/04/2003	13/03/2007
Number of shares under options exercisable by:	280,952	309,000	346,000	273,000
• corporate officers	85,340	165,000	165,000	79,000
• the ten employees other than corporate officers who received the greatest number of options	124,844	144,000	157,000	124,000
Starting date of exercise period	06/04/2005	21/03/2002	25/04/2003	13/03/2007
Expiry date	05/04/2010	20/03/2012	24/04/2013	12/03/2015
Exercise price (in €)	27.59	27.78	26.41	62.60
Number of options forfeited at 31 December 2007	27,148	0	0	15,000
Number of options exercised at 31 December 2007	227,131	306,000	311,000	0
Number of options outstanding at 31 December 2007	26,673	3,000	35,000	258,000

Options granted to/exercised in 2007 by the ten employees other than corporate officers who received the greatest number of options in 2007

	Number of options granted/exercised	Price (in €)	Plan
Stock options granted in 2007 to the ten employees other than corporate officers who received the greatest number of options	124,000	62.60	13/03/2007
Stock options exercised in 2007 by the ten employees other than corporate officers who exercised the greatest number of options	None		

6-2. ENVIRONMENTAL INFORMATION

Environment-related expenditure.

See the table on page 24 of the Annual Report.

7. Appendices to the Management Report

APPENDIX 7.1
SPECIAL REPORT TO THE ANNUAL GENERAL MEETING OF 23 MAY 2008 ON STOCK OPTIONS

(Drawn up in accordance with Article L. 225-184 of the French Commercial Code)

In compliance with Article L. 225-184 of the French Commercial Code we hereby report to you on stock options granted and exercised during the year ended 31 December 2007.

1 - Stock options granted and exercised during the year and information on stock options granted to corporate officers

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

Date of shareholder authorisation	17/10/1997	17/10/1997	16/05/2002	21/04/2005
Grant date	06/04/2000	21/03/2002	25/04/2003	13/03/2007
Number of shares under options exercisable by:	280,952	309,000	346,000	273,000
• corporate officers	85,340	165,000	165,000	79,000
• the ten employees other than corporate officers who received the greatest number of options	124,844	144,000	157,000	124,000
Starting date of exercise period	06/04/2005	21/03/2002	25/04/2003	13/03/2007
Expiry date	05/04/2010	20/03/2012	24/04/2013	12/03/2015
Exercise price (in €)	27.59	27.78	26.41	62.60
Number of options forfeited at 31 December 2007	27,148	0	0	15,000
Number of options exercised at 31 December 2007	227,131	306,000	311,000	0
Number of options outstanding at 31 December 2007	26,673	3,000	35,000	258,000

2 - Information concerning the ten employees other than corporate officers who received the greatest number of options in 2007

Name of grantee	Number of options received	Name of grantee	Number of options received
REYNAUD Nicolas	25,000	TORREGUITART Joan	15,000
DATTEE Franck	15,000	BATSELIER Malvine	6,000
POTIER Jean-Luc	15,000	BOILEAU Fabienne	6,000
ROCHEFORT Olivier	15,000	DE WAZIERES Aurélien	6,000
SEBILLOTTE François	15,000	DERRIAN François	6,000

	Number of options granted/exercised	Price (in €)	Plan
Stock options granted in 2007 to the ten employees other than corporate officers who received the greatest number of options	124,000	62.60	13/03/2007
Stock options exercised in 2007 by the ten employees other than corporate officers who exercised the greatest number of options	None		

The Board of Directors

APPENDIX 7.2 BOARD OF DIRECTORS' SPECIAL REPORT ON SHARE GRANTS

To the shareholders,

In accordance with Article L. 225-197-4, paragraph 1, of the French Commercial Code, we hereby disclose the following information concerning share grants made to employees or officers owning no more than 10% of SFL's capital during the year ended 31 December 2007. In accordance with the above Article L. 225-197-4, no share grants are made that would have the effect of increasing the grantee's interest in SFL to more than 10%.

Share grants exercisable for new shares:
None.

Shares bought back for share grant plans:
None.

Share grants made to officers:
None.

Share grants made to the 10 employees of companies controlled by SFL who received the largest number of grants:
None.

The Board of Directors

APPENDIX 7.3 SPECIAL REPORT TO THE ANNUAL GENERAL MEETING OF 23 MAY 2008 ON SHARE BUYBACKS

(Drawn up in accordance with Article L. 225-209 of the French Commercial Code)

In accordance with Article L. 225-209 of the French Commercial Code we hereby report to you on share buybacks carried out during the year ended 31 December 2007.

In the twenty-third resolution of the Annual General Meeting held on 9 May 2007, the Company's shareholders:

• Cancelled with immediate effect the unused portion of the authorisation given in the seventh ordinary resolution of the General Meeting of 4 May 2006 to buy back the Company's shares.

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

– The maximum purchase price set under this authorisation was €80 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 maximum amount to be invested in the share buyback programme was set at €344,607,600 based on the number of shares outstanding at 31 December 2006. This maximum could be adjusted to take into account the number of shares outstanding at the date of the 9 May 2007 Meeting.

– The share buyback programme was authorised for a period of eighteen months.

– The share buybacks carried out under this authorisation could 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 could be used at any time, including during a public offer provided that said offer was 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, or 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 on the basis approved by the securities regulator. The timing of such transactions was to be decided by the Board of Directors or by any person duly authorised by the Board.

The shares could be bought back for any purpose allowed by law. The objectives of the share buyback programme were 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. 443-1 *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.

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 could not exceed 5% of the issued capital.

The Board of Directors is required to 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 gave 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 for any of the above purposes, carry out any and all reporting and other formalities with all organisations and generally do whatever is necessary.

Transactions in SFL shares by the Company

Disclosures for the period from 1 January 2007 to 31 December 2007	
Percentage of capital held by the Company and/or its subsidiaries	0.99%
Number of shares cancelled in the last 24 months	0
Number of shares held	461,574
Carrying amount of the portfolio	€25,704,849.22
Market value of the portfolio	€23,484,885.12 (at 31 December 2007)

	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	418,281	86,774				
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€59.32	€42.22	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€24,811,610	€3,664,001	–	–	–	–

Shares held in treasury at 31 December 2007 break down as follows:

1. 412,591 shares purchased for allocation to SFL Group employees.
2. 25,700 shares 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.

The Board of Directors

APPENDIX 7.4
FIVE-YEAR FINANCIAL SUMMARY

(in €)	2007	2006	2005	2004	2003
I. Capital at 31 December					
Share capital	93,004,602	86,151,904	86,127,576	85,974,374	71,618,342
Number of ordinary shares outstanding	46,502,301	43,075,952	43,063,788	42,987,187	35,809,171
Par value	2.00	2.00	2.00	2.00	2.00
Number of potential ordinary shares to be issued:					
- On conversion of convertible bonds	–	–	–	7,935	6,939,508
- On exercise of warrants	–	–	–	–	–
II. Results of operation					
Net revenue	123,879,444	118,470,330	121,799,332	135,487,018	23,405,279
Profit before tax, depreciation, amortisation and provisions	121,840,846	120,515,903	92,700,375	47,531,707	3,575,048
Income tax expense	263,017	(1,427,250)	6,665,204	186,173	43,278,194
Net profit	100,843,567	87,499,459	49,960,563	62,097,458	31,681,261
Total dividends	148,807,363	148,804,163	90,433,955	88,123,733	64,456,508
III. Earnings per share					
Earnings/(loss) per share after tax, before depreciation, amortisation and provisions	2.61	2.83	2.00	1.10	(1.11)
Net earnings per share	2.17	2.03	1.16	1.44	0.88
Net dividend per share	3.20	3.20	2.10	2.05	1.80
IV. Employee data					
Number of employees at year-end	76	76	65	49	53
Including building employees	4	4	11	5	5
Total payroll	7,669,244	7,941,466	5,178,661	5,563,184	3,246,037
Total benefits	3,149,109	3,927,593	2,191,720	1,563,631	1,386,619

APPENDIX 7.5
SUMMARY OF FINANCIAL AUTHORISATIONS

In accordance with Article L. 225-100 of the French Commercial Code, the table below provides a summary of the financial authorisations in force in 2007 that have been granted to the Board of Directors by shareholders concerning capital increases pursuant to Articles L. 225-129-1 and L. 225-129-2 of said Code. The table also provides information on the use of these authorisations during the year.

Date of AGM	Purpose of authorisation	Used/Unused in 2007	Duration of authorisation
9 May 2007	To issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders	Unused	26 months
9 May 2007	To issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders	Unused	26 months
9 May 2007	To issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company	Unused	26 months
9 May 2007	To issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company	Unused	26 months
9 May 2007	To issue securities with rights to debt securities	Unused	26 months
9 May 2007	To increase the Company's capital by capitalising reserves, profits or share premiums	Unused	26 months
9 May 2007	To issue shares to employees who are members of a Sharesave Plan	Unused	26 months
21 April 2005	To grant stock options	Board Meeting 13 March 2007 273,000 stock options granted with an exercise price of €62.60	38 months
21 April 2005	To grant ordinary shares free of consideration	Unused	38 months

APPENDIX 7.6
REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

Changes since 31 December 2007

At its 5 February 2008 meeting, the Board of Directors of SOCIÉTÉ FONCIÈRE LYONNAISE noted the resignations of the following directors: Luis Manuel PORTILLO MUÑOZ, José Ramon CARABANTE DE LA PLAZA, Aurelio GONZALEZ VILLAREJO, Luis Emilio NOZALEDA ARENAS, Diego PRADO PEREZ-SEOANE, Domingo DIAZ DE MERA and Maria Jesús VALERO PEREZ, who had all recently stepped down from their positions as directors of Colonial – SFL's majority shareholder.

The following replacement directors were appointed by the Board: Enrique MONTERO GOMEZ, Juan Ramirez BALTUILLE, Pedro RUIZ-LABOURDETTE, Julian Zamora SAIZ, Josep Manuel BASAÑEZ VILLALUENGA and Antonio LOPEZ CORRAL. These new Board members are all also directors of COLONIAL. SFL's shareholders will be invited to ratify the appointments of these directors at the Annual General Meeting.

The Board also appointed Mariano Miguel VELASCO, Chairman and Chief Executive Officer of COLONIAL, to replace Luis Manuel PORTILLO MUÑOZ.

These changes in the Board's membership have no impact on SFL's executive management team, which continues to be led by Yves MANSION, Director and Chief Executive Officer, and Philippe DEPOUX, Managing Director.

At its meeting of 14 February 2008, the Board of Directors set up a Committee of Independent Directors, whose members comprise Jean ARVIS, Jacques CALVET, Yves DEFLINE and Tony WYAND.

The information set out below reflects SFL's corporate governance situation at 31 December 2007.

1. Corporate governance

1-1. BOARD PRACTICES

1-1-1. Organisation of the Board of Directors

Composition of the Board of Directors

The Board of Directors is made up of fifteen directors and one non-voting director.

Directors are elected for a three-year term, except for candidates who are aged 70 or over on the date of their election or re-election, whose term is limited to one year.

The number of directors aged over 70 may not represent more than one third of the members of the Board.

The Chairman is required to retire from this function at the close of the Annual General Meeting called to approve the financial statements for the year of his 65th birthday.

Non-voting directors are appointed by the Board. They also have a three-year term, except for candidates who are aged 70 or over on the date of their appointment or re-appointment, whose term is limited to one year.

Non-voting directors participate in meetings of the Board of Directors but do not take part in the vote. They may present observations at General Meetings of Shareholders, if asked to do so and if they consider such a course of action appropriate. They must be invited to attend all Board Meetings. Non-voting directors may be assigned specific tasks by the Board. They receive the same attendance fees as the directors. They may sit on Committees of the Board.

General information about the directors

- Luis Manuel PORTILLO MUÑOZ, Chairman of the Board, born on 18 November 1961 (current term expires in 2009);
- Yves MANSION, Chief Executive Officer, born on 9 January 1951 (current term expires in 2008);
- Yves DEFLINE, born on 11 May 1935 (current term expires in 2008);
- Tony WYAND, born on 24 November 1943 (current term expires in 2010);
- Maria Jesús VALERO PEREZ, born on 6 March 1964 (current term expires in 2008);
- Mariano Miguel VELASCO, born on 30 October 1954 (current term expires in 2010);
- Diego PRADO PEREZ-SEOANE, born on 16 January 1959 (current term expires in 2008);
- Luis Emilio NOZALEDA ARENAS, born on 2 May 1955 (current term expires in 2008);
- Francisco Jose MOLINA CALLE, born on 27 October 1960 (current term expires in 2008);

• Jean ARVIS, born on 3 December 1935 (current term expires in 2008);
• Jean-Jacques DUCHAMP, born on 29 August 1954 (current term expires in 2010) ;
• REIG CAPITAL GROUP Luxemburg SARL, represented by José CAIRETA, born on 19 March 1972 (current term expires in 2010);
• Domingo DIAZ DE MERA, born on 15 April 1955 (current term expires in 2010);
• José Ramon CARABANTE DE LA PLAZA, born on 3 January 1952 (current term expires in 2010) ;
• Aurelio GONZALEZ VILLAREJO, born on 25 December 1938 (current term expires in 2010).

Independent directors

The Board determines whether directors are independent based on the definition contained in the European Commission's recommendation of 15 February 2005, as follows:
"A director should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement."
SFL's independent directors fulfil the following criteria, as provided for in the MEDEF AFEP-AGREF report on corporate governance:
• None are employees or corporate officers of the Company or of a member of the SFL consolidated group;
• None are corporate officers of a company of which SFL is also a director, either directly or indirectly;
• None have any close family ties with any of the corporate officers of the Company;
• None worked on the audit of the Company's accounts in the five years preceding their election to the Board.
The following criteria are not applied by SFL:
• Limit on the number of years as director of the Company;
• Term as director.
The three independent directors are:
• Yves DEFLINE, born on 11 May 1935 (current term expires in 2007);
• Tony WYAND, born on 24 November 1943 (current term expires in 2007);
• Jean ARVIS, born on 3 December 1935 (current term expires in 2007).

Non-voting directors

The non-voting director also qualifies as independent. His participation in Board meetings provides a valuable source of advice and expertise, by virtue of his recognised skills in the areas of property and finance.
• Jacques CALVET, born on 19 September 1931 (current term expires in 2008).

Directorships and other positions held by the members of the Board

Luis Manuel PORTILLO MUÑOZ

Directorships and other positions in France:
• Chairman of the Board of Directors of SFL, S.A.
Directorships and other positions outside France:*
• Director of ZENT INVERSIONES, S.L.
• Director of ALINILAM, S.L.
• Director of EXPO-AN, S.A.
• Director of NAZARIA E.C., S.L.
• Director of LAMESASH, S.L.
• Director of ATYMSA NUEVAS TECNOLOGÍAS, S.L.U.
• Director of PLAZA DE TOROS DE MARBELLA, S.L.U.
• Director of ALMITRAVEL, S.L.U.
• Chairman of PRODUCCIONES AGRÍCOLAS NATURE, S.L.
• Director of INVERSIONES PORTIVAL, S.L.
• Director of LANDSHIP INVESTMENTS, S.L.
• Director of DEVELOPMENT RESOURCE, S.L.
• Legal Representative of GRUPO PORTIVAL, S.L. on the Board of EXPOGESTION 2000, S.L.
• Chairman and director of LAS SALINAS DE ROQUETAS, S.L.

Yves MANSION

Directorships and other positions in France:
• Director and Chief Executive Officer of SFL, S.A.
• Legal Manager of SCI PAUL CÉZANNE*
• Legal Manager of SCI WASHINGTON*
• Member of the Board of the Autorité des Marchés Financiers (French securities regulator)*
• Member of the Supervisory Board and Audit Committee of EULER HERMES, S.A.
• Chairman of MANSIONS, SAS*
• Legal Manager of SCI DE LA SORBONNE*

Yves DEFLINE

Directorships and other positions in France:
• Honorary Chairman and director of SFL, S.A.

Tony WYAND

Directorships and other positions in France:
• Honorary Chairman and director of SFL, S.A.
• Member of the Supervisory Board of AVIVA FRANCE*
• Member of the Supervisory Board of AVIVA PARTICIPATIONS
• Director of SOCIÉTÉ GÉNÉRALE
Directorships and other positions outside France:*
• Director of GROSVENOR (United Kingdom)
• Director of UNICREDITO (Italy)

María Jesús VALERO-PEREZ

Directorships and other positions in France:

• Director of SFL, S.A.

Directorships and other positions outside France:*

• Director of ZENT INVERSIONES, S.L.

• Director of ALINILAM, S.L.

• Director of ALMINAR, S.L.

• Director of INVERSIONES TERRER, S.L.

• Legal Representative of DESSARROLLO EMPRESARIAL QUETRO S.L. on the Board of Grupo Inmocaral, S.A.

• Director of DESARROLLO EMPRESARIAL QUETRO, S.L.

• Director of INMOBILIARIA COLONIAL, S.A.

• Director of INVERSIONES PORMU, S.A.

Maríano Miguel VELASCO

Directorships and other positions in France:

• Director of SFL, S.A.

Diego PRADO PEREZ-SEOANE

Directorships and other positions in France:

• Director of SFL, S.A.

Directorships and other positions outside France:*

• Chairman of the Board of Directors of EQUITYBOX, S.C.R. S.A.U (Spain)

• Chairman of the Board of Directors of Hôtel Ritz Madrid, S.A. (Spain)

• Director of SOTECEP, S.A. (Spain)

• Director of ACERINOX, S.A. (Spain)

• Director of TELCO INVESTMENTS, S.A.R.L. (Luxemburg)

• Director of IBERBANDA, S.A. (Spain)

Luis Emilio NOZALEDA ARENAS

Directorships and other positions in France:

• Director of SFL, S.A.

Francisco José MOLINA CALLE

Directorships and other positions in France:

• Director of SFL, S.A.

Directorships and other positions outside France:*

• Legal Representative of GRUPO PORTIVAL, S.L. on the Board of PROD UCCIONES AGRÍCOLAS NATURE, S.L.

• Director of LAS SALINAS DE ROQUETAS, S.L.

• Legal Representative of INVERSIONES MOBILIARIAS FRANELI, S.L. on the Board of VITAFRESH, S.L.U.

• Director of ABACO GRUPO FINANCIERO INMOBILIARIO, S.A.U.

• Director of INRAMA GESTIONES, S.L.

• Director of SOCIEDAD HERDADE DA RENDEIRA-AGROPECUÁRIA, S.A.

• Legal Representative of INVERSIONES MOBILIARIAS FRANELI, S.L. on the Board of OCCIDENTAL ANDALUZA DE AGROCOMERCIO, S.L.

• Director of GRUPO INMOCARAL, S.A.

• Director of INMOBILIARIA COLONIAL, S.A.

• Legal Representative of GRUPO PORTIVAL, S.L. on the Board of INVERSIONES TRES CANTOS, S.L.

• Director of ENTRENÚCLEOS DESARROLLOS INMOBILIARIOS, S.L.

• Director of DEHESA DE VALME, S.L.

• Director of INVERSIONES MOBILIARIAS FRANELI, S.L.

Jean ARVIS

Directorships and other positions in France:

• Director of SFL, S.A.

• Director of ADYAL

• Director of IMI

• Director of ALMA CAPITAL EUROPE

• Non-voting director of Compagnie Financière Saint-Honoré (CFSH Rothschild)*

Jacques CALVET

Directorships and other positions in France:

• Non-voting director of SFL, S.A.*

• Chairman of the Supervisory Board of BAZAR DE L'HÔTEL DE VILLE – BHV

• Vice-Chairman of the Supervisory Board of GALERIES LAFAYETTE, S.A.

• Director of ICADE, S.A. (formerly SOCIÉTÉ FONCIÈRE DES PIMONS ICADE, S.A).*

• Honorary Chairman of BANQUE NATIONALE DE PARIS*

• Adviser to BANQUE DE FRANCE*

• Honorary adviser to the *Cour des Comptes* (French National Audit Office)*

• Non-voting director of EPI – SOCIÉTÉ EUROPÉENNE DE PARTICIPATIONS INDUSTRIELLES*

• Non-voting director of COTTIN FRÈRES*

• Non-voting director of AGENCE H (formerly SCHERLAFARGE)*

Jean-Jacques DUCHAMP

Directorships and other positions in France:

• Director of SFL, S.A.

• Member of the PREDICA Financial Services Executive Committee*

• Director of SANEF

• Director of CAIM (Crédit Agricole Immobilier)

• Director of Groupe BATIPART: SUREN (nursing home group) – MEDIDEP – FONCIÈRE DES RÉGIONS

José CAIRETA

Directorships and other positions in France:

• Permanent representative of REIG CAPITAL GROUP Luxemburg, SARL on the Board of SFL, S.A.

** 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.*

José Ramon CARABANTE DE LA PLAZA
Directorships and other positions in France:
• Director of SFL, S.A.
Directorships and other positions outside France:*
• Director of PROMOCIONES YOLACARO, S.L.
• Director of EUROPEAN ESTATE MANAGEMENT, S.L.
• Director of INNOVACIONES LIPPO S.L.
• Director of STUDIOS STRADUM, S.L.
• Director of ALAMEDA BLU CORPORATE, S.L.
• Director of EDIFICACIONES HARDWOOD 07, S.L.
• Adviser to PROYECTOS POLARIS, S.L.
• Director of INNOVACIONES MAYCOCK 03, S.L.
• Director of FLAVIA 2002, S.L.
• Director of JACTA 2002, S.L.
• Adviser to VINCI 2002, S.L.
• Director of ALEA 2002, S.L.
• Director of PROMOCIONES BEACON HILL, S.L.
• Director of INNOVACIONNES INTEGEST, S.L.
• Director of ETNA 2002, S.L.
• Director of DELFOS 2002, S.L.
• Legal representative on the Board of EDIFICACIONES NIMEC, S.L.
• Director of CORPORACION FINANCIERA ISSOS, S.L.
• Legal representative on the Board of ALFOQUE, S.L.
• Legal representative on the Board of EST, 2002 S.L.
• Director of REGENT STREET TRADE 2002, S.L.
• Adviser to BEL & BEST DOS S.L.
• Director of LAS CANTERAS DE ABANILLA, S.L.
• Director of PROYECTOS BROW DOS, S.L.
• Director of INVERSIONES DEALMAN, S.L.
• Legal representative on the Board of STUDIOS FINANCIEROS TAYLOR WOOD, S.L.
• Legal representative on the Board of NHL INVERSIONES, S.L.
• Legal representative on the Board of EAGLE HISPANIA, S.L.
• Adviser to Worldwide NETWORK 2002, S.L.
• Adviser to ROYAL RESORTS SPORTS AND LEISURE, S.L.
• Adviser to SALUD Y MEDICINA 2002, S.L.
• Director of HISTORIC SITES, S.L.
• Director of GRUPO EMPRESARIAL WAIKUS, S.L.
• Legal representative on the Board of MARINA GOLF, S.L.
• Director of CEJOS DE MANZANATE, S.L.
• Director of LOLA 2002, S.L.
• Director of RESIDENCIAL FINCA FLUENTE HIGUERA, S.L.
• Adviser to GRUPO EMPRESSARIAL DE TELEVISION DE MURCIA, S.A.
• Director of PACIFIC SUR BUSSINES, S.L.
• Adviser to INMOBILIARIA COLONIAL, S.A.
• Director of STUDIOS WORLD CENTER, S.L.

Aurelio GONZALEZ VILLAREJO
Directorships and other positions in France:
• Director of SFL, S.A.

Domingo DIAZ DE MERA
Directorships and other positions in France:
• Director of SFL, S.A.

Role of the Board of Directors

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

In addition, the General Meeting of 9 May 2007 granted the Board of Directors a 26-month delegation of competence to decide the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares and securities with rights to ordinary shares. The aggregate amount by which the capital may be increased under this authorisation is capped at €2 billion.

Additional delegations of competence were granted to the Board, for the same 26-month period and within the same €2 billion limit, as follows:
• 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 instead of applying the pricing rules specified by law.
• 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 made by SFL for the shares of a listed company.
• 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 by an unlisted company.
• 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 ordi-

nary 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.

At the Annual General Meeting called to approve the financial statements for 2007 the Board will propose that shareholders renew the following authorisations given at the 21 April 2005 Annual General Meeting:

• 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.

1-1-2. Practices of the Board of Directors and the Committees of the Board

Meetings of the Board of Directors

The Board of Directors met six times in 2007, with an average attendance rate of 94%.

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

The issues covered during the 2007 meetings were as follows:

• *8 February 2007 meeting:*
Placing on record of the share issues carried out on exercise of stock options.
Review of the 2006 financial statements, the Audit Committee's report and the Auditors' report.
Review of the PREDICA/SCI PAUL CÉZANNE project.
Transactions in progress.
Renewal of the authorisation to guarantee the commitments of Locaparis.

• *13 March 2007 meeting:*
Further preparation for the Annual General Meeting:
– Recommended dividend
– Notice of meeting
– Agenda
– Approval of the Board of Directors' reports and the proposed resolutions
– Chairman's report on corporate governance and internal control.
Transactions in progress.

• *28 March 2007 meeting:*
Further preparation for the Annual General Meeting:
– Audit Committee report on appointing new Statutory and Substitute Auditors
– Remuneration and Selection Committee report on the appointment of new directors
– Cap on financial authorisations concerning issues of shares and debt securities.
Transactions in progress.

• *9 May 2007 meeting:*
Report on the use of the authorisation granted to the Chief Executive Officer to increase SFL's capital.
Renewal of the term of office of a non-voting director.
Appointment of Philippe DEPOUX as Managing Director to replace Alec EMMOTT.
Results for the first quarter of 2007 and budget update.
Transactions in progress.

• *23 July 2007 meeting:*
Review of (i) the 2007 interim financial statements and first-half business review; (ii) the Audit Committee report; and (iii) the Auditors' report.
Property portfolio and NAV.
Revised 2007 budget.

• *15 November 2007 meeting:*
Interim dividend and payment method for the 20% withholding tax provided for under Article 208-C II ter of the French Tax Code.
Profit and NAV for the period ended 30 September 2007 and forecast full-year results.
2008 budget and 2009/2012 business plan.
Business overview and property portfolio.

Internal Rules

A summary of the Board's internal rules, as well as the Company's ethical and corporate governance standards is available on SFL's website (www.fonciere-lyonnaise.com).

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

The directors' fees awarded by the Annual General Meeting are allocated among directors by the Board according to two criteria: the responsibility inherent in the function of director or non-voting director and membership of Committees of the Board.

Requirement to disclose to the AMF any and all transactions in SFL shares carried out by corporate officers, senior executives or any person close to them (Article L. 621-18-2 of the Financial and Monetary Code)/Requirement to establish and maintain an updated list of persons having access to inside information (Article L. 621-18-4 of the Financial and Monetary Code)

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

The AMF publishes the disclosed information on its website.

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

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

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

Committees of the Board

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

Audit Committee

(three meetings in 2007, on 8 February, 21 March and 23 July)

Chairman: Francisco José MOLINA CALLE

Members: Jacques CALVET
Yves DEFLINE
Jean-Jacques DUCHAMP
Diego PRADO PEREZ-SEOANE

Role:

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

Remuneration and Selection Committee

(two meetings in 2007, on 8 February and 13 March)

Chairman: Maríano MIGUEL VELASCO

Members: Jean ARVIS
Tony WYAND
Yves MANSION (except for decisions concerning him)

Role:

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

Executive and Strategy Committee

(four meetings in 2007, on 5 February, 11 May, 29 October and 20 December)

Role:

• To advise the Board and senior management on overall strategies to promote business growth in the best interests of the Company and all of its shareholders.

• To help the Board and senior management to efficiently fulfil their respective responsibilities, by acting as an interface for strategic issues and transactions.

• To review business plans and projections in order to assess the medium and long-term outlook.

• To review and make recommendations concerning planned transactions that require the Board's prior approval.

• To authorise senior management to carry out any acquisition, sale or financial commitment representing an amount in excess of €20 million.

• To report to the Board on the fulfilment of its responsibilities.

Members:

Chairman:	Luis Manuel PORTILLO MUÑOZ
Other members:	Luis Emilio NOZALEDA ARENAS
	Maríano MIGUEL VELASCO
	Francisco José MOLINA CALLE
	Jean-Jacques DUCHAMP
	Yves MANSION

1-2. RESTRICTIONS ON THE POWERS OF THE CHIEF EXECUTIVE OFFICER DECIDED BY THE BOARD

At its meeting on 26 October 2006, the Board of Directors decided to separate the positions of Chairman and Chief Executive Officer, with immediate effect.

Pursuant to this decision, Luis Manuel PORTILLO MUÑOZ was appointed Chairman of the Board of Directors and Yves MANSION continued to act as Chief Executive Officer.

The Chief Executive Officer represents the Company in its dealings with third parties and, in accordance with the law, is vested with the broadest powers to act in any and all circumstances in the Company's name within the limits of its corporate purpose, with the exception of those powers expressly attributed by law to the shareholders and the Board of Directors, and subject to obtaining the authorisation of the Executive and Strategy Committee prior to any and all acquisitions, disposals or financial commitments in excess of €20 million.

2. Internal control procedures

The purpose of internal control procedures is to:

• Ensure that all acts of management, all transactions, and the behaviour of all Company employees, comply with the general strategic guidelines established by the Board of Directors, the applicable laws and regulations, and SFL's corporate values, standards and internal rules.

• Ensure that all accounting, financial and management information reported to the Company's Board of Directors gives a true and fair view of the Company's business and position.

• Prevent and manage business risks, as well as the risk of accounting and other errors and fraud.

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

Identifiable risks

• Fraud

• Loss of or damage to assets (managed through building maintenance, "plan 14", technical monitoring of refurbishment projects, property surveys, etc.)

• Breaches of environmental regulations

• Rent defaults, failure to take into account the full impact of vacancy rates (see report on the management of rental properties).

2-1. INTERNAL ACCOUNTING CONTROLS

The accounts of all Group companies are all kept on the same internal accounting system, which is integrated in the management information system.

The consolidated financial statements are produced using consolidation software that represents a market standard, guaranteeing its reliability and maintainability.

The production of the accounts is the responsibility of the Finance Department. The accounts are kept by a team of ten corporate accountants reporting to the Chief Accountant, and by five operations accountants, who are responsible for the subsidiary accounts. The operations accountants report to the profit centre managers and have a dotted-line reporting relationship with the Chief Accountant. The Chief Accountant and Head of Consolidation report directly to the Chief Financial Officer.

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

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

Each year, the corporate accountants are assigned specific objectives. Their performance in relation to these objectives is assessed at the end of the year, during their annual performance review, and determines the amount of their bonus.

The consolidated accounts are produced by the Head of Consolidation who reports to the Chief Financial Officer.

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

2-2. DESCRIPTION OF PROCEDURES

2-2-1. General organisation

SFL 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. When the Group implemented its new information system its procedure manuals were updated.

In addition, as part of the drive to limit the risk of fraud, payables accounting and payment functions are strictly segregated. The cash management department is independent of the accounts department and reports directly to the Chief Financial Officer.

To improve the reliability and quality of accounting information, a separate control department analyses management and cost accounting data and performs reconciliations between these data and the statutory accounts.

Although this control department reports to the Chief Financial Officer, it is completely independent of the accounts department. The control department team was strengthened at the end of 2004 and the quality of control data was enhanced with the implementation of a new information system, capable of producing more and better analyses than the previous system. Separate data are now produced for each property in the portfolio. These data are aggregated and reconciled to the statutory accounting data and consolidation packages produced by the entities concerned, providing a critical means of control.

2-2-2. Procedure for the preparation of the consolidated financial statements

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

Procedures for the preparation of the monthly accounts have been drawn up with the assistance of outside consultants, to ensure that reporting deadlines are met. All departments are concerned and controls over the centralised data are performed to ensure that the reported statutory and management accounting data have been prepared on a consistent basis.

The half-yearly and annual financial statements represent the basis for a widespread financial communication exercise and are published within a very short timeframe in order to comply with market standards. The publication dates are announced to the market in advance and must be adhered to. Having been quoted on the stock exchange since 1879, the Company has all the necessary reflexes when it comes to providing the market with the information it needs and expects.

2-2-3. Reporting procedure

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

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

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

2-2-4. Procedures to identify and manage company-specific risks

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

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

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

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

a) Controls over liquidity risks

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

b) Management of market risks

Market risks are managed on a conservative basis, without taking any speculative positions. Interest rate risk on at least 70% of the Group's overall debt is hedged using swaps or caps.

c) Controls over counterparty risks

All financial transactions are carried out with leading financial institutions.

Cash reserves, which are limited due to the use of revolving credit facilities, are invested with high quality banks and are not exposed to the risk of any loss of capital.

2-2-5. Controls over the quality of accounting and financial information

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

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

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

The annual budget is broken down into monthly budgets.

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

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

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

In conclusion, 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.

2-3. OTHER INTERNAL CONTROL PROCEDURES

2-3-1. Delegation of signature authority

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

2-3-2. Purchases and competitive bids

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

2-3-3. Insurance

The Group'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. Buildings are insured on an all-risks basis with named exclusions, subject to a cap of €300 million. The policies cover reconstruction or replacement cost as well as loss of revenue for 36 months (increased to 48 months for the Company's main properties). Since 1 January 2007 coverage has been extended to losses incurred during repair and maintenance work that is not included in a "contractors all risks" policy. The cap on this coverage is €7.5 million.

2-4. CONTROLS OVER PROPERTY-RELATED TECHNICAL RISKS

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

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

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

2-5. INFORMATION SYSTEMS RISKS

The information system was extensively upgraded in 2004, based on an IT Master-plan. The system covers all functions within the organisation.

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

Information systems management is outsourced to an external service provider. The Company obtains 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.

Administration of the applications used for property management, the bedrock of the Group's business, is also outsourced under a facilities management contract which comprises all necessary safeguards to guarantee data security, including:
- A communications protocol describing data exchange methods and the documents used for communications between SFL and the external service provider.
- A facilities management procedure manual, describing the procedures to be followed for receiving, processing and tracking requests for applications changes and upgrades, as well as for the acceptance of new developments and their transfer from development to operational status.
- Weekly internal steering committee meetings and monthly steering committee meetings with the external service providers to track the status of major projects.
- Weekly activity reports comprising indicators to monitor the quality of information systems administration services.

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

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

2-6. CHANGES IN INTERNAL CONROL PROCEDURES

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

In autumn 2007, the Company set up a working group to reflect on procedures to be put in place for the recording and paying of invoices. This working group, which is made up of representatives from the Company's various departments, has been asked to draw up recommendations to submit to senior management. The main specific issues that the group has been requested to consider are:
- the risk of invoices being mislaid during the payment process;
- the risk of late payment;
- the risk of invoices being recorded and paid twice;
- secure payment media.

2-7. INTERNAL CODE OF ETHICS

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

APPENDIX 7.7
RESOLUTIONS

Agenda for the Ordinary and Extraordinary General Meeting of 23 May 2008

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.

• Board of Directors' special report on share buybacks drawn up in accordance with Article L. 225-209 of the French Commercial Code.

• Auditors' report on internal control.

• Auditors' report on the financial statements for the year ended 31 December 2007.

• Auditors' report on the consolidated financial statements.

• Auditors' special report on agreements governed by Article L. 225-38 *et seq.* of the French Commercial Code.

• Approval of the financial statements for the year ended 31 December 2007.

• Transfer from the share premium account.

• Appropriation of profit.

• Approval of the consolidated financial statements for the year ended 31 December 2007.

• Commitments given to corporate officers governed by Article L. 225-42 of the French Commercial Code.

• Ratification of the appointment as a director of Enrique MONTERO GOMEZ.

• Ratification of the appointment as a director of Juan RAMIREZ BALTUILLE.

• Re-election of Juan RAMIREZ BALTUILLE as a director.

• Ratification of the appointment as a director of Pedro RUIZ-LABOURDETTE.

• Re-election of Pedro RUIZ-LABOURDETTE as a director.

• Ratification of the appointment as a director of Julian ZAMORA SAIZ.

• Re-election of Julian ZAMORA SAIZ as a director.

• Ratification of the appointment as a director of Josep Manuel BASANEZ VILLALUENGA.

• Ratification of the appointment as a director of Antonio LOPEZ CORRAL.

• Re-election of Yves MANSION as a director.

• Re-election of Yves DEFLINE as a director.

• Re-election of Francisco José MOLINA CALLE as a director.

• Re-election of Jean ARVIS as a director.

• Election of a director.

• Authorisation given to the Board of Directors to purchase, hold or transfer SFL shares.

• Powers to carry out formalities.

Extraordinary Meeting

• Board of Directors' report.

• Auditors' special report.

• Authorisation given to the Board of Directors to grant stock options.

• Authorisation given to the Board of Directors to make grants of ordinary shares without consideration.

• Authorisation given to the Board of Directors to issue equity warrant bonds, entailing the waiver of shareholders' pre-emptive subscription rights in favour of a selected category of benefici-aries.

• Definition of the categories of Beneficiaries of equity warrants detached from equity warrant bonds issued by the Company.

• Opinion issued by the Works Council.

• Reports of the merger auditor.

• Approval of the merger of SAS IENA into SFL in accordance with Article L. 236-11 of the French Commercial Code and approval of the transferred assets and their valuation.

• Placing on record the completion of the merger of SAS IENA into SFL and subsequent dissolution (without liquidation) of SAS IENA on the same date.

• Amendments to the Articles of Association.

• Powers to carry out formalities.

PROPOSED ORDINARY RESOLUTIONS

First ordinary resolution

(Approval of the financial statements for the year ended 31 December 2007)

The Annual General Meeting, having considered the Chairman's report on internal control, the Board of Directors' management report and the Auditors' reports, approves the financial statements for the year ended 31 December 2007, showing net profit of €100,843,567.16, 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 2007 amounts to €1,183,600,915.93 following the issue of:

– 3,425,349 ordinary shares with a par value of €2 each, allocated to Predica in payment for assets;

– 1,000 new shares on exercise of the same number of stock options.

• Resolves, based on the recommendation of the Board of Directors, to transfer €685,269.80 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 €1,182,915,646.13.

Third ordinary resolution

(Appropriation of profit)

The Annual General Meeting:

• Notes that net profit for the year, after tax and provision charges, amounts to €100,843,567.16.

• 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 2007	€100,843,567.16
Retained earnings brought forward from the prior year	€16,554,912.27
Profit available for distribution	€117,398,479.43

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

– Pay a total dividend of €148,807,363.20 representing a dividend per share of €3.20. After deducting the interim dividend of €1.10 paid on 19 November 2007, the final dividend will amount to €2.10 per share.

– Deduct the additional €31,408,883.77 required for the dividend payment from ordinary reserves.

• Resolves that the final dividend will be paid as from 30 May 2008 and that dividends on any SFL shares held by the Company in treasury at that date – which are stripped of dividend rights – will be credited to retained earnings.

• Gives the Board of Directors full powers to place on record the actual amount of profit distributed and the amount credited to retained earnings.

The Meeting notes that:

• Individual shareholders resident in France for tax purposes will be eligible for the 40% tax relief referred to in paragraph 3-2 of Article 158 of the French Tax Code *(Article 76 I of the 2006 Finance Act – no. 2005-1719 of 30 December 2005)* on the interim and final dividend.

Dividends paid in the last three years were as follows:

Year	Dividend per share	
2004	€2.05	(breaking down as €0.70 (1) and €1.35 (2))
2005	€2.10	(breaking down as €0.70 (2) and €1.40 (3))
2006	€3.20	(breaking down as €0.70 (3) and €2.50 (3))

(1) Interim dividend not qualifying for either the avoir fiscal tax credit or the tax relief (paid on 10 December 2004).

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

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

Fourth ordinary resolution

(Approval of the consolidated financial statements for the year ended 31 December 2007)

The Annual General Meeting, having considered the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2007 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)

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

Sixth ordinary resolution

(Commitments made to Philippe DEPOUX governed by Article L. 225-42-1 of the French Commercial Code)

Having considered the Auditors' special report on commitments governed by Articles L. 225-38 and L. 225-42-1 of the French Commercial Code, the Annual General Meeting notes the information contained in the report and approves the commitments towards Philippe DEPOUX referred to therein.

Seventh ordinary resolution

(Commitments made to Yves MANSION governed by Article L. 225-42-1 of the French Commercial Code)

Having considered the Auditors' special report on commitments governed by Articles L. 225-38 and L. 225-42-1 of the French Commercial Code, the Annual General Meeting notes the information contained in the report and approves the commitments towards Yves MANSION referred to therein.

Eighth ordinary resolution

(Ratification of the appointment as a director of Enrique MONTERO GOMEZ)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 5 February 2008 to appoint Enrique MONTERO GOMEZ (Avenida de la República Argentina, 24 - Planta 13, 41012 Seville, Spain) as a director to replace Luis Manuel PORTILLO MUÑOZ following the latter's resignation.

Enrique MONTERO GOMEZ 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 2008.

Ninth ordinary resolution

(Ratification of the appointment as a director of Juan RAMIREZ BALTUILLE)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 5 February 2008 to appoint Juan RAMIREZ BALTUILLE (Avenida de la Palmera, 48, 41012 Seville, Spain) as a director to replace Maria Jesús Valero Perez following the latter's resignation.

Juan RAMIREZ BALTUILLE will serve as a director for the remainder of his predecessor's term, expiring at the close of this Annual General Meeting held to approve the financial statements for the year ended 31 December 2007.

Tenth ordinary resolution

(Re-election of Juan RAMIREZ BALTUILLE as a director)

Having noted that Juan RAMIREZ BALTUILLE's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2010.

Eleventh ordinary resolution

(Ratification of the appointment as a director of Pedro RUIZ-LABOURDETTE)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 5 February 2008 to appoint Pedro RUIZ-LABOURDETTE (Paseo Reina Cristina 19, 28046 Madrid, Spain) as a director to replace Diego PRADO PEREZ-SEOANE following the latter's resignation.

Pedro RUIZ-LABOURDETTE will serve as a director for the remainder of his predecessor's term, expiring at the close of this Annual General Meeting held to approve the financial statements for the year ended 31 December 2007.

Twelfth ordinary resolution

(Re-election of Pedro RUIZ-LABOURDETTE as a director)

Having noted that Pedro RUIZ-LABOURDETTE's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2010.

Thirteenth ordinary resolution

(Ratification of the appointment as a director of Julian ZAMORA SAIZ)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 5 February 2008 to appoint Julian ZAMORA SAIZ (Calle Fermin Caballero 233 A, Cuenca, Spain) as a director to replace Luis Emilio NOZALEDA ARENAS following the latter's resignation.

Julian ZAMORA SAIZ will serve as a director for the remainder of his predecessor's term, expiring at the close of this Annual General Meeting held to approve the financial statements for the year ended 31 December 2007.

Fourteenth ordinary resolution

(Re-election of Julian ZAMORA SAIZ as a director)

Having noted that Julian ZAMORA SAIZ's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2010.

Fifteenth ordinary resolution

(Ratification of the appointment as a director of Josep Manuel BASANEZ VILLALUENGA)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 5 February 2008 to appoint Josep Manuel BASANEZ VILLALUENGA (Buenos Aires 42, 08036 Barcelona, Spain) as a director to replace José Ramón CARABANTE DE LA PLAZA following the latter's resignation.

Josep Manuel BASANEZ VILLALUENGA will serve as a director for the remainder of his predecessor's term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2009.

Sixteenth ordinary resolution

(Ratification of the appointment as a director of Antonio LOPEZ CORRAL)

The Annual General Meeting ratifies the decision taken by the Board of Directors on 5 February 2008 to appoint Antonio LOPEZ CORRAL (Calle R.F. VILLAVERDE, 36-344, 28003 Madrid, Spain) as a director to replace Domingo DIAZ DE MERA following the latter's resignation.

Antonio LOPEZ CORRAL will serve as a director for the remainder of his predecessor's term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2009.

Seventeenth ordinary resolution

(Re-election of Yves MANSION as a director)

Having noted that Yves MANSION's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2010.

Eighteenth ordinary resolution

(Re-election of Yves DEFLINE as a director)

Having noted that Yves DEFLINE's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2008.

Nineteenth ordinary resolution

(Re-election of Francisco José MOLINA CALLE as a director)

Having noted that Francisco José MOLINA CALLE's term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2010.

Twentieth ordinary resolution

(Re-election of Jean ARVIS as a director)

Having noted that Jean ARVIS' term of office as director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2008.

Twenty-first ordinary resolution

(Election of a director)

The Annual General Meeting resolves to elect Jacques CALVET (59 Avenue d'Iéna, 75016 Paris) as a director 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 ended 31 December 2008.

Twenty-second ordinary resolution

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

Having considered the Board of Directors' report and the Auditors' special report drawn up in accordance with paragraph 2 of Article L. 225-209 of the French Commercial Code, the Annual General Meeting resolves to:

• Cancel with immediate effect the unused portion of the authorisation given in the twenty-third ordinary resolution of the General Meeting of 9 May 2007 to buy back the Company's shares.

• Authorise the Company to buy back shares representing up to 10% of the issued capital at the date of this Meeting, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, as follows:
– The shares may not be bought back at a price in excess of €65 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 €302,264,950 based on the number of shares outstanding at 31 December 2007. 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, 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. 443-1 *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.

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.

Twenty-third 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 grant stock options)

Having considered the Board of Directors' report and the Auditors' special report, the Extraordinary General Meeting:

• Cancels, with immediate effect, the unused portion of the authorisation given in the eleventh extraordinary resolution of the General Meeting of 21 April 2005.

• Gives 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 all or selected employees and/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 said Code.

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 twenty-second ordinary resolution of this Meeting pursuant to Article L. 225-209 of the French Commercial 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 the Euronext market 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 exercisable for 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 twenty-second ordinary resolution of this Meeting pursuant to Article L. 225-209 of the French Commercial Code or any past or future buyback programme.

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 prescribed 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 – with the power of delegation 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.

Second extraordinary resolution

(Authorisation given to the Board of Directors to make grants of ordinary shares)

Having considered the Board of Directors' report and the Auditors' special report, the Extraordinary General Meeting resolves, in accordance with Articles L. 225-197-1 *et seq.* of the French Commercial Code, to authorise the Board of Directors to make grants of existing or newly-issued ordinary shares of the Company, 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) of the Company or of related companies or entities within the meaning of Article L. 225-197-2 of the French Commercial Code, or to certain categories of employees or officers.

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 granted 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 twenty-second 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 this authorisation shall result in a capital increase at the end of the vesting period, to be paid up by capitalising retained earnings, profits or the share premium, and that 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 – with the power of delegation 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.

This authorisation cancels and replaces the unused portion of the authorisation given in the twelfth extraordinary resolution of the General Meeting held on 21 April 2005.

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

Third extraordinary resolution

(Authorisation given to the Board of Directors to issue equity warrant bonds, without pre-emptive subscription rights)

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

1. Resolves to authorise the Board of Directors – with the right of delegation provided for in Article L. 225-129-4 of the French Commercial Code – to issue equity warrant bonds 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.

2. Resolves that the aggregate nominal amount of the equity warrant bonds issued under this authorisation shall not exceed €200,000,000, to be included in the €2,000,000,000 blanket ceiling applicable to issues of debt securities under the first, eighth and tenth extraordinary resolutions of the General Meeting held on 9 May 2007.

3. Resolves that the aggregate par value of shares issued as a result of this authorisation shall not exceed €3,000,000 and that this amount shall be included in the €100,000,000 blanket ceiling set in the seventh extraordinary resolution of the General Meeting held on 9 May 2007.

4. In accordance with Article L. 225-138 of the French Commercial Code, resolves (i) to waive shareholders' pre-emptive rights to subscribe for the equity warrant bonds and (ii) that the equity warrant bonds 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 €1,000,000 per bank.

5. Notes that the banks underwriting the equity warrant bond issues will offer the equity warrants on the same terms to one or several categories of beneficiaries as described in the fourth and/or fifth extraordinary resolutions below. The detailed list of beneficiaries in these categories ("the Beneficiaries") will be drawn up by the Board of Directors or the Managing Director acting on the Board's behalf. The Board of Directors – or the Managing Director 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. The Extraordinary General Meeting further notes that 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 equity warrant bonds 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.

6. Resolves that:

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

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

7. Notes that in accordance with the final paragraph of Article L. 225-132 of the French Commercial Code, the issue of the above-described equity warrant bonds 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.

8. Resolves that the Board of Directors – or the Managing Director acting on the Board's behalf – shall (i) draw up the list of banks to which the equity warrant bonds shall be offered, subject to the conditions set out in paragraph 4 above; and (ii) set the terms and conditions of the issues, including the number of securities to be issued to each beneficiary bank, the exercise price of the equity warrants in accordance with paragraph 6 above, and the cum-dividend date for the shares to be allocated on exercise of the warrants.

9. Grants full powers to the Board of Directors – which may be delegated in accordance with the applicable laws and regulations – to take all necessary measures, enter into any and all agreements, carry out any and all reporting and other formalities required in relation to the planned issue of equity warrant bonds, 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.

10. Resolves 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.

Fourth extraordinary resolution

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

Having considered the Board of Directors' report, the Extraordinary General Meeting:

1. Resolves that the equity warrants detached from the equity warrant bonds issued under the third extraordinary resolution above will be offered by the underwriting banks to a list of Beneficiaries determined by the Board of Directors – or the Managing Director acting on the Board's behalf – from among employees and/or officers who are also salaried employees, of the Company or any of its French or foreign subsidiaries within the meaning of Article L. 223-3 of the French Commercial Code.

2. Resolves that this resolution is subject to the adoption of the third extraordinary resolution above.

Fifth extraordinary resolution

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

Having considered the Board of Directors' report, the Extraordinary General Meeting:

1. Resolves that the equity warrants detached from the equity warrant bonds issued under the third extraordinary resolution above will be offered by the underwriting banks to a list of Beneficiaries determined by the Board of Directors – or by the Managing Director acting on the Board's behalf – from among (i) the officers 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; and/or (iii) members of a Supervisory Board

of the Company or any of its subsidiaries within the meaning of said Article. At the date this list is drawn up by the Board or Managing Director, the Beneficiaries may not be salaried employees of the Company or any of its subsidiaries within the meaning of Article L. 233-3 of the French Commercial Code and may not directly or indirectly hold more than 1% of the Company's capital and/or voting rights, as recorded at midnight (CET) on the third business day preceding the date of this Meeting.

2. Resolves that this resolution is subject to the adoption of the third extraordinary resolution above.

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

Sixth extraordinary resolution

(Approval of the merger of SAS IENA into SFL in accordance with Article L. 236-11 of the French Commercial Code and approval of the transferred assets and their valuations)

Having considered:

• The Board of Directors' report;

• The opinion issued by the Works Council;

• The asset valuation report, prepared by the merger auditor appointed by the Paris Commercial Court;

• The draft agreement concerning the merger of SAS IENA into SFL, dated 17 April 2008;

the Extraordinary General Meeting:

Notes that SFL has held all of the shares in SAS IENA since before the draft merger agreement was filed with the Paris Commercial Court.

Notes that the conditions precedent stipulated in Article VII of the draft merger agreement have been met.

OR, IF APPROPRIATE: Notes that the Company has not yet received a response to its application to the French tax authorities *(Direction de la Législation Fiscale)* for an advance tax ruling to confirm that the following situation would not constitute an abuse of tax regulations: (i) election by SNC IENA 1 and SNC IENA 2 to be subject to corporate income tax, followed by (ii) the merger of SNC IENA 1 and SNC IENA 2 into SAS IENA under the tax regime provided for in Article 210 A of the French Tax Code during the first financial year in which they are subject to corporate income tax, and (iii) subsequent merger of SAS IENA into SFL.

AND/OR: Notes that to date the ROYAL BANK OF SCOTLAND Plc has not (i) authorised the merger as required under the terms of the loan agreement signed on 31 October 2006 between SAS IENA, SNC IENA 1, SNC IENA 2, the ROYAL BANK OF SCOTLAND Plc and certain other financial institutions or (ii) released its lien on the financial instruments account in which the SAS IENA shares held by the Company are recored.

Approves [IF APPROPRIATE – subject to receiving by 4 July 2008 (i) a satisfactory response to the application for an advance tax ruling lodged with the French tax authorities AND/OR (ii) authorisation of the merger from the ROYAL BANK OF SCOTLAND and particularly notice of release of the lien on the SAS IENA shares –] the terms and conditions of the draft merger agreement and authorises the merger of SAS IENA into SFL through the transfer to the Company of all of SAS IENA's assets and liabilities.

Notes that in accordance with Article L. 236-3 of the French Commercial Code, no SFL shares have been either issued or exchanged for SAS IENA shares as consideration for the merger.

Notes that the difference between the €6,302,588.41 in net assets transferred by SAS IENA and the carrying amount of the 482,516 SAS IENA shares owned by the Company (totalling €49,015,055.77) represents a merger deficit of €42,712,467.36.

Seventh extraordinary resolution

(Placing on record the completion of the merger of SAS IENA into SFL and subsequent dissolution (without liquidation) of SAS IENA on the same date)

Having approved the sixth extraordinary resolution, the Extraordinary General Meeting notes:

• The completion of the merger of SAS IENA into SFL, in view of the condition(s) precedent included in the draft merger agreement being met [OR, IF APPROPRIATE: That the merger will be completed once the condition(s) precedent stipulated in the previous resolution is (are) met];

• The consequent dissolution without liquidation of SAS IENA [OR, IF APPROPRIATE: That SAS IENA will be dissolved – without being liquidated – on the date when this (these) condition(s) precedent is (are) met].

Eighth extraordinary resolution

(Amendments to the Articles of Association)

Having considered the Board of Directors' report, the Extraordinary General Meeting resolves to set up a system to ensure that the Company is reimbursed by the shareholders concerned for the 20% withholding tax payable in accordance with Article 208C II of the French Tax Code. This will entail incorporating clauses into the Company's Articles of Association designed to (i) ensure that the Company is duly informed of its shareholders' status regarding the new tax regime applicable to dividends paid by companies that have elected for SIIC status, and (ii) define how the Company will be reimbursed for the withholding tax due by SFL on dividend payments made to shareholders whose tax status falls within the definition set out in Article 208 C II *ter* of the French Tax Code.

Consequently, the Extraordinary General Meeting resolves to amend **Article 10** of the Company's Articles of Association as follows:

ARTICLE 10

"I - Fully paid up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the applicable laws and regulations. They are recorded in a shareholder's account in accordance with the terms and conditions provided for the applicable laws and regulations.

II - The Board of Directors is authorised to use all methods provided for under the law 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.

*III - Article 208 C II ter of the French Tax Code states that companies governed by the SIIC tax regime are required to pay **withholding tax** when a dividend distributed from profit that is exempt from corporate income tax in accordance with Article 208 C II of said Code is paid, or deemed to be paid, to a corporate shareholder that directly or indirectly holds at least 10% of the SIIC's dividend rights at the dividend payment date, where said corporate shareholder does not satisfy certain conditions in terms of its tax status (hereinafter referred to as a Withholding Tax Shareholder).*

*Any corporate shareholder which becomes the owner, directly or indirectly, of 10% or more of the Company's dividend rights must inform the Company in its disclosure threshold statement whether it fulfils the above definition of a **Withholding Tax Shareholder**. If the shareholder states that it does not fulfil this definition it must provide the Company with appropriate evidence. In addition, the shareholder concerned is required to promptly notify the Company of any changes that may affect its tax status in relation to Article 208 C II ter of the French Tax Code.*

IV - In addition to legal disclosure threshold obligations, any individual or legal entity, acting alone or in concert, that holds – directly or indirectly in accordance with 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 registration of the additional interest, details of the number of shares and/or securities carrying rights to shares that are held and the number of voting rights attached thereto.

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

In the event 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."

The Extraordinary General Meeting also resolves to insert the following paragraphs at the end of **Article 33** of the Articles of Association:

"As from the dividend payment date, each Withholding Tax Shareholder shall be deemed to owe the Company an amount equivalent to the withholding tax payable by the Company on that shareholder's dividend.

Dividend payments to such shareholders will be recorded on the dividend payment date in a non-interest bearing current account set up in the name of the shareholder. The sum recorded in the current account will be paid to the Withholding Tax Shareholder within five business days, after deducting the amount due by the Withholding Tax Shareholder to the Company to reimburse the withholding tax payable as described above".

Lastly, the Extraordinary General Meeting resolves to add the following sentence at the end of the second paragraph of **Article 34** of the Articles of Association:

"However, each Withholding Tax Shareholder will receive at least part of each dividend payment in cash through its individual current account in order to ensure that the sum to be reimbursed by the shareholder to the Company in accordance with Article 33 of the Articles of Association can be deducted from the cash dividend".

Ninth extraordinary resolution

(Powers to carry out formalities)

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

APPENDIX 7.8
BOARD OF DIRECTORS' REPORT

Report on the extraordinary resolutions tabled at the general meeting of 23 may 2008

We invite shareholders to vote the eight extraordinary resolutions presented below.

The purpose of the first extraordinary resolution is to authorise 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 will be subject to a ceiling of 3% of the Company's issued capital at the date of the General Meeting.

The purpose of the second extraordinary resolution is to authorise the Board of Directors 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 will not represent over 1% of the Company's issued capital at the date of the General Meeting.

To comply with legal and regulatory requirements, there follows a description of the reasons for and effects of the authorisations sought in these resolutions.

Authorisation to grant stock options (first 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 for 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 Commercial Code or under the share buyback programme to be authorised in the twenty-second 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 Commercial Code or under the share buyback programme to be authorised in the twenty-second ordinary resolution of this Meeting or any past or future buyback programme.

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.

Share grants (second extraordinary resolution)

The Board of Directors is also seeking an authorisation to grant new or existing ordinary shares to employees or certain employee 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 Commercial Code or under the share buyback programme to be authorised in the twenty-second 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.

Any grantee who becomes disabled, within the definition set down in the second or third categories under Article L. 341-4 of the French Social Security Code, may request that the shares vest early. 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.

Issue of equity warrant bonds (third to fifth 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. Shareholders are therefore asked to authorise the Board to issue equity warrant bonds, representing a specific type of financing instrument that offers the dual benefits of optimising debt and giving senior executives a stake in the Group's performance.

The issue would take place in two phases:
• In the first phase, the equity warrant bond issue would be underwritten by one or several banks.
• The equity warrants would then be stripped from the bonds and sold by the underwriting banks to selected 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, 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 equity warrant bonds will be determined by the Board of Directors, or by the Managing Director on the Board's behalf.

The equity warrants will be exercisable on the basis of one share per warrant at a price that will not be lower than the average of the prices quoted for SFL shares on the Euronext Paris market over the 20 trading days immediately preceding the date on which the exercise price of the warrants is set by the Board of Directors or the Managing Director acting on the Board's behalf, except for any adjustments that may be necessary to take into account differences in cum dividend dates.

The equity warrants will be detachable from the bonds from the issue date and will be offered for sale exclusively to SFL Group employees and officers designated by the Board of Directors. The sale price per warrant will be determined jointly by the Board of Directors – or the Managing Director, on the Board's behalf – and the underwriting banks.

The aggregate nominal amount of equity warrant bonds issued under this authorisation will not exceed €200 million, to be included in the €2 billion ceiling applicable to issues of debt securities under the first, second and eighth resolutions of the General Meeting held on 9 May 2007.

The aggregate par value of shares issued upon exercise of equity warrants will not exceed €3 million. If the warrants are exchanged for newly issued shares, their par value will be deducted from the €100 million ceiling on share issues set in the seventh resolution of the General Meeting of 9 May 2007. 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.

In the interests of the Company and its shareholders, to speed up the issue process, the Board proposes waiving shareholders' pre-emptive right to subscribe for the equity warrant bonds and restricting the issue to certain specific categories of investors.

As provided for in Article L. 225-138 I of the Commercial Code, which allows companies to restrict rights issues to one or several categories of investors, the equity warrant bonds 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 Managing Director on the Board's behalf. The issue will entail the waiver of shareholders' pre-emptive subscription rights.

In substance, the equity warrant bond issue 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.

In light of the position taken by the French securities regulator (AMF), as announced on 18 March 2008, so that shareholders can make an informed decision concerning the proposed operation, the ultimate purpose of which is to issue equity warrants to officers and employees, three separate resolutions will be put to the vote:
• A resolution concerning the issue of equity warrant bonds (third extraordinary resolution), stating that the equity warrants will be offered immediately to beneficiaries other than the underwriters of the equity warrant bond issue.
• Two separate resolutions for the allocation of the equity warrants to employees and to officers who are salaried employees of the Company (fourth extraordinary resolution) and to officers holding less than 1% of the Company's capital (fifth extraordinary resolution).

Shareholders who fall within the categories of beneficiaries defined in the fourth and fifth extraordinary resolutions will be required to abstain from voting on these resolutions.

Shareholders will be asked to grant full powers to the Board of Directors – which may be delegated in accordance with the applicable laws and regulations – to take all necessary measures, enter into any and all agreements, carry out any and all reporting and other formalities required in relation to the planned issue of equity warrant bonds, 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.

Additional report to be issued upon utilisation of the authorisations given in the first five extraordinary resolutions

In accordance with the law, if the Board of Directors uses the authorisations sought in the first five extraordinary resolutions, when the decision is made it will issue an additional report describing the final terms and conditions of the issue and the impact on the situation of existing shareholders, in terms of dilution or otherwise. This report, and that of the Auditors, will be made available to shareholders within 15 days of the relevant Board Meeting and will also be presented at the next General Meeting.

Cancellation of authorisations given at the Extraordinary General Meeting of 21 April 2005

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 Meeting of 21 April 2005 will be automatically cancelled.

Internal restructuring of the Société Foncière Lyonnaise Group (sixth and seventh extraordinary resolutions)

The proposed restructuring follows on from the operations launched in 2003 to streamline the Group's legal, accounting and financial structure. It will be preceded by the merger of SNC IENA 1 and SNC IENA 2 into SAS IENA, which will thus become the sole owner of the property at 96 avenue d'Iéna, Paris 16, which is currently owned jointly by IENA 1 and 2.

The restructuring will place the 96 avenue d'Iéna property within the SIIC (REIT-style) structure provided for in Article 208 C of the French General Tax Code, in exchange for a 16.5% exit tax payable on the unrealised gain.

As well as eliminating various levels of ownership, thereby reducing administrative cost, the restructuring supports SFL's strategy of owning its property assets directly. Reducing the number of subsidiaries will help to improve the yield on SFL shares and enable the Group to better fulfil its obligation to redistribute profits, thereby indirectly supporting the reference shareholder's commitment to maintaining a liquid market for the shares.

For these reasons, the restructuring represents an important strategic initiative.

Shareholders will be asked to approve the merger of SAS IENA into SFL.

The terms and conditions of the merger, as set out in the draft merger agreement between SFL and SAS IENA dated 17 April 2008, are as follows:

1-1. SAS IENA will be merged into SFL, which will acquire all of SAS IENA's assets and assume all of its liabilities, with retroactive effect from 1 January 2008. Consequently, all transactions carried out by SAS IENA after 1 January 2008 will be considered as having been effected on behalf and for the benefit of SFL, which will also bear all of the related risks.

1-2. The merger is subject to the following conditions precedent:
• A favourable response to the Group's application dated 8 February 2008 to the French tax authorities *(Direction de la Législation Fiscale)* for an advance tax ruling to confirm that the following situation would not constitute an abuse of tax regulations: (i) election by SNC IENA 1 and SNC IENA 2 to be subject to corporate income tax, followed by (ii) the merger of SNC IENA 1 and SNC IENA 2 into SAS IENA under the tax regime provided for in Article 210 A of the French Tax Code during the first financial year in which they are subject to corporate income tax, and (iii) subsequent merger of SAS IENA into SFL.
If the French tax authorities were to consider that the above arrangement was not acceptable, the proposed transaction would have adverse tax consequences for the Company and the Group and the Board would recommend abandoning it, at least for the time being.
• Authorisation of the merger by ROYAL BANK OF SCOTLAND Plc, as required under the terms of the loan agreement signed on 31 October 2006 between SAS IENA, SNC IENA 1, SNC IENA 2, the ROYAL BANK OF SCOTLAND Plc and certain other financial institutions and release of its lien on the financial instruments account in which the SAS IENA shares held by the Company are recorded as collateral for the loan.
• The merger of SNC IENA 1 and SNC IENA 2 into SAS IENA, and
• Approval of the merger by SFL shareholders.

1-3. The assets to be transferred to SFL if shareholders approve the merger will be identified and valued based on SAS IENA's balance sheet at 31 December 2007. The merger will be effective on 1 January 2008 and all of SAS IENA's assets and liabilities will be transferred to SFL at their book value at 31 December 2007.

1-4. Based on the valuation of SAS IENA's assets, including the property (land and buildings) currently held through SNC IENA 1 and SNC IENA 2, the net assets transferred by SAS IENA will amount to €6,302,588.41.

As the carrying amount of the SAS IENA shares in the accounts of SFL is €49,015,055.77, the transaction will result in the recognition of a merger deficit of €42,712,467.36.

1-5. As SFL has owned the entire capital of SAS IENA since before the draft merger agreement was filed with the commercial court, the merger will be carried out under the simplified procedure provide for in Article L. 236-11 of the Commercial Code and no merger auditor will be appointed.

The merger will then by decided by SFL shareholders based on the report prepared by Jacques ZAKS and Edouard LEDUC, expert appraisers of capital contributions appointed by the presiding magistrate of the Paris Commercial Court, without it being necessary to call an extraordinary meeting of SAS IENA shareholders.

SAS IENA will be wound up without first being liquidated, simply by virtue of the decision to merge the company into SFL made by SFL shareholders.

1-6. Lastly, as provided for in Article L. 236-3 of the Commercial Code, as SFL owns the entire capital of SAS IENA, no SFL shares will be issued or exchanged for SAS IENA shares as consideration for the merger.

Amendments to the Articles of Association

The purpose of the eighth extraordinary resolution is to set up a system for the reimbursement to the Company of the 20% withholding tax provided for in Article 208 C II *ter* of the French Tax Code, by incorporating clauses into the Company's Articles of Association designed to (i) ensure that the Company is duly informed of its shareholders' status regarding the new tax regime applicable to dividends paid by companies that have elected for SIIC status, and (ii) define how the Company will be reimbursed for the withholding tax due by SFL on dividend payments made to shareholders whose tax status falls within the definition set out in Article 208 C II *ter* of the French Tax Code.

The proposed amendments to the Articles of Association are as follows:

Insertion of a third paragraph:

ARTICLE 10

"I - Fully paid up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the applicable laws and regulations. They are recorded in a shareholder's account in accordance with the terms and conditions provided for the applicable laws and regulations.

II - The Company is authorised to use all methods provided for under the law 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.

III - Article 208 C II ter of the French Tax Code states that companies governed by the SIIC tax regime are required to pay withholding tax when a dividend distributed from profit that is exempt from corporate income tax in accordance with Article 208 C II of said Code is paid, or deemed to be paid, to a corporate shareholder that directly or indirectly holds at least 10% of the SIIC's dividend rights at the dividend payment date, where said corporate shareholder does not satisfy certain conditions in terms of its tax status (hereinafter referred to as a Withholding Tax Shareholder).

Any corporate shareholder which becomes the owner, directly or indirectly, of 10% or more of the Company's dividend rights must inform the Company in its disclosure threshold statement whether it fulfils the above definition of a Withholding Tax Shareholder. If the shareholder states that it does not fulfil this definition it must provide the Company with appropriate evidence. In addition, the shareholder concerned is required to promptly notify the Company of any changes that may affect its tax status in relation to Article 208 C II ter of the French Tax Code.

IV - In addition to legal disclosure threshold obligations, any individual or legal entity, acting alone or in concert, that holds – directly or indirectly in accordance with 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 registration of the additional interest, details of the number of shares and/or securities carrying rights to shares that are held and the number of voting rights attached thereto.

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

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

Insertion of the following paragraphs at the end of **Article 33:**

> *"As from the dividend payment date, each Withholding Tax Shareholder shall be deemed to owe the Company an amount equivalent to the withholding tax payable by the Company on that shareholder's dividend.*
> *Dividend payments to such shareholders will be recorded on the dividend payment date in a non-interest bearing current account set up in the name of the shareholder. The sum recorded in the current account will be paid to the Withholding Tax Shareholder within five business days, after deducting the amount due by the Withholding Tax Shareholder to the Company to reimburse the withholding tax payable as described above."*

Insertion of the following sentence at the end of the second paragraph of **Article 34:**

> *"However, each Withholding Tax Shareholder will receive at least part of each dividend payment in cash through its individual current account in order to ensure that the sum to be reimbursed by the shareholder to the Company in accordance with Article 33 of the Articles of Association can be deducted from the cash dividend."*

Activities of the Company since 1 January 2008

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 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

FINANCIAL STATEMENTS*

Consolidated Financial Statements

Year ended 31 December 2007

* The financial statements were approved for publication by the Board of Directors on 14 February 2008.

A - Consolidated Balance Sheet

Assets

(in thousands of euros)	Notes section E	31/12/2007	31/12/2006	31/12/2005
Intangible assets	6-1	1,099	1,641	1,784
Property and equipment	6-2	281,564	289,776	52,863
Investment properties	6-3	3,745,775	3,034,904	2,477,906
Investments in associates	6-4	–	25,937	21,857
Financial assets	6-5	5,524	28,321	37,070
Other non-current assets	6-6	11,535	8,917	3,837
Total Non-Current Assets		**4,045,498**	**3,389,496**	**2,595,317**
Investment properties	6-7	401	401	113,176
Inventories and work in progress		–	–	845
Trade and other receivables	6-8	52,870	37,216	53,750
Other current assets	6-9	4,032	2,418	3,805
Short-term investments	6-10	14,920	21,416	26,659
Cash at bank and in hand	6-10	1,025	2,137	2,272
Total Current Assets		**73,248**	**63,588**	**200,507**
TOTAL ASSETS		**4,118,746**	**3,453,084**	**2,795,824**

Equity and Liabilities

(in thousands of euros)	Notes section E	31/12/2007	31/12/2006	31/12/2005
Share capital		93,005	86,152	86,128
Reserves		2,154,183	1,543,944	1,383,394
Profit for the period		416,451	606,585	226,544
Equity Attributable to Equity Holders of the Parent		**2,663,639**	**2,236,681**	**1,696,066**
Minority interests		121,879	90,721	65,406
Total Minority Interests		**121,879**	**90,721**	**65,406**
Total Equity	**6-11**	**2,785,518**	**2,327,402**	**1,761,472**
Long-term borrowings and other interest-bearing debt	6-12	1,098,942	755,343	803,293
Long-term provisions	6-13	1,913	2,479	3,074
Deferred tax liabilities	6-14	117,797	71,030	39,473
Other long-term tax liabilities	6-15	1,197	2,345	5,112
Other non-current liabilities	6-16	16,584	15,640	16,186
Total Non-Current Liabilities		**1,236,432**	**846,837**	**867,138**
Trade and other payables	6-17	22,117	20,644	18,261
Short-term borrowings and other interest-bearing debt	6-12	44,825	230,849	84,146
Short-term provisions	6-13	3,195	5,303	3,777
Other current liabilities	6-18	26,659	22,049	61,030
Total Current Liabilities		**96,796**	**278,845**	**167,214**
TOTAL EQUITY AND LIABILITIES		**4,118,746**	**3,453,084**	**2,795,824**

B - Consolidated Profit and Loss Account

(in thousands of euros)	Notes section E	31/12/2007	31/12/2006	31/12/2005
Property rentals		170,395	161,538	153,308
Property expenses, net of recoveries		(8,138)	(8,234)	(8,082)
Net Property Rentals	**6-19**	**162,257**	**153,304**	**145,226**
Gains and Losses from Remeasurement at Fair Value of Investment Properties	**6-20**	**365,109**	**533,807**	**128,137**
Service and other revenues	6-21	824	1,079	2,430
Other income	6-22	6,407	3,382	5,920
Depreciation and amortisation expense	6-23	(1,208)	(1,104)	(942)
Provision reversals/(expense), net	6-24	710	2,627	(3,188)
Employee benefits expense	6-25	(13,201)	(14,626)	(10,800)
Other expenses	6-26	(8,473)	(9,912)	(11,976)
Operating Profit		**512,425**	**668,557**	**254,807**
Profit on Disposal of Investment Properties	**6-27**	**(93)**	**17,381**	**–**
Profit on Disposal of Assets Held for Sale	**6-27**	**–**	**31,635**	**3,461**
Margin on Sales as a Property Trader	**6-28**	**–**	**458**	**4,159**
Profit on Disposal of Other Assets	**6-29**	**3,424**	**(5,117)**	**345**
Investment income	6-30	–	8	4,297
Share of profits of associates	6-31	15,450	5,973	6,140
Finance costs and other financial expense	6-32	(60,968)	(49,711)	(36,656)
Financial income	6-32	12,905	5,467	1,374
Gains and losses from remeasurement at fair value of financial instruments	6-33	338	(8,915)	(1,073)
Discounting adjustments to receivables and payables		(139)	(1,351)	(1,453)
Interest on receivables	6-34	2,272	2,970	2,495
Provision reversals/(expense), net – financial assets	6-35	2,221	2,033	(3,795)
Other financial income and expenses		–	1	–
Profit before Income Tax		**487,836**	**669,389**	**234,102**
Income tax expense	6-36	(36,442)	(32,818)	6,315
PROFIT FOR THE PERIOD		**451,394**	**636,571**	**240,418**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**416,451**	**606,585**	**226,544**
Attributable to minority interests		34,942	29,986	13,872

	31/12/2007	31/12/2006	31/12/2005
Basic earnings per share	€8.96	€14.08	€5.26
Diluted earnings per share	€8.95	€14.07	€5.26

C - Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Other reserves	Profit for the period attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Minority interests
Equity at 31 December 2005	**86,128**	**991,446**	**27,888**	**2,580**	**361,481**	**226,544**	**1,696,066**	**65,406**
Dividends paid to equity holders of the parent					(60,018)		(60,018)	
Profit transferred to minority interests								(4,673)
Equity at 1 January 2006 after appropriation of profit	**86,128**	**991,446**	**27,888**	**2,580**	**301,463**	**226,544**	**1,636,048**	**60,733**
Movements for the period								
Appropriation of profit					226,544	(226,544)		
Profit for the period						606,585	606,585	29,986
Par value of shares issued during the period	24						24	
Premiums on shares issued during the period		312					312	
Sales of treasury shares				1,221			1,221	
Impact of gains and losses on sales of treasury shares				(553)			(553)	
Valuation gains and losses on financial instruments taken to equity					26,049		26,049	
Adjustments to assets under construction					(586)		(586)	
Adjustments to Parholding deferred taxes					(1,982)		(1,982)	
Other movements			(5,858)		5,396		(462)	
Interim dividend paid to equity holders of the parent					(29,976)		(29,976)	
Equity at 31 December 2006	**86,152**	**991,758**	**22,030**	**3,248**	**526,908**	**606,585**	**2,236,681**	**90,721**
Dividends paid to equity holders of the parent					(115,928)		(115,928)	
Profit transferred to minority interests								(3,784)
Equity at 1 January 2007 after appropriation of profit	**86,152**	**991,758**	**22,030**	**3,248**	**410,980**	**606,585**	**2,120,753**	**86,936**
Movements for the period								
Appropriation of profit					606,585	(606,585)		
Profit for the period						416,451	416,451	34,942
Par value of shares issued during the period	6,853						6,853	
Premiums on shares issued during the period		191,845					191,845	
Sales of treasury shares				(21,491)			(21,491)	
Impact of gains and losses on sales of treasury shares			343			343		
Valuation gains and losses on financial instruments taken to equity					8,275		8,275	
Deferred tax impact of fair value adjustments to financial instruments				(839)		(839)		
Impact of share-based payments				541		541		
Adjustments to Parholding deferred taxes				(8,373)		(8,373)		
Other movements					14		14	
Interim dividend paid to equity holders of the parent					(50,733)		(50,733)	
EQUITY AT 31 DECEMBER 2007	**93,005**	**1,183,603**	**22,030**	**(17,900)**	**966,450**	**416,451**	**2,663,639**	**121,879**

D - Consolidated Statement of Cash Flows

(in thousands of euros)	31/12/2007	31/12/2006	31/12/2005
Cash flows from operating activities:			
Profit for the period	416,451	606,585	226,544
Depreciation and amortisation expense	2,901	(4,121)	2,292
Net additions to/(reversals of) provisions	33,154	29,928	(9,745)
(Gains)/losses from remeasurement at fair value of investment properties	(365,109)	(533,807)	(128,137)
Net (gains)/losses from disposals of assets, after tax	(6,869)	(41,647)	(3,807)
Discounting adjustments and valuation (gains)/losses on financial instruments	(199)	10,267	2,526
Deferral of rent-free periods	(1,579)	(7,584)	(8,463)
Minority interests in profit for the period	19,492	24,013	7,732
Other movements	539	(239)	–
Cash flow	**98,783**	**83,395**	**88,943**
Change in inventories and work in progress	–	845	14,127
Change in trade receivables	6,518	7,508	(3,049)
Change in other receivables	723	9,941	(3,951)
Change in trade payables	(3,905)	4,038	697
Change in other payables	(7,661)	(38,566)	(3,067)
Change in working capital	**(4,325)**	**(16,234)**	**4,756**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**94,458**	**67,161**	**93,698**
Cash flows from investing activities:			
Acquisitions of and improvements to investment properties	(17,923)	(90,468)	(189,972)
Acquisitions of intangible assets and property and equipment	(49,492)	(113,144)	(313)
Acquisitions of subsidiaries, net of the cash acquired	(42,601)	(124,605)	(19,721)
Proceeds from disposals of investment properties	–	182,754	124,893
Proceeds from disposals of subsidiaries, net of the cash sold	50,619	30,903	–
Other cash inflows and outflows	11,457	8,812	(2,113)
NET CASH USED BY INVESTING ACTIVITIES	**(47,940)**	**(105,748)**	**(87,226)**
Cash flows from financing activities:			
Proceeds from the issue of ordinary shares	2	337	1,883
Proceeds from sales of treasury shares	(21,148)	860	32,154
Dividends paid to equity holders of the parent	(166,661)	(89,995)	(87,870)
Dividends paid to minority shareholders	(3,784)	(4,671)	(4,372)
Dividends received from associates	127	947	6,104
Proceeds from new borrowings	285,420	152,800	134,857
Repayments of borrowings	(150,689)	(38,105)	(143,854)
Other	(3,400)	(1,108)	2,254
NET CASH (USED)/PROVIDED BY FINANCING ACTIVITIES	**(60,134)**	**21,066**	**(58,844)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(13,616)**	**(17,521)**	**(52,371)**
Cash and cash equivalents at beginning of period	3,170	20,692	73,063
Cash and cash equivalents at end of period	(10,446)	3,170	20,692
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(13,616)**	**(17,521)**	**(52,371)**

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

The consolidated financial statements have been prepared in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and related interpretations adopted by the European Union.

1-2. ACCOUNTING CONVENTIONS

The consolidated financial statements are presented in thousands of euros.

The SFL Group has chosen to measure investment properties using the fair value model (see Note 2-2).

SFL applied IFRS 7 for the first time in its 2007 financial statements. This new standard, which is effective from 1 January 2007, introduces new disclosures relating to financial instruments.

The following standards, interpretations and amendments to existing standards are mandatory for financial periods commencing on or after 1 January 2007 but they are either not relevant to the Group's operations or did not have a material impact on the 2007 financial statements:
Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures
IFRIC 7 – Applying the Restatement Approach under IAS 29 *Financial Reporting in Hyperinflationary Economies*
IFRIC 8 – Scope of IFRS 2
IFRIC 9 – Re-assessment of Embedded Derivatives
IFRIC 10 – Interim Financial Reporting and Impairment

1-3. PUBLISHED STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT COULD BE EARLY ADOPTED AT 31 DECEMBER 2007

The Group decided not to early adopt the following standards, interpretations and amendments to existing standards effective for financial periods commencing on or after 1 January 2007:

• IAS 1 (Revised 2007) – Presentation of Financial Statements (mandatory for financial periods commencing on or after 1 January 2009)

• IFRS 8 – Operating Segments (mandatory for financial periods commencing on or after 1 January 2009)

• IFRIC 11 – IFRS 2: Group and Treasury Share Transactions (mandatory for financial periods commencing on or after 1 March 2007).

1-4. 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. Intra-group transactions are eliminated in consolidation.

Subsidiaries are consolidated from the date when control is acquired and are removed from the scope of consolidation when control is transferred outside the Group. When SFL ceases to exercise control over a subsidiary, the consolidated financial statements include the subsidiary's results for the period from the beginning of the year to the date when control is transferred.

Acquisitions of property companies that do not meet the definition of a business combination under IFRS are treated as direct acquisitions of the underlying property.

Material companies in which SFL holds the majority of voting rights and is therefore in a position to exercise exclusive control are fully consolidated.

1-5. JOINT VENTURES

Joint ventures are consolidated by the proportionate 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.

1-6. ASSOCIATES

Investments in associates are accounted for by the equity method. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, less any impairment losses. The Group's consolidated profit includes SFL's share of the associate's profit.

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 profit and loss account.

1-8. INCOME TAXES

The results of businesses subject to income tax are taxed at the standard rate.

For companies liable for income tax, deferred tax assets and liabilities have been recognised by the liability method for all temporary differences between the carrying amount 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. PROPERTY AND EQUIPMENT

Property and equipment consist mainly of furniture, computer equipment, properties acquired for renovation that will subsequently be transferred to the "Investment property" portfolio and owner-occupied properties. Owner-occupied property is property held by the owner for use in the production or supply of goods or services or for administrative purposes. The only property in this category is the section of the Centre d'Affaires du Louvre building used by the Group for administrative purposes.

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Depreciation is calculated by the straight-line method over the asset's estimated useful life. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. If the appraisal value of a property is less than its carrying amount, an impairment loss is recognised.

The gain or loss arising from derecognition of an item of property or equipment, corresponding to the difference between the net disposal proceeds and the carrying amount of the item, is included in profit when the item is derecognised.

2-2. INVESTMENT PROPERTIES

Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both.

SFL has chosen to measure investment properties using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment properties are measured at fair value and gains or losses arising from changes in fair value are recognised in profit. Investment properties are not depreciated.

Property that is being constructed, renovated or developed for future use as investment property falls within the scope of IAS 16 until the construction, renovation or development is complete, at which time the property is recognised as "Investment property" provided that it meets the criteria of IAS 40. However, IAS 40 applies to existing investment property that is being redeveloped for continued future use as investment property.

The market value of the Group's investment property is determined based on valuations performed by independent experts.

The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. It reflects market conditions at the balance sheet date and not those prevailing at any past or future date. It does not reflect future capital expenditure that will improve or enhance the property or the related future benefits from this future expenditure. No deduction is made for transaction costs that may be incurred on sale or other disposal.

The fair values of investment properties carried in the Group's balance sheet at 31 December 2007 correspond to the prices including transfer costs obtained from independent valuations, less a 6.20% discount for property subject to registration duty and a 1.80% discount for property subject to VAT.

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

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

Fair value is adjusted to exclude specific lease terms recognised under other balance sheet captions, to avoid these terms being taken into account twice.

Valuation method

The entire investment property portfolio was valued at 31 December 2007 by CBRE, Jones Lang Lasalle and Atisreal.

The valuations were performed in accordance with the *"Charte de l'Expertise en Evaluation Immobilière"* (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF). They also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) and with Royal Institution of Chartered Surveyors (RICS) standards.

They were carried out primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Revenue assumptions take into account current rents, estimated market rents for the period beyond the lease expiry dates, any rent-free periods and rent step-ups, vacancy risk and projected changes in the construction cost index, which is the basis used to determine rent increases in France. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure except for future capital expenditure that will improve or enhance the property and the related future benefits from this future expenditure, as permitted under paragraph 51 of IAS 40.

Net cash flows for the final year of the projection period are capitalised to calculate the terminal value, corresponding to the property's resale price at the end of the period. The results obtained are then compared to market data and adjusted, if necessary, to obtain a market-consistent value.

The appraisal values were quoted both including transfer costs (calculated at a standard 6.20% for all properties subject to registration duty and 1.80% for properties subject to VAT) and also excluding transfer costs.

2-3. INTANGIBLE ASSETS

Intangible assets correspond mainly to software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38.

They are amortised by the straight-line method over three years.

2-4. 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 balance sheet.

At each period-end, the Group assesses whether there is any indication that any assets in the above categories may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount is less than its carrying amount, an impairment loss is recognised.

Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value.

Recoverable amounts are determined by reference to appraisal values.

2-5. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of property assets are capitalised as part of the cost of the asset.

2-6. INVESTMENT PROPERTIES HELD FOR SALE

Investment properties are reclassified as "Assets held for sale" when their sale has been decided by the Board of Directors or a selling agent has been appointed.

2-7. FINANCIAL INSTRUMENTS (OTHER THAN DERIVATIVES)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are initially recognised at cost, corresponding to the fair value of the consideration paid, including transaction costs directly attributable to the acquisition.

The fair value of the Group's credit facilities approximate their carrying amount as variable-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.

2-8. AMOUNTS RECEIVABLE FROM TENANTS AND TRADE RECEIVABLES

Receivables are initially recognised at fair value and are subsequently measured using the cost model. Provisions for impairment are determined on a case-by-case basis, for the difference between the receivables' carrying amount and recoverable amount.

2-9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents carried in the balance sheet include cash at bank and on hand and short-term deposits with original maturities of less than three months.

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less short-term bank loans and 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 the Group's election for SIIC status.

Where the effect of the time value of money is material, non-current liabilities are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. Where discounting is used, the increase in the non-current liability due to the passage of time is recognised under "Finance costs".

2-12. PROVISIONS

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be received. In the profit and loss account, the expense relating to the provision is presented net of the amount recognised for the reimbursement.

2-13. EMPLOYEE BENEFITS

Long-term benefits consist mainly of length-of-service awards payable to employees on retirement and jubilees.

Long-term benefits are recognised in the period in which the qualifying service is rendered by the employee. They are discounted at a rate defined in IAS 19. Short-term employee benefits are recognised in current liabilities and in expenses for the period. The projected benefit obligation is calculated annually based on actuarial assumptions including a retirement age of 65, a discount rate of 4.5% and a 2% rate of future salary increases. The calculation parameters are determined separately for each individual company, on a historical basis. Actuarial gains and losses are recognised in profit.

• 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 the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

2-14. TREASURY SHARES

Treasury shares are recorded as a deduction from equity.

2-15. SHARE-BASED PAYMENT

Under the transitional provisions of IFRS 2, recognition in the financial statements of equity-settled share-based transactions is required only for equity instruments that were granted after 7 November 2002 and had not yet vested at 1 January 2005.

Options are measured at the grant date using the Black & Scholes option-pricing model and the related expense is recognised over the options' vesting period.

2-16. FINANCE LEASES

Finance leases – primarily for the acquisition of property assets – that transfer substantially all the risks and rewards incidental to ownership of the asset are recognised at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is recognised directly in finance costs.

Investment properties acquired under finance leases are measured at fair value at each period-end.

2-17. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates (and foreign exchange rates). These instruments are measured at fair value.

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 hedges at fair value are recognised in profit. Any gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.

For cash flow hedges of firm commitments that qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.

For derivative instruments that do not qualify for hedge accounting, gains and losses from remeasurement at fair value are recognised in profit.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting. In this case, the gain or loss on the hedging instrument recognised directly in equity is reclassified into profit when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains recognised directly in equity is recognised in profit.

2-18. REVENUE

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably. The revenue recognition criteria applied by the Group are as follows:

Property rentals

Property rentals from investment properties are recognised on a straight-line basis over the lease term.

Specific lease terms

Current leases include various specific terms concerning rent-free periods, step-up clauses, eviction compensation and the payment of key money.

The effects of rent-free periods and step-up clauses are recognised over the lease term.

When a tenant is evicted to permit renovation work to be carried out, the compensation is recognised as an asset as part of the renovation cost. When the payment of eviction compensation enables the Group to enhance the asset's yield (by re-letting the property at a higher rent), the compensation is deducted from rental revenue over the lease term.

Key money received by the lessor is recognised in property rentals over the lease term.

Penalties paid by tenants for terminating their lease in advance of the expiry date are treated as revenue from the terminated lease and are recognised in profit on the payment date.

Asset sales

Revenue from asset sales is recognised when the significant risks and rewards of ownership of the asset are transferred to the buyer and the amount of revenue can be measured reliably.

Interest income

Interest income is recognised on an accruals basis using the effective interest method, which consists of applying a rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when the Group's right to receive payment is established.

2-19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

SFL's property portfolio is valued by independent experts who use assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note 2-2).

All of the Group's financial instruments are measured using standard market valuation models (see Note 2-17).

III - Segment Information

The Group's primary reporting format is geographic segments.

The profit and loss account can be analysed as follows by geographical segment:

	Golden Triangle	Financial District	Golden Crescent La Défense	Other	Head-quarters	Total
Property rentals	58,138	64,884	33,993	13,381	–	170,395
Property expenses, net of recoveries	(4,112)	(6,584)	(1,315)	3,873	–	(8,138)
Net Property Rentals	**54,026**	**58,300**	**32,678**	**17,254**	**–**	**162,257**
Gains and Losses from Remeasurement at Fair Value of Investment Properties	**217,413**	**88,485**	**49,599**	**9,613**	**–**	**365,109**
Service and other revenues	–	1	–	–	823	824
Other income	2,065	2,642	435	(1)	1,266	6,407
Depreciation and amortisation expense	0	(234)	–	–	(974)	(1,208)
Provision reversals/(expense), net	22	(27)	–	(940)	1,656	710
Employee benefits expense	–	–	–	–	(13,201)	(13,201)
Other expenses	–	–	–	–	(8,473)	(8,473)
Operating Profit/(Loss)	**273,526**	**149,167**	**82,712**	**25,926**	**(18,903)**	**512,425**
Profit/(Loss) on Disposal of Investment Properties	**(93)**	**–**	**–**	**–**	**–**	**(93)**
Profit on Disposal of Assets Held for Sale	**–**	**–**	**–**	**–**	**–**	**–**
Margin on Sales as a Property Trader	**–**	**–**	**–**	**–**	**–**	**–**
Profit on Disposal of Other Assets	**–**	**–**	**3,417**	**–**	**7**	**3,424**
Investment income	–	–	–	–	–	–
Share of profits of associates	2,952	–	12,498	–	–	15,450
Finance costs and other financial expense	–	–	–	–	(60,968)	(60,968)
Financial income	–	–	–	–	12,905	12,905
Gains and losses from remeasurement at fair value of financial instruments	–	–	–	–	338	338
Discounting adjustments to receivables and payables	–	–	–	–	(139)	(139)
Interest on receivables	–	–	–	–	2,272	2,272
Provision reversals, net – financial assets	–	–	–	–	2,221	2,221
Other financial income and expenses	–	–	–	–	–	–
Profit before Income Tax	**276,384**	**149,167**	**98,626**	**25,925**	**(62,266)**	**487,836**
Income tax expense	(22,696)		(4,359)	(5,747)	(3,640)	(36,442)
Profit for the Period	**253,688**	**149,167**	**94,267**	**20,178**	**(65,906)**	**451,394**
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**218,746**	**149,167**	**94,267**	**20,178**	**(65,906)**	**416,451**
Attributable to minority interests	34,942	–	–	–	–	34,942

The balance sheet breaks down as follows:

	Golden Triangle	Financial District	Golden Crescent La Défense	Other	Head-quarters	Total
Segment assets	1,599,565	1,328,868	671,736	433,922	3,687	4,037,779
Unallocated assets	–	–	–	–	80,967	80,967
TOTAL ASSETS	**1,599,565**	**1,328,868**	**671,736**	**433,922**	**84,654**	**4,118,746**

Segment assets correspond to the Group's property assets.

No analysis of liabilities by geographic segment is presented.

The Group's main geographic segments are as follows:

• **Golden Triangle:** comprising parts of the 8th, 16th and 17th arrondissements in Paris. The segment extends from avenue Raymond Poincaré and boulevard Gouvion Saint-Cyr in the west to rue Tronchet in the east, and from avenue de Villiers and boulevard Malesherbes in the north to the banks of the Seine up to Trocadero in the south.

• **The Financial District:** comprising parts of the 1st, 2nd and 9th arrondissements. This segment extends from rue Tronchet in the west to rue du Sentier and rue du Faubourg-Poissonière in the east, and from rue de Chateaudun in the north to rue de Rivoli in the south.

• **Golden Crescent/La Défense:** located to the west of Paris, on the other side of the Boulevard Périphérique ring-road, and consisting mainly of La Défense.

The Group's secondary reporting format is based on two business segments – property rental services and sales as a property trader.

	Property rental services	Sales as a property trader	Head-quarters	Total
Property rentals	170,395	–	–	**170,395**
Margin on sales as a property trader	–	–	–	–
PROFIT FOR THE PERIOD	**482,357**	**–**	**(65,906)**	**416,451**

• Property rental services revenue consists of rent.

• Revenue from sales as a property trader consists of management fees for a property held under the property trader regime which was sold on a break-up basis. The final units were sold in 2006 and therefore this business did not generate any revenue in 2007.

IV - Significant Events of the Year

4-1. ASSET PURCHASES AND SALES

The Group acquired two properties and sold two properties in 2007, in line with its asset management policy. Details of these sales and purchases are provided in Note 6-3.

4-2. FINANCING

Following Standard & Poor's decision to downgrade SFL's credit rating to BB+ in December 2006, the Company initiated the process for the early repayment of its €125 million US Private Placement Notes issue an the cancellation of the related hedges. The notes were redeemed on 6 March 2007 and SFL subsequently requested Standard & Poor's to withdraw its rating.

At the same time, three new revolving credit facilities were set up:

• A €50 million five-year facility from Banco Sabadell obtained on 23 January 2007. Interest on this facility corresponds to the 3-month Euribor plus a spread of 60 bps;

• A credit facility from BECM (Banque de l'Economie du Commerce et de la Monétique) for a maximum of €150 million, obtained on 4 May 2007 for an initial five-year term. Interest on this facility corresponds to the 1-month Euribor plus a spread of 40 bps at the current Loan-to-Value (LTV) rate. Under the facility agreement, SFL may extend the life of the facility by one or two years, provided that certain conditions are met. At 31 December 2007, €65 million of the available €150 million had been drawn down;

• An unsecured facility from Deutsche Hypothekenbank for a maximum of €50 million, obtained on 23 October 2007 for an initial five-year term. Interest on this facility corresponds to the 1-month or 3-month Euribor plus a spread of 55 bps. Under the facility agreement, SFL may extend the life of the facility by five years, provided that certain conditions are met. At 31 December 2007 no drawdowns had been made under this facility.

4-3. CONSTRUCTION AND RENOVATION PROGRAMMES

The newly-renovated 5 rue Alfred de Vigny property was delivered in January 2007.

Renovation of 104-110 boulevard Haussmann – which is 50%-owned by SFL – was completed and the building was delivered in July 2007.

On 21 December 2007, a construction permit application was filed concerning the renovation of Galerie des Champs-Elysées, which is also 50%-owned by SFL.

Renovation plans for 92 avenue des Champs-Elysées are in the process of being finalised.

The renovation of 103 rue de Grenelle is advancing on schedule and work has begun on an office building that complies with the HQE (High Environmental Quality) standard.

The official permit to operate 247 rue Saint Honoré as a hotel has been granted and the renovation project is in the process of being finalised. This building will house the first Mandarin Oriental palace hotel in Paris which is due to open in late 2010.

On 26 October 2007 SFL signed an agreement with SEMAPA concerning the acquisition of construction rights for the 34,500 square metre "T8" project, a mixed used complex comprising offices, retail and residential units. Nexity will be in charge of developing the property, under a contract from SFL, which is the investor for the entire project. Delivery is planned for the end of 2012.

4-4. 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 these provisions and have notified the Group of a €3,751 thousand reassessment of the tax base. The Group has contested the tax authorities' position, on the grounds that the work involved was certain of being carried out and could be reliably measured. No provision has been recorded in relation to this reassessment.

VAT

Further to an audit covering 2002, additional input VAT of €2,551 thousand was recovered in 2006. In addition, the Group has applied for a refund of €451 thousand in VAT paid following tax audits, relating to rent-free periods and eviction compensation. This amount was nevertheless covered by a provision in 2006.

Analysis of property values between the value of the land and that of the building

The tax authorities have challenged the breakdown of the value of certain properties in the accounts between the value of the land and that of the building and have notified the Group of €2,611 thousand worth of reassessments of the tax base. The Group has partially contested the tax authorities' position and the provision originally recorded in relation to this case in 2005 amounted to €800 thousand at 31 December 2007.

Fair values of properties used to calculate exit tax

The tax authorities have challenged the fair values used to calculate the 16.50% exit tax payable when two SFL subsidiaries elected for SIIC status in 2003. The tax authorities originally issued a €75,623 thousand reassessment of unrealised capital gains corresponding to a tax deficiency of €12,478 thousand. In November 2007 the tax authorities partly accepted SFL's appeal against this reassessment and reduced the amount of the tax deficiency to €11,521 thousand. The Group has formally contested the tax authorities' position, on the grounds that the exit tax was based directly on the property valuation carried out at 31 December 2002 by independent experts in connection with the half-yearly valuations of the Group's property portfolio. The Group also pointed out that the valuation method used by the independent experts was in line with standard professional practice. In addition, no reassessment was issued following a subsequent tax audit of the Group's parent company, which owned 80% of the Group's property assets when the election for SIIC status was made and whose exit tax was calculated using exactly the same methods as those applied by the above two subsidiaries. Consequently, the Group considers that the fair values used by these subsidiaries to calculate their exit tax cannot be challenged and referred the case to the Administrative Court in January 2008. No provision has been recorded in relation to this reassessment.

4-5. SUBSEQUENT EVENTS

No significant events have occurred since 31 December 2007.

V - Scope of Consolidation

Consolidated companies	Registration no.	Percentage Interest	Percentage Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	–	–
Fully-consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS SB1	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	484 425 450	100	100
SCI Washington	432 513 299	66	66
SCI,5 de Vigny (formerly SCI Cofimmo)	327 469 607	100	100
SCI,103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SAS Iéna	434 564 357	100	100
SNC Iéna 1	434 756 904	100	100
SNC Iéna 2	434 756 987	100	100
Proportionately-consolidated companies			
SAS Parholding	404 961 351	50	50
SC Parsherbes	413 175 639	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
SC Parchar	414 836 874	50	50

On 8 February 2007, Prédica sold its entire 50% interest in SCI Paul Cézanne to SFL, raising SFL's interest to 100%. As a result, SCI Paul Cézanne – which was previously proportionately consolidated – was fully consolidated in 2007.

On 5 May 2007 SC Pargrin transferred all its assets and liabilities to SAS Parholding.

SAS Parkleb, owner of the property at 46 avenue Kléber, was sold on 26 October 2007.

SNC Amarante, SNC Péridot and SNC Lazuli – all of which are 15%-owned – as well as SAS La Défense and SNC La Défense – which are 25%-owned – are accounted for by the equity method because SFL has two representatives on each company's five-member management committee and is therefore in a position to exercise significant influence over their management. SFL is also responsible for the commercial and technical management of the companies' properties and for their financial and administrative management. Further to an agreement entered into with the Teacher's group, on 1 October 2007 SFL exchanged its minority interests in the subsidiaries that own 30 floors of the Tour Areva building at La Défense for Teacher's interests in Iéna, Iéna 1 and Iéna 2 which own the property at 96 avenue d'Iéna in the 16th arrondissement of Paris. Following these asset swaps, SFL owns the entire capital of Iéna, Iéna 1 and Iéna 2 and these companies have therefore been fully consolidated since 1 October 2007. Prior to this, the companies were accounted for by the equity method.

At 31 December 2007, Société Foncière Lyonnaise was 84.56%-owned by the Spanish company Inmobiliaria Colonial SA.

VI - Notes to the Consolidated Balance Sheet and Profit and Loss Account

The key balance sheet and profit and loss account items are analysed below. All amounts are stated in thousands of euros.

6-1. INTANGIBLE ASSETS

	31/12/2005	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31/12/2006
Gross						
Computer software	2,804	404	–	–	–	3,208
Other intangible assets	–	–	–	–	–	–
Accumulated amortisation						
Computer software	(1,020)	(547)	–	–	–	(1,567)
Other intangible assets	–	–	–	–	–	–
CARRYING AMOUNT	**1,784**	**(143)**	**–**	**–**	**–**	**1,641**

	31/12/2006	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31/12/2007
Gross						
Computer software	3,208	76	(18)	–	–	3,267
Other intangible assets	–	–	–	–	–	–
Accumulated amortisation						
Computer software	(1,567)	(618)	18	–	–	(2,168)
Other intangible assets	–	–	–	–	–	–
CARRYING AMOUNT	**1,641**	**(542)**	**–**	**–**	**–**	**1,099**

6-2. PROPERTY AND EQUIPMENT

	31/12/2005	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31/12/2006
Gross						
Owner-occupied property	16,034	–	–	–	–	16,034
Equipment	39,274	114,945	(37)	(1,300)	124,257	277,139
Accumulated depreciation						
Owner-occupied property	(1,604)	(235)	–	–	–	(1,839)
Equipment	(841)	(321)	–	(396)	–	(1,558)
CARRYING AMOUNT	**52,863**	**114,389**	**(37)**	**(1,696)**	**124,257**	**289,776**

	31/12/2006	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31/12/2007
Gross						
Owner-occupied property	16,034	–	–	–	–	16,034
Equipment	277,139	41,315	(1)	(48,938)	–	269,515
Accumulated depreciation						
Owner-occupied property	(1,839)	(234)	–	–	–	(2,073)
Equipment	(1,558)	(356)	1	–	–	(1,912)
CARRYING AMOUNT	**289,776**	**40,725**	**–**	**(48,938)**	**–**	**281,564**

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 – rose to €22,786 thousand at 31 December 2007 from €20,483 thousand at the previous year-end.

Interest expense capitalised during 2007 on properties undergoing renovation that were classified under property and equipment amounted to €10,799 thousand.

The property at 104-110 boulevard Haussmann was reclassified from property and equipment to investment property in 2007 following its delivery in late July.

6-3. INVESTMENT PROPERTIES

	31/12/2005	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassi-fications	Acquisitions of subsidiaries	31/12/2006
Fair value								
Investment properties	2,477,906	89,734	533,807	(77,617)	(3,207)	14,280	–	3,034,904
TOTAL	**2,477,906**	**89,734**	**533,807**	**(77,617)**	**(3,207)**	**14,280**	**–**	**3,034,904**

	31/12/2005	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassi-fications	Acquisitions of subsidiaries	31/12/2006
Fair value								
Investment properties	3,034,904	17,931	371,257	(20,490)	(6,148)	48,938	299,383	3,745,775
TOTAL	**3,034,904**	**17,931**	**371,257**	**(20,490)**	**(6,148)**	**48,938**	**299,383**	**3,745,775**

	31/12/2006	31/12/2007
Appraisal value of investment properties	3,057,016	3,773,266
Adjustments to reflect specific lease terms	(22,112)	(27,491)
FAIR VALUE OF INVESTMENT PROPERTIES CARRIED IN THE BALANCE SHEET	**3,034,904**	**3,745,775**

Investment properties are valued by independent experts each quarter.

On 30 March 2007, SFL acquired Prédica's 50% share in the Cézanne Saint-Honoré building, raising to 100% its interest in this property which comprises offices and a number of ground-floor retail units. The purchase was paid for in the form of newly-issued SFL shares.

On 1 October 2007 SFL and Teacher's agreed to terminate their partnership that had been in place since 2001. As part of this agreement, SFL exchanged its minority interests in the Tour Areva property at La Défense for the remaining 75% interest that it did not already own in the property at 96 avenue d'Iéna in Paris.

Lastly, on 29 October 2007 SFL and its 50-50 joint venture partner IDF sold Parkleb, the company that owns the property at 46, avenue Kléber in Paris.

6-4. INVESTMENTS IN ASSOCIATES

	% interest	31/12/2005	31/12/2006	Dividends received	Profit	Other movements	Changes in scope of consolidation	31/12/2007
SCI no. 6 du Courcellor II	38	947	–	–	–	–	–	–
SAS Iéna	25	(177)	678	(94)	(83)	(558)	57	–
SAS La Défense	25	(111)	289	(117)	(65)	(158)	51	–
SNC Iéna 1	25	4,643	6,119	(370)	1,619	–	(7,368)	–
SNC Iéna 2	25	1,439	2,021	(189)	1,417	–	(3,249)	–
SNC La Défense	25	4,633	5,920	(158)	1,394	–	(7,156)	–
SNC Amarante	15	(724)	(3,146)	799	(64)	–	2,411	–
SNC Péridot	15	5,010	6,227	–	4,979	264	(11,470)	–
SNC Lazuli	15	6,197	7,829	–	6,254	466	(14,549)	–
TOTAL		**21,857**	**25,937**	**(129)**	**15,450**	**14**	**(41,273)**	**–**

Following the agreement entered into with Teacher's on 1 October 2007 (see Note 6-3), the Group no longer held any investments in associates at 31 December 2007.

6-5. FINANCIAL ASSETS

	31/12/2005	31/12/2006	Increases	Impairment losses recognised during the year	Decreases	Impairment losses reversed during the year	Reclassi-fications	31/12/2007
Investments in non-consolidated companies	6,027	1,078	–	–	(7)	–	–	1,071
Provisions for impairment	(4,255)	–	–	–	–	–	–	–
Investments in non-consolidated Companies, net	**1,772**	**1,078**	**–**	**–**	**(7)**	**–**	**–**	**1,071**
Teacher's JV (25%) loan	10,039	2,628	–	–	(2,628)	–	–	–
Teacher's JV (15%) loan	8,725	8,725	–	–	(8,725)	–	–	–
Advance to SCI Champvernier*	15,245	15,245	–	–	–	–	(15,245)	–
Deposits	1,032	388	151	–	–	–	–	539
Other	257	257	–	–	(257)	–	–	–
Hedging instruments	–	–	3,914	–	–	–	–	3,914
Advances to non-consolidated companies	**35,298**	**27,243**	**4,065**	**–**	**(11,610)**	**–**	**(15,245)**	**4,453**
TOTAL	**37,070**	**28,321**	**4,065**	**–**	**(11,617)**	**–**	**(15,245)**	**5,524**

** This advance has been netted off against the liability under the finance lease to which it relates.*

At 31 December 2007 the fair value of hedging instruments recorded on the assets side of the balance sheet (hedges with a positive fair value) amounted to €3,914 thousand.

Hedging instruments at fair value

			Non-current portion		
	Effective interest rate	Due	31/12/2007	31/12/2006	31/12/2005
Swap no.1 on CALYON/HSBC/CFF loan	3.850%	29/12/2009	464	–	–
Swap no.2 on CALYON/HSBC/CFF loan	3.560%	29/06/2009	50	–	–
Swap no.3 on CALYON/HSBC/CFF loan	3.125%	29/12/2009	371	–	–
Swap on CALYON loan	3.785%	23/05/2011	1,879	–	–
Swap on RBOS loan	3.89%	31/10/2013	1,151	–	–
TOTAL			**3,914**	**–**	**–**

6-6. OTHER NON-CURRENT ASSETS

	31/12/2007	31/12/2006	31/12/2005
Deferred tax assets	2,440	3,647	3,582
Other receivables due beyond one year	1,580	5,270	255
Prepayments	7,515	–	–
TOTAL	**11,535**	**8,917**	**3,837**

Deferred tax assets are analysed in Note 6-36.

Prepayments classified as non-current in 2007 concerned the renovation of the property at 103 rue de Grenelle in the 7th arrondissement of Paris.

6-7. ASSETS HELD FOR SALE

At 31 December 2007, assets held for sale exclusively consisted of several parking spaces.

6-8. TRADE AND OTHER RECEIVABLES

	31/12/2007			31/12/2006	31/12/2005
	Total	Due within one year	Due in more than one year	Total	Total
Trade receivables	37,630	13,099	24,531	28,223	31,075
Provisions	(2,451)	(2,451)	–	(1,631)	(2,546)
Trade receivables, net	**35,179**	**10,648**	**24,531**	**26,592**	**28,529**
Prepayments to suppliers	4,776	4,776	–	26	1,628
Employee advances	20	20	–	45	1,517
Short-term portion of tax receivables (other than income tax)	11,171	11,171	–	10,053	14,785
Other operating receivables	1,576	1,576	–	353	6,352
Other	148	148	–	147	939
Other receivables	**17,691**	**17,691**	**–**	**10,624**	**25,221**
TOTAL	**52,870**	**23,339**	**24,531**	**37,216**	**53,750**

Receivables do not bear interest.

Provisions for doubtful debts can be analysed as follows:

	31/12/2007	31/12/2006	31/12/2005
Increases	(208)	(476)	(1,344)
Reversals	239	1,391	702
Bad debt write-offs	(57)	(765)	(587)
Total	**(26)**	**150**	**(1,229)**
Property rentals	170,395	161,538	153,308
NET LOSSES AS A % OF PROPERTY RENTALS	**0.02%**	**(0.09%)**	**0.80%**

6-9. OTHER CURRENT ASSETS

	31/12/2007	31/12/2006	31/12/2005
Accrued interest on hedging instruments	97	–	–
Income tax prepayments	1,435	559	–
Other prepayments	2,500	1,859	3,805
TOTAL	**4,032**	**2,418**	**3,805**

Accrued interest on hedging instruments breaks down as follows:

			Short-term portion		
	Effective interest rate	Expiry date	31/12/2007	31/12/2006	31/12/2005
Swap no.1 on CALYON/HSBC/CFF loan	3.850%	29/12/09	1	–	–
Swap no.2 on CALYON/HSBC/CFF loan	3.560%	29/06/09	0	–	–
Swap no.3 on CALYON/HSBC/CFF loan	3.125%	29/12/09	0	–	–
Swap on CALYON loan	3.785%	23/05/11	94	–	–
Swap on RBOS loan	3.89%	31/10/13	1	–	–
TOTAL			**97**	**–**	**–**

6-10. CASH AND CASH EQUIVALENTS

	31/12/2007	31/12/2006	31/12/2005
Short-term investments	14,920	21,416	26,659
Cash at bank and in hand	1,025	2,137	2,272
TOTAL	**15,945**	**23,553**	**28,931**

Short-term investments are measured at fair value. They break down as follows:

	31/12/2007	31/12/2006	31/12/2005
Rothschild money market fund	665	–	–
Société Générale money market fund	3,393	148	6 770
HSBC money market fund	5,580	9,194	3,008
Crédit Agricole money market fund	5,282	12,074	16,881
TOTAL	**14,920**	**21,416**	**26,659**

6-11. EQUITY

The Company's share capital amounts to €93,005 thousand, represented by 46,502,301 ordinary shares with a par value of €2.

In 2007, SFL issued 3,426,349 ordinary shares with a par value of €2 each to Prédica as consideration for the transfer of its 50% interest in SCI Paul Cézanne, the company that owns the Cézanne Saint-Honoré property. The corresponding premium totalled €191,843 thousand. The transfer took place on 30 March 2007 based on a value of €198.7 million.

Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

	31/12/2006	Purchases	Sales	31/12/2007
Number of shares	130,067	418,281	86,774	461,574
Average purchase/sale price, in euros	€32.39	€59.32	€38.26	€55.69
TOTAL (in thousands of euros)	**4,214**	**24,812**	**3,320**	**25,705**

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

6-12. SHORT AND LONG-TERM INTEREST-BEARING DEBT

			Long-term portion			Short-term portion		
	Effective interest rate	Due	31/12/2007	31/12/2006	31/12/2005	31/12/2007	31/12/2006	31/12/2005
Lease liabilities:								
131, Wagram	3-month Euribor + 75 bps (calendar quarter-end)	15/06/2009	46,005	62,201	63,153	952	952	952
Quai le Gallo	3-month Euribor + 75 bps (calendar quarter-end)	28/02/2012	65,845	69,308	72,627	3,463	3,318	3,179
Rives de Seine	6-month Euribor + 75 bps (29/04 and 29/10)	29/10/2013	96,343	105,934	115,127	9,590	9,194	8,814
Impact of deferred recognition of debt arranging fees:			(1,219)	(1,377)	(2,008)	(533)	(449)	(280)
Bank loans:								
Natixis syndicated loan	1-month Euribor + 40 bps (end of drawdown period)	26/01/2012	574,000	416,000	296,000	341	187	39
HSBC/Calyon/CFF loan	3-month Euribor + 90 bps (29th of each quarter)	29/12/2009	77,663	69,282	73,409	1,852	26	1,521
HSBC/Calyon/CFF loan	1-month Euribor + 40 bps (29th of each month)	29/03/2008	–	1,577	737	1,215	1	–
BancoSabadell revolving facility (€50 million)	3-month Euribor + 60 bps (calendar quarter-end)	28/02/2012	50,000	–	–	8	–	–
BECM revolving faciiity (150 M€)	1-month Euribor + 40 bps (end of drawdown period)	04/05/2012	65,000	–	–	174	–	–
Royal Bank of Scotland loan	3-month Euribor + 56 bps (calendar quarter-end)	31/10/2013	40,800	–	–	6	–	–
Deutsche Hypothekenbank revolving facility (€50 million)	3-month Euribor + 55 bps (end of drawdown period)	23/10/2012	–	–	–	–	–	–
US Private Placement Notes:								
USD 100 million	6.27% (10 June - 10 December)	10/12/2012	–	–	83,493	–	76,212	317
USD 25 million	5.67% (10 June - 10 December)	10/12/2009	–	–	20,873	–	19,047	71
Current account advances:	3-month Euribor + 60 bps (calendar quarter-end)		56,785	–	–	–	60,185	61,293
Hedging instruments with a negative fair value recorded in liabilities:								
Swap no.1 on Calyon/HSBC/CFF loan	3.850%	29/12/2009	–	(188)	1,920	–	1	–
Swap no.2 on Calyon/HSBC/CFF loan	3.560%	29/06/2009	–	(41)	81	–	–	–
Swap no.3 on Calyon/HSBC/CFF loan	3.125%	29/12/2009	–	(373)	20	–	(1)	–
Barclays swap on US Private Placement Notes	6.470%	10/12/2012	–	–	30,374	–	32,706	–
Barclays swap on US Private Placement Notes	6,090%	10/12/2009	–	–	6,373	–	7,199	–
JPMorgan swap (on €400 million)	12-month Euribor (with a 5.085% cap) + 141.5 bps	03/01/2014	27,412	33,881	41,114	1,369	1,868	–
Swap on Calyon loan	3.785%	23/05/2011	–	(861)	–	–	20	–
Swap on RBOS loan on SNC Iéna 1	3.89%	31/10/2013	–	–	–	–	–	–
Swap on RBOS loan on SNC Iéna 2	3.89%	31/10/2013	–	–	–	–	–	–
Swap on Natixis loan	3.4325%	31/12/2010	308	–	–	(3)	–	–
Bank overdrafts	EONIA + 35 bps or 30 bps (calendar month or quarter-end)		–	–	–	26,391	20,383	8,240
TOTAL			**1,098,942**	**755,343**	**803,293**	**44,825**	**230,849**	**84,146**

The following table analyses borrowings by maturity:

	31/12/2007	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Natixis syndicated loan	574,341	341	574,000	–
HSBC/CALYON/CFF loan	80,730	3,067	77,663	–
BancoSabadell revolving loan	50,008	8	50,000	–
BECM revolving loan	65,174	174	65,000	–
Royal Bank of Scotland loan	40,806	6	–	40,800
Deutsche Hypothekenbank loan	–	–	–	–
Lease liabilities	222,198	14,005	154,525	53,668
US Private Placement Notes	–	–	–	–
Current account advances	56,785	–	56,785	–
Deferred debt arranging fees	(1,752)	(533)	(1,219)	–
Swap no.1 on CALYON/HSBC/CFF loan	–	–	–	–
Swap no.2 on CALYON/HSBC/CFF loan	–	–	–	–
Swap no.3 on CALYON/HSBC/CFF loan	–	–	–	–
Barclays swap on US Private Placement Notes (USD 100 million)	–	–	–	–
Barclays swap on US Private Placement Notes (USD 25 million)	–	–	–	–
JPMorgan swap (on €400 million)	28,781	1,369	–	27,412
Swap on CALYON loan	–	–	–	–
Swap on RBOS loan	–	–	–	–
Swap on Natixis loan	305	(3)	308	–
Bank overdrafts	26,391	26,391	–	–
TOTAL	**1,143,767**	**44,825**	**977,062**	**121,880**

In 2007, SFL obtained three new revolving facilities. The first of these facilities was granted by BECM (Banque de l'Economie du Commerce et de la Monétique) for an initial five-year term. Representing a maximum of €150 million, the facility can be rolled over for two successive one-year periods, subject to certain conditions. The second corresponds to a five-year facility obtained from Deutsche Hypothekenbank for a maximum of €50 million, which can be rolled over once for a further five years subject to certain conditions. The third was a €50 million five-year facility from BancoSabadell obtained on 23 January 2007. Interest on this facility corresponds to the 3-month Euribor plus a spread of 60 bps.

At 31 December 2007, €65 million had been drawn down under the BECM facility and no drawdowns had been made under the Deutsche Hypothekenbank facility. At that date SFL had access to €161 million in unused confirmed credit facilities.

Current account advances correspond to Prédica's interest in SCI Washington.

Debt covenants and acceleration clauses:

Credit facilities	Applicable ratios	Actual ratios at 31/12/2007	Actual ratios at 31/12/2006	Early repayment clauses (1)
CALYON/HSBC/CFF LOAN FOR PARHOLDING	Consolidated LTV (Loan To Value) = Outstanding loan/fair value of property < 70%	**33.8%**	**37.7%**	Breach of financial covenants Withdrawal of collateral Bankruptcy proceedings
	Consolidated ICR = Net property rentals received/ Interest expense including hedging costs > 1.30	**1.3**	**2.0**	Dissolution, merger or spin-off Termination of mandates Auditors' refusal to certify financial statements Asset seizures
	Consolidated DSCR = Net property rentals received/Interest expense, hedging costs and capital repayments > 1	**1.3**	**2.0**	Failure to pay a loan instalment Material adverse event
NATIXIS SYNDICATED LOAN	EBITDA/Net finance costs > 2.5	**3.2**	**3.2**	Failure to pay a loan instalment Breach of financial covenants
	LTV <= 50%	**25.2%**	**24.5%**	Administration or liquidation Change of control
	Secured debt/Property portfolio value <= 20%	**8.2%**	**9.2%**	Material adverse event
	Unrestricted property portfolio value > = €1 bn	**€3.8 bn**	**€3.2 bn**	
BECM REVOLVING FACILITY	Interest cover >= 2	**3.2**		Payment default Cross default
	LTV <= 50%	**27.6%**		Termination of operations Bankruptcy proceedings
	Property portfolio value > €2 bn	**€4.1 bn**		Breach of financial covenants Loss of SIIC status
	Secure LTV < 20%	**8.4%**		Change of control Material adverse event
	Total surface area/Surface area under renovation < 30%	**10.8%**		
RBOS LOAN FOR SNC IENA 1	Interest cover >= 1.3	**2.2**	**2.8**	Payment default Cross default Termination of operations Bankruptcy proceedings Breach of financial covenants Change of control Material adverse event
RBOS LOAN FOR SNC IENA 2	Interest cover >= 1.3	**2.5**	**2.8**	Payment default Cross default Termination of operations Bankruptcy proceedings Breach of financial covenants Change of control Material adverse event
DEUTSCHE HYPOTHEKENBANK FACILITY	LTV <= 50%	**27.6%**		Payment default Misrepresentations
	Interest cover >= 1.8	**3.2**		Payment default reported to Banque de France Cross default Termination of operations Bankruptcy proceedings Change of control Material adverse event

(1) Summarized list of main acceleration clauses.

The Group had not breached any of its financial covenants at 31 December 2007.

6-13. SHORT AND LONG-TERM PROVISIONS

	31/12/2005	31/12/2006	Increases	Decreases	o/w utilisations	Reclassi-fications	31/12/2007
Provisions related to refurbishment work and tenant claims	187	–	–	–	–	–	–
Provisions for taxes other than on income	–	1,000	–	(200)	(200)	–	800
Provisions for employee benefits	2,887	1,479	–	(361)	–	(5)	1,113
Other provisions	–	–	–	–	–	–	–
Long-term provisions	**3,074**	**2,479**	**–**	**(561)**	**(200)**	**(5)**	**1,913**
Provisions related to refurbishment work and tenant claims	1,992	1,552	1,026	(50)	–	–	2,528
Provisions for taxes other than on income	–	275	226	(50)	(50)	–	451
Provisions for employee benefits	310	1,255	–	(1,045)	(1,045)	5	215
Other provisions	1,475	2,221	–	(2,221)	(2,221)	–	–
Short-term provisions	**3,777**	**5,303**	**1,252**	**(3,366)**	**(3,316)**	**5**	**3,195**
TOTAL	**6,851**	**7,782**	**1,252**	**(3,927)**	**(3,516)**	**–**	**5,107**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for a total of €1,118 thousand. The portion of short- and long-term provisions covering benefits payable to members of senior management amounted to €56 thousand at 31 December 2007.

Provisions related to refurbishment work mainly concern claims for faulty work on sold properties or units. Provisions for tenant claims cover tenant business interruption claims.

No provision is recorded in the accounts for contingencies giving rise to a possible, not a probable obligation.

6-14. DEFERRED TAXES

See Note 6-36.

6-15. OTHER LONG-TERM TAX LIABILITIES

This item corresponds mainly to the balance of the exit tax payable over three years following the election for SIIC status. The liability has been discounted as follows:

	2009	Total
Amount payable	1,197	1,197

6-16. OTHER NON-CURRENT LIABILITIES

This item corresponds mainly to guarantee deposits and bonds received from tenants.

6-17. TRADE AND OTHER PAYABLES

	31/12/2007	31/12/2006	31/12/2005
Trade payables	9,412	6,826	8,325
Amounts due within one year on asset acquisitions	12,705	13,818	9,936
TOTAL	**22,117**	**20,644**	**18,261**

6-18. OTHER CURRENT LIABILITIES

Other current liabilities break down as follows:

	31/12/2007	31/12/2006	31/12/2005
Customer prepayments	12,344	1,052	4,344
Accrued employee benefits expense	5,419	7,484	6,820
Accrued taxes	5,675	10,027	39,184
Other	3,166	3,442	8,283
Accruals	55	44	2,399
TOTAL	**26,659**	**22,049**	**61,030**

Accrued employee benefits expense includes statutory and discretionary profit-sharing and accruals for variable salaries.

Accrued taxes in 2007 included the exit tax instalment due in 2008 for €1,262 thousand. In 2006 they included the €1,937 thousand instalment due in 2007 and in 2005 they included the €27,174 thousand instalment due in 2006.

Accruals correspond to funds collected in advance.

6-19. NET PROPERTY RENTALS

The Group's principal business is the rental of office and retail properties, which account for 97.1% of property rentals. Net property rentals for 2007 include €1,579 thousand corresponding to the recognition of rent-free periods and rent step-ups over the life of the lease.

Future minimum lease payments receivable over the residual term of non-cancellable operating leases break down as follows:

At 31/12/2007	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Future minimum lease payments	611,793	166,406	388,045	57,342

	31/12/2007	31/12/2006	31/12/2005
Property rentals	**170,395**	**161,538**	**153,308**
Property operating expenses	(39,103)	(37,283)	(35,436)
Property expenses recovered from tenants	30,965	29,049	27,354
Property expenses, net of recoveries	**(8,138)**	**(8,234)**	**(8,082)**
NET PROPERTY RENTALS	**162,257**	**153,304**	**145,226**

Property expenses on vacant properties undergoing renovation came to €1,329 thousand in 2007.

Vacancy rates for investment properties are not material.

6-20. GAINS AND LOSSES FROM REMEASUREMENT AT FAIR VALUE OF INVESTMENT PROPERTIES

Details of gains and losses from remeasurement of investment properties at fair value are provided in Note 6-3.

6-21. SERVICE AND OTHER REVENUES

This item corresponds to service fees for €824 thousand in 2007 compared with €1,079 thousand in 2006.

6-22. OTHER INCOME

	31/12/2007	31/12/2006	31/12/2005
Own-work capitalised	1,112	1,807	1,327
Other	5,295	1,575	4,593
TOTAL	**6,407**	**3,382**	**5,920**

"Other" corresponds to work billed to third parties and renovation project management fees.

6-23. DEPRECIATION AND AMORTISATION EXPENSE

	31/12/2007	31/12/2006	31/12/2005
Amortisation of intangible assets	(618)	(548)	(611)
Depreciation of property and equipment	(590)	(556)	(331)
TOTAL	**(1,208)**	**(1,104)**	**(942)**

Amortisation of intangible assets relates to computer software and depreciation of property, plant and equipment concerns the Group's headquarters building and other equipment.

6-24. PROVISIONS REVERSALS/(EXPENSE), NET

	31/12/2007	31/12/2006	31/12/2005
Charges to provisions for operating contingencies and charges	(1,026)	(1,320)	(2,079)
Charges to provisions for impairment of current assets	(208)	(476)	(1,344)
Charges to provisions for other contingencies and charges	–	–	(1,000)
Reversals of provisions for operating contingencies and charges	1,505	2,745	239
Reversals of provisions for impairment of current assets	239	1,391	702
Reversals of provisions for other contingencies and charges	200	287	294
TOTAL	**710**	**2,627**	**(3,188)**

6-25. EMPLOYEE BENEFITS EXPENSE

	31/12/2007	31/12/2006	31/12/2005
Wages and salaries	(8,402)	(9,020)	(6,482)
Social security taxes	(2,946)	(3,954)	(2,512)
Death and disability insurance	(56)	(64)	(64)
Other payroll taxes	(656)	(649)	(524)
Statutory and discretionary profit-sharing	(1,141)	(939)	(1,218)
TOTAL	**(13,201)**	**(14,626)**	**(10,800)**

In 2007, the Group had 93 administrative staff (94 and 97 respectively in 2006 and 2005) and 4 building staff (4 and 11 respectively in 2006 and 2005).

The remuneration paid to Company directors and officers amounted to €3,036 thousand in 2007, €5,333 thousand in 2006 and €2,549 thousand in 2005.

6-26. OTHER EXPENSES

	31/12/2007	31/12/2006	31/12/2005
Purchases	(126)	(140)	(351)
General subcontracting	(300)	(628)	(799)
Rent (operating leases)	(1,257)	(878)	(942)
Maintenance and repairs	(184)	(158)	(293)
Fees	(2,296)	(2,963)	(3,924)
Publications and public relations	(991)	(786)	(960)
Bank charges	(442)	(395)	(636)
Taxes other than on income	(1,229)	(1,742)	(1,452)
Travel and entertainment	(471)	(378)	(347)
Non-recurring expenses	(303)	(1,085)	(1,595)
Other	(874)	(759)	(677)
TOTAL	**(8,473)**	**(9,912)**	**(11,976)**

6-27. PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

The Group sold the following property in 2007:

	Sale price excl. transfer costs and tax	Carrying amount	Disposal gain/(loss)	Disposal date
Investment property sold during the year				
46 avenue Kléber	20,665	20,758	(93)	26/10/2007
TOTAL	**20,665**	**20,758**	**(93)**	

The carrying amount used to calculate the disposal gain or loss corresponds to the most recent appraisal value at the transaction date.

No properties classified as held for sale were sold during the year.

6-28. MARGIN ON SALES AS A PROPERTY TRADER

The Group has not held any properties in its capacity as a property trader since 31 December 2006 following the completion of the sale of the Vauban property in that year.

6-29. PROFIT ON DISPOSAL OF OTHER ASSETS

	31/12/2007	31/12/2006	31/12/2005
Sale of SAS La Défense shares	3,292	–	–
Sale of SNC Amarante shares	125	–	–
Liquidation of SCI Tour Horizon	–	–	(314)
Liquidation of SCI Courcellor	–	(3,947)	–
Liquidation of SC Parmentier	–	(62)	–
Sale of SAS Roosevelt shares	–	–	681
Loss on the sale of Colonial shares purchased for hedging purposes	–	(1,106)	–
Other	7	(2)	(22)
TOTAL	**3,424**	**(5,117)**	**345**

Profit on disposal of other assets in 2007 corresponded to the asset swap concerning the Iéna and Tour Areva properties which led to the sale of the sub-holding companies SAS La Défense and SNC Amarante.

6-30. INVESTMENT INCOME

	31/12/2007	31/12/2006	31/12/2005
Dividends received from SCI Courcellor I	–	8	4,257
Dividends received from SCI Tour Horizon	–	–	40
TOTAL	**–**	**8**	**4,297**

No dividends were received from non-consolidated companies in 2007.

6-31. SHARE OF PROFITS OF ASSOCIATES

See Note 6-4.

6-32. FINANCE COSTS, NET

	31/12/2007	31/12/2006	31/12/2005
Interest on bank loans	(32,860)	(18,187)	(8,746)
Interest on lease liabilities	(12,090)	(9,636)	(8,366)
Interest on US Private Placement Notes	(3,584)	(5,896)	(6,336)
Interest on external current account advances	(3,977)	(4,234)	(3,638)
Interest on swaps	(7,868)	(11,664)	(9,520)
Other	(589)	(94)	(50)
Total finance costs	**(60,968)**	**(49,711)**	**(36,656)**
Interest income	14	8	46
Net gains on sales of short-term investments	1,273	986	772
Financial expense transfers	10,799	4,124	221
Other financial income	819	348	335
Total financial income	**12,905**	**5,467**	**1,374**
FINANCE COSTS, NET	**(48,063)**	**(44,244)**	**(35,282)**

Costs relating to the retirement of the Group's US Private Placement Notes amounted to €2,507 thousand, of which €2,221 thousand was covered by the reversal of a provision set up in 2006 (see Note 6-35).

Financial expense transfers primarily correspond to capitalised interest on the properties at 247 rue Saint-Honoré and 103 rue de Grenelle that are undergoing renovation.

6-33. FINANCIAL INSTRUMENTS

Financial risk management objectives and policy

Against the backdrop of turbulent global financial markets due to the subprime crisis, SFL is more committed than ever to applying its rigorous, prudent and transparent risk management strategy. As part of this strategy the Group tracks the following risks:

Liquidity risk

In line with our objectives, our liquidity management policy consists of securing long-term financial resources and staggering debt maturities over time to ensure that sufficient funds are always available to sustain our business. One of our priorities is to avoid as far as possible the inclusion of acceleration clauses in our loan agreements. We also diversify our lender base and develop relationships of trust with our banks.

At 31 December 2007, the average spread on our total debt was 55 basis points. We have a low loan-to-value ratio of 25.2%, which serves us well in the current climate. We began 2008 with €161 million in undrawn, confirmed credit lines, with no major debt maturities until June 2009.

Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the investments of available cash in money market funds. We have not incurred any losses on money market funds as a result of the subprime crisis and will continue to invest in these instruments, which are not exposed to any risk of a loss of capital.

Our counterparty risk is minimal because available cash is generally used to repay borrowings under our revolving lines of credit and interest rate risks are hedged using conventional instruments and strategies.

Our largest tenant generates less than 9% of our total rental revenue. 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.

Market risk

Following the 6 March 2007 retirement of the US Private Placement Notes 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.

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

a/ Objectives and strategy

Our objectives and strategy consist of:

• Using only interest rate derivatives that qualify for hedge accounting under IFRS, such as plain vanilla swaps, caps and collars. No derivative instruments are acquired for speculative purposes. No use is made of hedging instruments with embedded written options, which could jeopardise the company if something happened to disrupt the markets.

• Converting most of our debt to fixed-rate obligations, in order to control interest costs and maximise the chances of achieving results closely in line with budgets. The portion of debt left at variable rates allows us to leverage market opportunities for establishing new hedges.

b/ Risk assessment

• The average spot cost of our debt after hedging stood at 5.29% at 31 December 2007, down from 5.37% at the previous year-end. A 100-basis point fall in interest rates across the yield curve would have the effect of increasing our borrowing costs to 5.66% or reducing them to 4.67%, representing an improvement compared with 6.04% and 4.69% respectively at 31 December 2006. Borrowing costs are still more sensitive to falling rates than rising ones, due to the use of caps in our hedging strategy, which is designed to enable us to benefit from lower costs if market rates fall.

• As for the sensitivity of our hedging instruments at 31 December 2007, a 100-basis point increase in interest rates would lift their fair value by €20,643 thousand, compared with €14,479 thousand at 31 December 2006, while a 100-basis point drop in rates would reduce their fair value by €15,547 thousand, versus €10,044 thousand at 31 December 2006.

Interest rate risk

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

Fixed rate

	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Swap on CALYON/HSBC/CFF loan at 3.85%	930	42,780	–	–	–	–	43,710
Swap on CALYON/HSBC/CFF loan at 3.56%	–	3,800	–	–	–	–	3,800
Swap on CALYON/HSBC/CFF loan at 3.1250%	–	15,000	–	–	–	–	15,000
Swap on CALYON loan at 3.7850%	–	–	–	100,000	–	–	100,000
JPMorgan swap with cap	–	–	–	–	–	400,000	400,000
Swap on RBOS loan at 3.89%	–	–	–	–	–	40,800	40,800
Swap on Natixis loan at 4.4325%	–	–	200,000	–	–	–	200,000
TOTAL	**930**	**61,580**	**200,000**	**100,000**	**–**	**440,800**	**803,310**

Floating rate

	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Natixis syndicated loan	–	–	174,000	200,000	200,000	–	574,000
BECM revolving credit facility	–	–	–	–	65,000	–	65,000
RBOS loan	–	–	–	–	–	40,800	40,800
Deutsche Hypothekenbank loan	–	–	–	–	–	–	–
BancoSabadell loan	–	–	–	–	50,000	–	50,000
HSBC/CALYON/CFF loan	3,013	77,663	–	–	–	–	80,676
Current account advances	–	–	56,785	–	–	–	56,785
Lease liabilities	14,005	59,623	14,207	14,821	65,874	53,668	222,198
TOTAL	**17,018**	**137,286**	**244,992**	**214,821**	**380,874**	**94,468**	**1,089,459**

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 2007 and 31 December 2011:

	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011
Natixis syndicated loan	574,000	574,000	574,000	400,000	200,000
BECM revolving facility	65,000	65,000	65,000	65,000	65,000
RBOS loan	40,800	40,800	40,800	40,800	40,800
Deutsche Hypothekenbank facility	–	–	–	–	–
BancoSabadell facility	50,000	50,000	50,000	50,000	50,000
HSBC/CALYON/CFF loan	80,676	77,663	–	–	–
Current account advances	56,785	56,785	56,785	–	–
Lease liabilities	222,198	208,193	148,570	134,363	119,542
Total debt	**1,089,459**	**1,072,441**	**935,155**	**690,163**	**475,342**
Swap on CALYON/HSBC/CFF loan at 3.85%	43,710	42,780	–	–	–
Swap on CALYON/HSBC/CFF loan at 3.56%	3,800	3,800	–	–	–
Swap on CALYON/HSBC/CFF loan at 3.1250%	15,000	15,000	–	–	–
Swap on CALYON loan at 3.7850%	100,000	100,000	100,000	100,000	–
JP Morgan swap with cap	400,000	400,000	400,000	400,000	400,000
Swap on RBOS loan at 3.89%	40,800	40,800	40,800	40,800	40,800
Swap on Natixis loan at 4.4325%	200,000	200,000	200,000	–	–
Total interest rate hedges	**803,310**	**802,380**	**740,800**	**540,800**	**440,800**
NET EXPOSURE TO INTEREST RATE RISK	**286,149**	**270,061**	**194,355**	**149,363**	**34,542**

The Group's floating rate exposure, which represented €286 million at 31 December 2007, will decrease gradually over time.

Hedging

The hedging portfolio comprises the following three contracts:

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 €400,000 thousand and expires on 3 January 2014. SFL pays the 12-month Euribor +141.5 bps, with a CAP at 508.5 bps and a FLOOR of 200 bps. The hedge enhances the protection provided by the cross-currency swap by breaking the link with US interest rates. JP Morgan and SFL both have the right to terminate the contract on 3 January 2010. If this right is exercised, the terminating party will be required to pay to the other party an amount equal to the replacement cost of the instrument.

At 31 December 2007, the contract had a negative fair value of €27,411 thousand. It represents a macro-hedging transaction that has as its underlying several clearly identified debt items whose value is at least equal to the notional amount of the hedging instrument.

Counterparty: CALYON. Description: cash flow hedge. This 5-year swap was set up on 23 May 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.7850%. At 31 December 2007, the contract had a positive fair value of €1,879 thousand.

Counterparty: NATIXIS. Description: cash flow hedge. This 3-year swap was set up on 15 December 2007 as a hedge of identified debt. SFL pays a fixed rate of 4.4325%. At 31 December 2007, the contract had a negative fair value of €308 thousand.

Interest rate hedges on the financing of the Parholding portfolio

Counterparty: HSBC-CALYON. Description: cash flow hedge. Under the initial hedge, which was restructured on 29 June 2005, SFL pays 3.85% on a notional amount of €43,710 thousand until 29 December 2009. Under the second hedge, set up on 6 August 2004, the Company pays a fixed rate of 3.56% on a notional amount of €3,800 thousand until 29 June 2009. The third swap, which was set up on 29 December 2005 and expires on 29 December 2009, is linked to the revolving line of credit used to finance Parhaus renovation work. At 31 December 2007 the notional amount was €15,000 thousand.

At 31 December 2007 these three contracts had a positive fair value of €885 thousand. They represent 100% effective hedges and are not intended to be separated from the underlying debt.

Interest rate hedges on the financing of the Iéna portfolio

Counterparty: RBOS. Description: cash flow hedge. This 7-year swap was set up on 31 October 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.89%. At 31 December 2007, the contract had a positive fair value of €1,151 thousand.

6-34. INTEREST ON RECEIVABLES

	31/12/2007	31/12/2006	31/12/2005
Interest on the Champvernier loan	739	552	428
Interest on the Teacher's loans	542	991	908
Other interest income	991	1,427	1,159
TOTAL	**2,272**	**2,970**	**2,495**

6-35. PROVISION EXPENSE AND REVERSALS – FINANCIAL ASSETS

	31/12/2007	31/12/2006	31/12/2005
Provision for early repayment penalty due on the US Private Placement Notes	–	(2,221)	–
Provisions for impairment in value of Courcellor 1 shares	–	–	(4,135)
Financial expense transfers	–	–	–
Reversals of provisions for financial contingencies and charges	2,221	4,254	340
TOTAL	**2,221**	**2,033**	**(3,795)**

The €2,221 thousand reversal of provisions for financial contingencies and charges recorded in 2007 was used to cover the costs relating to the early repayment of the US Private Placement Notes.

6-36. INCOME TAX EXPENSE

The election for taxation as an SIIC led to the elimination of the tax bases of the SIICs' assets used to calculate deferred taxes. The only remaining deferred tax assets and liabilities concern partnerships that are not eligible for taxation as an SIIC and assets under finance leases. Deferred taxes recognised in the profit and loss account, calculated at the tax rate applicable at 31 December, consist mainly of the following:

Deferred taxes	Balance sheet 31/12/2005	Balance sheet 31/12/2006	Changes in scope of consolidation	Equity	2007 profit	Balance sheet 31/12/2007
Gains and losses from remeasurement at fair value of investment properties	(26,431)	(50,366)	(9,211)	–	(27,713)	(87,290)
Recognition of finance leases in the consolidated balance sheet	(10,956)	(15,413)	–	–	(4,590)	(20,003)
Revaluation of entities not eligible for taxation as an SIIC	1,890	2,090	–	–	(541)	1,549
Additional deferred taxes recognised on the Parholding group	–	(1,782)	–	(8,373)	–	(10,155)
Hedging instruments	–	(504)	–	(839)	(5)	(1,348)
Adjustment of depreciation	(275)	(472)	–	–	(429)	(901)
Adjustment of property rentals	(156)	(973)	–	–	(1,127)	(2,100)
Capitalisation of interest expense and transaction costs	(59)	(59)	–	–	–	(59)
Other expenses	96	96	(35)	–	4,889	4,950
NET	**(35,891)**	**(67,383)**	**(9,246)**	**(9,212)**	**(29,516)**	**(115,357)**
Of which: deferred tax assets	3,582	3,647	–	(115)	(1,092)	2,440
Of which: deferred tax liabilities	39,473	71,030	9,246	9,097	28,424	117,797

Deferred taxes amounting to €3,415 thousand relating to 46 avenue Kléber were reclassified in 2007 and included in the sale price of the property.

Income tax expense for the year amounted to €3,500 thousand.

France's amended 2006 Finance Act, voted on 30 December 2006, includes a series of measures concerning SIICs, referred to as "SIIC 4".

Under SIIC 4, if an SIIC pays a dividend to a shareholder owning less than 10% of its capital that is not taxed on the dividend income, the SIIC will be required to pay withholding tax equal to 20% of the dividend paid to the shareholder out of tax-exempt profits. Profits are qualified as tax-exempt when no tax is due or when the tax due represents less than two-thirds of the corporate income tax that would have been payable under standard French tax rules.

The new rule applies to dividends paid on or after 1 July 2007.

In November 2007 SFL paid an interim dividend of €1.10 per share. As the Company's majority shareholder, Colonial, made a formal statement that this interim dividend payment would be included in its taxable profits, no withholding tax was due.

At its 15 November 2007 meeting, SFL's Board of Directors decided to ask shareholders at the next General Meeting to approve amendments to the Company's Articles of Association in order to protect SFL against any impact of this withholding tax on future dividend payments. Under the proposed amendments, if withholding tax is due on dividends paid to any shareholder, the tax will be deducted from the dividend.

6-37. DISCONTINUED OPERATIONS

No businesses were discontinued during the year.

6-38. 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 ordinary 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:

	31/12/2007	31/12/2006	31/12/2005
Profit used to calculate basic earnings per share	416,451	606,585	226,544
Profit used to calculate diluted earnings per share	416,451	606,585	226,544
Number of ordinary shares at 31 December used to calculate basic earnings per share	46,502,301	43,075,952	43,063,788
Weighted average number of ordinary shares used to calculate basic earnings per share	45,645,547	43,068,717	43,034,466
Number of in-the-money stock options used to calculate diluted earnings per share	26,673	27,673	39,837
Diluted number of ordinary shares at 31 December	46,528,974	43,103,625	43,103,625
Diluted weighted average number of ordinary shares	45,672,220	43,096,390	43,074,303
Basic earnings per share based on the number of shares at 31 December	€8.96	€14.08	€5.26
Diluted earnings per share based on the number of shares at 31 December	€8.95	€14.07	€5.26
Basic earnings per share based on the weighted average number of shares	€9.12	€14.08	€5.26
Diluted earnings per share based on the weighted average number of shares	€9.12	€14.08	€5.26

There were no other transactions on ordinary shares or potential ordinary shares between the year-end and the date when these financial statements were drawn up.

6-39. DIVIDENDS

	31/12/2007		31/12/2006		31/12/2005	
	Total	Per share	Total	Per share	Total	Per share
Declared dividend for prior year	148,804	€3.20	90,434	€2.10	88,124	€2.05
Prior-year interim dividend	29,976	€0.70	30,019	€0.70	29,317	€0.70
Prior year dividend paid in current year	115,928	€2.50	60,018	€1.40	57,851	€1.35
TOTAL	**145,904**	**€3.20**	**90,037**	**€2.10**	**87,168**	**€2.05**

An interim dividend of €50,733 thousand, or €1.10 per share, was paid in November 2007.

6-40. OFF-BALANCE SHEET COMMITMENTS

All of the Group's off-balance sheet commitments at 31 December 2007 are detailed below.

Pledges and mortgages on Parholding sub-group companies.
50% stake in the Parholding Group held directly and indirectly by SFL.

Mortgages securing the loan set up on 29 December 2002

			Registered by Calyon			Registered by HSBC			
Company	Type of mortgage	Expiry date	Principal	Costs and incidental items	Total	Principal	Costs and incidental items	Total	Total value (SFL share)
PARGAL	"PPD" mortgage	29/12/2011	22,867	2,287	25,154	22,867	2,287	25,154	25,154
PARGAL	Standard mortgage	29/12/2011	133	13	146	133	13	146	146
Sub-total			**23,000**	**2,300**	**25,300**	**23,000**	**2,300**	**25,300**	**25,300**
PARCHAMPS	"PPD" mortgage	29/12/2011	4,955	495	5,450	4,955	495	5,450	5,450
PARCHAMPS	Standard mortgage	29/12/2011	5,045	505	5,550	5,045	505	5,550	5,550
Sub-total			**10,000**	**1,000**	**11,000**	**10,000**	**1,000**	**11,000**	**11,000**
PARCHAR	Standard mortgage	29/12/2011	2,500	250	2,750	2,500	250	2,750	2,750
Sub-total			**2,500**	**250**	**2,750**	**2,500**	**250**	**2,750**	**2,750**
PARHAUS	"PPD" mortgage	29/12/2011	10,671	1,067	11,739	10,671	1,067	11,739	11,739
PARHAUS	Standard mortgage	29/12/2011	329	33	361	329	33	361	361
Sub-total			**11,000**	**1,100**	**12,100**	**11,000**	**1,100**	**12,100**	**12,100**
PARSHERBES	"PPD" mortgage	29/12/2011	4,055	406	4,461	4,055	406	4,461	4,461
PARSHERBES	Standard mortgage	29/12/2011	1,945	194	2,139	1,945	194	2,139	2,139
Sub-total			**6,000**	**600**	**6,600**	**6,000**	**600**	**6,600**	**6,600**
TOTAL			**52,500**	**5,250**	**57,750**	**52,500**	**5,250**	**57,750**	**57,750**

Mortgages securing the loan set up on 30 June 2004

Company	Type of mortgage	Expiry date	Registered by	Principal	Costs and incidental items	Total	Total value (SFL share)
			CALYON	2,850	285	3,135	
PARHAUS	"PPD" mortgage	29/06/2010	HSBC	4,750	475	5,225	5,225
			CFF	1,900	190	2,090	

Mortgages securing the credit facility set up on 29 November 2005

Company	Type of mortgage	Expiry date	Registered by	Principal	Costs and incidental items	Total	Total value (SFL share)
			CALYON	13,500	1,350	14,850	
PARHAUS	Standard mortgage	29/12/2011	HSBC	22,500	2,250	24,750	24,750
			CFF	9,000	900	9,900	

Pledges on shares held by Parholding /Parhaus /Parchamps

Shareholder	Pledge	Expiry date	Pledges granted to Calyon HSBC – BPI	Total value (SFL share)
PARHOLDING	59,999 PARGAL shares	29/11/2009	9,120	4,560
PARCHAMPS	1 PARGAL share	29/11/2009	0	0
Sub-total			**9,120**	**4,560**
PARHOLDING	99,999 PARCHAMPS shares	29/11/2009	1,500	750
PARHAUS	1 PARCHAMPS share	29/11/2009	0	0
Sub-total			**1,500**	**750**
PARHOLDING	1,373 PARCHAR shares	29/11/2009	21	11
PARHAUS	1 PARCHAR share	29/11/2009	0	0
Sub-total			**21**	**11**
PARHOLDING	99,999 PARHAUS shares	29/11/2009	1,500	750
PARCHAMPS	1 PARHAUS share	29/11/2009	0	0
Sub-total			**1,500**	**750**
PARHOLDING	77,909 PARSHERBES shares	29/11/2009	1,169	585
PARHAUS	1 PARSHERBES share	29/11/2009	0	0
Sub-total			**1,169**	**585**

Mortgages on SNC Iéna 1 and SNC Iéna 2 (wholly-owned SFL subsidiaries)

			Registered by the ROYAL BANK OF SCOTLAND		
Company	Type of mortgage	Expiry date	Principal	Costs and incidental items	Total
SNC IÉNA 1	Standard mortgage	31/10/2014	17,403	1,740	19,143
SNC IÉNA 2	Standard mortgage	31/10/2014	7,751	775	8,526
TOTAL			**25,154**	**2,515**	**27,669**

Guarantees and other commitments

	Total	Within 1 year	1 to 5 years	Beyond 5 years
Commitments given				
Guarantee given to SOCIÉTÉ GÉNÉRALE on behalf of SAS Locaparis pursuant to Article 3-2 of the Act of 2 January 1970	2,115	2,115	–	–
Tax bonds related to tax disputes (SOCIÉTÉ GÉNÉRALE)	9,331	9,331	–	–
Property guarantee	319	80	239	–
Commitments received				
Guarantees received from tenants and suppliers	42,892	4,299	27,319	11,275
Syndicated revolving loan	26,000	–	26,000	–
BECM revolving loan	85,000	–	85,000	–
Deutsche Hypothekenbank revolving loan	50,000	–	50,000	–
Revolving loan (Parhaus, to cover renovation programmes)	762	–	762	–
Revolving loan (Parhaus, to cover VAT payments)	2,111	2,111	–	–

Stock option plans at 31 December 2007

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	27,673	3,000	65,000	
Number of options granted				273,000
Number of options exercised	1,000	0	30,000	0
Number of cancelled options				15,000
NUMBER OF OPTIONS OUTSTANDING	**26,673**	**3,000**	**35,000**	**258,000**

The 13 March 2007 stock options were valued at the grant date using the Black & Scholes option pricing model. The option value was calculated as €9.90 based on the following assumptions: a spot price of €62, an expected dividend yield of 4.50% and volatility of 20%.

Stock option expense recorded in 2007 in relation to options granted during the year amounted to €541 thousand.

Employee benefit obligations

Six employees are entitled to compensation in the event that their employment is terminated or there is a significant change in their responsibilities following a change in control of SFL. The aggregate compensation that would be payable to these employees amounts to €2,095 thousand.

The agreements concerning this compensation were approved by the Board on 9 February 2004, 25 July 2006 and 26 October 2006. No related provisions have been recorded in the financial statements.

Contractual renovation obligations

At 31 December 2007 the Group's contractual commitments relating to properties undergoing renovation totalled €53,145 thousand.

6-41. NOTE TO THE STATEMENT OF CASH FLOWS

	31/12/2007	31/12/2006	31/12/2005
Proceeds from disposals of subsidiaries, net of the cash sold:			
Sale price	52,444	36,072	–
Transaction costs	(956)	(850)	–
Cash sold	(869)	(973)	–
Taxes	–	(3,345)	–
Acquisitions of subsidiaries, net of the cash acquired:			
Purchase price	(47,856)	(1,975)	(21,415)
Cash acquired	5,255	–	1,694
Repayment of intragroup current account advances	–	(122,630)	–
Assets and liabilities acquired:			
Non-current assets	292,962	124,257	20,137
Current assets	24,737	517	1,699
Equity	(190,233)	(1,975)	(21,415)
Financial liabilities	(42,306)	–	–
Current liabilities	(85,160)	(122,799)	(420)
Proceeds from disposals of intangible assets and property and equipment:			
Sale price	–	184,902	125,390
Transaction costs	–	(2,147)	(497)
Capital gains tax	–	–	–
Cash and cash equivalents at end of period:			
Short-term investments	14,920	21,416	26,659
Cash at bank and in hand	1,025	2,137	2,272
Short-term bank loans and overdrafts	(26,391)	(20,383)	(8,240)

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.

Purchases and sales of treasury shares are included in cash flows from financing activities.

6-42. RELATED PARTY INFORMATION

The consolidated financial statements are based on the financial statements of all companies included in the scope of consolidation. Related party transactions in 2007 concern fully and proportionately consolidated companies and associates.

	Between fully consolidated companies	Between fully consolidated companies and proportionately consolidated companies	Between fully consolidated companies and associates	Between proportionately consolidated companies
Balance sheet				
Deposits and guarantees received	123			
Advances to subsidiaries and associates	19,084			
Trade receivables	6,985	313		
Current account advances (assets)	304,475	22,328		62,571
Other receivables				486
Deposits and guarantees paid	(123)			
Accrued dividends	(19,084)			
Trade payables	(6,985)	(313)		
Current account advances (liabilities)	(304,475)	(22,328)		(62,571)
Other liabilities				(486)
Profit and loss account:				
Service revenue	6,306	1,726	504	
Other income	723			
Interest on loans and receivables	13,644	1,530	542	5,561
Rent (operating leases)	(1,331)			
Fees	(4,977)	(1,726)	(504)	
Maintenance and repairs	2			
External personnel costs	(723)			
Interest on current accounts	(13,644)	(1,530)	(542)	(5,561)

Remuneration of the members of the Board of Directors and Management Committee

	31/12/2007	31/12/2006	31/12/2005
Short-term benefits, excluding payroll taxes (1)	4,466	3,045	2,741
Payroll taxes on short-term benefits	1,701	1,195	1,203
Post-employment benefits (2)			
Other long-term benefits (3)			
Share-based payments (4)		2,209	
TOTAL	**6,167**	**6,449**	**3,944**

(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 year.

(2) Service cost

(3) Other vested deferred remuneration.

(4) Cost recognised in the profit and loss account for stock options and employee rights issues.

Company Financial Statements

at 31 December 2007

A - Balance Sheet

Assets

(in euros)	31 December 2007 Gross	31 December 2007 Depreciation, amortisation and provisions	31 December 2007 Net	31 December 2006 Net
NON-CURRENT ASSETS				
Intangible assets				
Software	3,220,833	2,167,562	1,053,270	1,586,132
Lease premiums and goodwill	41,328,495		41,328,495	41,328,495
Other	350,511	50,628	299,883	306,893
Property and equipment				
Land	572,569,053		572,569,053	572,569,053
Buildings	758,593,126	70,060,689	688,532,437	707,375,259
Other	1,668,008	523,220	1,144,788	279,915
Assets under construction	140,888,743		140,888,743	117,519,399
Non-current financial assets (1)				
Shares in subsidiaries and affiliates	465,728,104		465,728,104	165,814,732
Advances to subsidiaries and affiliates	19,084,439		19,084,439	9,100,719
Loans	15,264,912		15,264,912	26,856,180
Other	318,760		318,760	283,075
Total I	**2,019,014,982**	**72,802,100**	**1,946,212,882**	**1,643,019,853**
CURRENT ASSETS				
Receivables				
Rental receivables	6,636,137	2,057,790	4,578,347	3,050,048
Other	326,585,040	449,837	326,135,203	331,418,518
Current financial assets				
Treasury shares	25,704,849	3,505,369	22,199,480	4,213,514
Other	661,094		661,094	
Cash	5,324		5,324	131,823
Prepaid expenses	6,222,461		6,222,461	5,373,224
Total II	**365,814,906**	**6,012,996**	**359,801,910**	**344,187,126**
Deferred charges (III)	**2,589,376**		**2,589,376**	**2,743,000**
Debt redemption premiums (IV)				
TOTAL ASSETS (I + II + III + IV)	**2,387,419,264**	**78,815,096**	**2,308,604,169**	**1,989,949,979**
(1) Of which, due within one year	19,084,439		19,084,439	9,358,881

Equity and liabilities

(in euros)	31 December 2007	31 December 2006
EQUITY		
Share capital	93,004,602	86,151,904
Share premium account	1,183,600,916	991,758,205
Revaluation reserve	21,438,656	22,028,712
Other reserves		
Legal reserve	8,615,190	8,612,758
Statutory reserve		
Untaxed reserves		
Revenue reserves	119,756,976	119,166,920
Retained earnings	16,554,912	74,959,908
Capital and reserves	**1,442,971,252**	**1,302,678,406**
Profit for the period	100,843,567	87,499,459
Interim dividend	(50,733,250)	(29,976,370)
Untaxed provisions	8,786,514	5,842,038
Total I	**1,501,868,084**	**1,366,043,533**
Provisions	1,554,193	14,633,348
Total II	**1,554,193**	**14,633,348**
LIABILITIES (1) (2)		
Bank borrowings	725,254,883	434,709,640
Other borrowings	51,194,477	140,850,966
Prepaid property rentals	920,228	–
Trade payables	9,215,299	12,661,164
Accrued taxes and payroll costs	7,815,938	12,239,900
Due to suppliers of property and equipment	8,290,236	4,967,318
Other liabilities	2,453,249	3,800,584
Deferred income	37,581	43,526
Total III	**805,181,892**	**609,273,098**
TOTAL EQUITY AND LIABILITIES (I + II + III)	**2,308,604,169**	**1,989,949,979**
(1) Of which, due beyond one year	740,086,125	433,078,691
(2) Of which, due within one year	65,095,767	176,194,407

B - Profit and Loss Account

(in euros)	31 December 2007	31 December 2006
Operating income		
Property rentals	123,792,281	118,355,228
Service revenue	87,163	115,102
Total revenue	**123,879,444**	**118,470,330**
Change in inventory	–	–
Own-work capitalised	–	–
Operating grants	–	–
Reversals of depreciation, amortisation and provisions	1,656,824	1,940,154
Other income	4,995,391	1,275,428
Expense transfers	22,151,639	21,234,504
Total I	**152,683,298**	**142,920,416**
Operating expense		
Other purchases and external charges	57,284,545	53,478,028
Taxes other than on income		
– Payroll-based taxes	649,916	768,838
– Other	6,469,152	6,611,917
Payroll costs		
– Wages and salaries	7,669,244	7,941,465
– Payroll taxes	3,149,109	3,927,593
Depreciation, amortisation and provision expense		
– Depreciation expense	26,038,654	27,318,786
– Impairment losses	1,936,742	381,023
– Provision expense	200,000	1,045,000
Other expenses	715,464	998,740
Total II	**104,112,828**	**102,471,390**
OPERATING PROFIT (I – II)	**48,570,470**	**40,449,026**

(in euros)	31 December 2007	31 December 2006
Financial income		
From investments in subsidiaries and affiliates	52,487,511	12,252,280
From other non-current financial assets	1,280,616	1,543,429
Other interest income	45,453,468	9,827,568
Reversals of financial provisions and financial expense transfers	16,422,105	8,204,237
Net gains from sales of current financial assets	117,390	273,059
Total III	**115,761,090**	**32,100,573**
Financial expenses		
Amortisation and financial provision expense		11,918,655
Interest expense	83,351,937	33,088,737
Net losses from sales of current financial assets		
Total IV	**83,351,937**	**45,007,392**
NET FINANCIAL INCOME (EXPENSE) (III – IV)	**32,409,153**	**(12,906,819)**
PROFIT BEFORE TAX AND OTHER INCOME AND EXPENSE (I – II + III – IV)	**80,979,624**	**27,542,207**
Other income		
From revenue transactions	855,632	739,513
From capital transactions	34,827,339	186,761,767
Reversals of provisions and expense transfers	315,500	949,802
Total V	**35,998,471**	**188,451,082**
Other expense		
On revenue transactions	1,087,553	3,034,419
On capital transactions	8,193,524	123,364,898
Amortisation and provision expense	6,449,845	3,175,240
Total VI	**15,730,922**	**129,574,557**
OTHER INCOME, NET (V – VI)	**20,267,549**	**58,876,525**
Employee profit sharing (IX)	**140,589**	**346,523**
Income tax expense (X)	**263,017**	**(1,427,250)**
Total income (I + III + V)	**304,442,859**	**363,472,071**
Total expenses (II + IV + VI + IX + X)	**203,599,292**	**275,972,612**
NET PROFIT	**100,843,567**	**87,499,459**

The financial statements have been prepared in accordance with French generally accepted accounting principles (GAAP).

C - Notes to the Financial Statements

I - Accounting policies

The financial statements have been prepared on a going concern basis, in accordance with the principles of prudence and separation of accounting periods.

The main accounting policies, which have been applied consistently from one year to the next, are as follows:

1. INTANGIBLE ASSETS

Intangible assets recognised in the balance sheet 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 deficit arising from the merger with SA DANDY NUANCES. This deficit has been tested for impairment and is regularly monitored by reference to the renovation work underway on the property at 92 Champs-Elysées, in accordance with Article 322-5 of standard CRC 99-03 (as amended by regulation 2002-10).

• Other intangible assets, corresponding to the cost of acquiring commercial user rights.

2. PROPERTY AND EQUIPMENT

2-1. Cost

The property portfolio was revalued in 2003, when the Company elected for SIIC status.

Eviction compensation paid to tenants of properties scheduled for large-scale renovation is considered as an integral part of the renovation cost and is therefore capitalized.

Capitalized renovation costs also include borrowing costs for the period until the property is put back on the rental market.

The cost of properties does not include transaction expenses (CRC 2004-06).

2-2. Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its useful life. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.

Properties were analysed by estimating the cost of rebuilding or replacing each part of the property, its degree of wear and tear and its useful life. These technical data were used by SFL to determine the proportion of each property's value represented by each component part. This ratio was then applied to the revaluations at 1 January 2005 that were used as deemed cost at the IFRS transition date.

The useful lives of the component parts of investment properties are as follows, except for certain specific cases which do not materially affect depreciation expense:

Shell	100 to 125 years
Roof and fencing	20 to 125 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

Depreciation is calculated by the straight-line method, based on:

• The useful lives of the component parts of the property. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its respective useful life.

• The cost of the asset less its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accelerated depreciation is calculated for tax purposes on the residual value, in accordance with the tax instruction issued in 2005.

The properties' carrying amounts are compared with their market values at quarterly intervals and an impairment loss is recognized if market value is less than the carrying amount. The valuation of the portfolio at 31 December 2007 was performed by CBRE, Jones Lang Lasalle and Atis Real.

3. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are stated at the lower of cost and fair value. The fair value of shares in subsidiaries and associates takes into account the market value of the investee's assets.

4. 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.

5. 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.

6. EXPENSE TRANSFERS

Expense transfers correspond to service charges billed to tenants and to various property taxes and deferred borrowing costs.

7. INTEREST RATE SWAPS

Accrued interest payable or receivable under interest rate swaps is recognised in the balance sheet.

8. OTHER FINANCIAL INCOME AND EXPENSE

Other financial income and expense correspond to income and expense from non-recurring transactions, such as property acquisition or disposal costs.

II - Significant events of the year

1. ASSET PURCHASES AND SALES

As part of its asset management strategy, the Company acquired Prédica's 50% stake in SCI PAUL CEZANNE, raising its interest to 100%.

Following the asset swap agreement signed with the Teachers Group on 1 October 2007, SFL sold its minority interests in the companies that own 30 floors of Tour Areva in La Défense in exchange for the remaining shares not already held in Iéna SAS, SNC IENA 1 and SNC IENA 2, owners of the property at 96 avenue d'Iéna, Paris 16.

2. FINANCING

Following Standard & Poor's decision to downgrade SFL's credit rating to BB+ in December 2006, the Company initiated the process for the early repayment of its €125 million US Private Placement Notes issue and the cancellation of the related hedges. The notes were redeemed on 6 March 2007.

At the same time, three new revolving credit facilities were set up:
• A €50 million five-year facility from BANCO SABADELL obtained on 23 January 2007. Interest on this facility corresponds to the 3-month Euribor plus a spread of 60 bps.
• A credit facility from BECM (BANQUE DE L'ECONOMIE DU COMMERCE ET DE LA MONETIQUE) for a maximum of €150 million, obtained on 4 May 2007 for an initial five-year term. Interest on this facility corresponds to the 1-month Euribor plus a spread of 40 bps. Under the facility agreement, SFL may extend the life of the facility by one or two years, provided that certain conditions are met. At 31 December 2007, €65 million of the available €150 million had been drawn down.
• An unsecured facility from DEUTSCHE HYPOTHEKENBANK for a maximum of €50 million, obtained on 23 October 2007 for an initial five-year term. Interest on this facility corresponds to the 1-month or 3-month Euribor plus a spread of 55 bps. Under the facility agreement, SFL may extend the life of the facility by five years, provided that certain conditions are met. At 31 December 2007 no drawdowns had been made under this facility.

3. CONSTRUCTION AND RENOVATION PROGRAMMES

The newly-renovated 5 rue Alfred de Vigny property was delivered in January 2007.

Renovation of the 6 avenue Velasquez property in Paris 8 was completed in June 2007.

On 26 October 2007 SFL signed an agreement with SEMAPA concerning the acquisition of construction rights for the 34,500 square metre "T8" project, a mixed used complex comprising offices, retail and residential units. NEXITY will be in charge of developing the property, under a contract from SFL, which is the investor for the entire project. Delivery is planned for early 2012.

The official permit to operate 247 rue Saint Honoré as a hotel has been granted and the renovation project is in the process of being finalised. This building will house the first Mandarin Oriental palace hotel in Paris which is due to open in late 2010.

III - Notes to the balance sheet and profit and loss account

A - NOTES TO THE BALANCE SHEET

Note A-1. Notes on assets

Non-current assets

Intangible assets and property and equipment	Cost at 1 January 2007	Transfers between accounts	Additions	Disposals	Cost at 31 December 2007
Intangible assets					
Software	3,162,452		75,922	17,541	3,220,833
Lease premiums	31,808,250				31,808,250
Goodwill	9,520,245				9,520,245
Other	350,511				350,511
Intangible assets in progress					
Total	**44,841,457**		**75,922**	**17,541**	**44,899,838**
Property and equipment					
Land	572,569,053				572,569,053
Buildings	384,610,205	19,819,978		191,462	404,238,721
Fixtures and fittings	368,751,784	(11,705,902)		2,691,477	354,354,405
Furniture and equipment	730,841	924,670	13,611	1,114	1,668,008
Assets under construction	117,519,399	(9,038,746)	32,408,090		140,888,742
Prepayments to suppliers of property and equipment					
Total	**1,444,181,282**		**32,421,701**	**2,884,054**	**1,473,718,929**
TOTAL COST	**1,489,022,740**		**32,497,623**	**2,901,595**	**1,518,618,767**

Amortisation and depreciation	Accumulated amortisation/ depreciation at 1 January 2007	Transfers between accounts	Increases	Decreases	Accumulated amortisation/ depreciation at 31 December 2007
Intangible assets					
Lease premiums	1,576,320		608,784	17,541	2,167,563
Goodwill					
Other	43,618		7,010		50,628
Total	**1,619,938**		**615,794**	**17,541**	**2,218,191**
Property and equipment					
Land					
Buildings	8,190,731		4,607,544	34,133	12,764,142
Fixtures and fittings	37,795,999		20,168,284	667,735	57,296,547
Furniture and equipment	450,927		73,408	1,114	523,220
Total	**46,437,656**		**24,849,236**	**702,983**	**70,583,909**
TOTAL AMORTISATION/DEPRECIATION	**48,057,594**		**25,465,030**	**720,524**	**72,802,100**

The carrying amount of intangible assets and property and equipment increased to €1,445,817 thousand at 31 December 2007 from €1,440,965 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.

Non-current financial assets	Cost at 1 January 2007	Transfers between accounts	Additions	Disposals	Cost at 31 December 2007
Shares in subsidiaries and affiliates (1)	165,814,732		304,733,060	4,819,689	465,728,104
Advances to subsidiaries and affiliates	9,100,719		19,084,430	9,100,711	19,084,439
Loans	26,856,180			11,591,268	15,264,912
Deposits	283,075		50,388	14,703	318,760
Other					
TOTAL	**202,054,706**		**323,867,878**	**25,526,370**	**500,396,215**

(1) At the end of the first quarter, SFL acquired Prédica's 50% interest in SCI PAUL CEZANNE, raising its interest to 100%.
In October 2007, SFL and TIAA-CREF wound up their partnership through an asset swap whereby SFL acquired 100% of the subsidiaries that own the property at 96 avenue d'Iéna, Paris 16, which were previously 25%-owned, in exchange for its 15% stake in the companies that own 30 floors of Tour Areva in La Défense.

Current financial assets

Current financial assets	Cost	Provisions	Carrying amount	Market value	Unrealised gain or loss
Dresdner Rothschild FCP mutual fund	661,094		661,094	664,826	3,732
SFL shares held for allocation upon exercise of stock options granted prior to 2006	1,150,064		1,150,064	1,933,440	783,376
SFL shares held for allocation upon exercise of stock options granted in 2007	16,150,800	3,023,760	13,127,040	13,127,040	(3,023,760)
SFL shares held for allocation under future stock option plans	6,413,759	481,609	5,932,150	5,932,150	(481,609)
SFL shares held for future stock-for-stock acquisitions	704,866		704,866	1,184,639	479,773
SFL shares held under the liquidity contract (1)	1,285,361		1,285,361	1,307,616	22,255
TOTAL	**25,704,849**	**3,505,369**	**22,199,480**	**23,484,885**	**(2,219,964)**

	31 December 2006	Additions	Disposals	31 December 2007
Change in the number of shares held in treasury during the period	**130,067**	**418,281**	**86,774**	**461,574**

(1) In September 2007, SFL terminated the liquidity contract with SG Securities SAS and replaced with a contract with ROTHSCHILD & CIE BANQUE.

Subsidiaries and affiliates

Company	Share capital	Reserves	% interest	Carrying amount of the investment Cost	Net	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
A - Investments representing more than 1% of SFL's share capital:											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	105,244,563	100.00%	291,847,234	291,847,234	–	–	15,615,736	10,463,674	–	–
SAS IENA	4,825,160	139,801	100.00%	49,015,056	49,015,056	20,010	–	–	950,644	651,397	–
SCI 5 DE VIGNY	1,926,448	5,691	100.00%	20,111,069	20,111,069	7,729,085	–	407,602	(861,863)	–	–
SEGPIM SA	1,292,500	1,689,484	100.00%	2,987,373	2,987,373	–	–	–	2,242,007	1,157,725	–
SCI 103 GRENELLE	150	(4,550,747)	100.00%	1,169,740	1,169,740	150,756,767	–	99,806	(1,092,089)	–	–
SCI WASHINGTON	94,872,000	1,232,295	66.00%	79,788,878	79,788,878	110,219,830	–	25,365,570	13,074,540	–	–
2 - Affiliates (10-50%-owned)											
SAS PARHOLDING	15,000,000	5,129,307	50.00%	18,400,300	18,400,300	20,812,911	–	–	12,465,290	26,890,540	–
B- Aggregate information about investments not listed in A:											
1 - Subsidiaries (at least 50%-owned)				121,500	121,500	–	–	–	–	–	–
2 - Affiliates (less than 50%-owned)				2,286,735	2,286,735	–	–	–	–	–	–

Note A-2. Notes on equity and liabilities

Changes in equity

A. Equity at 31 December 2006 before appropriation of profit	**1,366,043,533**
B. Appropriation of profit decided at the Annual General Meeting	
Transfer to the legal reserve	2,433
C. Dividend decided by the Annual General Meeting	(115,928,085)
Interim dividend decided by the Board of Directors	**(50,733,250)**
D. Movements for the year	
Shares issues – par value of shares (1)	6,852,698
Shares issues – premium (1)	191,845,144
Increase in revenue reserve (2)	590,056
Decrease in revaluation reserve (2)	(590,056)
Transfer from share premium account	(2,433)
Increase in untaxed provisions (3)	2,944,476
Profit for the period	100,843,567
E. Equity at 31 December 2007	**1,501,868,084**
F. Change in equity during the year	**(135,824,551)**

(1) At 31 December 2007, the Company's share comprised 46,502,301 ordinary shares with a par value of €2. The number of voting rights at that date was 46,040,727. During the year, share capital was increased by €6,850,698 through the issue of 3,426,349 ordinary shares with a par value of €2 each. The corresponding premium totalled €191,845,144.

(1) Characteristics of stock option plans:
– Number of options exercised during the year: 31,000
– Number of options outstanding: 322,673
– Plans set up in 1997, 1999, 2000, 2002, 2003, 2006 and 2007.

(2) The 2003 revaluation difference on investments sold during the year was transferred to the revenue reserve, for an amount of €590,056.

(3) The increase in untaxed provisions corresponds to excess tax depreciation for the year, in the amount of €2,944,476.

Note A-3. Notes on items affecting both assets and liabilities

Provisions

Provisions	1 January 2007	Increases	Decreases*	31 December 2007
Untaxed provisions				
Excess tax depreciation	5,842,038	2,944,476		8,786,514
Total	**5,842,038**	**2,944,476**		**8,786,514**
Provisions for contingencies and charges				
– Provisions for losses on SFL share grants	257,690		115,500	142,190
– Provisions for non-recoverable expense write-offs	202,003			202,003
– Provisions for property-related contingencies		200,000		200,000
– Provisions for employee-related risks	1,255,000		1,045,000	210,000
– Provisions for tax risks	1,000,000		200,000	800,000
– Provision for US Private Placement Notes early redemption costs (1)	11,918,655		11,918,655	
Total	**14,633,348**	**200,000**	**13,279,155**	**1,554,193**
Provisions for impairment				
– Non-current financial assets				
– Trade receivables	1,182,709	1,486,905	611,824	2,057,790
– Other receivables		449,837		449,837
– Treasury shares (2)		3,505,369		3,505,369
Total	**1,182,709**	**5,442,111**	**611,824**	**6,012,996**
TOTAL PROVISIONS	**21,658,095**	**8,586,587**	**13,890,979**	**16,353,702**

** All decreases correspond to provisions reversed to offset the related costs.*

(1)) Following Standard & Poor's decision to downgrade SFL's rating to BB+, in 2006 the Company offered to redeem its US Private Placement Notes issue, as provided for in the loan agreement. The notes were redeemed on 6 March 2007, leading to the reversal of the provision of €11,918,655 set aside in 2006.

(2) The €3,505,369 provision for impairment of treasury shares is based on the average SFL share price for December 2007 (€50.88).

Receivables and liabilities

RECEIVABLES	Total	Accrued income	Due within one year	Due in two to five years	Due beyond five years
Non-current assets					
Advances to subsidiaries and affiliates	19,084,439		19,084,439		
Other long-term investmentss					
Loans	15,264,912			15,244,902	20,010
Deposits	318,760				318,760
Other non-current financial assets					
Current assets					
Amounts receivable from tenants and trade receivables	6,636,137	2,561,180	6,636,137		
Employee advances	12,368		12,368		
Prepaid and recoverable taxes	2,987,075		2,987,075		
Current account advances	321,787,956		10,479,625	311,308,331	
Miscellaneous receivables	1,797,641		1,797,641		
Prepaid expenses	6,222,461		6,222,461		
TOTAL RECEIVABLES	**374,111,749**	**2,561,180**	**47,219,746**	**326,553,233**	**338,770**

LIABILITIES	Total	Accrued expenses	Due within one year	Due in two to five years	Due beyond five years
Long and short-term debt					
Convertible bonds					
Bank borrowings	725,254,883		36,254,883	689,000,000	
Other borrowings	861,863		861,863		
Tenant deposits	9,113,632			9,113,632	
Payables					
Prepaid property rentals	920,228		920,228		
Trade payables	9,215,299	4,448,006	9,215,299		
Accrued employee benefits expense	4,625,411	3,947,837	4,625,411		
Accrued taxes	3,190,527	118,617	1,909,354	1,281,173	
Due to suppliers of property	8,290,236	6,940,299	8,290,236		
Current account advances	41,218,982		527,662	40,691,320	
Other liabilities	2,453,249	196,239	2,453,249		
Deferred income	37,581		37,581		
TOTAL LIABILITIES	**805,181,892**	**15,650,998**	**65,095,767**	**740,086,125**	**–**

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

LONG AND SHORT-TERM DEBT	2006	2007	Year-on-year change
US Private Placement Notes	100,000		(100,000)
US Private Placement Notes	25,000		(25,000)
Syndicated loan	416,000	574,000	158,000
Sabadell loan		50,000	50,000
BCEM loan		65,000	65,000
Lease liabilities	250,907	222,198	(28,709)
Bank overdrafts	20,345	34,118	13,773
TOTAL	**812,252**	**945,316**	**133,064**

The US Private Placement Notes issues were originally for a total of €125 million.

The utilised portion of the syndicated loan was €416 thousand.

B - NOTES TO THE PROFIT AND LOSS ACCOUNT

Note B-1. Net revenue

	2007	2006
Property rentals – residential	1,213,986	1,987,907
Property rentals – retail	15,208,941	14,632,117
Property rentals – small business premises	742,367	1,217,799
Property rentals – parking garages	2,799,429	3,160,511
Property rentals – offices	99,459,919	90,469,901
Property rentals – other	65,200	61,937
Property management fees	791,508	818,532
Penalties for failure to vacate premises on the lease termination date	(660,417)	1,684,698
Lease termination penalties	4,984	846,000
Les Citadines revenue	3,525,937	3,094,777
Fees	726,104	486,316
Other revenues	1,485	9,835
TOTAL	**123,879,444**	**118,470,330**

Note B-2. Payroll costs

	2007			2006
	Building staff	Administrative staff	Total	Total
Wages and salaries				
Wages and salaries	104,045	7,565,199	7,669,244	7,941,466
Allowances				
Total	**104,045**	**7,565,199**	**7,669,244**	**7,941,466**
Payroll taxes and other employee benefits expenses				
Social security taxes	47,611	2,513,637	2,561,248	3,389,096
Other employee benefits expenses	10,698	577,164	587,861	538,497
Total	**58,309**	**3,090,801**	**3,149,109**	**3,927,593**
TOTAL	**162,354**	**10,656,000**	**10,818,354**	**11,869,059**

Note B-3. Number of employees at 31 December 2007

	2007	2006
Concierges	4	4
Administrative employees	9	9
Supervisors	18	16
Managers	44	47
Officers	1	1
TOTAL	**76**	**77**

Note B-4. Management remuneration and benefits

	2007	2006
Remuneration paid to the members of the supervisory and administrative bodies and management	4,035,854	4,132,943

Note B-5. Net financial income (expense)

	2007	2006
Income from subsidiaries and affiliates		
Revenue from SCI Paul Cézanne	8,708,871	1,715,607
Dividends from SAS Parholding	26,890,540	1,555,456
Dividends from SA Segpim	1,157,725	1,363,970
Revenue from SCI Washington Plaza	8,620,756	7,609,566
Revenue from SCI Courcellor I		7,672
Revenue from SNC Amarante		(891,138)
Revenue from SCI 5 Alfred de Vigny	(861,863)	(177,251)
Revenue from SCI SB3	585	(585)
Revenue from SCI 103 Grenelle	4,428,034	
Dividends from SAS Iéna	651,397	
Dividends from SAS La Défense	274,800	
Total	**49,870,845**	**11,183,298**
Income from short-term investments:		
Current financial assets	117,390	273,059
Total	**117,390**	**273,059**
Interest and other financial income and expenses		
Interest income from current account advances to subsidiaries	15,642,148	9,399,541
Interest income from the SCI Champvernier loan	738,629	552,128
Interest income from the Teachers loan	541,987	991,301
Reversal of provision for impairment of non-current financial assets		6,505,052
Capitalized interest expense	4,503,450	1,699,184
Other financial income, net	14,114	17,472
Reversal of provision for US Private Placement Notes early redemption costs	11,918,655	(11,918,655)
Interest expense from swaps	(7,853,954)	
Interest income (expense) from swaps	393,653	(11,041,445)
Interest expense from bank borrowings	(27,870,533)	(19,972,188)
Interest expense from current account advances to subsidiaries	(1,687,052)	(5,724)
Exchange gains and losses	54	(10,811)
Interest expense from bank overdrafts	(1,147,015)	(134,895)
Bank fees related to borrowings	(456,603)	(444,138)
US Private Placement Notes early redemption costs	(12,222,399)	
Other financial expense	(94,215)	
Total	**(17,579,081)**	**(24,363,177)**
NET FINANCIAL INCOME (EXPENSE)	**32,409,154**	**(12,906,819)**

Note B-6. Other income and expense

	2007	2006
Total capital gains on disposals of properties (including transaction costs)		72,714,669
Total capital gains on disposals of securities	29,327,333	(6,272,042)
Net gains on sales of treasury shares	343,726	(361,737)
Income tax rebates received	220,260	
Tax fines and penalties	(66,402)	
Scrapped property and equipment	(2,181,071)	
Property and business acquisition transaction costs	(512,447)	(1,590,606)
Miscellaneous project costs	(546,101)	(1,441,401)
Gains and losses on adjustments of prior period outstandings, net	59,757	(633,598)
Gains and losses on prior period tax adjustments, net	(137,350)	189,131
Gains and losses on other prior period adjustments, net	(105,810)	229,745
Other income for the period		31,817
Net losses on sales of other shares		(1,093,415)
Adjustments of prior period technical fees, net		(111,776)
Adjustments of prior period co-ownership and building manager accounts, net		(163,474)
Costs related to the dispute with the VVH tenants' association		(187,333)
Costs related to the settlement of the Marbeuf parking garage dispute		(208,017)
Provision for impairment of treasury shares held for allocation upon exercise of stock options	(3,505,369)	
Excess tax depreciation for the year	(2,944,476)	(3,175,240)
Reversals of provisions for losses on SFL share grants	115,500	161,200
Reversals of provisions for employee-related and tax risks	200,000	100,000
Reversal of the provision for costs related to the dispute with the VVH tenants' association		187,000
Reversals of excess tax depreciation on sold properties		501,602
TOTAL OTHER INCOME AND EXPENSE, NET	**20,267,549**	**58,876,525**

Note B-7. Income tax expense

	2007
Unrecoverable income tax instalments	37,500
2002 income tax adjustment	224,058
15% tax on long-term capital gains on sales of securities	1,459
TOTAL	**263,017**

C - NOTE ON ITEMS AFFECTING BOTH THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Note C-1. Related party transactions

	2007	2006
Non-current financial assets	463,441,154	163,521,787
Advances to subsidiaries and affiliates	19,084,430	9,100,711
Loans and other non-current financial assets	20,010	11,611,278
Amounts receivable from tenants	–	–
Other receivables	303,236,760	321,313,350
Tenant deposits	123,336	123,336
Trade payables	5,422,717	6,453,793
Liabilities related to advances to subsidiaries and affiliates	861,863	976,891
Other liabilities	22,667,785	4,370,088
Other purchases and external charges	685,855	459,466
Property management fees	3,571,659	4,562,937
Interest expense on liabilities related to advances to subsidiaries and affiliates	2,616,666	8,256,200
Financial expenses related to investments in subsidiaries and affiliates	612,655	127,832
Dividend income from subsidiaries and affiliates	15,109,737	10,449,230
Interest income on advances to subsidiaries and affiliates	52,487,511	12,252,272
Revenue	1,416,845	1,289,034

Note C-2. Prepaid expenses

Prepaid operating expenses amount to €6,222,461, corresponding mainly to services to be delivered after the year-end. They include finance lease payments of €4,890,692.

Note C-3. Deferred charges

	Total	Accumulated amortisation at 1 January 2007	Amortisation for the year	Accumulated amortisation at 31 December 2007	Net
Arjil fee on €125 million loan Amortised over the life of the loan: 114 months	1,500,000	640,419	157,896	798,315	701,685
Syndicated line of credit commitment fee Amortised over the life of the loan: 84 months	2,598,624	715,204	371,393	1,086,597	1,512,027
BECM line of credit commitment fee Amortised over the life of the loan: 5 years	300,000		39,737	39,737	260,263
Deutsche Hypothekenbank line of credit commitment fee Amortised over the life of the loan: 5 years	120,000		4,598	4,598	115,402
TOTAL	**4,098,624**	**1,355,623**	**573,624**	**1,929,247**	**2,589,377**

D - UNRECOGNISED DEFERRED TAXES

Information about unrecognised deferred taxes is not relevant due to the Company's tax-exempt status under the SIIC regime.

E - FINANCE LEASES

Note E-1. Properties under finance leases

	2007				2006
	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	4,462,194	17,005,325	164,088,675	164,088,675
Other	39,000	9,750	21,775	17,225	17,225
TOTAL	**329,301,000**	**4,471,944**	**17,027,100**	**312,273,900**	**312,273,900**

Note E-2. Future minimum lease payments

Under the new rules governing property leases applicable since 1 January 1996, the portion of the principal corresponding to the land can be depreciated at the end of the lease period or included in the residual value. SFL has chosen to apply this option.

	Lease payments		Future minimum lease payments due			Residual
	For the year	Cumulative	Within 1 year	In 1 to 5 years	Beyond 5 years	value
Land/Buildings (1)	12,908,276	65,048,297	13,477,115	56,467,675	5,858,763	107,505,858
Other	9,828	34,320				390
TOTAL	**12,918,104**	**65,082,617**	**13,477,115**	**56,467,675**	**5,858,763**	**107,506,248**

(1) The values shown correspond to the portion of lease payments corresponding to the repayment of the principal.

F - OFF-BALANCE SHEET COMMITMENTS

(in € thousands)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Commitments given				
Tax bonds given in connection with tax reassessments (SG)	9,331	9,331		
Property guarantees	319	80	239	
Commitments received				
Guarantees received from tenants and suppliers	22,806	1,689	14,632	6,485
Syndicated revolving line of credit	26,000		26,000	
BECM revolving line of credit	85,000		85,000	
Deutsche Hypothekenbank revolving line of credit	50,000		50,000	
TOTAL	**193,456**	**11,100**	**175,871**	**6,485**

Financing

Following Standard & Poor's decision to downgrade SFL's credit rating to BB+ in December 2006, the Company initiated the process for the early repayment of its €125 million US Private Placement Notes issue and the cancellation of the related hedges. The notes were redeemed on 6 March 2007.

At the same time, three new revolving credit facilities were set up:
• A €50 million five-year facility from BANCO SABADELL obtained on 23 January 2007. Interest on this facility corresponds to the 3-month Euribor plus a spread of 60 bps.
• A credit facility from BECM (BANQUE DE L'ECONOMIE DU COMMERCE ET DE LA MONÉTIQUE) for a maximum of €150 million, obtained on 4 May 2007 for an initial five-year term. Interest on this facility corresponds to the 1-month Euribor plus a spread of 40 bps. Under the facility agreement, SFL may extend the life of the facility by one or two years, provided that certain conditions are met. At 31 December 2007, €65 million of the available €150 million had been drawn down.
• An unsecured facility from DEUTSCHE HYPOTHEKENBANK for a maximum of €50 million, obtained on 23 October 2007 for an initial five-year term. Interest on this facility corresponds to the 1-month or 3-month Euribor plus a spread of 55 bps. Under the facility agreement, SFL may extend the life of the facility by five years, provided that certain conditions are met. At 31 December 2007, no drawdowns had been made under this facility.

Hedges

The hedging portfolio comprises the following three contracts:

General hedge of floating rate debt.

• Counterparty: JP MORGAN. Description: cash flow hedge. Following the restructuring carried out on 3 January 2005, the hedge is on a notional amount of €400 million and expires on 3 January 2014. SFL pays the 12-month Euribor +141.5 bps, with a CAP at 508.5 bps and a FLOOR of 200 bps. The hedge enhances the protection provided by the cross-currency swap by breaking the link with US interest rates. JP MORGAN and SFL both have the right to terminate the contract on 3 January 2010. If this right is exercised, the terminating party will be required to pay to the other party an amount equal to the replacement cost of the instrument.

At 31 December 2007, the contract had a negative fair value of €27,411 thousand. It represents a macro-hedging transaction that has as its underlying several clearly identified balance sheet items whose value is at least equal to the notional amount of the restructured hedging instrument.

• Counterparty: CALYON. Description: cash flow hedge. 5-year swap set up on 23 May 2006 setting the interest rate on an identified balance sheet item at 3.7850%. At 31 December 2007, the contract had a positive fair value of €1,879 thousand.

• Counterparty: NATIXIS. Description: cash flow hedge. 3-year swap set up on 31 December 2007 setting the interest rate on an identified balance sheet item at 4.4325%. At 31 December 2007, the contract had a negative fair value of €308 thousand.

H - CONSOLIDATION

SOCIÉTÉ FONCIÈRE LYONNAISE is included in the consolidated financial statements of its main shareholder, COLONIAL.

Auditors' reports

Year ended 31 December 2007

Auditors' report on the consolidated financial statements

Year ended 31 December 2007

To the shareholders,

In compliance with the assignment entrusted to us by the Annual General Meeting, we have examined the accompanying consolidated financial statements of SOCIÉTÉ FONCIÈRE LYONNAISE for the year ended 31 December 2007.

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 from 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 significant estimates made by management, as well as 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.

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 explained in Note 2-2 to the consolidated financial statements ("Investment properties"), all of the Company's property assets have been valued by qualified independent valuers. We reviewed the valuation methods used, assessed the consistency of the underlying assumptions and obtained assurance that the fair value of the Company's property assets had been determined based on the independent valuations.

Note 2-17 ("Derivative financial instruments") and Note 6-33 ("Financial instruments") 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 Company. We obtained assurance that these accounting policies and the disclosures made in Notes 2-17 and 6-33 to the consolidated financial statements 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 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, 7 April 2008

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Catherine THURET	Laure SILVESTRE-SIAZ

Auditors' report on the Company financial statements

Year ended 31 December 2007

To the shareholders,

In compliance with the assignment entrusted to us by the Annual General Meeting, we hereby present our report on the financial statements of SOCIÉTÉ FONCIÈRE LYONNAISE (SFL) for the year ended 31 December 2007, the justification of our assessments and specific verifications and information prescribed 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 from 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 significant estimates made by management, as well as evaluating the overall financial statement presentation.

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.

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 explained in Note 1-2 to the financial statements ("Property and equipment") all of the Company's property assets have been valued by qualified independent valuers. To assess the need to recognize any impairment losses, we verified that the policies described in the notes to the financial statements had been properly applied and compared the independent valuations with the assets' carrying amounts.

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 information sent to shareholders on the Company's financial position and financial statements.

• The fair presentation of the information given in the management report relative to the remuneration and benefits paid to officers of the Company and the commitments made by the Company relative to when they assume or leave office, or to the period after they have left office.

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, 7 April 2008

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Catherine THURET	Laure SILVESTRE-SIAZ

Auditors' report on the report of the Chairman of the Board of Directors

Year ended 31 December 2007

Auditors' report prepared in application of Article L. 225-235 of the French Commercial Code on the report of the Chairman of the Board of Directors of SFL on internal controls over the preparation and processing of accounting and financial information

To the shareholders,

In our capacity as Auditors of SOCIÉTÉ FONCIÈRE LYONNAISE (SFL) and in application of Article L. 225-235 of the French Commercial Code, we present below our report on the report prepared by the Chairman of SFL in application of Article L. 225-37 of the French Commercial Code *(Code de Commerce)* for the year ended 31 December 2007.

In his report, the Chairman of the Board of Directors is required to comment on the conditions applicable for the preparation and organization of the work carried out by the Board of Directors and the internal control procedures implemented within the Company. Our responsibility is to report to shareholders our comments on the information contained in the Chairman's report on internal controls over the preparation and processing of accounting and financial information.

We conducted our work in accordance with the professional guidelines applicable in France. Those guidelines require that we perform procedures to assess the fairness of the information contained in the Chairman's report on internal controls over the preparation and processing of accounting and financial information. These procedures included:

- Reviewing the internal control procedures related to the preparation and processing of accounting and financial information underpinning the information given in the Chairman's report and reviewing existing documentation.
- Reviewing the work leading to the preparation of the information in the Chairman's report.
- Identifying any major weaknesses in internal controls related to the preparation and processing of accounting and financial information and determining whether any such weaknesses were appropriately disclosed in the Chairman's report.

Based on our procedures, we have no matters to report concerning the information about the Company's internal controls over 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.

Neuilly-sur-Seine, 7 April 2008

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Catherine THURET	Laure SILVESTRE-SIAZ

Auditors' report on related party agreements

Year ended 31 December 2007

To the shareholders,

In our capacity as Auditors of SOCIÉTÉ FONCIÈRE LYONNAISE (SLF), we hereby present our report on related party agreements.

Agreements entered into in 2007

In accordance with Article L. 225-40 of the French Commercial Code *(Code de Commerce)*, we were advised of agreements entered into during the year that were approved in advance by the Board of Directors.

Our responsibility does not include identifying any undisclosed agreements. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements that have been disclosed to us, without commenting on their relevance or substance. According to Article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We conducted our review in accordance with the professional standards generally accepted in France. Those standards require that we carry out the necessary procedures to verify the consistency of the information disclosed to us with the source documents.

Memorandum of understanding concerning the acquisition of Prédica's 50% interest in SCI Paul Cézanne

Corporate officer concerned: Jean-Jacques Duchamp, director of SFL and Prédica's representative on the Board of Directors of SFL.

The memorandum of understanding provided for the sale of Prédica's 50% interest in SCI Paul Cézanne to SFL in exchange for SFL shares to be sold immediately by Prédica to outside investors.

On 21 March 2007, SFL acquired Prédica's entire stake in SCI Paul Cézanne, representing 284,672 shares valued at €198,670 thousand, or €6,947.89 per share.

In payment for these shares, SFL issued 3,425,349 shares to Prédica at a price of €58 per share.

Agreements entered into in prior years which remained in force in 2007

In application of the Commercial Code, we were advised of the following agreements approved in prior years, which remained in force in 2007.

Agreements with Yves Mansion

Corporate officer concerned: Yves Mansion, Chief Executive Officer

• Agreement cancelling the vesting conditions applicable to the outstanding stock options granted to Yves Mansion, which became exercisable at any time, even if he were to leave the Group, regardless of the reasons for or circumstances of his departure.

• Agreement providing for Yves Mansion 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 could be extended at the end of the one-year period, by mutual agreement between Yves Mansion and the Company (represented by its Chairman). The annual consulting fee payable to Yves Mansion would be €200,000.
This agreement was not extended and is no longer applicable.

Agreements with Alec Emmott

Corporate officer concerned: Alec Emmott, Managing Director of SFL until 9 May 2007.

• Agreement cancelling the vesting conditions applicable to the outstanding stock options granted to Alec Emmott, which became exercisable at any time, even if he were to leave the Group, regardless of the reasons for or circumstances of his departure.

• 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 could extended at the end of the one-year period, by mutual agreement between Alec Emmott and the Company (represented by its Chairman). The annual consulting fee payable to Alec Emmott would be €100,000. In accordance with the agreement, a €25,000 consulting fee, excluding tax, was paid to Alec Emmott on 1 October 2007 in respect of the fourth quarter of 2007.

• Agreement providing for the payment to Alec Emmott of compensation for loss of office of €800,000 in the case of termination of his appointment as Managing Director by decision of the Board or of a material change in SFL's ownership structure (following a take-over bid or merger or otherwise) that significantly altered the substance of his responsibilities, making it difficult for him to continue his activities and exercise his normal prerogatives. Compensation of €800,000 was paid to Alec Emmott on 25 May 2007.

Agreement with Locaparis

Corporate officers concerned: Alec Emmott, Managing Director of SFL and Chairman of Locaparis until 9 May 2007; Philippe Depoux, Chief Operating Officer of SFL and Chairman of Locaparis since 9 May 2007.

• €2,115,000 counter guarantee given by SFL, 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. This agreement was renewed at the Board meeting of 8 February 2007.

Neuilly-sur-Seine, 7 April 2008

The Statutory Auditors

PricewaterhouseCoopers Audit

Catherine THURET

Deloitte & Associés

Laure SILVESTRE-SIAZ

Auditors' report on related party agreements

1 January 2008 to 25 April 2008

To the shareholders,

In our capacity as Auditors of SOCIÉTÉ FONCIÈRE LYONNAISE (SLF), we hereby present our report on related party agreements authorised during the period between 1 January 2008 and 25 April 2008.

In accordance with Article L. 225-40 of the French Commercial Code *(Code de Commerce)*, we were advised of agreements entered into during the period that were approved in advance by the Board of Directors.

Our responsibility does not include identifying any undisclosed agreements. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements that have been disclosed to us, without commenting on their relevance or substance.

According to Article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We conducted our review in accordance with the professional standards generally accepted in France. Those standards require that we carry out the necessary procedures to verify the consistency of the information disclosed to us with the source documents.

Agreement with Yves Mansion

Corporate officer concerned: Yves Mansion, Chief Executive Officer

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

It will be equal to twice the total gross annual remuneration paid to him in his capacity as Chief Executive Officer – including any and all bonuses and benefits in kind – for the calendar year that precedes the direct or indirect change in ownership structure.

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

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

Agreements with Philippe Depoux

Corporate officer concerned: Philippe Depoux, Chief Operating Officer

Compensation for loss of office

Although he does not currently receive any remuneration in his capacity as an officer of the Group *("Directeur général délégué")*, the same protection has been offered to Philippe Depoux as that given to Yves Mansion, in the event that he is remunerated in the future.

Subject to the same time limit for claiming the compensation and the same performance criterion as for Yves Mansion, Philippe Depoux will be paid compensation for loss of office equal to twice the total gross annual remuneration paid to him in his capacity as officer of the Group – including any and all bonuses and benefits in kind – for the calendar year that precedes the direct or indirect change in ownership structure.

Amendment to Philippe Depoux's employment contract

At its meeting on 9 February 2004, the Board of Directors decided to insert specific clauses in the employment contracts of the executives who were members of the Company's Management Committee.

The clause was updated in 2006 to provide 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 its controlling shareholder. The amount of said compensation was set at double the individual's annual remuneration for 2006, expressed in euros. As a member of the Management Committee, Philippe Depoux is covered by this clause.

To adjust these amounts – as from the next significant direct or indirect change in the composition of the group of reference shareholders of the Company or its controlling shareholder – the Board approved (i) a proposal to set the gross compensation at double the total remuneration payable to the executives concerned for the calendar year preceding the significant direct or indirect change in the composition of the group of reference shareholders of the Company or its controlling shareholder; (ii) a proposal to reduce the period during which beneficiaries may claim compensation for loss of office from two years to eighteen months.

Neuilly-sur-Seine, 25 April 2008

The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Catherine THURET	Laure SILVESTRE-SIAZ

Additional information

A - Persons Responsible for the Registration Document and the Audit of the Accounts

A-1. Statement by the person responsible for the Registration Document

NAME AND POSITION

Yves MANSION, 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."

A-2. Persons responsible for the audit of the accounts

STATUTORY AUDITORS AND SUBSTITUTE AUDITORS

	First appointed	Term renewed on	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 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 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	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	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 2007

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%	
	2007	2006	2007	2006	2007	2006	2007	2006
Statutory and contractual audits								
Issuer	215,375	203,125	75%	76%	225,875	203,125	100%	100%
Fully consolidated subsidiaries	99,645	63,720	25%	24%				0%
Audit-related services								
Issuer	–	–	–	–	28,000	–	–	–
Fully consolidated subsidiaries	–	–	–	–	–	–	–	–
Sub-total	**315,020**	**266,845**	**100%**	**100%**	**253,875**	**203,125**	**100%**	**100%**
Other services								
Legal and tax advice	–	–	–	–	–	–	–	–
Other								
Sub-total	–	–	–	–	–	–	–	–
TOTAL	**315,020**	**266,845**	**100%**	**100%**	**253,875**	**203,125**	**100%**	**100%**

B - Additional Legal Information

Corporate name and registered office

Corporate name: SOCIETE FONCIERE 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 long or short lease, any and all real property located in France, the French overseas territories or abroad; 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: 702C.

Financial year

1 January to 31 December.

C - Additional Information about the Company's Capital and Share Ownership

C-1. Extracts from the Articles of Association concerning the Company's capital and share ownership

CHANGES IN CAPITAL (ARTICLES 6, 7 AND 8 OF THE ARTICLES OF ASSOCIATION)

The Company's capital may be increased on one or more occasions by any method provided for by law. Such capital increases may be carried out by the issue of ordinary or preference shares, by raising the par value of existing shares, or through the exercise of rights attached to securities carrying rights to shares, on the basis defined by law.

Shareholders in General Meeting may resolve to reduce the Company's capital either by reducing the par value of the shares or reducing the number of shares in issue.

Where shareholders in General Meeting resolve to reduce the Company's capital for any reason other than to absorb losses, the Board of Directors may be authorised to purchase a fixed number of shares to be subsequently cancelled in accordance with the applicable law.

Where a capital increase is carried out by issuing shares payable in cash, at least one quarter of the par value of such shares shall be paid up at the time of the issue, as well as the entire amount of any related premium. The Board of Directors shall decide upon the timing and amount(s) of the subsequent payment(s) of the balance due.

AMENDMENTS OF SHAREHOLDERS' RIGHTS (ARTICLE 9 OF THE ARTICLES OF ASSOCIATION)

Where called but unpaid amounts on partially paid-up shares are not settled in accordance with the terms and conditions determined by the Board of Directors, said outstanding amounts shall accrue interest on a daily basis, calculated at the legal interest rate, without any requirement for an application to court.

In addition, in order to obtain any such called but unpaid amounts, the Company shall be entitled to sell the shares concerned and to take all appropriate action as provided for by law. In such a case the Company shall serve the defaulting shareholder with a formal notice to pay, by way of a registered letter with return receipt requested. If the amount due is not settled within thirty days of service of the said notice the unpaid shares shall be stripped of attendance and voting rights for shareholders' meetings as well as dividend rights and pre-emptive subscription rights for subsequent share issues. However, following the payment of all outstanding amounts due to the Company (corresponding to the principal amount plus interest and costs), the shareholder concerned may request the payment of any dividends that are not time-barred and will recover their rights to attend and vote at shareholders' meetings.

IDENTIFICATION OF SHAREHOLDERS (ARTICLE 10 OF THE ARTICLES OF ASSOCIATION)

Fully paid up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the law. They are recorded in a shareholder's account in accordance with the terms and conditions provided for in the applicable laws and regulations.

The Board of Directors is authorised to use all methods provided for under the applicable laws and regulations – including an application to the securities clearing house – to obtain identification details of holders of shares and other securities convertible, redeemable, exercisable or otherwise exchangeable for shares carrying voting rights at the Company's General Meetings, together with details of the number of securities held by each such person and of any restrictions affecting the securities.

DISCLOSURE THRESHOLDS

Obligations relating to the applicable disclosure thresholds are described on page 23 of the Management Report.

RIGHTS ATTACHED TO SHARES (ARTICLE 11, 12, 13 AND 14 OF THE ARTICLES OF ASSOCIATION)

Shares are indivisible vis-à-vis the Company, meaning that one share confers only one right. This does not, however, apply to the right to receive information prior to General Meetings as such entitlement applies both to the bare owners (*"nu-propriétaires"*) and the beneficial owners (*usufruitiers*) of any jointly held shares.

If several persons own one share, they are required to elect one representative to act on behalf of that share. If no agreement can be reached on the appointment of such a representative, he or she shall be named by a Commercial Court judge in summary proceedings following an application by the first joint shareholder to take action.

Voting rights attached to the Company's shares shall be exercised by the beneficial owner in Ordinary General Meetings and by the bare owner in Extraordinary General Meetings. Voting rights attached to pledged shares are retained by the pledgor.

In the event of a capital increase any pre-emptive subscription or allocation rights attached to shares which have both legal and beneficial owners shall be exercised in accordance with the applicable law.

Shares are freely transferable, subject to the applicable legal and regulatory limits.

The Company's bearer shares may be traded on the stock market in accordance with the applicable law. Shares may also be purchased or sold through off-market account transfers, subject to the conditions set down by the applicable laws and regulations.

All rights and obligations attached to shares are transferred with title thereto. Share ownership automatically requires shareholders to comply with the Company's Articles of Association and the decisions made by General Meetings.

The heirs or creditors of a shareholder may not under any circumstances apply for the Company's assets to be placed under seal or to be sold or divided, and may not interfere in any way whatsoever with the running of the Company. All rights of said persons are governed by the Company's applicable rules and regulations and decisions of General Meetings.

In accordance with Article 33 below, each share entitles its holder to a proportion of profits and net assets based on the proportion of capital represented by the share. All tax exemptions as well as any tax payable by the Company, shall be applied to all of the Company's shares equally prior to any allocation or redemption, throughout the term of the Company or upon its liquidation, in order to ensure that all shares receive the same net amount.

Where a shareholder must own a specific number of shares to exercise a particular right relating to the exchange or allocation of shares, a reverse stock-split, a capital increase or reduction, a merger or other corporate action, shareholders owning fewer than the number of shares required to exercise the rights concerned will be personally responsible for obtaining said number, through share purchases or sales if necessary.

APPROPRIATION OF PROFITS (ARTICLE 33 OF THE ARTICLES OF ASSOCIATION)

The profit or loss for the year represents the difference between total income and total expenses, including charges to and reversals from depreciation, amortisation and provi¬sions, 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.

C-2. Information about the Company's capital

SHARE CAPITAL AT 31 DECEMBER 2007

At 31 December 2007, the Company's issued share capital amounted to €93,004,602 divided into 46,502,301 ordinary shares with a par value of €2, all fully paid-up.

AUTHORISED, UNISSUED CAPITAL

The Annual General Meeting of 9 May 2007 cancelled, with immediate effect, the unused portions of the financial authorisations given to the Board of Directors at the Annual General Meeting of 21 April 2005 and replaced them with new resolutions to the same effect.

Under the new authorisations, the Board of Directors may:

- Issue ordinary shares and/or securities carrying rights to ordinary shares, with or without pre-emptive subscription rights (first and second extraordinary resolutions), resulting in a maximum capital increase of €100 million (seventh extraordinary resolution).

• Issue securities carrying rights to debt securities, up to a total amount of €2 billion (eighth extraordinary resolution).

• Increase the Company's capital by capitalising reserves, profits or share premiums, by an amount not exceeding €25 million (ninth extraordinary resolution).

• Issue shares to employees who are members of a Share-save plan, capped at €0.5 million, excluding premiums (tenth extraordinary resolution).

These authorisations were given for a period of 26 months as from 9 May 2007.

The Annual General Meeting of 21 April 2005 also authorised the Board of Directors to:

• Issue stock options to employees and/or officers, subject to a cap of 3% of the Company's capital (eleventh extraordinary resolution).

• Grant ordinary shares, without consideration, to employees and/or officers, subject to a cap of 1% of the Company's capital (twelfth ordinary resolution).

These authorisations were given for a period of 38 months as from 21 April 2005 and will be submitted to shareholders for renewal at the Annual General Meeting of 23 May 2008.

AUTHORISED, ISSUED CAPITAL

In 2007 the Board of Directors used the authorisation given by the Extraordinary General Meeting of 21 April 2005 (sixth resolution) to issue shares in payment for the shares of another company. Pursuant to the agreement dated 8 February 2007, on 30 March Prédica sold its entire 50% interest in SCI PAUL CÉZANNE to SFL, raising SFL's interest to 100%.

The acquisition was paid for through the issue of 3,425,349 new SFL shares at a price of €58 per share. These shares rank pari passu with existing shares and are quoted on the stock exchange on the same line.

The Board of Directors used the authorisation given by the Extraordinary General Meeting of 17 October 1997 to set up a stock option plan on 6 April 2000 for the management and employees of the Company and its subsidiaries. The exercise price of these options is €27.59.

During 2007, 1,000 options were exercised for 1,000 new shares carrying rights to the 2007 dividend.

PLEDGES OF THE COMPANY'S SHARES

As far as the Company is aware none of its shareholders have pledged any of their shares.

C-3. Ownership structure

SFL's ownership structure is described on page 19 of the Management Report.

At its meeting on 26 October 2006, the Board of Directors decided to separate the positions of Chairman and Chief Executive Officer with immediate effect Since that date the Chairman has represented the majority shareholder and is no longer responsible for running the Company – a role that is performed by the Chief Executive Officer who is appointed by the Board.

The Chairman's report on corporate governance and internal control can be found on page 35 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.

C-4. Shareholders' pacts

See page 23 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

D - Additional Information about Corporate Governance

D-1. Extracts from the Articles of Association concerning corporate governance

The following information is disclosed in addition to the Chairman's report on corporate governance provided in Appendix 7.6 to the Management Report.

GENERAL MEETINGS (EXTRACTS FROM ARTICLES 10, 24, 25 AND 29 OF THE ARTICLES OF ASSOCIATION)

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

Meetings are held at the Company's registered office or at the venue selected by the Board of Directors, as specified in the notice of meeting.

I – General Meetings may be attended by all holders of fully paid up shares which have been registered prior to the date of the Meeting as follows:

• In order to participate in General Meetings in person, by proxy, or by casting a postal vote, holders of bearer shares or registered shares recorded in an account kept by a bank or broker are required to obtain a certificate from their bank or broker stating that the shares have been placed in a blocked account until the date of the Meeting. The certificate must be deposited at the address specified in the notice of meeting at least five days prior to the date of the Meeting.

• Holders of registered shares recorded in the Company's share register are entitled to participate in General Meetings in person, by proxy, or by casting a postal vote provided that their names are recorded in the Company's share register at least five days prior to the date of the Meeting.

However, the Board of Directors may reduce or waive these minimum periods.

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

On 11 December 2006, a Decree was issued in France that amended the provisions of the Decree of 23 March 1967 concerning bearer shares. Under this amendment, holders of bearer shares held in an account kept by a bank or broker are no longer required to provide evidence that their shares have been place in a blocked account as stated above. Instead, all shareholders of record are entitled to vote at General Meetings. The record date for this purpose is the third business day (at midnight) preceding the General Meeting. The corresponding amendment to the Company's Articles of Association was approved by shareholders at the Annual General Meeting held on 9 May 2007.

II – In accordance with the applicable laws and regulations, shareholders may cast postal votes or give proxy to their spouse or to another shareholder to attend a General Meeting. Written requests for the proxy/postal voting form must be received at the Company's registered office at least six days before the Meeting.

Completed postal voting or proxy forms must be received by the Company at least three days before the date of the Meeting.

Details for the return of these forms are set out by the Board of Directors in the notice of 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. No shares carry double voting rights.

INTERNAL RULES OF THE BOARD OF DIRECTORS

A summary of the Board's internal rules as well as the Company's ethical and corporate governance standards is available on SFL's website (www.fonciere-lyonnaise.com).

In addition the main principles of the Directors' Charter are set out on page 5 of the Group's Annual Report.

D-2. Additional information about directors and officers

MANAGEMENT EXPERIENCE

A list of directorships and other positions held by the Chairman, Chief Executive Officer and Managing Director is provided on page 9 of the Management Report.

Yves MANSION

Director and Chief Executive Officer of **SOCIÉTÉ FONCIÈRE LYONNAISE** since 2006, having held the position of Chairman and Chief Executive Officer between 2002 and 2006.
Member of the Board of the ***Autorité des Marchés Financiers*** (French securities regulator).
Chief Executive Officer of **ASSURANCES GÉNÉRALES DE FRANCE** (AGF) between 1989 and 2001, director and Chief Executive Officer of AGF Assurances, AGF Vie and AGF IART, Vice-Chairman and Chief Executive Officer of AGF International, Chairman and Chief Executive Officer of AGF MAT and AFG-La Lilloise, Chairman and Chief Executive officer of CAMAT (1999-2001).
Inspecteur des Finances at the **French Ministry of Finance** from 1977 to 1989.

Philippe DEPOUX

Managing Director of **SOCIÉTÉ FONCIÈRE LYONNAISE** since 2007, having held the position of Deputy Managing Director and Chief Operating Officer between 2005 and 2007.
Director of **IEIF**.
Member of **Club de L'immobilier**.
Global Head of Investments at **AXA REAL ESTATE INVESTMENT MANAGERS** (AXA REIM) between 2003 and 2005.
Managing Director, Acquisitions and Sales at **AXA REIM France** (2000-2003).
Manager and subsequently Director of Property Investments, Sales, and Valuations within the Property Department of GAN and subsequently **GROUPAMA/GAN** (1990-2000).
Head of the Property Department at **BANQUE MITSUBISHI** (1988-1990).
Property Advisor at **BANQUE LA HÉNIN** (1986-1988).

CORPORATE GOVERNANCE STATEMENTS

As far as the Company is aware:

• There are no family relationships between the individual members of the Board of Directors and the Statutory Auditors.

• None of the members of the Board have been convicted of any fraudulent offences in the last five years.

• None of the members of the Board have been involved in any bankruptcies, receiverships or liquidations in the last five years.

• No public incrimination and/or sanctions have been imposed on any member of the Board in the last five years by statutory or regulatory authorities.

• There are no potential conflicts of interest between the private interests of the members of the Board and any duties to the Company. In accordance with the Directors' Charter, Board members are required to inform the Board of any conflicts of interests and must refrain from taking part in any decisions where such a conflict exists.

OTHER INFORMATION

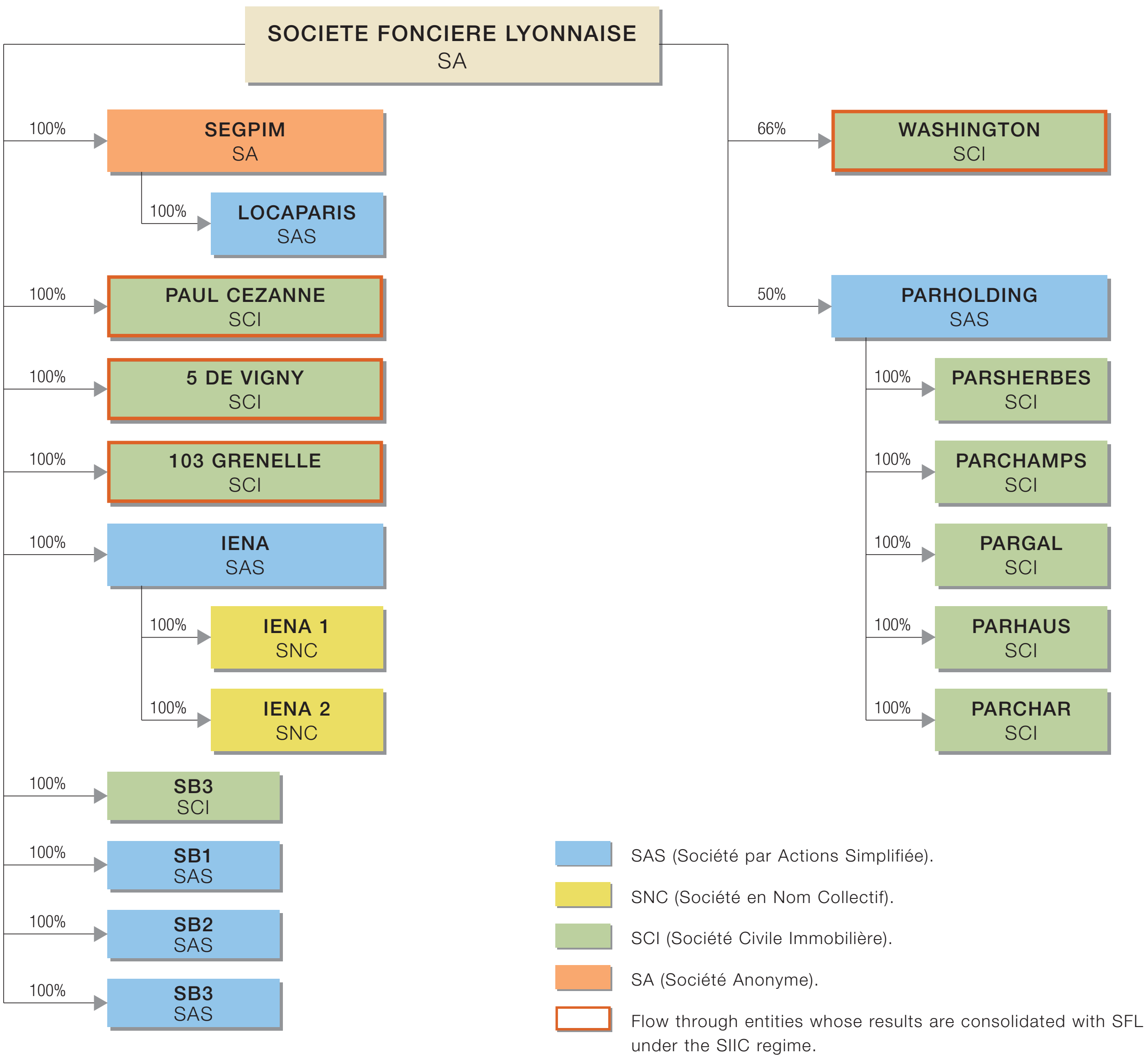
The main provisions of the Shareholders' Pact signed between Colonial and Prédica on 24 November 2004 are described on page 23 of the Management Report.

D-3. Related-party transactions

See the Statutory Auditors' special report on related party agreements on page 124 of this Registration Document.

E - Additional Information about the Group's Operations and Organisational Structure

E-1. Organisation chart



E-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.

E-3. Dependence on patents or licences

The SFL Group is not dependent on any patents or licences for the conduct of its business.

E-4. Third party information, statement by experts and declarations of interests

PORTFOLIO VALUATION REPORT

SFL's entire property portfolio was valued at 31 December 2007, part by CB Richard Ellis Valuation and part by Jones Lang Lasalle (excluding the property at 247 rue Saint-Honoré, which was valued by Atis Real Expertise).

The valuations were performed in accordance with the *"CHARTE DE L'EXPERTISE EN ÉVALUATION 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 is analysed in detail, based on the surface of each designated area, lease by lease.

The valuers noted that, based on fourth-quarter 2007 rent-rolls, rents on certain units were above or below observed market rents for the quarter on similar properties. These differences were taken into account over the duration of the underlying leases in order to value the properties according to their current occupancy.

Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs and service charges for the period until the units are re-let.

The cost of scheduled renovation work – based on information supplied by the Group – was taken into account over the cash flow projection period.

The results of the valuation were checked by applying the capitalised net rental revenue method, and based on direct comparisons with the observed price per square metre of recent buy-to-let transactions involving occupied and vacant properties.

The appraisal values were determined including transfer costs (calculated at a standard 6.2% for all properties subject to registration duty), and also excluding transfer costs.

At the request of the Group, the valuation method used in 2007 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 at 31 December 2007 is €3,908,946,722 excluding transfer costs and €4,132,151,815 including transfer costs.

Jones Lang LaSalle Conseil
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

ATISREAL EXPERTISE
32 rue Jacques Ibert
92309 LEVALLOIS Cedex

CB RICHARD ELLIS VALUATION
EXPERT IMMOBILIER DE FRANCE FNAIM
75017 PARIS

F - Documents Available for Public Consultation

All legal documents related to the Company's activities may be consulted at SFL's registered office at 151 rue Saint-Honoré, 75001 Paris, France, as well as on the Company's website at www.fonciere-lyonnaise.com

List of information published or publicly disclosed in 2007

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
Change of Chairman of the Board and directors (in French only)	09/01/2007	The Paris Commercial Court	www.infogreffe.fr
Half-yearly report on the liquidity contract entered into with SG Securities Paris (in French only)	15/01/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only) Statement of trades in SFL shares carried out by senior management (in French only)	15/01/2007	Autorité des Marchés Financiers	www.amf-france.org
A luxury hotel in 247 – 251 rue Saint-Honoré SFL and Prédica sign memorandum of understanding SFL 2006 results	09/02/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
SFL 2006 results presentation	09/02/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
2006 revenue (in French only)	14/02/2007	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Appointment of a merger auditor (in French only)	19/02/2007	The Paris Commercial Court	www.infogreffe.fr
Capital increase (in French only)	21/03/2007	The Paris Commercial Court	www.infogreffe.fr
Asset transfer agreement (in French only) Merger auditor's report (in French only)	22/03/2007	The Paris Commercial Court	www.infogreffe.fr
SFL raises its interest in SCI Paul Cézanne to 100% SFL Dividend	30/03/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
Notice of AGM (in French only)	04/04/2007	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Disclosure threshold notices with statement of intention (in French only)	06/04/2007	Autorité des Marchés Financiers	www.amf-france.org
2006 parent company financial statements (in French only)	11/04/2007	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Capital increase (in French only)	11/04/2007	The Paris Commercial Court	www.infogreffe.fr
SFL broadens its shareholder base	13/04/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by senior management (in French only)	19/04/2007	Autorité des Marchés Financiers	www.amf-france.org

Title	Filing/publication date	Filed with/published by	Address for consultation
Disclosure threshold notice (in French only)	25/04/2007	Autorité des Marchés Financiers	www.amf-france.org
Annual report, Registration document Property portfolio at 31 December 2006	27/04/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
First-quarter 2007 revenue (in French only)	04/05/2007	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Statement of trades in SFL shares carried out by senior management (in French only)	07/05/2007	Autorité des Marchés Financiers	www.amf-france.org
SFL First Quarter 2007 Appointments at SFL	14/05/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by senior management (in French only)	14/05/2007	Autorité des Marchés Financiers	www.amf-france.org
New lease for 6 avenue Velasquez, 75008 Paris (in French only)	05/06/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
Resignation of Managing Director (in French only) Appointment of Managing Director (in French only)	08/06/2007	The Paris Commercial Court	www.infogreffe.fr
HQE certification for 103 rue de Grenelle (in French only)	11/06/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
SFL and Nexity win Paris T8 tender organised by the City of Paris	25/06/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
New lease for 5 rue Alfred de Vigny, 75008 Paris (in French only)	29/06/2007	Autorité des Marchés Financiers Société Foncière Lyonnaise	www.amf-france.org www.fonciere-lyonnaise.com
Half-yearly report on the liquidity contract (in French only)	05/07/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by senior management (in French only)	23/07/2007	Autorité des Marchés Financiers	www.amf-france.org
SFL – First-half 2007 results	24/07/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL First-half 2007 results presentation	24/07/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Renovation of the Galerie des Champ-Elysées (in French only)	26/07/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
First-half 2007 revenue (in French only)	01/08/2007	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Statutory Auditors' term of office renewed (in French only) Change in Substitute Auditors (in French only) Amendments to the Articles of Association (in French only)	06/08/2007	The Paris Commercial Court	www.infogreffe.fr
Statement of trades in SFL shares carried out by the Company (in French only)	29/08/2007	Autorité des Marchés Financiers	www.amf-france.org
Statement of trades in SFL shares carried out by the Company (in French only)	04/09/2007	Autorité des Marchés Financiers	www.amf-france.org
The Haussmann-Saint-Augustin offices are fully let	07/09/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Interim financial statements (in French only)	14/09/2007	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
Implementation of a liquidity contract (in French only) Termination of a liquidity contract (in French only)	21/09/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL becomes the sole owner of 96 Iéna (in French only)	08/10/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Appointment of new directors (in French only)	17/10/2007	The Paris Commercial Court	www.infogreffe.fr
SFL/T8 – and they're off! (in French only)	29/10/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com

Title	Filing/publication date	Filed with/published by	Address for consultation
SFL/IDF: sale of 46 Kléber (in French only)	29/10/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Third-quarter 2007 sales (in French only)	31/10/2007	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
SFL Third quarter 2007	08/11/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Payment of an interim dividend (in French only)	15/11/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Cézanne Saint-Honoré fully leased (in French only)	21/11/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	26/11/2007	Autorité des Marchés Financiers	www.amf-france.org
Statement of trades in SFL shares carried out by the Company (in French only)	10/12/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	17/12/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	21/12/2007	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	26/12/2007	Autorité des Marchés Financiers	www.amf-france.org
Statement of trades in SFL shares carried out by the Company (in French only) Half-yearly report on the liquidity contract (in French only)	03/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	07/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Appointment of new directors	11/01/2008	The Paris Commercial Court	www.infogreffe.fr
Statement of trades in SFL shares carried out by the Company (in French only)	14/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	14/01/2008	Autorité des Marchés Financiers	www.amf-france.org
Statement of trades in SFL shares carried out by the Company (in French only)	21/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	28/01/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL reorganises the Board of Directors and opens a data room for Investment Corporation of Dubai	06/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Another year of growth in operating profit and assets	14/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
SFL 2007 results presentation	15/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
2007 revenue (in French only)	15/02/2008	Bulletin des Annonces Légales et Obligatoires	www.journal-officiel.gouv.fr/balo
SFL undertakes to acquire the new Prony Wagram complex (in French only)	26/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Trading in SFL shares to resume	27/02/2008	Société Foncière Lyonnaise	www.fonciere-lyonnaise.com
Statement of trades in SFL shares carried out by the Company (in French only)	25/03/2008	Autorité des Marchés Financiers	www.amf-france.org
Appointment of a merger auditor (in French only)	27/03/2008	The Paris Commercial Court	www.infogreffe.fr

Cross-reference table

The table below provides cross-references between the pages in the annual report/registration document and the key information required to be disclosed under the rules and instructions issued by the French securities regulator *(Autorité des Marchés Financiers)* in application of European Commission Regulation No. 809/2004/EC.

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Table of the main items of the annual financial report

The table below indicates the pages in the registration document where key information required by the French securities regulator (AMF) can be found, in accordance with Article 212-13 VI of the AMF general regulations.

Pursuant to Article 212-11 of the AMF general regulations, the following information is incorporated by reference:

- The consolidated financial statements for the year ended 31 December 2005, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 9-49 and 56 of the 2005 Registration Document filed with the AMF on 12 April 2006 under No. D.06-0256.
- The consolidated financial statements for the year ended 31 December 2006, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 9-45 and 52-53 of the 2006 Registration Document filed with the AMF on 27 April 2007 under No. D.07-0399.