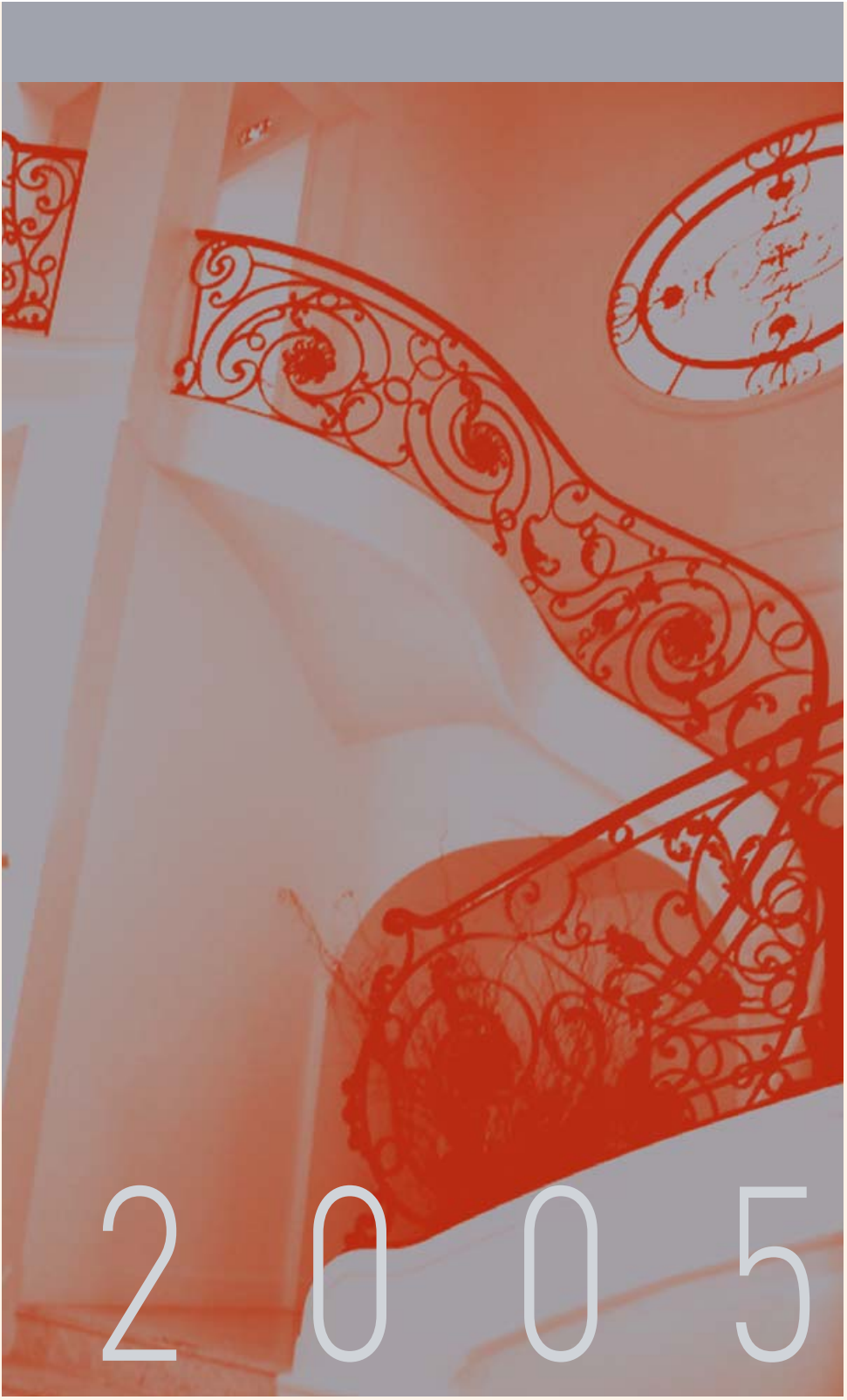


# 2005

## Annual report

SOCIETE DE LA TOUR EIFFEL

# Commitment

Mark Inch and Robert Waterland

## Dear Shareholders,

Now in its second full year operating as a SIIC, Société de la Tour Eiffel has achieved steady growth based on a focused, disciplined acquisition strategy. STE's property portfolio is now valued at €703 million, capable of generating an annual rental income of €52 million in 2006, rising to €55 million in 2007.

These figures reinforce our ambition to constitute a coherent property portfolio offering a secure and identifiable income and thus a regular and foreseeable dividend guaranteed by long leases (6-9-12 years) across a wide range of tenants. This remains in keeping with the spirit of the 2004 SIIC legislation (French REIT) as well as with the aims of its companion measures.

In the very competitive 2005 market, STE's dedicated team, Awon Asset Management, completed three forward purchases (VEFA) with secure long leases, in Caen (Philips), Sochaux (Peugeot) and Massy (Areva and SFR). In November 2005 they also concluded the acquisition of Locafimo, a privately owned property company with a €300 diversified real estate portfolio (35 assets; 450 tenants).

The Locafimo acquisition was partially financed by a €157 million capital increase in December 2005. As a result, the company's income and equity has doubled.



At the outset of 2006, the portfolio comprised approximately 650,000 square meters. At an average rent of under €100/sq m, this offers clear potential for income growth on existing holdings, notwithstanding the potential of current acquisitions.

In order to benefit from the prevailing low interest rates environment, we have restructured our debt to maximise 2006 investment capacity of some €350 million.

# Achievement

Société de la Tour Eiffel is a property investment company specialising in French commercial real estate. The company was the first new SIIC (French REIT status) listed on the Paris Bourse in 2004. Its policy is to assure investors regular and secure dividends from a tailored portfolio of high-yielding properties.

## Portfolio valuation

STE's portfolio comprises 64 assets totalling 639,035 sq m, of which 32,500 sq.m are currently under construction [VEFA]. The value, including forward commitments, is €703 million, which breaks down to: 56% offices, 18% business parks and 26% warehousing / business space. 58% is located in the greater Paris area, and 42% in the provinces.
On 31/12/2005 the financial occupancy rate was 91.1%.


## Rents

Income growth (+85% from 2004) is due to annualised rental increases on the 2004 portfolio, and, to a lesser extent, to the 2005 acquisitions. Only four days' rental income for the Locafimo portfolio is included (December acquisition); in a full year this portfolio will generate nearly €24 million in rent. The three forward purchases [VEFA], committed during the first quarter for an overall investment of €105 million, do not generate rental income until 2006 for Étupes de l'Allan (Sochaux); and 2007 for Massy Campus II and Caen Colombelles.



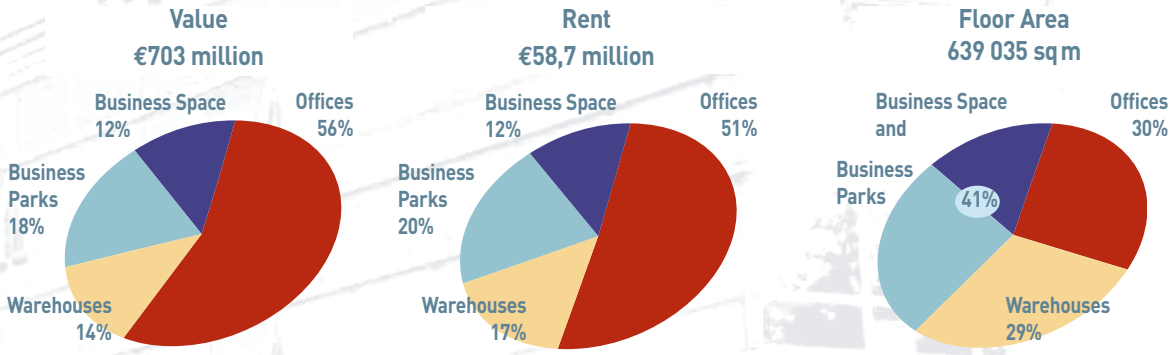

## Consolidated net profit

Net profit (Group Share) was €15.8 million in 2005, up from €10.7 million in 2004.

| | 2004 | 2005 | Variation |
|---|---|---|---|
| Net Earnings | €4.2m | €9.7m | + 131% |
| Global Cash Flow | €6.6m | €14.0m | n/a |
| Nav ex. transfer costs | €159.1m | €324.1m | + 104% |
| Dividend per share * | €1.57 | €4 | + 155% |

* Number of shares outstanding on 31/12/2005: 5,076,540 (2,538,270 on 31/12/2004).

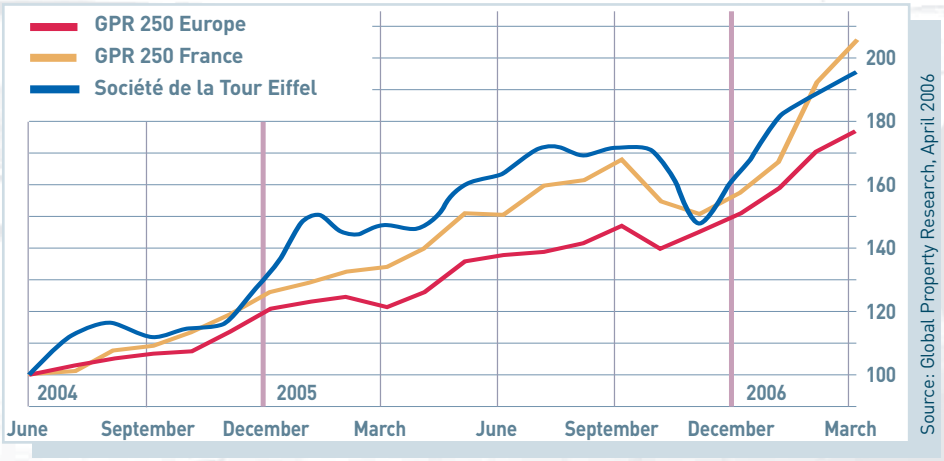
## Portfolio commitments valued at €703 million on 31/12/05




Stone detail from the facade of the rue Dumont-d'Urville office building, Paris (16th).



## Share performance



# Evolution

**Despite an uncertain economic environment, Société de la Tour Eiffel confirmed its ambition in a resilient property market, with a capital increase which enabled it to double the value of its property portfolio while respecting return objectives.**

### Reattribution of the Soros holdings – March, 2005

The scheduled disinvestment by Soros Real Estate Investors, the leading shareholder with over 35% of the company, increased the free float and number of new shareholders. Senior management retained their holding (6.5% through Osiris Patrimoine).

### Capital Increase – December, 2005

The company successfully completed a preferential share capital increase in excess of €157 million. The 2.5 million newly issued shares were fully subscribed at a price of €62 per share with a 98.9% take up by existing shareholders. (Oversubscription for the issue with a demand for 3,546,408 shares was such that less than 50 000 shares could be allocated from the rump.) This gave STE the capacity to finance its acquisition pipeline including the Locafimo transaction.

### Acquisition of Locafimo – December, 2005

By purchasing Locafimo and its 300,000 sq m property portfolio valued at €285 million, the company increased its gross assets to €703 million. This investment is both consistent with STE' strategic business plan and complementary to the current portfolio:

**Consistent:**

• Locafimo owns a balanced, nationwide commercial property portfolio.

• It includes €200 million's worth of high-yielding assets in keeping with STE's early acquisitions such as the La Poste portfolio, Massy/Alstom, Champigny/Air Liquide and Bobigny/Conseil Général etc.



**Complementary:**

• It also contains €100 million's worth of central and suburban offices in Paris and Lyons, quality assets acquired at reasonable prices within the blended overall yield of 7.5% obtained on the portfolio.

• Traditional 3/6/9 leases offer the potential for value creation in the short-term, while the large number of tenants spreads the risk.

• An increased nationwide presence has been achieved covering locations where the company lacked exposure (Strasbourg, Lille, and Nantes) or was under weight (Lyons, Marseilles). Finally, the portfolio includes serviced site reserves with some 20,000 sq m of development potential.

## Other acquisitions

In the first half of 2005, the company acquired three properties. In Champigny-sur-Marne, on an historical site of the Air Liquide Group, a 14,000 sq m three-building office complex leased long-term to the industrial group. The investment was slightly under €31 million. STE also acquired two properties in Lyons (3,400 sq m of offices) and in Genlis near Dijon (7,500 sq m of light industrial) from the Legris Industries Group, subsidiaries of which remain in occupation on long-term leases. The investment represented respectively €5 million and €2.7 million.

## Investment in three pre-leased developments (VEFA):

The company undertook to acquire three turnkey development projects secured by firm nine-year lease commitments with identified tenants:

- €50 million for a 13,500 sq m office property in Massy, pre-leased to Areva and SFR.
- €16.5 million for a 27,500 sq m sorting and warehouse facility in Étupes de l'Allan near Sochaux, pre-leased to Gefco, a Peugeot subsidiary.
- €30 million for a 17,500 sq m research centre in Colombelles near Caen, leased to Philips.

## A PRESTIGIOUS HISTORY

- Société de la Tour Eiffel was founded by Gustave Eiffel in 1889.
- Between 1979 (when the city of Paris took over the Eiffel Tower management) and July, 2003, when Awon Group initiated its takeover, the company remained dormant.
- On 1 January, 2004, STE became the first new Société d'Investissements Immobiliers Cotée (SIIC, the French REIT status) listed on the Paris Bourse.
- Prior to 2005, Société de la Tour Eiffel completed two successful capital increases in order to finance its development and take advantage of market opportunities: €11 million was raised in December 2003 and €123 million in July 2004.

Gustave Eiffel founded Société de la Tour Eiffel in 1889.

# Showing the Way

Mark Inch and Robert Waterland, respectively President and Managing Director of Société de la Tour Eiffel, have been working together and complementing one another for 10 years. Robert is the property professional who generates the rental income which Mark, through his financial acumen, converts into dividends. But these roles are less sharply defined when they discuss their involvement with the Société de la Tour Eiffel: over the years they have cultivated an awareness of each other's reflexes and respective areas of expertise which produces real creativity. Their dual leadership has served STE well: they have constantly delivered on their promises. In this respect, 2005 was especially successful.

## ROBERT WATERLAND



**How would you sum up Société de la Tour Eiffel's achievements in 2005?**

**Robert Waterland:** We are pleased with our 2005 performance, both the company's equity and its portfolio having doubled. We're especially proud that we achieved this growth by following exactly the strategy and the business plan we laid out when we bought and reconfigured the company at the end of 2003.

**What about cash flow and dividends?**

**Mark Inch:** Both have grown substantially. We are committed to total transparency for our shareholders: we aim for them to be able to identify and forecast the structure of our dividends, which are not just a mechanical calculation derived from the operating account, but the result of a genuine arbitrage between assets and rental flow management. Since our future rental income is largely secured, we can already determine, on an identical portfolio basis, the next three years' distributions. Very few companies can do that!

**In the last ten years, Mark Inch (right) and Robert Waterland have invested over €3 billion in the French commercial property market**

**"We doubled the size of STE's equity and portfolio in 2005 while keeping strictly to our strategic business plan"**

**"Since we know our future income, we can forecast dividends for the next three years based on the current portfolio."**

# AND MARK INCH: "WE DELIVER!"



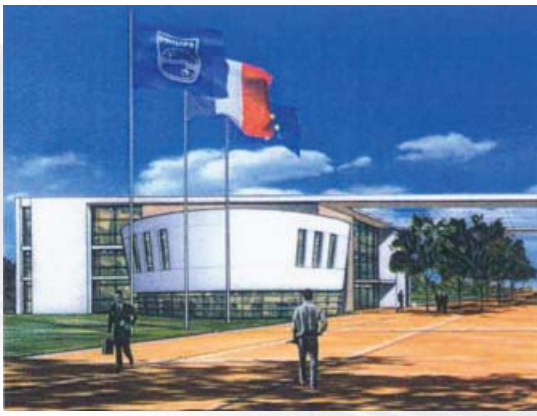
**You announced as your 2005 target that you would increase Société de la Tour Eiffel's assets to €500 million-€600 million. Was this achieved?**

R.W.: We exceeded the range as by the end of 2005 our property portfolio was valued at €703 million gross, of which €620 million was up and let. Of this total, €285 million was represented by the Locafimo portfolio, acquired in the fourth quarter, whereas €105 million were allocated to forward purchases of developments committed earlier in the year. This performance should be viewed in the perspective that the portfolio was valued at €300 million in March 2005.

**You partly financed the acquisition of Locafimo with a capital increase....**

M.I.: Through this preferential share capital increase, we have doubled the company's equity. When the offering was launched, the company's capital comprised 2,538,270 shares with a market value of approximately €220 milion. Today the company's capital has increased to 5,076,540 shares, with a market value in excess of €450 million. The existing shareholders subscribed to 99% of this preferred rights issue.

**"Our aim is €1 billion of assets, to achieve critical mass for increased share liquidity, but we will not seek size for size's sake."**



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**Prior to the Locafimo purchase, you invested in three development projects. How do these acquisitions fit into your strategy?**

R.W.: By investing in quality forward purchases at reasonable prices, we provide for company growth and secure future rental income. All three properties are entirely pre-leased and fit perfectly our business plan commitment to find quality tenants with long leases with modest rents and acceptable yields, the locations being either in the outer suburbs of Paris or in the provinces.
The Locafimo purchase offers both return and upside whilst being key in the quest to attain the critical mass desirable for a listed company. An "off-market" transaction and use of the SIIC 2 status, enabled us to achieve a favourable treatment of latent capital gains liabilities, and an enhanced return.

**Does €1 billion of assets remain your medium-term objective?**

M.I.: Critical mass is essential to increase share liquidity as well as satisfactory risk allocation between a growing number of assets. We already possess the investment capacity to reach this goal and have committed some €150 million to new investment which should be finalised during the first half of 2006. However we are not obsessed with size for size's sake. If we do not find the right opportunities, we shall grow more slowly.
R.W.: We are currently ahead of our projections by about 20%; but cannot ignore market constraints. We are also planning selective disposals of certain underperforming, non-strategic assets.

**Talking of the market, how was rental performance?**

R.W.: The leasing market for offices and business space is at last showing signs of recovery, especially in the Paris region. Overall, demand has increased, with a marked preference for new construction. Consequently, outdated space finds little favour and accelerating obsolescence is a real problem, to the extent of certain properties being unleasable at any price.



**How has property investment performed?**

R.W.: 2005 was another record year for investment. Observers are increasingly questioning whether the current price levels and returns are sustainable in the knowledge that the low level of interest rates alone does not justify recent yield compression. We consider the risk premium inherent to property investment is insufficiently reflected in many current transactions. That being said, through our experience and wide-ranging network, we have demonstrated an ability to continue

Massy Campus II.


Caen Philips: project and construction.

**"We comply with the legislators' wishes for a completely transparent company, with a real free float readily available to small individual investors."**

investing in a responsible manner. The key is defining investment strategy. Increasingly, we have been looking at speculative development projects due to come on stream in the medium-term, which we believe provide excellent risk-weighted potential returns as we are confident of being able to attract tenants on delivery.

**How do you see the market in the next few years?**

R.W.: We anticipate a continual gradual recovery in the leasing market, due to a reduction in supply inventories, leading to a modest increase in rental levels. Thus by taking a position on developments to be delivered during 2007/2008, we should be able to take advantage of improved demand and generate returns superior to those currently available from existing leased buildings such as those the company has favoured until now.

**Will a hike in interest rates affect investment?**

M.I.: Interest rates remain at an historically low level. Whilst they are trending upwards, we expect this tendency to be progressive and within reasonable limits and therefore not to dramatically impact the market. On the other hand, the aftermath of the high-tech bubble in 2001 has prompted a durable change in institutional investors' attitude to asset allocation. The major US pension funds, for instance, historically allocated 3 to 5% to real estate in their investment portfolios; they now consider they were underweight and are increasing this ratio to 5-8%. We also think that the return expectations on equity, while rising moderately for a number of reasons, including the likely increase in money rates, will nonetheless remain relatively low. Finally it's worth remembering that if interest rates rise because of stronger economic growth, the property market stands to benefit.

**Société de la Tour Eiffel took the lead as the first new property company to adopt SIIC status [French REIT], in January 2004. Recently, this initiative has been duplicated, with at least ten SIIC projects being presented in the second half of 2005. What distinguishes STE today from other SIICs?**

R.W.: We are in close accordance with the legislators' wishes for a completely transparent company, with a real free float readily available to small individual investors. Very few SIICs actually respect this philosophy.

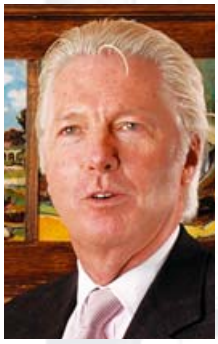
**What company developments have occurred in 2006?**

M.I.: There are two important developments. Having reached the requisite trading volume and market capitalisation, on March 20 the company qualified for continuous trading (marché continu) on the Paris Bourse whereas previously the price was fixed only twice daily on the call market (le fixing). Also, in May, STE acquired Awon Asset Management, the company which for the last two years had the responsibility of exclusively managing its assets. Awon Asset Management, while keeping its name and image, is now a wholly-owned STE subsidiary. None of this was unforeseen, as these goals were clearly stated when we first acquired Société de la Tour Eiffel a little over two years ago.

# Corporate Governa

STE's Board numbered 6 Directors on 30 April 2006, unchanged since 2004.
The Board of Directors met 8 times in 2005.

## Mark Inch, President



Educated at Oxford University and Sciences Po, Paris, Mark Inch was born in Scotland. He commenced his career in real estate in France in 1973 with Jean-Claude Aaron, France's best-known property developer of that period. In charge of finding new investors for the French market, Mark developed international networks, prospecting in the Middle East, North America and Asia.

He joined BAII (Banque Arabe et Internationale d'Investissements) in 1979 and signed his first deal on Paris's prestigious avenue Montaigne. Between 1985 and 1990, as a manager of BAII and president of its property subsidiary, Mark restructured a number of renowned French retailers (such as Félix Potin or Les Trois Quartiers) to extract value from their real estate assets.

A pioneer in the conception of new long-term returns investment vehicles, Mark created the financial structure for the new place Vendôme underground car park, and for the Cogedim redevelopment of place du Marché-Saint-Honoré, including the headquarters of Banque Paribas.

Mark Inch created his own consulting company, Franconor, specifically for Anglo-Saxon property investors, in the 90s, anticipating the success of the new opportunity funds. Robert Waterland joined him in 1995 and became president of Franconor. They then created Awon Group, building it up into one of France's leading asset management firms.

In 2003, Awon, in partnership with the Soros investment fund, bought Société de la Tour Eiffel. Mark Inch and Robert Waterland now manage STE full-time.

## Robert Waterland, FRICS, Managing Director

Robert Waterland was educated in England, where he specialised in real estate through the College of Estate Management. He is a Fellow of the Royal Institution of Chartered Surveyors. In 1973 he joined the Jones Lang Wootton, the world's leading agency and advisory group where he became a renowned authority on European real estate investment. He was president of JLW's French subsidiary 1985-1995 – during which time he contributed significantly to the firm's continental European growth: among his more noteworthy sales transactions are Hôtel Meurice, FNAC Étoile, the headquarters of Nina Ricci and Ralph Lauren, Waterside Park, as well as Les Mercuriales, one of France's major office buildings, which he managed to transact twice in less than two years.

In 1995, Robert decided to strike out on his own, a goal shared by Mark Inch whom he joined at Franconor.

At the end of 1997, they helped create the AIG French Property Fund, one of the leading funds of its kind in France, together with AIG, the major US financial group.

Soon afterwards, Robert and Mark founded the Awon Group, with Robert as president. His philosophy: "Property investment is a value creation chain. Technical and financial abilities are not enough –it also takes experience, imagination and ambition."

He was twice awarded the Pierre d'Or by the Expertise Pierre trade newsletter, as Asset Manager of the Year and Investor of the Year, in 2001 and 2003 respectively.

He also became president of ORIE (Observatoire Régional de l'Immobilier d'Entreprise en Île-de-France) in 2005, becoming the first non-French national to head this organisation.

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### Jérôme Descamps,
### Deputy Managing Director

A graduate of ESG (majoring in finance), Jérôme Descamps joined Mark Inch and Robert Waterland at Awon in 2000, and assisted them from the outset at Société de La Tour Eiffel as Deputy Managing Director in charge of finance, financial communications, legal and administrative affairs. Jérôme liaises with the investment, asset management and property management teams.

### Claude Marin,
### Independent Director

A law school and HEC business school graduate, Claude Marin has long worked for the Havas Group, where he was in succession Managing Director of IP (RTL's advertising space sales agency), president of ODA (French Yellow Pages), chairman of the billboard advertising giant Avenir, and Havas Group COO. Claude Marin is also an administrator of PIM Gestion Finance and sits on the supervisory board of the up market publisher Éditions Actes Sud and of Banque Safra. He has been a board member since 1970.

### Renaud Haberkorn,
### Independent Director

An engineer (from École Supérieure des Travaux Publics) by training, Renaud Haberkorn obtained his MBA (Finance) from ESSEC. He worked for three years at Goldman Sachs, first in London on the Whitehall Fund; then in Australia in investment banking. He was one of the founding partners of Soros Real Estate Partners (SREP), a risk capital real estate company, now renamed Grove Partners where is in charge of their European activities.

### Michel Gauthier,
### Independent Director

A graduate of École Polytechnique and an INSEAD MBA, Michel Gauthier is a financial expert and government consultant specialising in Europe and Africa.
He also sits on the supervisory board of ADL Partner (the mail-order business), on the board of Compagnie des caoutchoucs du Pakidié and is chairman of the investment fund La Salamandre Investissements France. Michel Gauthier is another long-serving board member of Société de la Tour Eiffel (1989).

# Leadership

Since its renaissance in 2004, Société de la Tour Eiffel has positioned itself as a "new generation" player on the commercial real estate investment market, with a rigorous risk analysis and balanced growth profile.

### A growth-oriented company

The company invests in high-yielding commercial properties. Growth is achieved through a combination of value creation and secure lease income, stemming from a policy of focused acquisition and selective disposal of non-strategic assets.

### A dynamic rental strategy

Relying on comprehensive market experience the company seeks to continually fine tune its portfolio to achieve optimum dividends through:

— Anticipation of market fluctuations;
— Attention to tenant requirements, especially by offering moderate rents in their chosen locations.
The prevailing average rent remains attractive at €91 per sq m, for a 8.34% gross rate of return.

## 14 A COMPETITIVE EDGE

### Priority to value creation

The company benefits from fiscal optimisation through its SIIC status. In addition to transparency requirements, the SIIC legislation provides a competitive advantage for the takeover of property-owning companies. Further companion measures (SIIC 2, SIIC 3) demonstrate continued legislative support for the sector.

At the same time, management expertise is concentrated on pro-active value creation for each individual acquisition.

### Property as a dynamic savings vehicle

Société de la Tour Eiffel's primary ambition is to constitute a savings vehicle providing secure, attractive returns through a regular and reliable dividend.
The company founders aim to make STE shares a staple of individual investors' portfolios. This will be facilitated by increased share liquidity and market capitalisation.

In a very competitive 2005 investment environment, the company demonstrated versatility in adapting its acquisition criteria to market conditions, enabling it to maintain returns while doubling the size of its portfolio. STE is now favorably positioned to contemplate higher added value transactions.

**French perspective**

The French commercial property market is the most dynamic in the Euro Zone offering quantum and diversity together increasing liquidity and transparency. Vacancy rates are amongst the lowest in Europe. STE's current investment thrust is towards emerging markets in both Paris and the regions with a blend of offices, business space, warehousing and Parc Clubs.

**Anticipating market trends**

• In 2004 Société de la Tour Eiffel's portfolio consisted almost entirely of assets with long leases (9-12 years), moderate rents and Grade A tenants: La Poste, Alstom, Siemens, Conseil général de la Seine Saint-Denis, Colt, Atos Origin....

• In 2005 Société de la Tour Eiffel diversified:

— attentive management of its core, low risk, historic portfolio;

— complemented these holdings by acquiring properties under development with future rental income (due from 2006 and 2007) also secured by long-term fixed leases;

— acquired assets ensuring perennial and regular income with a large number of leases (Locafimo portfolio) which through greater tenant turnover offer increased medium term active management opportunities.

• 2006: In sympathy with the increasing tenant demand for new buildings, the company has concentrated on new developments, some of which are speculative, with a view to remaining in the vanguard of owners offering technically advanced, state-of-the-art buildings incorporating features capable of responding to occupier concerns as to environmental issues and optimal working conditions (air-conditioning, cabling/wifi, company restaurants, *crèches*, services, etc.).


## INVESTMENT STRATEGY



Société de la Tour Eiffel's investment policy can be viewed as a three-tier edifice, with the basement solidly buttressed by the company's historic, reliable portfolio of rental assets; the middle storeys made up of the secure, liquid Locafimo portfolio of properties (with a regular lease turnover providing opportunities for a higher value creation potential), and a prestigeous penthouse figuring the speculative (VEFA) acquisitions of brand-new, high-quality properties.

# Creating Value

Société de la Tour Eiffel owns a consistent, diversified and balanced portfolio of commercial property assets. Throughout 2005, a series of acquisitions confirmed the company's investment strategy by further diversification of asset type and location.

## Overall floor space: 639,035 sq m

As at 31 December 2005, the portfolio totaled 639,035 sq m, as follows

— 26 office buildings for a total of 190,648 sq m,

— 19 business space units/ Parc Clubs for a total of 263,599 sq m,

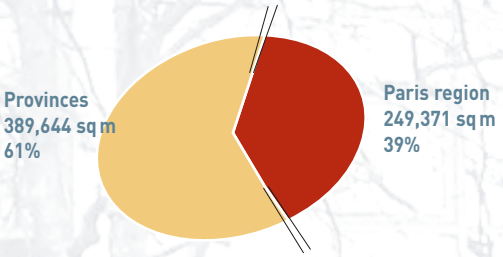
— 19 warehouses for a total of 184,788 sq m.

## Paris / Provinces: Creating a balance

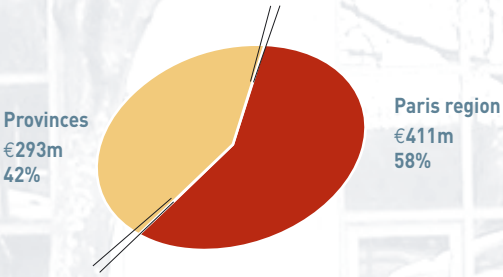
The Locafimo acquisition at the end of 2005, in addition to complementing the existing portfolio further improved the nationwide profile. At the end of 2005 Paris accounted for 58% in terms of value, down from 76% a year earlier representing 39% of overall floor space. In view of the intensely competitive Paris market the company has preferred to privilege certain provincial opportunities, notably in the major business centers, where superior risk weighted returns have been identified. The potential for service sector growth remains higher in these areas where economic development has inevitably lagged behind that of the Paris region and this has direct repercussions on the office and business park markets.

Within the Paris region, investment has been principally in quality products located in emerging areas capable of offering value creation potential although some primer located properties were included in the Locafimo portfolio.

### Asset location breakdown in sq m




### Asset location breakdown in value

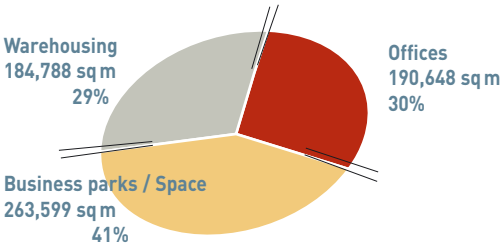


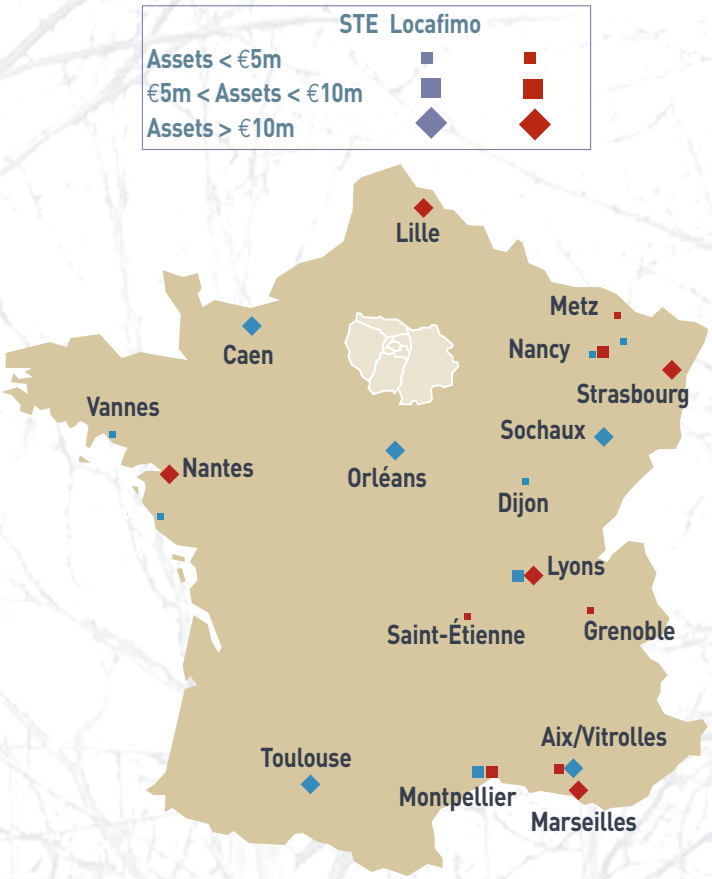



## The Parc Clubs (business parks): a STE speciality

With the Locafimo acquisition at the end of 2005, STE acquired an identifiable portfolio of 11 business parks, the Parc Clubs, of which 3 are located in the Paris Region and 8 in the provinces. These campus-style developments, dating from the1980's typically occupy strategic locations on the periphery of major towns. They offer extremely attractive rents attuned to the burgeoning service sector in these locations. The general concept consists of low rise, flexible buildings, on attractive landscaped sites, with external car parking and commercial vehicle access. Each park usually reflects local cultural and architectural characteristics. The diversity and multi-occupation provide an excellent risk profile.

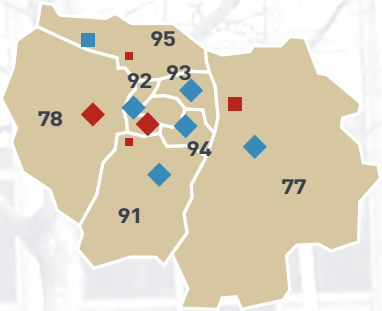
### Breakdown by floor area






## Total floor area: 639,035 sq m

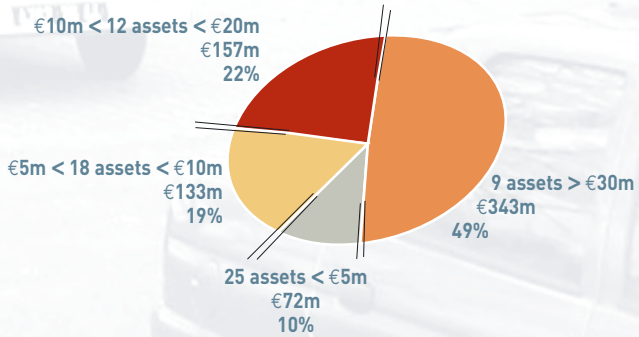
**of which 32,500 sq m are under development.**




## Average asset size

Average asset size is currently €11 million. However, 9 assets (14% of the 64 total) account for almost half of the entire portfolio. The average asset size will increase through selected disposals.

## Portfolio breakdown according to asset size



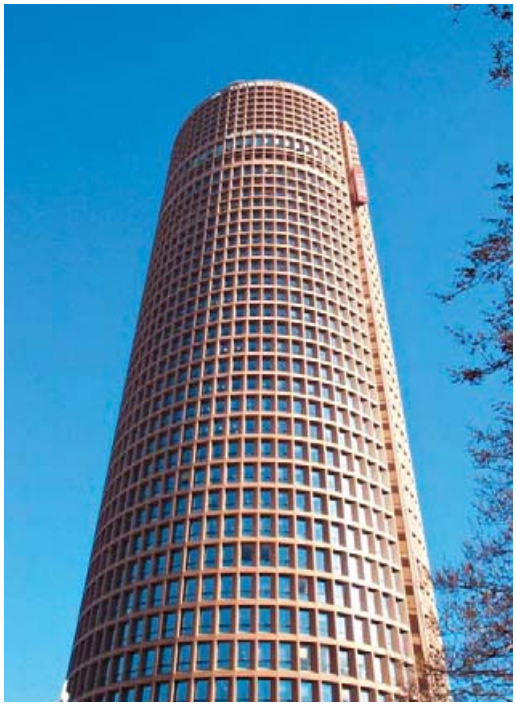

**Grade A tenants include some of France's major corporations**

The portfolio is leased by some 500 tenants, including:

Atos Origin
ALSTOM
KLEPIERRE
COLT
SFR
AIR LIQUIDE
AREVA
LA POSTE
GEFCO
PHILIPS

Paris 16e,
rue Dumont-d'Urville,
Klepierre.

Massy Campus II, turn key for Areva and SFR, delivery 2006.



Lyons, La Part-Dieu,
Crédit Lyonnais tower.



| Property | Location | Floor area (sq m) |
|---|---|---|
| **SOCIÉTÉ DE LA TOUR EIFFEL PORTFOLIO** | | |
| Massy - rue Ampère | Paris region | 43,623 |
| Aubervilliers | Paris region | 19,423 |
| Plessis-Robinson | Paris region | 15,940 |
| Champigny-sur-Marne | Paris region | 14,154 |
| Massy Campus II | Paris region | 13,585 |
| Malakoff | Paris region | 11,560 |
| Bezons | Paris region | 7,052 |
| Bobigny | Paris region | 6,619 |
| Sochaux - Étupes | Provinces | 28,165 |
| Caen - Colombelles | Provinces | 18,903 |
| Montpellier - Pompignane | Provinces | 12,003 |
| Nancy - Ludres | Provinces | 8,096 |
| Dijon - Genlis | Provinces | 7,485 |
| Lyons | Provinces | 3,010 |
| **Subtotal STE** | | **209,618** |

| | | |
|---|---|---|
| **LA POSTE PORTFOLIO** | | |
| Gennevilliers | Paris region | 20,569 |
| Champs-sur-Marne - East Side | Paris region | 12,659 |
| Mitry-Mory | Paris region | 9,756 |
| Paris 19e - rue Laumière | Paris region | 3,765 |
| Bar-le-Duc | Provinces | 15,724 |
| Marseilles - Vitrolles | Provinces | 15,206 |
| Toulouse - Capitouls | Provinces | 13,753 |
| Caen - Mondeville | Provinces | 8,035 |
| Vannes | Provinces | 7,750 |
| Châlons-en-Champagne - St-Gibrien | Provinces | 6,650 |
| Orléans Université | Provinces | 6,470 |
| La Roche-sur-Yon | Provinces | 5,980 |
| Verdun - Les Souhesmes | Provinces | 5,258 |
| Orléans- Ingre | Provinces | 4,436 |
| Nancy | Provinces | 2,262 |
| **Subtotal La Poste** | | **138,273** |

Strasbourg, Parc Club des Tannières.

Orsay, Parc Club Université.

Aix-en-Provence, Parc Club du Golf.

Caen-Colombelles,
turn key for Philips, delivery 2007.

Le Plessis-Robinson,
H.Q. CS Communications.

Champs-sur-Marne,
Parc Club Haute-Maison.

Étupes Sochaux, Gefco.

| Property | Location | Floor area (sq m) |
|---|---|---|
| **LOCAFIMO PORTFOLIO** | | |
| **OFFICES** | | |
| Asnières - Quai Dervaux | Paris region | 10,391 |
| Montigny - Diagonale Ouest | Paris region | 7,586 |
| Herblay - Av. Paul-Langevin | Paris region | 4,667 |
| Paris - Rue de Charonne | Paris region | 3,774 |
| Evry - La Croix-aux-Bergers | Paris region | 3,188 |
| St-Aubin - Orme-des-Merisiers | Paris region | 2,030 |
| Paris - Tour Montparnasse | Paris region | 1,739 |
| Paris - Rue Dumont-d'Urville | Paris region | 1,497 |
| Paris - Rue Saint-Honoré | Paris region | 1,088 |
| Paris - Rue de Courcelles | Paris region | 881 |
| Paris - Bd Malesherbes | Paris region | 753 |
| * Roissy - Zone Fret 2 | Paris region | 660 |
| Paris - Bd Voltaire | Paris region | 472 |
| Lyons - Crédit Lyonnais Tower | Provinces | 8,272 |
| Nantes - Einstein | Provinces | 7,901 |
| Grenoble - Vieux-Chêne | Provinces | 2,143 |
| Subtotal Offices | | 57,042 |
| **PARC CLUBS** | | |
| Marne-la-Vallée - PC Haute-Maison | Paris region | 6,616 |
| * Orsay - PC Université | Paris region | 4,943 |
| * Châtenay-Malabry - Central Parc | Paris region | 4,761 |
| Strasbourg - PC des Tannières | Provinces | 59,214 |
| Lyons-Venissieux - PC Moulin-à-Vent | Provinces | 36,588 |
| Nancy-Gondreville - PC Bois-Tambour | Provinces | 16,423 |
| Marseilles - PC des Aygalades | Provinces | 12,843 |
| Villeneuve-d'Ascq - PC des Prés | Provinces | 9,222 |
| Nantes - PC du Perray | Provinces | 6,312 |
| Aix-en-Provence - PC du Golf | Provinces | 5,500 |
| Montpellier - PC du Millénaire | Provinces | 5,382 |
| Subtotal Parc Clubs | | 167,804 |
| **WAREHOUSES** | | |
| L'Hay-les-Roses | Paris region | 15,620 |
| Villeneuve-d'Ascq - Triolo | Provinces | 13,586 |
| Metz - Deux-Fontaines | Provinces | 12,651 |
| St-Étienne - Chauvetière | Provinces | 7,351 |
| Nantes-Carquefou - r. Moulin-de-la-Garde | Provinces | 7,285 |
| Nancy - Heillecourt | Provinces | 4,059 |
| Nantes Carquefou - r. Marché-Commun | Provinces | 3,286 |
| Villeneuve-d'Ascq - Grand-Ruage | Provinces | 2,460 |
| Subtotal Warehouses | | 66 298 |
| **Subtotal Locafimo** | | **291,144** |
| **TOTAL STE + Locafimo** | | **639,035** |

* co-ownership

Villeneuve-d'Ascq, Parc Club des Prés.

Marseilles, Parc Club des Aygalades.

Nancy, Parc du Bois-du-Tambour.

Champs-sur-Marne, East Side,
La Poste.

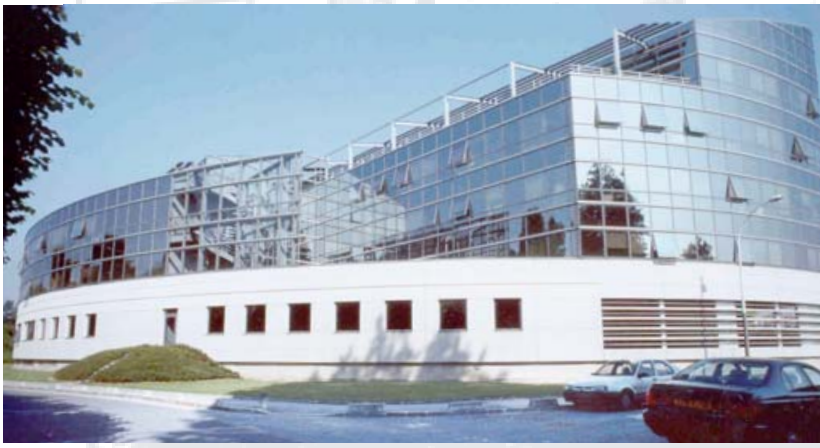

Nantes-Carquefou.



Lyons-Vénissieux, Parc Club Moulin-à-Vent.

Nantes, Parc Club du Perray.

Genlis, Semap.



Champigny-sur-Marne,
quai Victor-Hugo,
Air Liquide.

Bobigny, rue Gallieni,
Conseil Général, Seine-Saint-Denis.

Metz, Deux-Fontaines.




Montpellier, Pompignane, Areva.

# Looking Ahead

Société de la Tour Eiffel has a clear vision of its goals and strategic direction for the coming years.

## 2006 kicks off to a good start

— Société de la Tour Eiffel's policy is not to participate in an acquisitions race. However, since 1 January 2006, it has committed €150 million of which some €110 million is represented by speculative development. The higher risk profile is countered by the expectation of enhanced returns stemming from the growing tenant demand for modern, state-of-the-art, environment friendly buildings.

— STE retains an additional investment capacity of €200 million.

— Besides purchasing properties under development [VEFA], the company envisages further acquisitions from opportunistic funds where its fiscal status as a SIIC can offer a competitive edge in transactions.

— STE is currently in the process of off-loading non-strategic and underperforming assets for a total of €45 million. These consist mainly of smaller-size provincial warehouses.

## Value creation opportunities in the existing portfolio

Société de la Tour Eiffel future growth potential includes:

— 20,000 sq m undeveloped land holdings located mainly in the Strasbourg, Lille and Marseilles Parc Clubs, as well as the projected acquisition of additional land adjoining the existing Aubervilliers property to increase the car parking capacity.

— The future renovation of the Crédit Lyonnais Tower in Lyons, enjoying a prime location with direct access to the dynamic Part-Dieu market.

— Rationalisation of Parc Club ownership patterns together with co-owners to achieve greater homogeneity.

— The financing of the Saint-Gibrien La Poste sorting centre expansion (doubling the floor area), backed by a new 9 year-lease.



— Initial redevelopment feasibility studies on the Massy (rue Ampère) site.

## Secure rental income derived from long-term leases

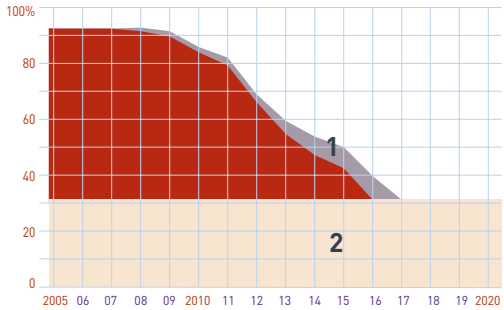
The portfolio, as at 31/12/2005 on a constant basis, will generate:

— €52 million in annualised rental income for 2006 (net of disposals,)

— €55 million in rental income for 2007,

— 80% of global rental income is secure until 2011 (assuming that 80% of the Locafimo leases are renewed on a constant roll over basis).

## Lease term profile




1. Development projects under contract [VEFA]
2. Locafimo

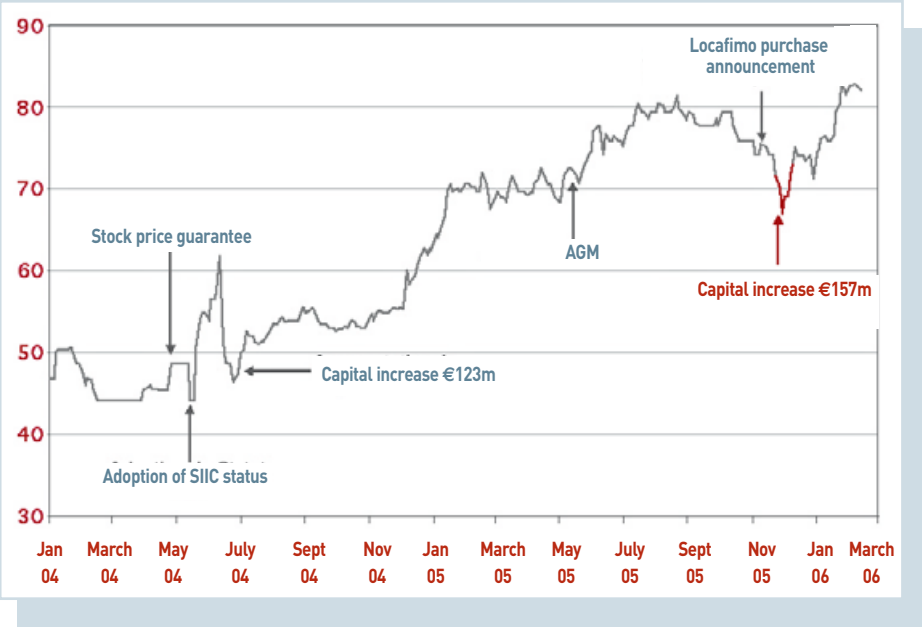
# Facts Sheet

## Shareholding structure

Société de la Tour Eiffel's free float stands at nearly 80%. On 31 December 2005, three shareholders each held over 1/20th of the company's equity:

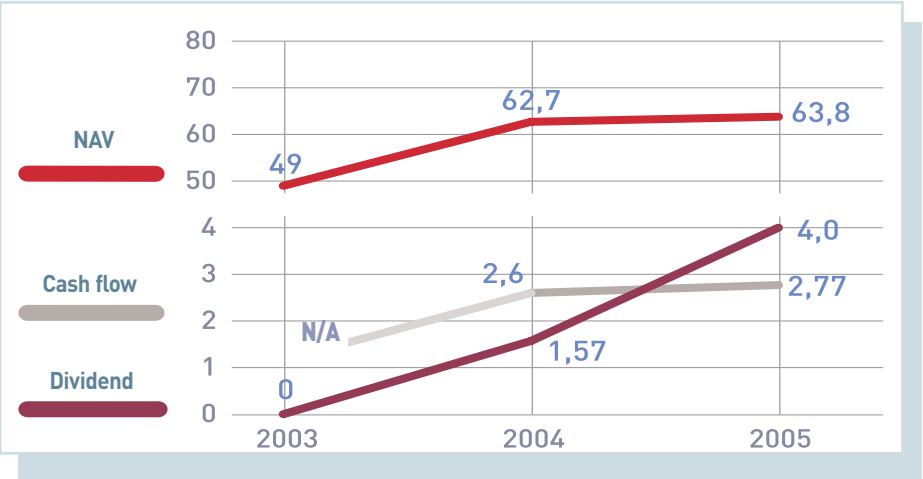
- Osiris Patrimoine,
- ING Clarion,
- Colonial First State Investments Ltd.

## Share Price






## Key indicators - graph for 2003 2004 2005




* Number of shares at 31/12/2005: 5,076,540 against 2,538,270 end 2004.

# FINANCIAL REPORT 2005

In 2005, STE modified the presentation of its financial accounts both in accordance with IFRS standards and in relation to depreciation policy.
During this period, the company pursued its strategy of prudent growth, yet doubled in size both in terms of assets market capitalisation and above all cash flow and dividend.
STE will distribute a dividend of €4 per share for 2005 as opposed to €1,57 in relation to 2004 exceeding comfortably the minimum SIIC dividend requirement.

These excellent results were boosted by reduced overall financing costs (despite their modest year end increase), the company having seized the opportunity to refinance part of its debt, and to hedge rates accordingly.

With over €300 million residual investment capacity from its December 2005 capital increase, Société de la Tour Eiffel plans to continue developing in 2006.

Jérôme DESCAMPS, Chief Financial Officer

## CONTENTS

# A - MANAGEMENT REPORT

## CONTENTS

# I - PRESENTATION OF BUSINESS AND ANALYSIS OF TRENDS

Société de la Tour Eiffel has completed its second full year as an S.I.I.C. (Société d'Investissements Immobiliers Cotée: REIT equiv.) with assets and property appraised at over €700m. Secure and identifiable rental income in respect of these same assets is €58m for 2006 and €61m for 2007.

Your company and its management team are characterized by their clear determination to assemble a coherent selection of property assets where rents (whether through the 6/9/12-year length of leases or the diversity of tenants) ensure a flow of secure and identifiable income to be distributed to shareholders in the form of a foreseeable short and medium-term dividend.

This is indeed what institutional investors as well as individuals are seeking, and is the direction of the S.I.I.C. legislation and its ancillary measures.

To meet this objective in a highly competitive investment market, the staff of Awon Asset Management, on behalf of Société de la Tour Eiffel, were selective and rigorous in enabling Société de la Tour Eiffel to successfully complete three development acquisitions (*VEFA: Vente en l'Etat Futur d'Achèvement; Future purchases project*) secured by long leases (Caen/Philips, Sochaux/Peugeot, Massy/Areva /SFR), and, at the end the year, to acquire control of Locafimo with a diversified portfolio (35 properties and 450 tenants), this same diversity ensuring lasting rental income.
This operation, allowing Société de la Tour Eiffel to increase its portfolio and income twofold, was financed by a capital increase of €157m successfully performed in December 2005, thus doubling shareholders' equity.

The company therefore begins 2006 with a portfolio representing some 650,000 sq m, with an average rent of €100 euros per sq m, leaving room for income growth on existing holdings and on acquisitions underway.

Société de la Tour Eiffel has continued restructuring its debt, to benefit from of rates which remain low, and, at the beginning of 2006, has investment capacity of over €300m.

Lastly, the integration of all asset management staff into Société de la Tour Eiffel through the purchase of Awon Asset Management will allow the company to pursue moderate growth in its property assets and the development of dividend as wished, being able to rely upon the skill of a team which has already proved its worth.

# II – DESCRIPTION OF PROPERTY INVESTMENTS IN 2005

In financial year 2005, the company significantly increased its property assets in accordance with its investment criteria. These were as follows:

**■ SCI Lyons Genlis:**
7 January 2005 - creation of SCI Lyons Genlis, a non-trading company with capital of €1,000, with its head office at: 20 Rue de la Ville l'Evêque, 75008 Paris, whose purpose is the acquisition of buildings and property assets in view of holding, renting, developing value and management.
On 24 March 2005, this company acquired two buildings, one at 16 Avenue Paul Santy, 69008 Lyons, let to Savoye, the other in the Rue Ampère at 21110 Genlis, the Layer business development let to Comap.
The appraised value of the property portfolio at 31 December 2005 is €8.1m net of tax.
Rentals for a full year amount to €0.7m.

**■ SCI Etupes de l'Allan:**
On 18 January 2005 - creation of the SCI Etupes de l'Allan, a civil company with capital of €1,000, with head office at 20-22 Rue de la Ville l'Evêque, 75008 Paris, whose purpose is the acquisition of buildings and property assets in view of holding, renting, developing value and management. On 24 February 2005, this company took the place of Gefco in acquiring a plot of land in the Technoland business park at Etupes (département of Doubs) in order to construct two industrial buildings, pre-let to Gefco and completed at the end of the year.
Overall construction costs at 31 December 2005 were calculated at €16m.
Rentals for a full year are €1.5m.

**■ SCI Caen Colombelles:**
21 June 2005 – creation of SCI Caen Colombelles. On 21 June 2005, this company signed a forward sale with Sem Normandie Aménagement (under the control of the Communauté d'Agglomération de Caen la Mer and the Basse Normandie region), concerning the construction in the ZAC (zone d'aménagement concerté – area developed through cooperation between public and private sectors) du Plateau, in Caen (14) of a complex for office-use, the new Philips Research Centre.

This campus-style complex will develop 17,500 sq m on

a 5-hectare plot of land to be completely landscaped. This is already pre-let to Philips France (semi-conductor business), with a firm 9-year lease and is planned for delivery in the first quarter 2007. Investment is €32,700,000.

■ **SCI Massy Campus II:**
29 July 2005 – creation of SCI Campus Massy II. On 29 July, this company signed a unilateral undertaking to sell, as property purchased from plan, under a VEFA agreement (Vente en l'Etat Futur d'Achèvement), a building to be constructed on a plot of land of 32,058 sq m at 103 Rue de Paris, Massy (Essonne), and pre-let for the most part to Aréva.
The investment is approximately €50,000,000.

■ **SAS Locafimo:**
On 27 December 2005, Société de la Tour Eiffel acquired 100% of the shares in Locafimo for a sum, excluding price adjustment, of €170.4m.

The Locafimo group holds a portfolio of 35 lots of offices, business parks (mixed business premises for industrial use, warehousing and offices) and warehouses throughout France. Locafimo's business activity is, for the main part, the renting of the assets making up its property portfolio, and for the remaining part, management of a portfolio of property leasing approaching the end of its lifespan. All its subsidiaries are wholly-owned by Locafimo (see page 54).
Locafimo's property portfolio is composed of 35 buildings with an overall surface area of 291,144 sq m well distributed in Paris, Ile-de-France and the provinces as in the table below:

| | No. of properties | Area (in sq m) | Rents (in €m) |
|---|---|---|---|
| Offices | | | |
| Central Paris | 7 buildings | 10,204 | 3 |
| Ile-de-France | 6 buildings | 28,522 | 4.1 |
| Regions | 3 buildings | 18,316 | 1.8 |
| BUSINESS PARKS | | | |
| Ile-de-France | 3 parks | 16,320 | 1.8 |
| Regions | 8 parks | 151,484 | 9.7 |
| WAREHOUSES | | | |
| Ile de France & Regions | 8 warehouses | 66,298 | 2.5 |
| TOTAL | 35 properties | 291,144 | 22.9 |

**Business parks:**
The core of the portfolio is made up of 11 business parks of which 8 are situated in the regions.
Rental risk is well spread as a result of multi-renting in these parks. These business areas, situated on the edges of large towns, make possible very competitive rents and are therefore highly suitable to the growth of the tertiary sector in local economies. Their surface areas vary in size.
Actual physical occupancy rate at 31/12/2005 = 78%.

**Offices:**
Paris offices are in traditional buildings located in central districts. Most offices in the suburbs are in new service sector centres. Buildings in the regions are situated in major conurbations. Actual physical occupancy rate at 31/12/05 = 86%.

**Warehouses:**
The portfolio is made up of traditional category B warehouses, let to several tenants and mainly in the regions. Actual physical occupancy rate at 31/12/05 = 83%.

The company considers that Locafimo's portfolio of property assets effectively complements that of the group, for the following reasons:
• First acquisitions of "prime" assets in Paris in conditions which are reasonable: Acquisition of property in the Lyons conurbation, the second tertiary market in France, represents a real opportunity for the development of our group.
• Warehouses owned by Locafimo offer substantial returns and their geographical locations are complementary to those of the property portfolio let to La Poste.
• Locafimo's business parks, situated on the outskirts of certain large towns in the provinces as well as in the Paris region, and developed around the campus concept, particularly suit the needs of companies in a context of tertiarization of the property market outside Ile de France.
The high number of Locafimo tenants (holders of 3/6/9 leases) means well-distributed rental risk and considerable flexibility.

## III – APPRAISAL OF ASSETS AND NAV

All assets of Société de la Tour Eiffel were appraised at 31 December 2005 by the following independent specialists: Atisreal Expertise, Savills Expertises, CB Richard Ellis, Foncier Expertise, Jones Lang Lasalle and Drivers Jonas.
In compliance with the recommendations of the Autorité des Marchés Financiers (Financial Markets Authority), these assessments were performed year-by-year according to recognized, homogenous methods on the basis of net selling prices, i.e. excluding expenses and taxes.

**NAV including taxes**
To calculate NAV including taxes, buildings are first assessed for their tax-included value according to appraisals made by independent specialists. The

company carries out no revaluation of special property reserves or buildings under construction. Until these buildings under construction are delivered, although they represent potential for capital gains, operations are shown at cost price in the consolidated accounts for reasons of caution. The same applies to NAV.

No restatement affects NAV inasmuch as the complete IFRS balance sheet at 31 December 2005 is entered in "fair value".

**NAV excluding taxes**
A second calculation gives NAV excluding taxes. Transfer charges are estimated at 5.2% of the revalued value of the company owning an asset. Transfer tax has been recalculated half-yearly since the company's redevelopment into the real estate business.

NAV before tax amounted to €63.8 per share at 31 December 2005 compared with €62.7 per share at 31 December 2004.

# IV – GROUP FINANCING

Operations by Société de la Tour Eiffel in 2005 were to finance the acquisitions programme set out above and to optimize the financial conditions for loans outstanding. This is reflected in a major capital increase which was very largely subscribed and in the refinancing of certain loans.

## 4.1 Capital increase:

In accordance with the authorization given by the Board of Directors in its meeting of 21 November 2005, acting under the terms of the authorization and powers delegated to it under the fourteenth resolution adopted by the extraordinary general meeting of 12 May 2005, the Chairman and Chief Executive Officer decided on 23 November 2005 to carry out a capital increase in a total amount of €157,372,740 maintaining pre-emptive subscription rights, through the issue of 2,538,270 shares at a cost of €62 each at nominal value of €48.

The new shares were subscribed in their entirety and the capital increase became definitive on 21 December 2005, the date of issue of the custodian certificate. The shares were listed on 23 December 2005. Capital stock was thus increased to €243,673,920 divided into 5,076,540 shares.

## 4.2 Bank refinancing

In France throughout 2005, long rates fluctuated between 3.7% at end-2004 and 3.4% at end-2005. Short-term rates increased, following decisions by the Central European Bank in the 4th quarter 2005 to increase rates from 2.2% at the start of the year to 2.5% at the end of the year.

In these circumstances, the main events in the operation to refinance the Société de la Tour Eiffel were:
- Increase in the credit line contracted at the end of 2004, raised from €210m to €222.5m in July.
- Financing of the acquisitions signed in 2005 (except for Locafimo) by the use of the €222.5m line of credit. At 31 December 2005, this line was committed overall to an amount of €164.5m.
- Holding and renegotiation of the financing of Locafimo, concomitant with the acquisition of shares in the latter by the Société de la Tour Eiffel (€137m).
- Bridging loan of €32m enabling Société de la Tour Eiffel to finance the acquisition of Locafimo shares, with the bank, of international reputation, which also finances Locafimo directly.

Group cash flow surpluses have been placed in low-risk instruments, mainly money market unit trusts.

## 4.3 Debt structure at 31 December 2005

The financing structure of Société de la Tour Eiffel was substantially changed by the financing operations described above.

Global pre-tax debt at 31 December 2005 came to €357.8m compared with €138.2m at 31 December 2004. The amount of net debt on the balance sheet, obtained by deducting from overall debt the financial investments placed as cash securities with the bank financing the new property assets, liquid assets invested and reserves from company subsidiaries, amounted to €284.9m compared with €109.3m at end-2004.

Thus, with funds from varied sources recently put in place, a level of debt representing only 43 of assets valued at €654m (compared with a loan-to-value objective of 65%) Société de la Tour Eiffel has strong financial capacity (over €350m) allowing it to actively pursue its growth policy.

| In millions of euros | 31/12/2004 | IFRS 31/12/2005 |
|---|---|---|
| Global debt | 138.2 | 357.8 |
| Invested cash reserves | -11.7 | - 18.6 |
| Liquidity | -5.6 | -48.3 |
| Financial investments (cash guarantee) | -11.6 | -6,0 |
| **Net debt on balance sheet** | **109.3** | **284.9** |

Average life of company debt was 4.5 years at 31 December 2005.

Average rate for group refinancing was 3.7% in 2005. This low average cost of debt is explained by the interest rate level, bank financing recently put in place and/or renegotiated and the policy of hedging interest rate risk.

### 4.4 Financial structure ratios

| Indebtedness ratios | IFRS 2004 | IFRS 2005 |
|---|---|---|
| Consolidated equity (€m) | 146 | 305 |
| Net financial debt (€m) | 109.3 | 284.9 |
| Net financial debt / revalued equity | 75 % | 93 % |
| Net debt / Total property assets | 43 % | 43.6 % |

| Financing ratios | IFRS 2004 | IFRS 2005 |
|---|---|---|
| Average cost of debt | 3.9 % | 3.67 % |
| Fixed rate or capped loan | 84 % | 83 % |
| Term of debt | 5.9 years | 4.5 years |
| Hedging of financial costs by gross operating profit | 3 | 3 |

# V – STAFF AND MANAGEMENT

### 5.1 Staff

The Board of Directors, in its meeting of 1st July 2005, decided to propose to Mr. Robert Waterland, Executive Vice President of the company, a contract of employment as Director of Real Estate, taking effect on the same date

As at 31 December 2005, the staff of Société de la Tour Eiffel consists of one salaried person.

To the extent that Société de la Tour Eiffel employed no staff until 30 June 2005 and counted only one salaried person as from 1st July 2005, the company has therefore turned to outside teams to assist in the administration of its asset management activity and management of buildings:

### 5.2 Asset Management

An asset management contract was concluded on 26 April 2004 with Awon Management, authorized as a regulated agreement by the Board of Directors meeting on 2 April 2004, and then ratified by the shareholders' annual meeting on 18 May 2004. Under the terms of this contract, this company, which had had no part in the capital of Société de la Tour Eiffel in the financial year 2005, was entrusted with these missions: advisory role in the acquisition of buildings, management of buildings owned by subsidiaries of Société de la Tour Eiffel with a view to optimizing rental income and the value of buildings, and administration of Société de la Tour Eiffel.

Almost all business activity of Awon Asset Management concerns Société de la Tour Eiffel.

In respect of the year 2005, remuneration paid to Awon Asset Management under the terms of the framework contract was as follows (in euros):

| ( en euros ) | Invoiced by Awon Asset Management to the Société de la Tour Eiffel | Reinvoiced by Société de la Tour Eiffel to its subsidiaries |
|---|---|---|
| Basic annual remuneration | 988,542 | 988,542 |
| Costs linked to purchase of buildings | 2,393,412 | 904,928 |
| Administrative management fees | 200,000 | 120,000 |
| **Total** | **3,581,954** | **2,013,470** |

The project to integrate Awon Asset Management staff into the Société de la Tour Eiffel group is described in the paragraph on significant events since 1st January 2006.

### 5.3 Mandates on buildings management

A framework management contract with Awon Gestion was signed on 26 April 2004 and ratified by the shareholders' annual meeting of 18 May 2004. For financial year 2005, remuneration paid in respect of the first quarter 2005 was €111,810. This was paid directly by the subsidiaries concerned.

It is specified that Awon Gestion, which has a framework contract with Société de la Tour Eiffel as regards the management of buildings owned by its subsidiaries, sold its business on 31 March 2005 to Savills Gestion.

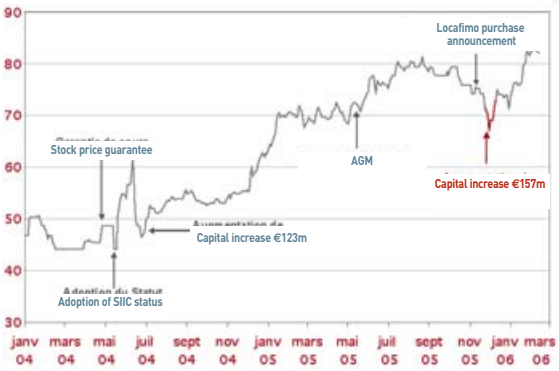
Société de la Tour Eiffel buildings under management mandate at the transfer date were included in the disposal of business to Savills. In consequence, these are now managed by this latter company, which is totally independent in relation to Société de la Tour Eiffel.

# VI - INFORMATION ON MEMBERS OF THE BOARD

These details are given in Appendix 3.

# VII - SHARES AND THE MARKET

## 7.1. Development in the share price (p.23)




## 7.2 Changes in stock ownership

Shareholding in the company has changed considerably during 2005. On 23 March 2005, Osiris Patrimoine sold 35.8% of the company capital. These shares were placed with a large group of international institutional investors. Following this operation, Osiris Patrimoine retained a holding between the thresholds of 5% and 10% of the capital and voting rights.

Asset Value Investors Ltd and Amber Fund Limited moved below the 5% threshold in capital and voting rights, before the capital increase took place.

## 7.3 Situation of stock ownership

To the knowledge of the company and on the basis of declarations on thresholds to the Autorité des Marchés Financiers (Financial Markets Authority), the ownership structure at 31 December 2005 was as follows:
Individuals or legal entities holding, directly or indirectly, more than 1/20th of the capital and voting rights: Osiris Patrimoine, ING Clarion, Colonial First State Investments Limited (1).
The company has not been informed of any thresholds exceeded.
To the knowledge of the company, stock ownership structure has not been significantly changed as a result of the capital increase.

(1) Acting on behalf of funds managed by the company: Commonwealth Global Property Securities Fund 1–AMP; International REIT Income Open Mother Fund; First State Global Property; CFS Wholesale Global Property Securities Fund.

# VIII - EVENTS SINCE CLOSING OF THE FINANCIAL YEAR

### Bank refinancing:

Since 1st January 2006, SCI Nowa has refinanced its property assets, increasing them from €62.7m to €78m in more favourable market conditions with a fixed rate swap.

Société de la Tour Eiffel plans to continue debt restructuring in order to benefit from rates which remain low.

At the start of 2006, its investment capacity stands at over €300m.

### Acquisition of Awon Asset Management:

As already announced, the acquisition of this company by Société de la Tour Eiffel is underway at the date of preparing this report. As a result of integrating the Locafimo portfolio, Société de la Tour Eiffel now has the size and financial means necessary to meet the costs of a dedicated team

The total integration of asset management staff into Société de la Tour Eiffel will enable it to pursue moderate growth in its property assets and the development of dividend as wished, being able to rely upon the skill of a team which has already proved its worth.

It should be pointed out that this company is expected to become a direct subsidiary of Société de la Tour Eiffel. At this date, it has 23 salaried persons.

### Distribution of an account on dividends:

As forecast and announced, Société de la Tour Eiffel introduced payment to shareholders of an interim dividend as from results at 30 June 2005.

On the basis of corporate earnings of €8,623,340m at 28 February 2006, the Board of Directors meeting on 22 March 2006 decided to pay an interim dividend of €1.15 per share, i.e. a total amount of €5,838,021, payable at the same time as the dividends voted at the next annual general meeting.

# IX - FORESEEABLE DEVELOPMENTS FOR THE COMPANY AND FUTURE PROSPECTS

Secure and identifiable income of Société de la Tour Eiffel, for the property portfolio held at 31 December 2005 will be €58m for the year 2006 and €61m for 2007 (before forecasted disposal).
In 2006 we shall confirm our policy to distribute dividends, through increased yields from our choice of future investments and our ability to create value with our current assets.
Regarding our current holdings, Société de la Tour Eiffel will continue adding value to assets in 2006.on in 2006. For Locafimo in particular, the company considers it can show a marked increase in the portfolio's rental income, through an assets appreciation policy and by improving the occupancy rate, thus also reducing associated expenses.

The Locafimo portfolio is at present the subject of a preliminary study designed to arbitrate on certain non-strategic or modestly sized buildings, the consequence of which would be to release capital gains and show a marked increase in yield from the remaining assets.
We also plan to improve daily management of Locafimo's portfolio and it is our wish to strengthen relations with tenants.
We also believe that the performance of its business parks can be enhanced with suitable strategy aimed at creating an image of a modern group.

Concerning investment projects, although it has grown twofold in 2005, Société de la Tour Eiffel plans to continue to develop, whilst at the same time maintaining its objectives on yields and respecting its investment criteria – attractive returns, secure and identifiable income, offices and business activities in Ile de France and the regions.
With this in mind, we envisage new acquisitions, in particular in funds in the English-speaking world, as well as acquisition of new property assets in the form of pre-let and/or well-situated buildings purchased from plan (VEFA) – a sum of €120m in new offices as buildings purchased from plan is about to be committed.

As planned, Locafimo will be opting for SIIC status as from 1st January 2006.

# X - SUBSIDIARIES AND HOLDINGS

In respect of subsidiaries and holdings, we set out their business activities in our section on the activity of the company and the group.
Please note that a table concerning our subsidiaries and holdings is presented as an appendix to the balance sheet.
Also shown above are acquisitions of shareholdings made in 2005.
At 31 December 2005, the scope of consolidation of the group formed by Société de la Tour Eiffel included wholly-owned companies as in the list appended to the consolidated accounts.
These subsidiaries do not hold any shares in our company.

# XI - ECONOMIC AND FINANCIAL PERFORMANCE REPORT

## 11.1 Corporate financial statements

The total balance sheet of Société de la Tour Eiffel at 31 December 2005 amounted to €340.8m compared with €144m at 31 December 2004.

**Assets:**
Fixed assets are composed of shareholdings in subsidiaries and of related receivables and represent secure financing guaranteed to its subsidiaries by the parent company. The increase in equity investment (from €64.3m to €248.1m) is principally the result of the acquisition of the Locafimo shares and its receivables related to intra-group financing put in place during the financial year, i.e. an increase from €37.5m to €51.1m.
The fair stability of current assets between 2004 and 2005 (€39.1m against €41.6m) reflects the balance between the reduction in trade receivables of €5m and the increase in cash flow between 31 December 2004 and 31 December 2005 of €7.5m.

**Liabilities:**
Shareholders' equity rose from €139.6m at 31 December 2004 to €290.9m at end-2005 due to doubling of share capital at the end of the year. Interim dividend paid on 30 September 2005, €5.1m, i.e. €2 per share, was reflected in a reduction in shareholders' equity.

The overall increase in debt, from €4.3m at 31 December 2004 to €49.9m at end-2005, was caused firstly by the bridging loan of €32m required for financing the acquisition of Locafimo and, secondly, by a rise in operating debt of over €13m.

**Income statement:**
Operating income, €3m in 2005 compared with €4m in 2004, represents invoicing by Société de la Tour Eiffel to its subsidiaries for administration, asset management and costs linked to investments. Operating expenses are composed of costs relating to the asset management

framework contract with Awon Asset Management, certain financing and investment costs and general overheads of Société de la Tour Eiffel.

Operating income amounted to €2.7m in 2005 against €1.1m in 2004.

Financial income, at €12.5m in 2005 against €5.4m in 2004, mainly consists of dividends from interests, receivables linked to these interests and net income from cash investments.

On the basis of the above, and also taking into account exceptional earnings and taxes which are not significant, net income shows a profit of €9.7m compared with €4.2m in 2004.

Appended to this report is a table of results in accordance with Article 148 of the decree of 23 March 1967.

**Expenditure on luxuries and charges which are not fiscally deductible**
In compliance with the terms of Articles 223 (4) and 223 (5) of the Tax Code, we specify that the accounts for the past financial year do not include expenses which are not tax deductible.

**Activities in research and development**
Regarding Article L 232-1 of the Code de Commerce, we inform you that, in the course of the past financial year, the company has not carried out activities in research and development.

### 11.2 Consolidated accounts

**Consolidated balance sheet**
At 31 December 2005, net non-current assets amount to €664.2m against €265.8m at end-2004. This increase over the year mainly stems from the acquisition of the property assets described above and principally by those held by Locafimo.

Current assets, which stood at €95.1m at 31 December 2005 against €29.4m at the close of the previous financial year, consist of €66.9m in cash reserves, mainly from Locafimo and the Société de la Tour Eiffel capital increase at the very end of the year.

As regards liabilities, consolidated shareholders' equity at the close of the financial year was €305.3m compared with €146m at end 2004, a variation resulting from the capital increase (including €121.8m in corporate capital and €28.4m in net share premiums.

The marked increase in current and non-current liabilities, up from €150m to €454m between 31 December 2004 and 2005, is explained by the rise in bank loans financing the year's acquisitions and by that in fiscal debt (deferred tax credit relating to the SIIC option taken by Locafimo planned to take effect on 1st January 2006, corporation tax and an exceptional withdrawal by Locafimo).

**Consolidated income statement**
The amount of rents and consolidated rental income almost doubled between 2004 and 2005, from €15m to €29.6m. Operating expenses, at €12.2m in 2005 against €4.8m in 2004 have increased according to the marked rise in business activity. They consist mainly of rental charges (€3.1m against €2.2m in 2004), personnel costs (€2.1m against €0.1m ) essentially consisting, under IFRS standards, of stock purchase warrants granted to Awon Asset Management, overheads and general administration expenses for the companies in the Société de la Tour Eiffel group.

The net balance of value adjustments results from offsetting of, on the one hand, the positive variation in 2005 of the fair value of investment buildings (+ €33.2m) and, on the other, depreciation under IFRS standards of goodwill on Locafimo shares (- €29.4m).

Consequently, net operational income was 21.1 million euros in 2005 compared with 13.3 million euros in 2004.

Cost of net financial debt (net financial costs of cash management products) was €5.3m in 2005 against €3m with the considerable increase in the portfolio to be financed.

Taking the above into account, 2005 net consolidated income stood at €15.8m compared with €10.7m in 2004, i.e. €6.03 per share applying the average weighted number of shares outstanding during the year i.e. 2,615,000 shares.

Current cash flow before taxes and cost of financial indebtedness came to €19.4m, i.e. €7.4 per share applying the same weighted average.

## XII - PRESENTATION AND APPROVAL OF ACCOUNTS

The company accounts, as well as the consolidated accounts, for the financial year ended 31 December 2005, which we hereby submit to your approval, have been prepared in accordance with the rules concerning presentation and the methods of valuation stipulated by regulations in force.

We should like to draw your attention to the fact that in relation to the previous financial year, the following changes have been made to the rules and methods for preparing annual accounts.

• As from 1st January 2005, Société de la Tour Eiffel has applied the provisions of Rule CRC No 2002-10 relating to the amortization and depreciation of assets and also Rule

CRC No 2004-06 relating to the definition, reporting and valuing of assets.

• Société de la Tour Eiffel has opted for retrospective implementation of the new texts as if the method had always been applied. The impact of the change at opening is taken to retained earnings for an amount of 199.267 euros.

• The company opted for debiting to assets of costs of acquisition of financial investments.

For the first time, consolidated accounts in 2005 were drawn up according to the IFRS reference standards. Impacts on income and shareholders' equity are described in the appendix to the consolidated accounts.

## XIII - EARNINGS ALLOCATION

We propose allocation

| | |
|---|---|
| of profits for the financial year | €9,720,481.25 |
| to which is added the amounts from the following items: | |
| • retained earnings (after allocation 2004) | €6,814.47 |
| • impact of adoption of new accounting rules amortization and depreciation of assets | €199,267.12 |
| making a total of | €9,926,562.84 |
| • to the legal reserve, an amount of | - €495,987.42 |
| leaving distributable income of | €9,430,575.42 |
| on which an interim dividend has already been paid of decided by the meeting of the Board of Directors on 20 September 2005 | €5,076,540.00 |
| leaving a balance of distributable profit of | €4,354,035.42 |
| • for distribution of the balance of the dividend, i.e.: i.e. €0.85 per share, | €4,315,059.00 |
| • the balance of being taken to retained earnings | €38,976.42 |

Dividend will be payable on 30 May 2003 or 9 June 2006 in the event of failure to convene a general meeting at the first convocation though lack of a quorum.

For individuals resident in France, the totality of sums distributed and paid in 2006 will, as appropriate, be eligible to:

• firstly to an allowance of 40% (in accordance with Article 158-3-2 of the General Tax code in its new edition),

• secondly to a fixed annual allowance of €1,525 for taxpayers who are single, divorced, widowed or married and taxed separately and to €3,050 for married taxpayers taxed jointly or a couple recognized in law (pacs) taxed jointly (in application of the new provisions of Article 158-3-5 of the General Tax Code).

If, on payment of the dividend, the company should own a certain number of its own shares, the profit distributable corresponding to the dividend not paid for reason of the holding of the said shares would be allocated to retained earnings.

In accordance with the provisions of Article 243 (b) of the General Tax code, we remind you that dividends paid in respect of the last three years were as follows:

| | Financial year | | |
|---|---|---|---|
| | 2002 | 2003 | 2004 |
| Number of shares | 91,800 | 321,300 | 2,538,270 |
| Net dividend per share | 0 | 0 | €1.57 |
| Tax credit | 0 | 0 | |
| Dividend per share | 0 | 0 | |

## XIV - AUDITORS REVIEW

In keeping with legislative and regulatory provisions, we hold at your disposal all reports prepared by your auditors, according to the decisions submitted to your vote.

We also inform you that a list, including the purposes, of current agreements entered into under usual conditions which, by virtue of their subjects or their financial implications, are significant for the parties, have been addressed to the Board members and to the auditors.

## XV - DIRECTORS' FEES

You will also be required to vote on the granting of directors' fees to your Board of Directors for an overall sum of €45,000.

## XVI - BOARD MEMBERS' MANDATES

We propose that you confirm renewal of the term of office of Mr. Claude Marin as a member of the Board as from 12 May 2005 and until the end of the meeting called to approve the financial statements for the 2007 financial year.

## XVII - POSITION OF AUDITORS' MANDATES

As the mandates of all statutory and alternate co-auditors will expire at the end of the general meeting, we propose that you:

- appoint the Société Expertise et Audit SA as statutory co-auditor to replace of Mr. Pascal Fleury,
- renew the mandate of Corevise SA as alternate co-auditor,
- renew the mandate of PricewaterhouseCoopers Audit as statutory co-auditor,
- appoint Mr. Christian Perrier as alternate co-auditor in replacement of Mr. Pierre Coll,

for a period of six financial years, i.e. until the adjournment of the general meeting called to approve the accounts of the financial year closed on 31 December 2011.

## XVIII - AUTHORIZATION TO THE BOARD OF DIRECTORS ON PURCHASE OF SHARES

In the context of decisions belonging to the annual general meeting, you are also asked to give your authorization to the Board to carry out a programme whereby the company purchases its own shares.

The purpose of the acquisition of these shares would be to cover share purchase option plans, the allocation of free shares or equity convertible debt, to carry out growth by acquisition and, in the context of a liquidity contract, to give impetus to the company's shares in the market.

This authorization would be valid for a period of eighteen months and limited to 10% of the total number of shares making up the shares of the company outstanding on the day of this general meeting. The minimum purchase price would be 75 euros and minimum sale price 125 euros per share.

### WITHIN THE COMPETENCE OF THE EXTRAORDINARY GENERAL MEETING

## XIX - DELEGATION OF POWERS TO THE BOARD OF DIRECTORS

At previous meetings, you have granted to the Board of Directors various authorizations allowing it to respond to development opportunities which might arise, in particular by making use of capital increases.

You are now asked to grant the Board of Directors new delegations of powers in respect of different operations it may decide to perform in respect of the capital, under the conditions and procedures defined by you during the present meeting or those which would be defined by the Board of Directors in terms of the powers you grant to it.

In outline, these delegations would give to the Board:

- the possibility, under certain conditions to carry out a capital increase. This would permit the Board of Directors, within the limits and framework fixed by shareholders, to be sufficiently flexible and reactive, as and when required, to raise the funds necessary for developing the company and financing its investments.
- the possibility to issue options to buy or purchase company shares and also to grant free shares to employees and/or Board members of the company or its subsidiaries. This step would strengthen motivation of our staff, whilst providing well-adapted additional tools for remuneration.

The detail of each of these operations appears in the text of the corresponding resolution and we shall give you any supplementary information you may need before the vote takes place.

A brief list now follows of the delegations you are asked to grant:

**19.1 a capital increase by the issue, maintaining pre-emptive subscription rights, of any securities giving access, immediately or in the long-term, to company shares or by incorporation of profits, premiums, reserves or other.**

1 – increase to be carried out in one or more stages:

a) through the issue, in euros or in foreign currencies, of shares, warrants and/or securities giving access, immediately or in the long-term, at any time or at a set date, to ordinary company shares by subscription, conversion, exchange, reimbursement, presentation of a warrant or by any other means,

b) and/or by capitalization of profits, premiums, reserves or other, where incorporation into the capital would be legally or statutorily possible and by granting of free shares or raising of the nominal value of existing shares.

2 – a period of validity of twenty six months from this general meeting.

3 – limit of amounts: the nominal amount of the issue of shares or securities representing receivables giving access to shares, immediately or in the long-term, could not exceed €300m.

4 – the issue(s) would by preference be reserved for shareholders able to subscribe for exact rights. The Board of Directors would also be entitled to introduce an irrevocable subscription right, and, if the issue were not completely subscribed, to be able to limit the amount, allocate shares or offer them to the public.

5 – the Board of Directors would have all powers to put the delegation of powers into action, in the conditions set down by law, with the effect of deciding the conditions of issuance, determining the subscription date, method of payment and all other procedures.

6 – possibility for the Board of Directors, in compliance with the conditions set down by law, to sub-delegate to its Chairman, or, in agreement with the latter, to one of its members, the powers granted.

**19.2. capital increase by means of the issue, without pre-emptive subscription rights, of any securities giving access, immediately or in the long term, to company shares.**

1 - capital increase by means of the issue, in one or more stages, on the French and/or international market, by making a public call for saving, either in euros or in foreign currencies, of shares, warrants and/or securities giving access, immediately or in the long-term, at any time or at a set date, to ordinary company shares, whether this be by subscription, conversion, exchange, reimbursement, presentation of a warrant or in any other manner. It is specified that these shares could be issued to (a) remunerate shares conveyed to the company in the framework of a public share exchange offer on shares corresponding to the conditions set down in Article L. 225-148 of the Code of Commerce; (b) within a limit of 10% of the company capital, to remunerate contributions in kind granted to the company and composed of shares or securities giving access to the capital, where the provisions of Article L. 225-148 of the Commercial Code do not apply.

2 – a validity period of twenty-six months from this general meeting.

3 – limit of amounts: The nominal amount of the issue of shares or securities representing receivables, giving access, immediately or in the long-term, to shares could not exceed €300m.

4 – removal of pre-emptive subscription right from shareholders The Board of Directors, however, under Article L. 225-135 of the Commercial Code, could grant to the shareholders, for a period not exceeding ten trading days, and according to the procedures fixed by it for all or part of an issue put into effect, priority in subscription not giving rise to negotiable rights and which must be exercised in proportion to the number of shares owned by each shareholder and could if appropriate be completed by an application for excess shares, it being specified that following the priority period, non-subscribed shares should be placed on the market.

5 – delegation of powers would automatically involve, in favour of bearers of shares to be issued, deliberate waiver by shareholders to their pre-emptive subscription rights on shares to be issued.

6 - the amount of the payment received or perhaps received subsequently to the company for each of the shares issued or to be issued in the context of this authorization would be at least equal to the average weighted price during the three trading days prior to fixing this sum, which may be reduced by a discount of 5% maximum.

7 – the Board of Directors would have all powers to put the delegation of powers into action, under the terms set down by law, with the authority to decide conditions of issue, determine the subscription date, method of payment and all other procedures.

The Board would also be able to:

- Suspend, as necessary, the exercise of rights attached to shares issued, for a maximum period of three months
- in the event of issue of shares to remunerate shares conveyed in the framework of a public share exchange offer:
  - decide the list of shares conveyed in exchange,
  - set the conditions of issue, the exchange ratio and the amount of the equalization in cash to be paid,
  - determine issue procedures in the framework either of a share exchange offer or alternative purchase or exchange bid, or of a purchase bid or share exchange offer for the main part with a share exchange offer or

purchase bid in a subsidiary capacity.

8 – possibility for the Board of Directors to sub-delegate to its Chairman, or, in agreement with the latter, to one of its members, the powers granted.

**19.3. in the case of issue without shareholders' pre-emptive subscription right under the conditions stated in the thirteenth resolution, to fix, within a limit of 10% of the capital, the issue price according to the conditions set by the general meeting.**

1 – for a period of 26 months, with the right to sub-delegate to any person entitled by law, the authority to issue ordinary shares or securities giving access immediately or in the long-term to the company's capital without pre-emptive subscription rights under the conditions, particularly in respect of amount, set down in the thirteenth resolution.
The issue price may not be lower than the average weighted price on the 10 trading days prior to setting the issue price or than the price indicated above, reduced where appropriate by a maximum discount of 5%.
The nominal maximum capital increase could not exceed 10% of the capital stock in each 12-month period or the global limit set in the thirteenth resolution, to which account it would be charged.

2 – the Board of Directors would have all powers to carry out these issues.

**19.4. increase in the amount of the initial issue, with or without shareholders' pre-emptive subscription rights, decided under the terms the twelfth and thirteenth resolutions respectively.**
- authorization for the Board of Directors, for a period of 26 months, with entitlement to sub-delegate to any person authorized by law, to decide for each issue decided under the twelfth and thirteenth resolutions, that the number of ordinary shares and securities for issuance could be increased, when surplus demand is recognized in terms of Article L225-135-1 of the Code of Commerce and of Article 1555-4 of the decree n°. 67-236 and within the limits set by the twelfth and thirteenth resolutions respectively.

**19.5. capital increase without pre-emptive subscription rights in favour of the members of the Board and employees under the provisions of Articles L. 225-138 (commercial code) and L. 443-5 (labour code).**
- for a period of five years as from this general meeting, the Board of Directors, under the terms of Articles L. 225-138 of the Commercial Code, may carry out capital increases reserved to Board members and employees of the company and of companies affiliated to it under current legislation, belonging to a company savings scheme or an employees' voluntary partnership savings plan, within a maximum limit of €15m. nominal.
- waiver by shareholders to their pre-emptive subscription right in favour of employees to whom the capital increase would be reserved.
- the Board of Directors would have all powers to set the conditions and terms of operations.
- possibility for the Board of Directors to sub-delegate to its Chairman, or, in agreement with the latter, to one of its members, the powers granted.

**19.6. options for subscription or purchase of shares**
1 - authorization to grant, in one or more stages, in favour of the stated beneficiaries, options giving rights to subscribe new company shares to be issued in relation to a capital increase or purchase of existing shares in the said company, coming from purchases made according to the conditions set down by law.

2 – a period of validity of thirty-eight months from this general meeting.

3 – beneficiaries of these options:
- on the one hand, employees or certain among them or certain categories of personnel,
- on the other hand, the members of the Board, as defined by law, or certain among them, both from the company itself and from French or foreign companies or economic interest groups linked to it, directly or indirectly, under the terms of Article L.225-180 of the Commercial code,

4 – the total number of options thus proposed could not give right to subscribe or purchase a number of shares equivalent to more than 3% of the capital stock..

5 – in the case of a grant of stock options, the price of share subscription by beneficiaries would be set on the day the options were granted and could not be less than 80% of the average opening price of former shares on the 20 trading days prior to the day the subscription options were granted.

6 – in the case of a grant of purchase options, the share purchase price by beneficiaries would be set on the day when the options were granted and could not be either less than 80% of the average opening price of former shares on the 20 trading days prior to the day the subscription options were granted or less than 80% of the average purchase price of shares held by the company under Articles L. 225-208 and/or L. 225-209 of the Commercial Code. However, no subscription or purchase option could be granted (i) less than 20 trading days after detachment of the coupon giving right to dividend or to a pre-emptive subscription right on the occasion of a capital increase, (ii) within the 10 trading days before and after the date at which the consolidated accounts or, failing this, the annual accounts are published, (iii) in the period between the date at which social entities have knowledge of an item of information, which, if it were to become public, could have significant impact on the company share price and, the date ten trading days subsequent to that at which this information is made public.

7 – deliberate waiver by shareholders of their pre-emptive right to subscribe to shares to be issued as options are exercised.

8 - the Board of Directors would have all powers to set the conditions and terms of operations.

9 – the authorization would cancel, in respect of the part not yet used, any previous authorization relating to the possibility for the Board of Directors to grant subscription options.

10 - the Board of Directors could sub-delegate to its Chairman, or, in agreement with the latter, to one of its members, the powers granted.

**19.7. distribution of free shares**

- free allocation, in favour of certain Board members and/or employees of the company or its subsidiaries, provided that the legal conditions for distribution are fulfilled, of 20,000 existing shares or shares to be issued.
- maximum validity period of thirty-eight months.

Distribution of shares to their beneficiaries would be definitive at the end of a two-year acquisition period and beneficiaries should hold shares for a minimum of two years as from their definitive distribution.

- rights linked to distribution of free shares will be inaccessible until the end of the two-year holding period. In event of the death of the beneficiary, his/her heirs may request distribution of the shares within six months as from the death, in accordance with the law.
- if the allocation of free shares was part of an issue of new shares, these latter would be issued at par and paid up by deduction on company reserves in return for a waiver by shareholders to profit from the new shares thus created and profit from reserves incorporated into the capital.

Our Board of Directors has already announced its decision to grant 4,000 free shares to Mr. Mark Inch and Mr. Robert Waterland and 1,400 free shares to Mr. Jérôme Descamps and Mr. Frédéric Maman.

**19.8. cancellations of preceding authorizations**

In the case that you give your agreement to the different authorizations submitted to you, those formerly agreed will be cancelled.

## XX - STATUTORY MODIFICATIONS

On the occasion of this extraordinary general meeting, we wish to propose amendments to the statutes to include the new provisions of the Breton law of 26 July 2005. This concerns the following articles:

- 14 and 15, to authorize the holding of Board meetings by means of telecommunications in order to ensure participation by Board members, except, as stipulated by law, for meetings of the board relating to closing of the annual and/or consolidated accounts and the management report,
- 29, in order to comply with the new legislation bringing down the quorum required in an ordinary general meeting from one quarter to one fifth of shares with voting rights.

We hope that you will be in agreement with the above and that you will vote in favour of the resolutions put to you, with the exception of the sixteenth resolution which has not been adopted by our Board.

The Board of Directors

# XXI - APPENDICES TO THE MANAGEMENT REPORT



## Appendix 1 – RISK MANAGEMENT

**Management of market risks**
Market risks capable of giving rise to possible losses are limited to risk linked to changes in the interest rate. This risk concerns loans taken out to finance investment policy and maintain the financial liquidity required. Société de la Tour Eiffel is not exposed to any share risk.
The aim of the interest rate risk policy of Société de la Tour Eiffel is to limit the impact of a variation in interest rate on income and cash flow and to keep the global cost of debt as low level as possible. To meet these objectives, the company usually borrows at a variable rate and uses derivative products (caps and swaps only) to hedge the rate risk. It does not carry out operations in the market with any other purpose than to hedge its rate risks and all operations performed are centralized and managed by the company itself. To limit counterparty risk, Société de la Tour Eiffel carries out hedging operations only with banks of international reputation.
Since the group has no business activity outside the euro zone, there is no exposure to exchange risk.

**Evaluation of interest rate risk**
At 31 December 2005, gross bank financial debt amounted to €357.8m, of which €25.7m at fixed rate and €332.1m at variable rate, this latter being hedged by cap contracts in an amount of €261.1m.
On the basis of the situation at 31 December 2005, in the event of an average rise in interest rates of 1% (one hundred base points), the resulting rise in financial costs would have a negative impact on cash flow and earnings of €3.2m, i.e. 0.6 euros of income per share.

**Legal risks**
To the company's knowledge, there is no lawsuit, arbitration or unusual event likely to have or having had in the recent past a significant impact on the financial situation, earnings, business activity or assets of the company and the group formed by the company. Litigation currently underway is appropriately provisioned.

**Industrial and environmental risks**
At 31 December 2005, the company has property assets of a kind which do not pose an environmental risk. Regulatory and technical issues related to the environment and sustainable development are taken into consideration by the Awon teams in their property management.

In addition to insurance cover for its assets, the company also systematically checks prior to acquisitions the conformity of technical installations which could have impact on the environment or the safety of individuals (fire-fighting equipment, ventilation, air conditioning systems, electrical installations, lifts etc.). These checks are performed by independent control bodies. Observations by these control bodies are then taken into account by the technical managers appointed by the company.As a result of thorough research prior to acquisitions, the company has all necessary work performed in accordance with current legislation and standards.

**Rental risks**
With the present overall vacancy rate for the group at nearly 10%, commercialization of assets is under the supervision of Awon Asset Management. The objectives of this commercialization (price, time limits, targets) are defined in conjunction with this company, which also ensures that tenants are financially solvent. Rental proposals are written by jurists on the basis of a standard lease.

The principal tenants of the company's properties are either front-ranking companies or state organizations, thus allowing us to reduce the risk of insolvency.
Moreover, on signing of contracts, tenants pay a financial

guarantee in the form of a deposit, a guarantee at first request or a deposit representing from 3 to 6 months of rent.
The invoicing of financial items relating to lease contracts is carried out by the outside property management company exclusively mandated by the company. Organization and controls of invoicing and recovery of rents and charges are centralized.

Running costs of assets are for the most part billed to the tenants. They mainly comprise services provided in the framework of annual contracts.

Late payments are systematically followed by a reminder and give rise to penalties. Lateness is monitored by the staff at Awon Asset Management, who decide on preliminary procedures or legal action.

## Appendix 2 – INSURANCES AND RISKS COVER

The group has an insurance program with leading insurance companies, covering damage which could arise to its property assets as well as business interruption insurance and corresponding rents for periods of compensation which vary according to the property assets in question.

The group's property assets are all insured at their new reconstruction value and are regularly subject to appraisal by specialist firms. Financial consequences of the group's civil liability in respect of third parties are also insured.

Work in construction and renovation of the group's property assets are covered by comprehensive site insurance and insurance for damage caused. Management of these programmes is centralized by the company's sole agent, who coordinates operations with insurance brokers at group level. A large portion of insurance premiums are invoiced to tenants in running costs. The group benefits from the expertise of Awon Asset Management, specialists in insurance of property assets.

## Appendix 3 - THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### Mark Inch

Born 12 February 1950 in Edinburgh (United Kingdom)
Address: 76 Avenue Paul Doumer, 75016 Paris

**Main function held in the company:**
Chairman and Chief Executive Officer
**Date of appointment**
appointed as Board member: 10 July 2003
appointed as Chairman of the Board of Directors: 22 July 2003
appointed as Chief Executive Officer: 10 July 2003
Expiry of term of office: 2007
**Other offices and mandates held outside the company at 31 December 2005**
Executive Director, Albion Development SA (Belgium)
Director, Douglasshire International Holding BV (Netherlands)
Manager, Bluebird Holding (France)
Manager, Bluebird Investissements SARL (France)
Manager, SNC Albion (France)
Manager, SNC Cergy La Bastide (France)
Manager, SNC Manufacture Colbert (France)
(non-listed companies)
**Remuneration, allowances and benefits due or liable to be due, paid in respect of the year 2005:**
- Remuneration of the Chairman and Chief Executive Officer: €50,000
- Directors' fees none

**Options to purchase shares**
On 26 December 2005, the Board of Directors made a grant of options to Mr. Mark Inch giving him the right to subscribe 50,765 shares representing 1% of the company capital. Mr. Mark Inch is entitled to exercise these options as from their attribution and within a period of five years, i.e. before the 26 December 2010. At 31 December 2005, these options had not been exercised.

### Robert Guy Waterland

Born 28 February 1948 in Gravesend (United Kingdom)
Address: 39 bis Rue Cortambert, 75116 Paris

**Main function held in the company:**
Executive Vice President
**Date of appointment**
appointed as Board member: 22 July 2003
appointed as Executive Vice President: 14 Mars 2005
Expiry of term of office: 2007
**Other offices and mandates held outside Société de la Tour Eiffel at 31 December 2005**
Chairman, SAS Locafimo (France)
Manager, SCI du 153 avenue Jean Jaurès (France)
Manager, SCI Arman F02 (France)
Manager, SCI des Berges de l'Ourcq (France)
Manager, SCI Caen Colombelles (France)
Manager, SCI Champigny Carnot (France)
Manager, SCI Comète (France)
Manager, SCI Etupes de l'Allan (France)
Manager, SCI Lyons Genlis (France)
Manager, SCI Malakoff Valette (France)

Manager, SCI Marceau Bezons (France)
Manager, SCI Massy Campus 2 (France)
Manager, SCI Nowa (France)
(non-listed companies)

**Other offices and mandates held outside the company at 31 December 2005**

Director, Douglasshire International Holding BV (Netherlands)
Chairman, ORIE (France)
Manager, SNC Awon Participations – SNTP (France)
Manager, SNC Awon Asset Management (France)
Manager, SNC Awon Gestion (France)
Manager, SNC Foncière Eiffel Développement (France)
Manager, SNC Cergy La Bastide (France)
Manager, SNC Manufacture Colbert (France)
(non-listed companies)

**Remuneration, allowances and benefits due or liable to be due, paid in respect of 2005:**

- Remuneration as Executive Vice President: €25,000
- Remuneration under the contract of employment as Director of Property (fixed salary: €75,000; variable: €50,000): €125,000
- Directors' fees: none
- Remuneration liable to be due in event of departure: €250,000

**Options to purchase shares**

On 26 December 2005, the Board of Directors made a grant of options to Mr. Robert Waterland giving him the right to subscribe 50,765 shares representing 1% of the company capital. Mr. Robert Waterland is entailed to exercise these options as from their attribution and within a period of five years, i.e. before 26 December 2010. At 31 December 2005, these options had not been exercised.

## Michel Gauthier

Born 26 December 1935 at Rabat (Morocco)
Address: 31 Rue Boissière, 75016 Paris

**Main function held in the company:**
Board member
**Date of appointment** 30 September 2003
Expiry of term of office: 2008

**Other offices and mandates held outside the company at 31 December 2005**

Chairman and Chief Executive Officer, La Salamandre Investissements France.
Member of the Supervisory Board, ADL Partner *
Manager, Omnium Pavoie Provect.
Board member, Compagnie des Caoutchoucs du Pakidié (Ivory Coast).
Manager, ADL Partner Marketing Gmbh (Germany).
Board member, ADL Partner (Italy).
Manager, Suscripciones España (Spain)
(non-listed companies, unless *)

**Remuneration, allowances and benefits due or liable to be due, paid in respect of 2005:**

- Directors' fees: €8,000

## Claude Marin

Born 11 September 1925 in Paris
Address: 1 Rue du Louvre, 75001 Paris

**Main function held in the company:**
Board member
**Date of appointment:** 30 April 2002
Expiry of term of office: 2008

**Other offices and mandates held outside the company at 31 December 2005**

Chairman and Chief Executive Officer, Société Greco.
Member of the Supervisory Board, Editions Actes Sud.
Board member, PIM Gestion.
Member of the Supervisory Board, Banque Safra

**Remuneration, allowances and benefits due or liable to be due, paid in respect of 2005:**

- Directors' fees: €8,000

## Renaud Haberkorn

Born 23 Février 1971 at Neuilly-sur-Seine
Address: 8 Abingdon court, Abingdon villas - London W8 6BS – (United Kingdom)

**Main function held in the company:**
Board member
**Date of appointment:** 22 July 2003
Expiry of term of office: 2007

**Other offices and mandates held outside the company at 31 December 2005**

General Partner, Grove International Investors UK LLP (United Kingdom)
Partner, Grove International Partners LLP (United States)
Partner, Grove International Management LP (Unites States)
Partner, CGI Partners LP (United States)
Board member, Douglasshire International Holding BV (Netherlands)
Board member / President, Spazio Industriale BV (Netherlands)
Board member, Spazio Industriale II BV (Netherlands)
Board member, Spazio Industriale 1 Srl (Italy)
Board member, Spazio Industriale 2 Srl (Italy)
Board member, Spazio Industriale 3 Srl (Italy)
Board member, Induxia Srl (France)
Board member, Med Group Leisure Investment BV (Netherlands)
Board member, IXIS Captial Partners Ltd (United Kingdom)
Board member, Hellenic BV (Netherlands)
(non-listed companies)

**Remuneration, allowances and benefits due or liable to be due, paid in respect of 2005:**

none

### Jérôme Descamps

Born 11 juin 1967 at Saint-Amand-les-Eaux
Address: 15/17 Rue de Dantzig, 75015 Paris

**Main function held in the company:**
Executive Vice President
**Date of appointment**
appointed as Board member: 14 November 2003
appointed as Executive Vice President: 30 September 2003
Expiry of term of office: 2009
**Other offices and mandates held outside the company at 31 December 2005**
Manager, SNC Albion (France)
Financial Director, SNC Awon Asset Management (France)
(non-listed companies)

**Remuneration, allowances and benefits due or liable to be due, paid in respect of 2005:**
- Directors' fees: €8,000

**Options to purchase shares**
On 26 December 2005, the Board of Directors made a grant of options to Mr. Jérôme Descamps giving him the right to subscribe 5,000 shares representing 1% of the company capital. Mr Jérôme Descamps may exercise his options in blocks of 25% per year as from the first anniversary of their attribution, i.e. as from 26 December 2006, and within a period of five years, i.e. before 26 December 2010. Mr. Jérôme Descamps will lose his right to this attribution of shares in the event he were no longer a Board member or a salaried employee of the company or of a subsidiary of the latter.

## Appendix 4 – SUMMARY TABLE OF DELEGATIONS IN RESPECT OF THE CAPITAL INCREASES

| Authorization given | Use |
|---|---|
| **I - Global authorization given to the Board of Directors to increase the capital stock by the issue, with pre-emptive subscription rights, of any securities giving access, immediately or in the long term, to company shares, or by the incorporation of profits, premiums, reserves or other.**<br><br>On 12 May 2005, the extraordinary meeting of shareholders granted the Board of Directors the powers necessary to increase the capital stock:<br>- by issue of shares, warrants and/or securities giving access to the ordinary shares of the company,<br>- by capitalization of profits, premiums, reserves or other, where incorporation into the capital would be legally and statutorily possible and by granting free shares or raising the nominal value of existing shares.<br>Term of the delegation: twenty-six months as from the above meeting<br>Global upper limit: €300m<br>The Board of Directors may increase the number of shares and securities to be issued in the case of surplus demand. | Under the terms of the sub-delegation given by the Board of Directors on 21 November 2005, the Chairman and Chief Executive Officer decided on 23 November 2005 to increase company stock by an amount of €157,372,740 euros, maintaining the pre-emptive subscription right, by the issue, at a price of €62 each, of 2,538,270 share of a nominal value of €48.<br>All new shares were subscribed and the capital increase was finalized on 21 December 2005, the date of issue of the custodian certificate. The capital was thus raised to €243,673,920, divided into 5,076,540 shares. |
| **II - Global authorization to be given to the Board of Directors to increase the capital stock by the issue, without pre-emptive subscription rights, of all securities giving access, immediately or in the long term, to company shares.**<br><br>On 12 May 2005, the extraordinary meeting of shareholders delegated to the Board of Directors the necessary powers to increase capital stock by issue of shares, warrants and/or securities giving access to ordinary shares of the company, these shares being issued in order to (a) remunerate shares conveyed to the company in the framework of a public exchange offering on shares meeting the conditions set in Article L. 225-148 of the Commercial Code (b) within a limit of 10% of the company capital to remunerate contributions in kind granted to the company and composed of shares or securities giving access to the capital, where the provisions of Article L. 225-148 of the Commercial Code do not apply.<br>Term of the delegation: twenty-six months as from the above meeting | **This authorization has not been used.** |

Global upper limit: €300m
The Board of Directors has also been authorized, in the case of issue without pre-emptive subscription right, to set the issue price, within a limit of 10% of the capital.
The Board of Directors may also increase the number of shares and securities to be issued in the case of surplus demand.

**III - Authorization to grant warrants for company stock, without pre-emptive subscription rights, in favour of a named beneficiary (Awon Asset Management)**

**This authorization has not been used.**

On 12 May 2005, the extraordinary general meeting of shareholders authorized the Board of Directors to issue, before 18 May 2006, a maximum of 250,000 stock warrants granting the right to subscribe 250,000 shares on the basis of one share per warrant, to be issued only on the occasion of any capital increase by contributions in cash decided before 31 march 2006, in the proportion of 4% of the number of new shares issued in the context of one or more capital increases by virtue of the delegations granted to the Board of Directors by the above meeting. To enable the beneficiary of the stock warrants issued to exercise the subscription right, the meeting also authorised the Board of Directors to carry out one or more capital increases for a maximum nominal amount of €12,000,000, to which may be added the nominal amount of the shares to be issued in order to reserve the rights of the holder of these stock warrants.

**IV - Authorization to be given to the Board of Directors to grant share subscription or purchase options.**

On 12 May 2005, the extraordinary meeting of shareholders delegated to the Board of Directors the powers necessary to grant, in favour of employees or certain among them or certain categories of personnel, as well as members of the Board or certain among them, both from the company itself and from French or foreign companies or economic interest groups linked to it, directly or indirectly, under the terms of Article L.225-180 of the Commercial code, options giving rights to subscription of new company shares to be issued in connection with a capital increase or to purchase of existing shares in the said company coming from purchases made under the conditions set down by law.
Term of the delegation: thirty-eight months as from the above meeting
The total number of shares thus proposed cannot give the right to subscribe or purchase a number of shares equivalent to more than 3% of the capital stock.

**Use:**
The Board of Directors of 26 December 2005 decided to grant the following stock options:
- to Mr. Mark Inch options giving him the right to subscribe 50,765 shares, representing 1% of the company stock.
- to Mr. Robert Waterland options giving him the right to subscribe 50,765 shares, representing 1% of the company stock,
- to Mr. Jérôme Descamps options giving him the right to subscribe 5,000 company shares,
- to Mr. Frédéric Maman options giving him the right to subscribe 5,000 company shares.

# B – CONSOLIDATED FINANCIAL STATEMENTS

## CONTENTS

# BALANCE SHEET - ASSETS

| In thousands of euros | Notes | 31 December 2005 IAS "complete" Net | 31 December 2004 (IAS excl. IAS 32/39) Net |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Tangible capital assets | 1 | 36,315 | 1 |
| Investment buildings | 2 | 617,721 | 254,194 |
| Goodwill | 3 | — | — |
| Intangible fixed assets | 4 | 1 | — |
| Financial assets | 5 | 10,170 | 11,572 |
| Deferred tax - assets | | — | — |
| Total non-current assets ( I ) | | 664,207 | 265,767 |
| **CURRENT ASSETS** | | | |
| Trade receivables and related accounts | 6 | 7,700 | 2,816 |
| Other receivables and adjustment accounts | 7 | 20,539 | 9,279 |
| Cash and cash equivalents | 8 | 66,905 | 17,272 |
| Total current assets ( II ) | | 95,144 | 29,367 |
| Total current assets and asset groups for disposal | 9 | — | 845 |
| **TOTAL ASSETS ( I+II )** | | **759,351** | **295,979** |

# BALANCE SHEET - LIABILITIES

| In thousands of euros | Notes | 31 December 2005 IAS "complete" | 31 December 2004 (IAS excl. IAS 32/39) |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY (Group share)** | | | |
| Capital | 10 | 243,674 | 121,837 |
| Premiums linked to capital | 10 | 41,845 | 13,457 |
| Legal reserve | | 247 | 37 |
| Consolidated reserve | | 3,768 | ( 15 ) |
| Consolidated result for the financial year | | 15,779 | 10,674 |
| SHAREHOLDERS' EQUITY (Group share) ( A ) | | 305,313 | 145,990 |
| Minority interests ( B ) | | — | — |
| SHAREHOLDERS' EQUITY ( I ) = ( A+B ) | | 305,313 | 145,990 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term borrowings | 11 | 311,286 | 132,395 |
| Other financial liabilities | 11 | 8,566 | 797 |
| Long-term provisions | 12 | 496 | — |
| Tax liabilities | 13 | 739 | 1,478 |
| Deferred tax - liabilities | 14 | 24,460 | — |
| Total non-current liabilities ( II ) | | 345,547 | 134,670 |
| **CURRENT LIABILITIES** | | | |
| Borrowings and financial debt (less than one year) | 11 | 37,940 | 4,964 |
| Provisions (less than one year) | 12 | 18 | 34 |
| Trade payables and equivalent | 15 | 43,378 | 8,353 |
| Tax and social security liabilities | 13 | 27,155 | 1,968 |
| Total current liabilities ( III ) | | 108,491 | 15,319 |
| Liabilities linked to a group of assets for disposal | | — | — |
| **TOTAL LIABILITIES ( I+II+III )** | | **759,351** | **295,979** |

# CONSOLIDATED INCOME STATEMENT

| In thousands of euros | Notes | 2005 ( 12 months ) | 2004 ( 12 months ) |
|---|---|---|---|
| Turnover | 16 | 29,559 | 15,023 |
| Consumption and purchase of goods | 17 | ( 12 ) | ( 26 ) |
| Personnel costs | 18 | ( 2,094 ) | ( 8 ) |
| External charges | 18 | ( 6,647 ) | ( 2,687 ) |
| Taxes | 18 | ( 3,449 ) | ( 2,115 ) |
| Allowances for depreciation | | — | — |
| Net allowances for reserves | 19 | 17 | 37 |
| Net balance of value adjustments | 20 | 3,803 | 3,018 |
| Other operational income and charges | 21 | ( 82 ) | 8 |
| Operating income on ordinary activities | | 21,095 | 13,250 |
| Other operational income and charges | | — | 844 |
| Operating result | | 21,095 | 14,094 |
| Income from cash or cash equivalents | | 535 | 550 |
| Gross cost of financial indebtedness | | ( 5,874 ) | ( 3,592 ) |
| Net cost of financial indebtedness | 22 | ( 5,339 ) | ( 3,042 ) |
| Other financial income and charges | 23 | 24 | ( 370 ) |
| Corporate income tax | 24 | ( 1 ) | ( 8 ) |
| NET EARNINGS | | 15,779 | 10,674 |
| Minority interests | | — | — |
| NET EARNINGS (GROUP SHARE) | | 15,779 | 10,674 |
| Earnings per share | 25 | €6.03 | €7.64 |
| Diluted earnings per share | 25 | €6.03 | €7.63 |

# CASH FLOW TABLE

| In thousands of euros | Financial year 2005 | Financial year 2004 |
|---|---|---|
| **CASHFLOW FROM OPERATIONS** | | |
| Net consolidated earnings: | 15,779 | 10,674 |
| **Restatement:** | | |
| Net allowances to depreciation and provisions | ( 14 ) | ( 817 ) |
| Net balance from value adjustments of investment buildings | ( 3,803 ) | ( 3,018 ) |
| Profits and losses from value adjustment of other assets and liabilities | 2,101 | ( 229 ) |
| Calculated charges and income from payments in shares | — | — |
| Variation in deferred taxes | ( 26 ) | — |
| **= Cash flow from operations after net cost of financial indebtedness and tax** | **14,037** | **6,610** |
| Tax charges | 1 | 8 |
| Cost of net financial indebtedness | 5,339 | 3,042 |
| **= Cash flow from operations before cost of net financial indebtedness and taxes** | **19,337** | **9,660** |
| Taxes paid | ( 744 ) | ( 747 ) |
| Variation in working capital requirement linked to operations | 5,404 | ( 8,843 ) |
| **= Net cash flow generated by activity** | **24,037** | **70** |
| **CASH FLOW FROM INVESTMENT OPERATIONS** | | |
| Acquisitions of assets | | |
| Intangible fixed assets and tangible fixed assets | ( 58,505 ) | (53,387) |
| Financial | — | ( 42 ) |
| Disposal of assets | 12,356 | 487 |
| Variation in loans and financial receivables agreed | ( 6,024 ) | ( 12,892 ) |
| Impact of changes in the scope of consolidation | ( 133,505 ) | ( 36,364 ) |
| **= Net cash flow from investment operations** | **( 185,678 )** | **( 102,198 )** |
| **CASH FLOW FROM FINANCING OPERATIONS** | | |
| Dividends paid to parent company shareholders | ( 9,063 ) | — |
| Capital increase | 150,644 | 119,666 |
| Bond issues | 78,014 | 67,284 |
| Repayment of borrowings | ( 5,407 ) | ( 78,437 ) |
| Net financial interest paid | ( 4,971 ) | ( 3,190 ) |
| Variation in various financial debt | 455 | — |
| **= Net cash flow from financing operations** | **209,672** | **105,323** |
| **CASH FLOW VARIATION** | 48,031 | 3,195 |
| Cash flow at beginning of financial year | 17,244 | 14,049 |
| Cash flow at end of financial year | 65,275 | 17,244 |
| Cash flow variation | 48,031 | 3,195 |

# TABLE OF CHANGES IN SHAREHOLDERS' EQUITY

| In thousands of euros | Capital | Premiums | Legal reserve | Consolidated reserves | Net income for the financial year | Total part Groupe |
|---|---|---|---|---|---|---|
| **Situation at 01.01.2004** | **15,422** | **218** | **37** | **(400)** | **—** | **15,564** |
| Income appropriation | — | — | — | — | — | — |
| Capital increase | 106,415 | 13,250 | — | — | — | **119,665** |
| Stock warrants | — | — | — | 98 | — | **98** |
| Earnings for the financial year | — | — | — | — | 10,674 | **10,674** |
| Other movements | — | ( 11 ) | — | — | — | **( 11 )** |
| **Situation at 31.12.2004** | **121,837** | **13,457** | 37 | **( 15 )** | **10 674** | **145 990** |
| Appropriation of income | — | — | 210 | 10,464 | ( 10,674 ) | — |
| Adjustments * | — | ( 419 ) | | 419 | — | — |
| Dividends paid | — | — | | ( 9,063 ) | — | **( 9,063 )** |
| Capital increase | 121,837 | 35,536 | | — | — | **157,373** |
| Costs of capital increase | — | ( 6,729 ) | | — | — | **( 6,729 )** |
| Earnings for the financial year | — | — | | — | 15,779 | 15,779 |
| Stock warrants | — | — | | 1,010 | — | **1,010** |
| Stock options plan | — | — | | 1,817 | — | **1,817** |
| Change in accounting method (IAS 39) | — | — | | ( 864 ) | — | **( 864 )** |
| **Situation at 31.12.2005** | **243,674** | **41,845** | **247** | **3,768** | **15,779** | **305,313** |

* (419): Appropriation to retained earnings
(287): Reserve for long-term capital gains

# APPENDIX TO THE CONSOLIDATED ACCOUNTS

## 1. General information

Société de la Tour Eiffel ("the company") and its subsidiaries ("the group") specialize in the holding and management of corporate property assets.
Société de la Tour Eiffel is a limited company registered and domiciled in France. The head office is located at 20-22, Rue de la Ville-l'Evêque, 75008 Paris.

The financial market on which the company is listed is Eurolist (Compartment B) of the Paris Euronext (France).
The consolidated financial statements were approved by the Board of Directors on 22 March 2006. They are expressed in thousands of euros, unless indicated otherwise.

## 2. Accounting methods

The main accounting methods used in preparing the consolidated financial statements are set out below. Except where stated to the contrary, these same methods have been applied consistently to all financial years presented.

### 2.1 Basis for preparation of financial statements

The consolidated financial statements of Société de la Tour Eiffel group have been drawn up in accordance with IFRS reference standards as adopted in the European Union.
The preparation of financial statements in accordance with IFRS standards requires the adoption of certain determining estimates. Management also has to exercise judgement in respect of the application of the company's accounting methods. The areas in which the issues at stake are most important in terms of judgement or complexity, or those where assumptions and estimates are significant in relation to the consolidated financial statements are explained in Note 4.

**Interpretations and amendments to the published standards coming into force in 2005**
IAS standards 32 and 39 concerning financial instruments have been applied since 1 January 2005.
Following an analysis of these amendments and interpretations where application is obligatory, the management concluded that the following amendments and interpretations did not apply to the activities of the group.
The following amendments and interpretations apply obligatorily to the 2005 financial year:

- IFRIC 1, Variations in existing liabilities relating to demolition, restoration and similar (in force as from 1 September 2004).
- IFRIC 2, Units held by members of cooperative entities and similar instruments (in force as from 1 January 2005)
- SIC 12 (Amendment), Consolidation – Ad hoc entities (in force as from 1 January 2005)

**Standards, interpretations and amendments to already-published standards, not yet in force**
New standards, interpretations and amendments to existing standards applicable to accounting periods open as from 1 January 2006 or later, and which have not been adopted in anticipation by the group are as follows:

- IAS 19 (Amendment), Benefits to the personnel (in force as from 1 January 2006). This amendment introduces an alternative option for entering actuarial variations. It may impose additional obligations for accounting of inter-company systems when available information is insufficient recording them as for systems with defined services. This amendment also stipulates the presentation of new information. Since the group does not plan to modify the accounting method used for recoding actuarial variations and does not participate in an inter-company system, adoption of this amendment will impact only on the form and the level of detail in information presented as an appendix to the financial statements. The group will apply this amendment to financial years beginning on 1 January 2006.

- IAS 39 (Amendment), Hedging of cash flows in respect of future intra-group transactions: this amendment does not involve the group, having carried out no intra-group transaction of this type at 31 December 2005 and 31 December 2004.

- IAS 39 (Amendment), Fair price option (in force as from 1 January 2006) This amendment amends the definition of financial instruments classified as being of fair value in counterpart to the income statement and restricts the possibility of entering financial liabilities in this category. The group will apply this amendment as from the financial year beginning on 1 January 2006.

- IAS 39 and IFRS 4 (Amendment), Financial guarantees (in force as from 1 January 2006) Under the terms of this amendment, financial guarantees issued, other than those already designated by the group as insurance contracts, must initially be accounted for at their fair value and subsequently valued at the higher of the following amounts: (i) non-amortized balance of commissions received and carried forward or (ii) expense necessary to

cancel the commitment at the date of closure. Having examined this amendment to IAS 39, the management concluded that it did not apply to the group.

• IFRS 1 (Amendment), First adoption of IFRS and IFRS 6 (Amendment), Prospection and valuation of mineral resources (in force as from 1 January 2006). These amendments do not concern the activities of the group, which is neither adopting the standards for the first time nor carries out prospection and valuation of mineral resources.

• IFRS 6, Prospection and valuation of mineral resources (in force as from 1 January 2006). IFRS 6 does not apply to the activities of the group.

• IFRS 7, Financial instruments: information to provide and additional amendment to IAS 1, Presentation of financial statements – information on the capital (in force as from 1 January 2007). IFRS 7 introduces new information with the objective of improving information on financial instruments. Quantitative and qualitative information must be provided on the exposure to risk incurred in respect of financial instruments, in particular specific minimum information on credit risk, liquidity risk and market risk including an analysis of sensitivity to market risk. The amendment to IAS 1 introduces new information on the capital of a company and its fashion of managing this capital. Having assessed the impact of IFRS7 and the amendment to IAS 1, the group concluded that the main additional information to be provided will concern the analysis of sensitivity to market risk and the information on capital required by the IAS 1 amendment. The group will apply IFRS 7 and the amendment to IAS as from the financial year beginning on 1 January 2007.

• IFRIC 4, Determine whether an agreement contains a rental contract (in force as from 1 January 2006). Under the terms of IFRIC 4, whether or not an agreement contains or constitutes a rental contract is determined by the substance. According to IFRIC 4, it is necessary to assess: (a) if performance of the agreement is subordinated to the use of one or more specific assets (the asset); and (b) if the agreement contains a right to use the asset. Management is at present assessing the impact of IFRIC 4 on group activities.

• IFRIC 5, Rights to interest from the management fund for demolition, restoration and rehabilitation of the environment (in force as from 1 January 2006). IFRS 5 does not apply to the activities of the group.

• IFRIC 6, Liabilities arising from participation in a specific market: waste from electrical and electronic equipment (in force as from 1 December 2005). IFRS 6 does not apply to the activities of the group.

Note 7 sets out firstly the impact of the transition (passage from French standards to IFRS standards) on the shareholders' equity and consolidate income for 2004 and, secondly, the application of IRFS standards to the 2004 accounts.

The closing date of annual accounts for all companies in the group is 31 December.
The consolidated accounts are established on this basis.

## 2.2 Method of consolidation

**Subsidiaries**
The subsidiaries are all entities where the group is entitled to direct financial and operational policy, an authorization for which it is generally necessary to hold more than half of the voting rights. Potential voting rights are taken into account on evaluating the group's degree of control over another entity, when these rights result from instruments which may be exercised or converted at the time of the evaluation. Subsidiaries are fully consolidated as from the date of transfer of control to the group. They are deconsolidated as from the date at which control ceases to be exercised.

The purchase method is used in accounting for acquisition of subsidiaries by the group. The cost of an acquisition corresponds to the fair value of the assets delivered, equity instruments issued and liabilities incurred or assumed at the date of exchange, to which are added the costs directly attributable to the acquisition. In the case of a combination of companies, identifiable assets acquired, identifiable liabilities and contingent liabilities assumed are valued at the outset at their fair value at acquisition date, and this takes place whatever the amount of minority interests. The surplus of the acquisition price over the fair value of the pro-rata share to the group in the net identifiable assets acquired is entered into accounts as goodwill. When the cost of acquisition is lower than the fair value of the pro-rata share to the group in the net assets of the subsidiary acquired, the difference is posted directly to the income statement (cf. Note 2.6).

Intra-group transactions, underlying balances and profits on operations between group companies are eliminated in consolidation. Underlying losses are also eliminated in the case of disposal of assets and they are considered an indicator of loss in value. The accounting methods of subsidiaries have been brought into line with those of the group.

## 2.3 Sector information

A sector of activity is a group of assets and operations involved in the provision of products or services and which is exposed to risks and returns different from the risks and returns of other sectors of activity. A geographical sector is a group of assets and operations involved in the provision of products or services in a particular economic environment and which is exposed to risks and returns different from the risks and returns in other economic environments in which the group operates.
The group is equipped with a reporting system which recognizes only one sector of activity and all of this activity is localized in France.

## 2.4 Tangible fixed assets

**Property assets under construction:**
Property assets under construction consist of real estate projects currently underway.
In these development programmes, costs committed are capitalized with effect from the start of the programme where there is reasonable certainty of receiving authorization from public bodies. Mainly concerned are:
• survey fees outside and inside the group
• financial expenses according to the option set down by IAS 23, as selected by the group
• legal fees
• notaries' fees
• registration taxes.
They are taken to "Construction underway" with a view to subsequent use as investment buildings. They are valued at their entry cost.
The group opted (under the option set out in IAS standard 23) to incorporate costs of borrowings into the cost of the asset created. These are assets requiring a long construction period. Financial expenses included are interests on short-term and long-term borrowings in relation to the period of construction only and until the date of final reception of the asset. The rate used corresponds to financing procedures, i.e. Euribor 3 months + 100 base points and/or Euribor 3 months + 25 base points.

**Office equipment and information systems**
Other tangible fixed assets are principally office equipment and information systems. These are amortized on a straight line basis over their useful life of 3 years.

## 2.5 Investment buildings

The IFRS standards differentiate between investment buildings (subject to IAS 40) and other buildings (like all other tangible fixed assets, subject to IAS 16).
An investment building is a property asset (plot of land or building – or part of a building – or both) held (by the owner or by the lessee in the context of a direct financing lease) in order to benefit from the rents or to add value to the capital, or both.

As proposed in IAS 40 and in accordance with the recommendations of EPRA (European Public Real Estate Association), the group has opted for the fair value method as a permanent method and values investment buildings at their fair market value. These latter are not amortized.
The fair market value used for all the group's investment buildings is the value net of tax determined by independent appraisers who value the property assets of the group each year on 30 June and 31 December.

The group has entrusted the appraisal of its assets to different independent specialists:

| | |
|---|---|
| Atisreal Expertise | CB Richard Ellis |
| Drivers Jonas | Foncier Expertise |
| Jones Lang Lasalle | Savills. |

To assess value, appraisers have used the income capitalization method which consists of capitalizing the net rentals of buildings by means of the rent statements provided by the group and the market rate of return according to the type and location of the assets in question.
The income statement records the variations in value over the year for each building calculated as follows:
Market value N - (market value N-1 + amount of capitalizable works and expenses during the financial year).
Income from disposal of an investment building is calculated in relation to the last fair value posted in the closing balance sheet for the previous financial year.

## 2.6 Goodwill

Goodwill represents the surplus of the acquisition cost over the fair value of the group's pro-rata share in identifiable assets and liabilities and contingent liabilities of the subsidiary at the date of acquisition. (cf note 2.2)

Goodwill accounted for separately is subject to a yearly depreciation test under IAS standard 36, and is also tested before the end of the financial year during which the acquisition took place. It is recorded at cost less accumulated loss in value. Losses in value of goodwill are not reversible. Earnings on the disposal of an entity take account of the accounting value of the entity's goodwill.

Goodwill is posted to units generating cash flow, whom we

expect to benefit from regrouping, in order to carry out depreciation tests. Amortization is entered into accounts to the amount of the excess of the accounting value of the unit over its recoverable value. The recoverable value of a unit is the highest amount between its fair value less disposal costs or its going-concern value.
Goodwill recognized in the group is exclusively related to acquisitions of companies with property assets analysed as groupings of companies within the meaning of IFRS standard 3.

Treatment of these acquisitions as groupings of companies leads to accounting of deferred tax credits related to property assets revalued at the time of assessment of fair value. (cf note 2.17). Acquisition costs are also included in the cost of acquisition of shares. Accounting treatment applicable to these two items has the effect of mechanically increasing goodwill.
This valuation of property assets also has a mechanical effect on tests of depreciation on units generating cash flow, to which goodwill is allocated, an effect leading to overall depreciation of goodwill during the financial year when the acquisition took place.
In fact, the units generating cash-flow, where goodwill is tested, correspond, in this particular case, to the buildings owned by the property companies. As the recoverable values of these units, calculated on the basis of future discounted cash flows, usually correspond to the appraisal values, (i.e. the new reappraised values of buildings), they cannot therefore justify the attached goodwill which has to be depreciated.

Consequently, the application of IAS standard 36 causes goodwill to be entered completely as charges in the year of acquisition; in the present case depreciation is entered in the account "Net balance of value adjustments".

In accordance with IFRS standard 3, negative goodwill is taken to the income statement in the account "Other operational income and charges".

## 2.7 Intangible fixed assets

In accordance with IAS standard 38, intangible fixed assets are valued at historic cost less the cumulative total of amortizations and possible losses in value. Intangible fixed assets consist essentially of software. This is valued at cost and amortized on a straight-line basis over its estimated useful life, usually between 1 and 3 years.

## 2.8 Financial assets

The group classifies its financial assets in the following categories: at their fair value counter to the income statement, loans and accounts receivable. The classification depends on the reasons motivating the acquisition of the financial assets in question. The management determines the classification of its financial assets on their initial entering into accounts and subsequently reassesses them on the date of each annual or intermediary closing, in keeping with the provisions of IAS standard 39.

**Financial assets at fair market value counter to the income statement**
This category includes financial assets shown at fair value counter to the income statement on first entering them into accounts. A financial asset comes into this category if it has been designated as such by management (assets valued at fair value on result) in accordance with the IAS standard 39 (December 2003 version as adopted by the European Union). Assets in this category are classified as current assets when they are held for transaction purposes or when it is planned to realise them within twelve months of closing the accounts. They are then revalued at their fair value at each closing.
For the group, this involves valuation of the CAP

**Loans, non-consolidated shareholdings, deposits, guarantees and other long-term receivables**
These assets are non-derivative financial assets with calculated or determinable payments, not listed on an active market. They are included in current assets, except for those whose term is more than twelve months after closing date. These are categorized under non-current assets.
These assets are accounted for at cost.

## 2.9 Trade receivables and related accounts

Trade receivables are first accounted for at fair value, less provision for depreciation
Provision for depreciation of trade receivables is made when there is an objective indication that the group is not able to recover the totality of sums owing and under the conditions stated at the time of the transaction. Major financial problems encountered by the debtor, likelihood of bankruptcy or financial restructuring for the debtor, and difficulty or failure to pay constitute indicators that receivables are declining in value.

The amount of the provision is accounted for in the income statement as net allowances to provisions.

## 2.10 Cash and cash equivalents

The item "Cash and cash equivalents" includes cash reserves, bank deposits at sight, and other very liquid short-term investments having their initial term at less than or equivalent to three months, and bank overdrafts.

Bank overdrafts are shown in the balance sheet as current liabilities, under "Borrowings".
Marketable securities are valued at fair value counter to the income statement.

## 2.11 Non-current assets and asset groups for disposal

IFRS standard 5 stipulates that assets which the company has made a decision to sell should be classified under IFRS.
A non-current asset is classified as "Assets for disposal", if management authorized to approve the disposal has decided on this classification.
For the sale to be highly probable, a plan to dispose of the asset must have been undertaken and an active programme to find a buyer must have been launched.
The company expects the sale to take place within a limit of twelve months.
Investment buildings included in this category continue to be valued on the fair value principle.

## 2.12 Shareholders' equity

Stock warrants and stock options are valued according to mathematical models. They are recognized as income over the period when rights are acquired from shareholders' equity.

Supplementary costs directly attributable to issue of new shares or options are entered in shareholders' equity and deducted from income from the issuance, net of tax.

## 2.13 Borrowings and other financial liabilities

**Borrowings**
Borrowings are initially entered at their fair value, net of transaction costs, and then at their depreciated cost.
Amortization of issue costs over the lifetime of existing borrowings is performed on a straight-line basis, the variation compared with an actuarial method having little significance.
Borrowings are classified as current liabilities, except where the group has an unconditional right to delay settlement of the debt for a minimum of 12 months after the date of closing, in which case the borrowings concerned are classified as non-current liabilities.

**Other financial liabilities**
Other financial liabilities mainly include premiums remaining to pay on CAP and securities and deposits received. These financial liabilities are accounted for at their amortized cost.

## 2.14 Provisions

The amount entered as provision is the best estimation of expenditure required to discharge obligations, updated at the date of closing.

## 2.15 Social security benefits

**Retirement obligations**
IAS standard 19 requires that, over the period of acquisition of rights, companies take charge of all present and future benefits and remuneration to its personnel or to a third party.
The group remunerates five persons at 31 December 2005. No provision has therefore been made for social benefits.

**Payments based on shares**
The group has put in place a remuneration plan based on equity instruments, i.e. options on shares. The fair value of services rendered in exchange for granting of stock options is accounted for in expenses counter to reserves on the basis of the value of the options at the time they are granted.
At the closing of each financial year, the company reviews the number of options available to be exercised.
Sums received on exercise of options are credited to "Capital stock" (nominal value) and "Issue premium, net of directly attributable transaction costs".

## 2.16 Tax and social security liabilities, trade payables and other

The amounts of these debts is updated and financial expense/income is recognized in the income statement over the period of deferred payment.
The only deferred payments entered concern: exit tax relating to entry to SIIC status and security deposits from tenants. No restatement has been carried out in view of the non-significance nature of this updating.

## 2.17 Current and deferred taxes

**Tax system for the group**
Société de la Tour Eiffel opted for the status of Société d'Investissements Immobiliers Cotée (SIIC) during the course of the first quarter 2004.

**Deferred taxes**
Deferred taxes are accounted for by the liability method for all temporal differences between the tax value of assets and liabilities and their book value in the consolidated financial statements. Deferred taxes are calculated by means of the tax rates (and tax legislation) adopted or quasi- adopted at the date of closing and which are expected to apply when the deferred tax liability in question is realized or the deferred tax credit settled.
Deferred tax debit is recognized only insomuch as a taxable profit in future is probable, enabling temporal differences to be taken into consideration.

Deferred taxes are accounted for according to the temporal differences linked to holdings in subsidiaries and associated companies, except where a schedule changing these differences is controlled by the group and where it is probable that this payment will not take place in the near future.
Société de la Tour Eiffel has opted for the status of Société d'Investissements Immobiliers Cotée (SIIC). This status gives exoneration from corporation tax on profits from renting of buildings.

As a result of this decision, no corporation tax is payable in respect of the activity of renting of buildings, directly or indirectly through income from subsidiaries. Capital gains on disposal of buildings or the shares of subsidiaries under the same tax system are also exonerated. For this reason, no deferred tax debit or credit is applicable.

Locafimo, acquired on 27 December 2005, plans to opt for SIIC status during the first quarter 2006. For the financial year ended on 31 December 2005, deferred taxes are therefore recognized at a rate of 16.50% on goodwill.

Taking into account the option for the SIIC taxation system, it is not relevant to present a table of proof of taxation.

## 2.18 Recognition of income

In accordance with the IAS standard 18, "Earnings", income from ordinary activities corresponds to pre-tax entries of economic benefits from which the company draws advantage during the financial year and which lead to increases in equity other than those brought by partners and shareholders.
Income from ordinary activities mainly corresponds in the case of the group to earnings from rental of investment buildings.
Leases currently signed by the group, including construction leases, correspond to the definition of simple rental as stated in IAS standard 17.
The application of IAS standard 17 spreads the financial consequences of all of the clauses over the fixed term of the lease. The same applies to franchises, thresholds and rights of entry.
Income from ordinary activities is valued at the fair value of the exchange received
Income from rental of investment buildings is entered into accounts over the period it is received.

## 2.19 Other operational income and charges

"Other operational income and charges" corresponds to events which are unusual, abnormal and infrequent as set down in para. 28 of the "IASB Framework", for example:
— A capital gain or loss on disposal of non-current tangible and intangible assets,
— Depreciation of non-current tangible or intangible assets,
— Certain restructuring charges,
— Provision relating to major legal proceedings for the company.

## 2.20 Direct financing leases

In direct financing leases, the group (the lessor) has transferred to the lessee the risks and benefits attached to the asset; the lessor retains the lien granted to him under the direct financing contract agreed with the lessee.
The lessor enters the account receivable for an amount equal to the sum of the minimum payments of the direct financing lease.
Payments are allocated between reimbursement of the account due and financial income,
Details of future payments are not communicated due to their immaterial nature.

## 2.21 Distribution of dividends

Distribution of dividend to the company shareholders is entered as debt in the group financial statements for the period during which dividends receive the approval of the shareholders.

# 3 - Scope of consolidation

## 3.1 List of companies consolidated

| Companies | Siren | Method of consolidation | % interest December 2005 | % interest December 2004 | Date of entry into scope of consolidation |
|---|---|---|---|---|---|
| SA SOCIETE DE LA TOUR EIFFEL | 572 182 269 | Parent company | 100% | 100% | |
| SCI DU 153 AVENUE JEAN JAURES | 419 127 287 | I.G.** | 100% | 100% | December 2003 |
| SCI NOWA | 443 080 379 | I.G.** | 100% | 100% | April 2004 |
| SCI MARCEAU BEZONS | 429 665 672 | I.G.** | 100% | 100% | June 2004 |
| SCI ARMAN F02 | 444 978 076 | I.G.** | 100% | 100% | April 2004 |
| SCI DES BERGES DE L'OURCQ | 478 726 565 | I.G.** | 100% | 100% | September 2004 |
| SCI CHAMPIGNY CARNOT | 479 586 893 | I.G.** | 100% | 100% | November 2004 |
| SCI COMETE | 479 576 761 | I.G.** | 100% | 100% | December 2004 |
| SCI LYON GENLIS | 480 351 576 | I.G.** | 100% | — | January 2005 |
| SCI ETUPES DE L'ALLAN | 480 601 038 | I.G.** | 100% | — | January 2005 |
| SCI CAEN COLOMBELLES | 482 598 133 | I.G.** | 100% | — | May 2005 |
| SCI MALAKOFF VALETTE | 552 138 448 | I.G.** | 100% | 100% | May 2004 |
| SCI MASSY CAMPUS II | 483 575 635 | I.G.** | 100% | — | August 2005 |
| SAS LOCAFIMO * | 692 031 149 | I.G.** | 100% | — | December 2005 |
| SCI AIX GOLF * | 403 092 471 | I.G.** | 100% | — | December 2005 |
| SCI LA RIVIERE GIRAUDIERE* | 388 323 909 | I.G.** | 100% | — | December 2005 |
| SCI MARNE HAUTE MAISON* | 403 105 133 | I.G.** | 100% | — | December 2005 |
| SCI NICE CRYSTAL * | 403 103 880 | I.G.** | 100% | — | December 2005 |
| SCI PARIS PEREIRE * | 403 105 067 | I.G.** | 100% | — | December 2005 |
| SCI BOTADIEREE * | 397 968 207 | I.G.** | 100% | — | December 2005 |
| SCI LEVALLOIS COLLANGE * | 403 104 128 | I.G.** | 100% | — | Décembre 2005 |
| SCI NANTES PERRAY * | 403 103 955 | I.G.** | 100% | — | December 2005 |
| SCI PARIS CHARONNE * | 403 104 458 | I.G.** | 100% | — | December 2005 |
| SAS BONGARDE * | 482 901 352 | I.G.** | 100% | — | December 2005 |

*: Companies consolidated on acquisition of Locafimo:
**: Global consolidation

All companies in the group are registered in France.

Common address for all companies in the group:
20-22, Rue de la Ville-l'Evêque, 75008 Paris

## 3.2 Changes in scope

**Creations**

Variations in scope recorded during 2005 result from the creation of legal entities designed to hold the property assets acquired during the period:

- SCI ETUPES DE L'ALLAN was created on 24 January 2005. This company was acquired in 2005; €15.8m in assets.
- SCI LYON GENLIS was created on 13 January 2005. This company was acquired in 2005; €8.5m in assets.
- SCI CAEN COLOMBELLES was created on 31 May 2005. This company was acquired in 2005; €2.4m in assets.
- SCI MASSY CAMPUS 2 was created on 9 August 2005. This company was acquired in 2005; €32.9m in assets.

**Acquisitions**

On 27 December 2005, the group acquired 100% of the capital of Locafimo from Orion Eleventh Immobilien GmbH. The activity of this group, consisting of 11 companies, is principally the renting of property making up its property assets and, as a subsidiary activity, management of a portfolio of real estate leases at the end of its useful life. During the period from 27 December 2005 to 31 December 2005, Locafimo contributed to the group's income from ordinary business in an amount of €297,000 and its earnings before goodwill depreciation and after taxes was €90,000 (excl. amortization of goodwill).

After the disposal of a part of the assets of Locafimo to another company prior to its acquisition by Société de la Tour Eiffel and in the absence of analytical accounting, the following assumptions have been made in order to calculate the earnings of the acquired business over a full year:

— Real amount of turnover (composed essentially of rents for assets acquired by Société de la Tour Eiffel and charges directly attributable,

— Indirect charges, including financial charges; in proportion to indebtedness added to the indebtedness generating charges in 2005,

According to these assumptions, if this acquisition had taken place on 1 January 2005, Locafimo would have contributed to group income on ordinary activities in an amount of €24,603,000 and to profit before goodwill depreciation and after taxes in an amount of €5,109,000.

Net assets acquired and goodwill are itemized below:

| (In thousands of euros) | 27 Dec. 2005 |
|---|---|
| Amount paid in cash | 170,434 |
| Costs directly linked to the acquisition | 9,551 |
| **Total acquisition cost** | **179,985** |
| Fair value of net assets acquired | 150,581 |
| **Goodwill** | **29,404** |

Assets and liabilities linked to this acquisition are as follows at 27 December 2005:

| (In thousands of euros) | Fair value | Locafimo book value |
|---|---|---|
| • Cash and cash equivalents | 46,512 | 46,512 |
| • Investment buildings (Note 2) | 285,461 | 137,074 |
| • Licenses (included in intangible fixed assets) (Note 4) | 1 | 1 |
| • Financial assets available for disposal (Note 5) | 2,515 | 2,515 |
| • Receivables | 14,151 | 14,151 |
| • Suppliers and other creditors | ( 30,426 ) | ( 30,426 ) |
| • Borrowings (Note 11) | ( 137,555 ) | ( 137,555 ) |
| • Other financial liabilities (Note 11) | ( 5,096 ) | ( 5,096 ) |
| • Provisions for contingencies and charges (Note 12) | ( 496 ) | ( 496 ) |
| • Deferred tax credit - net (Note 14) | ( 24,486 ) | ( 4 ) |
| NET ASSETS | 150,581 | 26,676 |
| • Minority interests (%) | 0 % | 0 % |
| NET ASSETS ACQUIRED | 150,581 | 26,676 |
| • Cost price paid in cash | | 179,985 |
| • Cash and cash equivalents of the acquired subsidiary | | ( 46,512 ) |
| • **Net cash reserves in respect of acquisition** | | **133,473** |

# 4. Financial risk management

**Description of the group's policy relating to the firm's exposure to interest rate variations**

On the closing date, the property business benefited from a favourable environment characterised by low long-term interest rates. The development of interest rates has a direct effect on the loans collected in order to finance the Group's investment policy and, in the event of a rate increase, could lead to an increase in the cost of financing investments. Similarly, an increase in interest rates could have an effect in terms of maintaining the financial liquidity necessary for the Group.

An increase in interest rates, particularly if it were to prove significant, would also affect the valuation of the Group's assets in that the rates of return applied by experts to rents in the office and industrial premises property sectors in France are determined partly on the basis of interest rates. Therefore, a significant increase in interest rates could lead to a reduction in the appraisal value of the Group's assets.

The aim of the Group's interest rate risk management policy is to limit the effects of interest rate variation on its result and cash flow and to maintain its overall debt costs at the lowest possible level. In order to fulfil these objectives, the Group companies generally borrow at variable rates and use derivative products (CAP and SWAPS) to cover their risk of exposure to rate variations. They do not conduct market operations for purposes other than the coverage of their rate risk and they personally centralise and manage all the operations dealt with. In order to limit the counterpart risk, the Group only carries out coverage operations with internationally renowned banking institutions.

**Description of the group's policy relating to the firm's exposure to exchange risks**

Since the Group's business is conducted exclusively in France, the Group does not consider that it is exposed to any exchange risks.

**Description of the group's policy relating to the firm's exposure to liquidity risks**

On 30 November 2004, the company signed a framework contract with an internationally renowned bank intended to finance its property portfolio concerning a maximum amount of 210 million euros. This amount was increased to 225.5 million euros on 12 July 2005. This framework contract contains the usual clauses relating to early loan repayments in different cases with certain predefined conditions each time.

At the time of the acquisition of the Locafimo Group, the initial conditions for the loan of 137 million euros were renegotiated and the term was extended until 27 December 2010; the Group will be required to sign interest coverage contracts up until 31 December 2010 before 30 March 2006.

These cases are notably: default in payment of the due amount; failure to respect certain financial ratios (LTV: the relationship between the banker's debt and the market value of the property; the coverage ratio: the relationship between the provisional cash flow and the debt service). The non-fulfilment of the various commitments of the company and its subsidiaries; the imprecision of the different declarations and guarantees taken out; the occurrence of an event with a significant unfavourable effect on business, the financial, legal or tax situation concerning the property held by the group; the lack of validity and enforceable nature of the commitments, failure to register a mortgage guarantee on the agreed level; the establishment of guarantees by a creditor of the company concerning assets which are financed by amounts stemming from the framework contract; establishment of collective procedures; dissolution; mergers which are not authorised by the lender; the transferral of a proportion of securities from a subsidiary whose assets have been financed via a framework contract; the existence of requisition/expropriation proceedings concerning property financed by the framework contract when the indemnity is not sufficient to reimburse the financed share, the collection of tax subsequent to a non-disputed tax adjustment with significant unfavourable effects; the loss of eligibility for the tax system governing SIIC which is not subsequent to a change in legislation.

As a result of the occurrence of one of the events referred to above, and if no solution has been found within the period provided for by the framework contract, the lending bank may cancel its commitments concerning the opening of credit, declare that the outstanding credit and associated costs are immediately due and fulfil all or some of the guarantees granted within the framework of this contract.

**Description of the group's policy relating to the firm's exposure to rental risks**

Since the current vacancy rate of the property held by the Group is fairly insignificant, the task of marketing the Group's property assets remains limited. However, if necessary, the objectives relating to marketing (price, deadline, target) are defined in cooperation with the Awon Asset Management team which also guarantees the solvency of tenants. The rental contract propositions are established by lawyers on the basis of standard contracts which are used within the group.

Certain tenants of property owned by the group are either leading firms or public bodies, which allows for a reduction in the insolvency risk.

When the leasing contracts are signed, the Group obliges its tenants to establish or grant financial securities in the form of guarantees upon request or sureties representing 3 months of rent.

However, within the framework of its development, the group has acquired companies whose rental portfolio is not based on the same selection criteria notably with regard to the profile of the tenants or the guarantees or sureties provided by the latter, which is notably the case for the rental portfolio of the Locafimo Group (consisting of approximately 450 tenants).

The financial elements relating to the leases concluded by the Group companies are invoiced by the property management companies Savills Gestion, CB Richard Ellis and UFFI, the exclusive service providers appointed by the company. The organisation and supervision of the invoicing and collection of rents and charges are centralised by these service providers at Group level.

Certain charges relating to the running of the property owned by the Group are invoiced back to the tenants. They consist mainly of services provided within the framework of annual contracts.

Overdue payments systematically result in follow-ups and may be associated with penalties. These overdue payments are followed up by property managers or teams from Awon Asset Management who decide, depending on the case, on the pre-contentious or contentious action to be taken.

## 5. Determining accounting estimations and judgements

The estimations and judgements, which are continually updated, are based on historical information and other factors, notably the anticipation of future events which are considered reasonable in view of the circumstances.

**Determining accounting estimations and hypotheses**

The subsequent accounting estimations are, by definition, rarely equivalent to the actual results which are revealed at a later stage. The estimations and hypotheses which could seriously result in a significant adjustment in the book value of assets and liabilities during the following period are analysed below.

**Evaluation of property**

The Group has its assets analysed by independent experts who use hypotheses of future flows and rates which have a direct effect on securities.
A decline in evaluation values would lead to a decline in the result.

**Estimated depreciation of goodwill**

The Group submits goodwill to an annual depreciation test according to the accounting method presented in Note 2.6.

**Exact value of derivatives and other financial instruments**

The exact value of financial instruments which are not negotiated on an asset market (such as over-the-counter negotiated derivatives) has been provided by the issuing establishment.

# 6. Notes on the balance sheet, the profit and loss account and the cash flow table
(in thousands of euros)

## NOTE 1: Tangible assets

### Variation by type

| (in thousands of euros) | Property under construction | Furniture, computer hardware | Total |
|---|---|---|---|
| **Financial year ending on 31.12.04** | | | |
| Net balance on opening | — | 1 | 1 |
| Acquisitions | — | — | — |
| Transfers | — | — | — |
| Amortisation | — | — | — |
| **Net balance at close** | **—** | **1** | **1** |
| **On 31.12.04** | | | |
| Gross | — | 1 | 1 |
| Total amortisation | — | — | — |
| **Net book value** | **—** | **1** | **1** |
| **Closed on 31.12.05** | | | |
| Net balance on opening | — | 1 | 1 |
| Acquisitions | 36,315 | — | 36.315 |
| Transfers | — | — | — |
| Amortisation | — | ( 1 ) | ( 1 ) |
| **Net balance at close** | **36,315** | **—** | **36,315** |
| **On 31.12.05** | | | |
| Gross | 36,315 | 1 | 36.316 |
| Total amortisation | — | ( 1 ) | ( 1 ) |
| **Net book value** | **36,315** | **—** | **36,315** |

### Property under construction

The property under construction corresponds mainly to the property located in Massy and in Caen Colombelles. None of the property under construction was completed in 2005 or was reclassified in an "investment property" account.

On 31/12/2005, the Société Tour Eiffel group possessed 3 assets entered in the accounts as "property under construction" whose main details are indicated in the table below.

### Summarised description of the different property under construction

| Property Address | Type of assets | Total rented area long term | % of rented area in tax / years | Estimated rent excl. travaux | Estimated date of work completion | Current status |
|---|---|---|---|---|---|---|
| Massy Campus<br>ZAC des Champs-Ronds<br>102 route de Paris<br>91300 Massy | Office buildings | 13,585 $m^2$ | 100% | 3,984,875 | 31/10/06 | Under construction |
| Caen Colombelles<br>ZAC du Plateau<br>14460 Colombelles | 3 buildings and one car park | Buildings: 17,525 $m^2$<br>Car park: 723 places | 100% | 3,037,004 | 1st quarter 2007 | Under construction |
| Champigny Carnot<br>ZAC des Bords de Marne<br>94500 Champigny-sur-Marne | Parkings | Parking : 268 places | 100% | 53,436 | 31/03/06 | Under construction |

**Property under construction – Evaluation**

| | Cost on 31/12/05 | | Cost until the end of the work | | Total cost of the project | | % int used |
|---|---|---|---|---|---|---|---|
| | Excl financial int | Financial int | Excl financial int | Financial int | Excl financial int | Financial int | |
| Massy Campus | 32,782 | 114 | 16,218 | — | 49,000 | 114 | Euribor 3 months +1% |
| Caen Colombelles | 2,261 | 182 | 27,616 | — | 29,877 | 182 | Euribor 3 months +1% |
| Champigny Carnot | 961 | 15 | 228 | — | 1,189 | 15 | Euribor 3 months +1% |
| Total | 36,004 | 311 | 44,062 | — | 80,066 | 311 | |
| **Sum total** | **36,315** | | **44,062** | | **80,377** | | |

## NOTE 2: Investment property

**Variation by type**

| (in thousands of euros) | Investment property |
|---|---|
| **Closed on 31.12.04** | |
| Net balance on opening | 10,500 |
| Acquisitions ( 1 ) | 53,506 |
| Transfers | ( 24 ) |
| Variation in structure | 181,322 |
| Exact value effect (result) | 8,890 |
| **Net balance at close** | **254,194** |
| **Closed on 31.12.05** | |
| Net balance on opening | 254,194 |
| Acquisitions | 44,829 |
| Transfers | — |
| Variation in structure ( 2 ) | 248,461 |
| Exact value effect (result) | 33,237 |
| **Net balance at close** | **617,721** |

(1): The acquisitions correspond mainly to the properties located in Plessis Robinson (SCI Comète), Etupes (Sochaux, SCI Etupes de l'Allan) and Lyons et Genlis (SCI Lyons Genlis).
(2): The variation in structure corresponds mainly to the integration of investment property belonging to the Locafimo Group.

**Restrictions relating to the possible transferral of investment property or the recuperation of the income from the disposal with an indication of the amount**
No investment property is subject to this type of restriction.

**Investment property – summarised description of assets**
(cf. next page):

**Investment property – summarised description of assets**

The group's main investment property is presented in the table below:

| Property | Address | Type of assets | Rented area ($m^2$) | Annual rent (euros) |
|---|---|---|---|---|
| « Alstom Massy » | 9 rue Ampère Massy | Offices | 43,131 | 4,342,846 |
| « CS Communication & Système » | Le Galilée<br>ZI du Plessis Clamart - 20, av Galilée<br>92350 Le Plessis Robinson | Offices / business | 15,009 | 3,300,000 |
| « Gefco » Sochaux | ZAC du Technoland<br>(25) Etupes | Warehouses / Offices | 27,571 | 1,478,150 |
| « Conseil Général de Seine-Saint-Denis » Bobigny | 20, rue Gallieni<br>93000 Bobigny | Offices/ business premises | 6,415 | 1,100,999 |
| « Archon » Champigny sur Marne | 42 bis quai V. Hugo<br>94500 Champigny / Marne | Offices | 9,471 | 2,073,324 |
| « Atos » Aubervilliers | 151/153 av J.Jaurès<br>93300 Aubervilliers | Offices/ business premises | 19,423 | 1,356,670 |
| « Colt Télécom » Hauts-de-Seine | 23/27 rue Pierre Valette<br>(92) Malakoff | Offices/ business premises | 10,778 | 913,915 |
| « La Poste » Champs sur Marne | 2 bld de Newton<br>77420 Champs sur Marne | Offices | 12,029 | 2,550,118 |
| « La Poste » Vitrolles | 1re rue ZI des Estroublans<br>13127 Vitrolles (Marseilles) | Deconsolidation depot | 12,634 | 887,878 |
| « La Poste » Paris 19e | 9/10 av. de Laumière<br>75019 Paris | Offices | 3,765 | 684,490 |
| « La Poste » Toulouse | Rue de Fenouillet<br>31000 Toulouse | Deconsolidation depot | 13,753 | 1,016,687 |
| Asnières | 85 à 93 quai Dervaux<br>92600 Asnières | Offices | 10,391 | 2,450,000 |
| « Tour Crédit Lyonnais » Lyons | Tour Crédit Lyonnais<br>69003 Lyons | Offices | 8,272 | 763,000 |
| « Parc des Tanneries » | Parc des Tanneries<br>67000 Strasbourg | Parks | 65,761 | 2,733,961 |
| « Parc des Moulins à vent » | Parc des Moulins à Vent<br>69200 Lyons Venissieux | Parks | 36,588 | 3,029,669 |

## NOTE 3: Goodwill

| (in thousands of euros) | Goodwill Comète | Goodwill Malakoff Valette | Goodwill Arman F02 | Goodwill Jean Jaurès | Goodwill Locafimo | Total Goodwill |
|---|---|---|---|---|---|---|
| **On 31.12 2003** | | | | | | |
| Gross | | | | 234 | | 234 |
| Total provisions | | | | ( 234 ) | | ( 234 ) |
| **Net book value** | — | — | — | — | — | — |
| **Close on 31.12 2004** | | | | | | |
| Net balance on opening | — | — | — | — | | — |
| Acquisitions | — | — | — | — | | — |
| Transfers | — | — | — | — | | — |
| Provisions (1) | ( 2,325 ) | ( 1,883 ) | ( 1,873 ) | ( 28 ) | | ( 6,109 ) |
| Variation in structure | 2,325 | 1,883 | 1,873 | 28 | | 6,109 |
| **Net balance** | — | — | — | — | — | — |
| **On 31.12 2004** | | | | | | |
| **Gross** | **2,325** | **1,883** | **1,873** | **262** | | **6,343** |
| Total provisions | ( 2,325 ) | ( 1,883 ) | ( 1,873 ) | ( 262 ) | | ( 6,343 ) |
| **Net book value** | — | — | — | — | — | — |

| Occupation rate | Appraisal value (€) | Date of entry in the structure | Year of construction | End of lease |
|---|---|---|---|---|
| 100% | 47,270,000 | 08/04/2004 | Between 1967 and 1996 | 24/04/2012 |
| 100% | 45,280,000 | 20/12/2004 | Between 1965 and 1968 | 2012 |
| 100% | 19,300,000 | 28/02/2005 | 2005 | End of 2014 |
| 100% | 13,940,000 | 01/12/2004 | 1965 (rehabilitation 2004) | 2012 |
| 100% | 20,956,762 | 15/12/2004 | | 31/12/2012 |
| 89% au 30/06/05 | 16,800,000 | 30/12/2003 | 1930 | 01/01/2011 |
| 100% | 10,600,000 | 27/05/2004 | 1928 (restructuring in 2000) | 01/10/2009 |
| 100% | 24,800,000 | 02/04/2004 | 1993 | 13/11/2011 |
| 100% | 10,880,000 | 02/04/2004 | 1998 | 05/05/2010 |
| 100% | 11,460,000 | 02/04/2004 | 2001 | 01/07/2013 |
| 100% | 11,050,000 | 02/04/2004 | 1997 | 25/03/2018 |
| 100% | 34,900,000 | 27/12/2005 | 1997 | 31/03/2006 |
| 100% | 12,050,000 | 27/12/2005 | 1975 | NA |
| 60% | 35,460,000 | 27/12/2005 | NA | NA |
| 90% | 30,400,000 | 27/12/2005 | Renovation in 2005 | NA |

| (in thousands of euros) | Goodwill Comète | Goodwill Malakoff Valette | Goodwill Arman F02 | Goodwill Jean Jaurès | Goodwill Locafimo | Total Goodwill |
|---|---|---|---|---|---|---|
| **Close on 31.12 2005** | | | | | | |
| Net balance on opening | — | — | — | — | — | — |
| Acquisitions | 18 | 12 | — | — | 29,404 | 29,434 |
| Transfers | — | — | — | — | — | — |
| Provisions (1) | ( 18 ) | ( 12 ) | — | — | ( 29,404 ) | ( 29,434 ) |
| **Net balance** | — | — | — | — | — | — |
| **On 31.12 2005** | | | | | | |
| Gross | 2,343 | 1,895 | 1,873 | 262 | 29,404 | 35,777 |
| Total provisions | ( 2,343 ) | ( 1,895 ) | ( 1,873 ) | ( 262 ) | ( 29,404 ) | ( 35,777 ) |
| **Net book value** | — | — | — | — | — | — |

(1) The counterpart of the provision for goodwill depreciation is entered in the profit and loss account under "net balance of value adjustments" (cf. Note 20) according to the principle presented in paragraph 2.6.

## NOTE 4: Intangible assets

| Variation by type (in thousands of euros) | Intangible assets generated internally | Acquired intangible assets | Total intangible assets |
|---|---|---|---|
| **Financial year ending on 31.12.04** | | | |
| Net balance on opening | — | — | — |
| Acquisitions | — | — | — |
| Transfers | — | — | — |
| Amortisation | — | — | — |
| **Net balance at close** | **—** | **—** | **—** |
| **On 31.12.2004** | | | |
| Gross | — | — | — |
| Total amortisation | — | — | — |
| **Net book value** | **—** | **—** | **—** |
| **Financial year ending on 31.12.2005** | | | |
| Net balance on opening | — | — | — |
| Acquisitions | — | — | — |
| Transfers | — | — | — |
| Amortisation | — | | |
| Entrée de périmètre | — | 1 | 1 |
| **Net balance at close** | **—** | **1** | **1** |
| **On 31.12.2005** | | | |
| Gross | — | 173 | 173 |
| Total amortisation | — | ( 172 ) | ( 172 ) |
| **Net book value** | **—** | **1** | **1** |

All the net assets have been acquired and have not been re-evaluated.

## NOTE 5: Financial assets

| Financial assets - Type (in thousands of euros) | Fixed securities | Deposits and guarantees paid | Other fixed receivables | Loans | Valuation of CAP | Total financial assets |
|---|---|---|---|---|---|---|
| **Close on 31.12.2004** | | | | | | |
| Net balance on opening | — | 1 | — | — | — | 1 |
| Increases | 2 | 11,408 | — | — | — | 11,410 |
| Reductions | — | — | (2) | — | — | (2) |
| Variation in structure | — | 161 | 2 | — | — | 163 |
| **Net balance at close** | **2** | **11,570** | **—** | **—** | **—** | **11,572** |
| IAS 32/39 reprocessing | — | — | — | — | 1,430 | 1,430 |
| **Net balance on 01.01.2005 "complete" IAS** | **2** | **11,570** | **—** | **—** | **1,430** | **13,002** |
| **Close on 31.12.2005** | | | | | | |
| Net balance on opening | 2 | 11,570 | — | — | 1,430 | 13,002 |
| Increases | — | — | 6,024 | — | — | 6,024 |
| Initial structure(1) | — | 682 | — | 1,833 | — | 2,515 |
| Secondary distribution | — | (11,408) | 11,408 | — | — | — |
| Reductions | — | — | (11,408) | — | — | (11,408) |
| Reimbursement | — | — | — | (66) | — | (66) |
| Exact value effect (result) | — | — | — | — | 103 | 103 |
| **Net balance at close** | **2** | **844** | **6,024** | **1,767** | **1,533** | **10,170** |

**(1):** The initial structure comprises 1,925 thousands of € in totally depreciated Pallas Stern deposit certificates with Locafimo.

**Other fixed receivables:**
The other fixed receivables consist mainly of remunerated cash guarantees which are reimbursed according to the conditions provided for in the framework contract established at the end of 2004.
The cash guarantees on 31 December 2004 have been reclassified under other fixed receivables in view of their type and were reimbursed in full during the financial year 2005.
A new cash guarantee was established for an amount of 6,024 K€ during the 2005 period.

**Derivative instruments:**
The Tour Eiffel group has contracted financial instruments (CAP) which have not been considered as coverage instruments in the accounting plan.
These financial instruments were originally entered on the assets side at their exact value as a counterpart to a financial debt corresponding to the outstanding updated

premiums over the duration of the financial instruments. The value differences of the financial instruments between each closure date are entered under the financial result and the exact value difference between their creation date and 1 January 2005 has been entered under stockholders' equity.
The net effect of the processing of financial instruments on 1 January 2005 amounts to 1,430 K€ and the adjustment of the exact value for the financial year 2005 has culminated in a financial income of 103 K€.

## NOTE 6: Customers and associated accounts

| (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| Gross | 11,892 | 2,816 |
| Provisions (1) | ( 4,192 ) | — |
| **Total net customers and associated accounts** | **7,700** | **2,816** |

(1): the provisions for customer receivables concern mainly the customers of the Locafimo Group.

The "customers and associated accounts" item only contains receivables with terms of less than 12 months. To be deleted

## NOTE 7: Other receivables and equalisation accounts

| (in thousands of euros) | 2005 Net | 2004 Net |
|---|---|---|
| • Advances and deposits paid | 2,350 | 3,076 |
| • State receivables (1) | 14,675 | 4,425 |
| • Current accounts - assets | 1,628 | — |
| • Debtor suppliers | 270 | 716 |
| • Prepaid expenses | 846 | 394 |
| • Other receivables | 770 | 668 |
| **Total gross value** | **20,539** | **9,279** |
| • Provisions for other receivables | — | — |
| **TOTAL** | **20,539** | **9,279** |

**(1) Corresponds mainly to an exceptional withdrawal, recoverable from the state, from the 2005 distributions amounting to 8,441 K€ recorded in the Locafimo Group.**

## NOTE 8: cash flow and cash equivalents

The investment securities consist mainly of monetary UCITS evaluated at their closing price.

| (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| Investment securities | 21,576 | 11,691 |
| Cash assets | 48,384 | 5,581 |
| **Total gross value** | **69,960** | **17,272** |
| Current account provision (1) | ( 3,055 ) | — |
| Total | 66,905 | 17,272 |

(1): Current account provision with the Pallas Stern bank with Locafimo.

In the consolidated cash flow table, the cash flow and bank overdrafts include the following elements:

| (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| **Cash flow and cash equivalents** | **66,905** | **17,272** |
| Credit bank balance ( Note 12 ) | ( 1,630 ) | ( 28 ) |
| **Total net cash flow** | **65,275** | **17,244** |

## NOTE 9: Non-current assets to be transferred

**Variation by type**

| (in thousands of euros) | Property to be transferred |
|---|---|
| **Close on 31.12.2004** | |
| Net balance at opening | — |
| Acquisitions | — |
| Transfers | — |
| Variation in structure | 600 |
| Exact value effect (result) | 245 |
| Integration rate var. | — |
| **Net balance at close** | **845** |

| (in thousands of euros) | Property to be transferred |
|---|---|
| **Close on 31.12.2005** | |
| Net balance at opening | 845 |
| Acquisitions | — |
| Transfers | 845 |
| **Net balance at close** | **—** |

The non-current assets to be transferred consisted of the property in Boulogne-Billancourt, which was transferred during the period for its book value.

## NOTE 10: Capital and premiums linked to capital

### 1) Composition of share capital

| (in thousands of euros) | Number of ordinary shares | Nominal share value | Total amount of capital | Premium value | TOTAL |
|---|---|---|---|---|---|
| On 1 January 2004 | 321,300 | €48 | 15,422 | 219 | 15,641 |
| New equity issue 7 July 2004 | 2,216,970 | €48 | 106,415 | 13,238 | 119,653 |
| 31 December 2004 | 2,538,270 | €48 | 121,837 | 13,457 | 135,294 |
| New equity issue 21 December 2005 | 2,538,270 | €48 | 121,837 | 35,536 | 157,373 |
| Issue costs | — | — | — | ( 6,729 ) | ( 6,729 ) |
| Allocation of 2004 carry forward | — | — | — | ( 419 ) | ( 419 ) |
| 31 December 2005 | 5,076,540 | €48 | 243,674 | 41,845 | 285,519 |

All the issued shares have been fully freed up.
The ordinary shares issued on 21 December 2005 have the same rights as the other shares in circulation. The associated costs of 6,729 billion euros were deduced from the premium.

### 2) Issuance of warrants

**The conditions**
On 26 November 2004, the Board of Directors issued the following, according to the decision by the General Meeting of 18 May 2004, on the basis of one share per warrant between 30 April 2006 and 30 October 2008:
— 88,678 stock warrants at the price of one euro centime per stock warrant, €59.23 per share.
— 12,852 stock warrants "A" at the price of one euro centime per stock warrant, €63.83 per share.

All the "A" and "B" stock warrants were subscribed for during the financial year 2004 by the sole subscriber, Awon Asset Management.

**Estimation of the stock warrant value:**
The exact value of the options was evaluated on the allocation date of each plan on the basis of a binomial option evaluation model (Cox, Ross and Rubinstein). This model takes into account the possibilities of exercising options in advance during the exercising periods.

| Valuation on 26 November 2004 | Plan « A » | Plan « B » | Total |
|---|---|---|---|
| Price on the subscription date | €62.85 | €62.85 | — |
| Subscription price | €59.23 | €63.83 | — |
| Exact value per stock warrant | €15.75 | €13.96 | — |
| Number of options at maturity | 12,852 | 88,678 | **101,530** |
| Total charge | €203,000 | €1,238,000 | **€1,441,000** |
| On 31-12-2004 | €14,000 | €84,000 | **€98,000** |
| On 31-12-2005 | €142,000 | €867,000 | **€1,009,000** |
| On 31-12-2006 | €47,000 | €287,000 | **€334,000** |

On 31 December 2005, the impact amounted to 1,009 K€ entered as external charges.

### 3) Emission of share options

**The conditions**
Share options were allocated to the managers. The exercise price of the options granted is equal to the average of the first prices listed between 28 November and 23 December 2005 inclusive minus 5%, amounting to €68.44 per share. Certain options may be exercised as of their allocation and other options may be exercised by tranche of 25% per year from the first anniversary of their allocation, in other words from 26 December 2006. The contractual option duration is five years.

The aim of option allocation is to build the loyalty of the company's management; certain managers will lose their allocation right if they are no longer representatives or employees of the company or a company subsidiary.

**Estimation of option value:**
The number of options in circulation and their exercise price are presented below:

| (in thousands of euros) | 2005 | | 2004 | |
|---|---|---|---|---|
| | Exercise price (in euros per share) | Options (in units) | Exercise price (in euros per share) | Options (in units) |
| **On 1 January 2004** | **0** | **0** | **0** | **0** |
| Granted | 68.44 | 111,530 | — | — |
| Lapsed | — | — | — | — |
| Exercised | — | — | — | — |
| Due | — | — | — | — |
| **On 31 December** | **68.44** | **111,530** | **0** | **0** |

Out of the 111,530 options in circulation (2004: 0 options), 101,530 options (2004: 0 options) could be exercised.
No options were exercised on 31 December 2005.

The expiry date is 26 December 2010 and the exercise price of options in circulation on the closing date is €68.44.

The exact value of the options allocated during the financial year, determined on the basis of the binomial evaluation model, amounts to 1,995 k€ (2004: €0).

The main hypotheses underpinning the model are as follows: share price €74.00 (2004: €0) on the date of granting, exercise price as indicated above, standard early share yield difference 30 % (2004: 0%), option duration as indicated above, annual interest rate without risk 3 % (2004: 0%) and dividend payment rate 3 %.

On 31 December 2005 the rights acquired according to the enforceable options were recorded in the profit and loss account (staff charges) as a counterpart to the stockholders' equity for a total amount of 1,817 k€.

## NOTE 11: Loans and financial debts

**Loans and financial debts – Variations by type**

| (in thousands of euros) | Loans with credit institutions | Other loans and associated debts | Current bank support | Premiums payable on CAP | Deposits and guarantees received | Total |
|---|---|---|---|---|---|---|
| **Situation on 31.12.04** | **136,177** | **1,153** | **28** | **—** | **797** | **138,155** |
| IAS 32/39 reprocessing | — | — | — | 2,295 | — | 2,295 |
| **Situation on 01.01.05 "complete" IAS** | **136,177** | **1,153** | **28** | **2,295** | **797** | **140,450** |
| Increases | 78,014 | 1,054 | — | — | 460 | 79,528 |
| Reductions | (5,407) | (685) | — | (342) | (5) | (6,439) |
| Initial structure | 136,740 | 815 | 1,359 | — | 5,096 | 144,010 |
| Other | — | — | 243 | — | — | 243 |
| Reclassification | — | (633) | — | — | 633 | — |
| **Balance at close** | **345,524** | **1,704** | **1,630** | **1,953** | **6,981** | **357,792** |

**Loans with credit institutions – fixed rate / variable rate**

| (in thousands of euros) | Fixed rate | Variable rate | TOTAL |
|---|---|---|---|
| Loans with credit institutions | 25,714 | 319,810 | **345,524** |

The Group's actual average interest rate is 3.67%

**Loans and financial debts**

**Description of the group's policy relating to the firm's exposure to exchange risks**

Since the Group's business is conducted exclusively in France, the Group does not consider that it is exposed to any exchange risks.

| (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| **Non-current** | | |
| Bank loans | 311,286 | 132,395 |
| Other financial liabilities | 8,566 | 797 |
| **Total** | **319,852** | **133,192** |
| **Current** | | |
| Bank loans | 34,238 | 4,645 |
| Interest incurred | 1,704 | 290 |
| Bank overdrafts | 1,630 | 29 |
| Other financial liabilities | 368 | — |
| **Total** | **37,940** | **4,964** |
| **Total loans and financial debts** | **357,792** | **138,156** |

The terms of the non-current loans are indicated below:

| (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| Between 1 and 5 years (1) | 240,444 | 60,257 |
| More than 5 years | 70,842 | 72,138 |
| **Total** | **311,286** | **132,395** |

(1) On 27 December 2010 the group's term amounted to 137,660 thousand euros.

NB: the "current" loans represent in principle debts with a term of less than 1 year.

## NOTE 12: Long-term provisions and provisions with a term of less than one year

| (in thousands of euros) | Provision for employee disputes | Provision for risk of failure to charge insurance to tenants | Other provisions for risks | Other provisions for expenses | Total |
|---|---|---|---|---|---|
| **Situation on 31.12.04** | **28** | **—** | **2** | **4** | **34** |
| Allocations | 11 | — | 5 | 2 | 18 |
| Carry forwards not used | (28) | — | (2) | (4) | (34) |
| Carry forwards used | — | — | — | — | — |
| Variation in structure | — | 496 | — | — | 496 |
| **Balance at close 31.12.05** | **11** | **496** | **5** | **2** | **514** |

**Provision – long term / less than one year**

| (in thousands of euros) | 2005 | | 2004 | |
|---|---|---|---|---|
| | Long term | Less than one year | Long term | Less than one year |
| Provision for employee disputes | — | 11 | — | 28 |
| Provision for Locafimo tenant risks | 496 | — | — | — |
| Other provisions for risks | — | 5 | — | 2 |
| Other provisions for expenses | — | 2 | — | 4 |
| **Net balance at close** | **496** | **18** | **—** | **34** |
| **Total per period** | **514** | | **34** | |

## NOTE 13: Tax and social debts (current and non-current)

| Type (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| Tax debts (Exit Tax) | 739 | 1,478 |
| **TOTAL non-current tax debts** | **739** | **1,478** |
| Social debts | 363 | — |
| Tax debts (of which Exit Tax – share less than one year) (1) | 23,344 | 739 |
| Other tax debts (TVA) | 3,448 | 1,229 |
| **TOTAL current tax and social debts** | **27,155** | **1,968** |
| **TOTAL** | **27,894** | **3,446** |

(1): The company Locafimo has a tax debt of 22,607 K€, 8,459 K€ of which is accounted for by a distribution tax and 14,166 K€ by corporation tax.

## NOTE 14: Deferred tax

| (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| **Deferred tax assets** | — | — |
| Deferred tax assets recoverable with a term of more than 12 months | — | — |
| Deferred tax assets recoverable with a term of less than 12 months | — | — |
| **Deferred tax liabilities** | 24,460 | — |
| Deferred tax liabilities recoverable with a term of more than 12 months | — | — |
| Deferred tax liabilities recoverable with a term of less than 12 months | 24,460 | — |

The gross deferred tax variation is presented below:

| (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| **Balance on 1 January** | — | — |
| Initial structure | 24,486 | — |
| Taxes allocated to the profit and loss account | (26) | — |
| Taxes allocated directly to stockholders' equity | — | — |
| **Balance on 31 December** | 24,460 | — |

The deferred tax liability variation during the financial year within the same tax jurisdiction is presented below:

| (in thousands of euros) | Exact value profit from property | Exact value profit from VMP | TOTAL |
|---|---|---|---|
| **On 1 January 2004** | — | — | — |
| Taxes allocated to the profit and loss account | — | — | — |
| Taxes allocated to stockholder's equity | — | — | — |
| Conversion difference | — | — | — |
| **On 31 December 2004** | — | — | — |
| Taxes allocated to the profit and loss account | (26) | — | (26) |
| Taxes allocated to stockholder's equity | — | — | — |
| Initial structure | 24,484 | 2 | 24,486 |
| Conversion difference | — | — | — |
| **On 31 December 2005** | 24,458 | 2 | 24,460 |

The deferred taxes for the financial year 2005 were generated by the acquired companies (Locafimo and its subsidiaries).
The tax rate used is 16.50%. This corresponds to the exit tax payable on the basis of the evaluation difference covered in 2006 (exercising of options).
Locafimo and its subsidiaries plan to opt for the SIIC system during the 1st half of 2006, which provides for an almost total tax exemption (cf. note 2.15) and all the deferred taxes will be taken into account by the result.

## NOTE 15 : Supplier debts and other debts

| Type (in thousands of euros) | 2005 | 2004 |
|---|---|---|
| Supplier debts | 15,190 | 5,111 |
| Debts associated with acquisitions of tangible assets (1) | 22,639 | — |
| Liabilities current account | 269 | — |
| Advances and deposit received | 926 | 548 |
| Creditor customers (2) | 1,744 | 32 |
| Other operating debts | 528 | 190 |
| Other non-operating debts | — | 478 |
| Deferred income | 2,082 | 1,994 |
| **TOTAL** | 43,378 | 8,353 |

(1): Corresponds to outstanding payments for property located in Massy.
(2): Mainly customers of the company Locafimo for 1,491 K€.

## NOTE 16: Turnover

**Turnover– comparative analysis by type**

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| Rental income | 27,183 | 14,739 |
| Other rental income (1) | 2,376 | 284 |
| **Total turnover** | **29,559** | **15,023** |

(1): mainly recharging of property tax and office tax.

**Sector-based analysis:** (with reference to note 3.12) The business of the Tour Eiffel Group is concentrated in a single sector: office property, industrial premises and business in France.

**Rents payable for firm leases in the portfolio on 31 December 2005**
(including the Locafimo Group)

| (in thousands of euros) | 2005 (12 months) |
|---|---|
| Total minimum future payments | |
| Less than one year | 43,413 |
| More than one year and less than five years | 136,495 |
| More than five years | 95,542 |
| **Total future payments** | **275,450** |
| Total rental payments recorded in the 2005 result (including 297 K€ for Locafimo) | 27,183 |

## NOTE 17: Consumed purchases

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| Non-stocked purchases of materials and supplies | 12 | 26 |
| **Total consumed purchases** | **12** | **26** |

## NOTE 18: External and staff expenses, taxes and duties

**Staff expenses**
Staff expenses consist mainly of remunerated services within the framework of a stock option plan for a total amount of 1,817,000 euros in 2005 (cf. note 10).

**External expenses**

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| • General subcontracting | 98 | — |
| • Rentals and rental expenses | 206 | 104 |
| • Maintenance and repairs | 227 | 53 |
| • Insurance premiums | 295 | 194 |
| • Miscellaneous documentation, seminars | 2 | — |
| • Remuneration of intermediaries and fees (1) | 5,047 | 2,032 |
| • Advertising, publication, public relations | 182 | 143 |
| • Goods transport, collective staff transport | 2 | — |
| • Travel, assignments and receptions | 48 | 14 |
| • Postal and telecommunication costs | 2 | 1 |
| • Banking and associated services | 489 | — |
| • Other external services | 49 | 146 |
| **TOTAL** | **6,647** | **2,687** |

(1) These amounts correspond mainly to the costs incurred in seeking assets, asset management and goods administration.

**Taxes and duties**
The taxes and duties consist mainly of property tax amounting to 2,457,000 euros in 2005 (in 2004: 1,074,000 euros).

## NOTE 19: Net depreciations expenses and provisions

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| Allocation/carry forward / prov • for current assets | — | — |
| • for operating liabilities and expenses | 19 | 1 |
| • for operating receivables | (2) | 36 |
| TOTAL | 17 | 37 |

## NOTE 20: Net value adjustment balance

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| • Investment property | 33,237 | 9,127 |
| • Goodwill. | (29,434) | (6,109) |
| TOTAL | 3,803 | 3,018 |

## NOTE 21: Other operating income and expenses

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| • Miscellaneous current management income | 6 | (1) 114 |
| • Other depreciations carried forward and provisions | 1 | — |
| • Irrecoverable receivable losses | — | (55) |
| • Miscellaneous current management expenses | (85) | (51) |
| • Other depreciation allowances and provisions | (4) | — |
| TOTAL | (82) | 8 |

(1) mainly claims insurance compensation.

**Rental income and direct operating expenses linked to investment property:**

| 2005 (in thousands of euros) | Investment property generating rental income | Investment property not generating rental income |
|---|---|---|
| Rental income | 27,183 | — |
| Direct operating expenses (1) | 4,206 | 50 |

(1) mainly property administration costs and property tax.

## NOTE 22: Net financial debt cost

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| • Net income from VMP transfers | 253 | 58 |
| • Investment property income | 282 | 483 |
| • Loan income | — | 9 |
| Total cash income and equivalent | 535 | 550 |
| • Financing operation interest | (5,874) | (3,592) |
| Total gross financial debt costs | (5,874) | (3,592) |
| TOTAL | (5,339) | (3,042) |

## NOTE 23: Other financial income and expenses

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| • Other financial income | 135 | 10 |
| • Income from security transfers (1) | — | 460 |
| Total of other financial income | 135 | 470 |
| • Abandonment of receivables granted | — | (343) |
| • Other financial expenses | (111) | (37) |
| • Net book value of transferred securities (1) | — | (460) |
| Total of other financial expenses | (111) | (841) |
| TOTAL | 24 | (370) |

(1) minority holding

## NOTE 24: Profit tax

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| Current tax | (27) | (8) |
| Deferred tax | 26 | — |
| Total | (1) | (8) |

## NOTE 25: Basic result per share

**Basic result**

The basic result per share is calculated by dividing the net profit paid to the company shareholders by the average weighted number of ordinary shares in circulation during the financial year.

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| Profit paid to company shareholders | 15,779 | 10,674 |
| Average weighted shares in circulation | 2,614,766 | 1,396,379 |
| Basic result per share (€ per share ) | 6.03 | 7.64 |

**Diluted result**

The diluted result per share is calculated by increasing the average weighted number of shares in circulation by the number of shares resulting from the conversion of all stock options with a potentially diluting effect. For share options, a calculation is made in order to determine the number of shares which could have been acquired at the exact value (the average annual market price of the company's shares) on the basis of the monetary value of the subscription rights associated with the stock options in circulation. The number of shares calculated in this way is compared with the number of shares which could have been issued if the options had been exercised.

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| Profit paid to company shareholders | 15,779 | 10,674 |
| Average weighted number of ordinary shares used to calculate the diluted result per share | 2,614,904 | 1,397,866 |
| Basic result per share (€ per share ) | 6.03 | 7.63 |

## NOTE 26: Dividends

The dividends paid in 2005 amounted to 9,063 K€:

- 3,987 K€ distributed for the 2004 result (€1.57 per share);
- 5,076 K€ as a down payment for the 2005 result (€2 per share).

An additional dividend of €0.85 per share for the financial year ending on 31 December 2005, representing a total additional distribution of €4,315,059, will be proposed at the ordinary and extraordinary general meeting of 17 May 2006. This distribution is not entered under payable expenses in the financial statements.

The Board of Directors of 22 March 2006 also approved the distribution of an initial down payment for the 2006 dividend of €1.15 per share or a total down payment of

## NOTE 27: Transactions with associated parties

**Remuneration of main managers**

The following information concerning the annual amount of allocated remuneration is provided in general for the members of the administration and management bodies of the firm consolidating Tour Eiffel namely:

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| Salaries and other short-term advantages | 274 | — |
| Directors' fees | 24 | 24 |
| Payments based on shares (stock options) | 1,817 | — |
| TOTAL | 2,115 | 24 |

The redundancy payment for an assistant general manager must not be less than 250,000 euros.

**Transactions with associated firms**

These firms have a joint management with the company Tour Eiffel:

• **Awon Asset Management**

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| **Profit and loss account** | | |
| Acquisitions of services in the context of asset management and administrative management | 3,581 | 1,922 |
| **Balance sheet on 31 December** | | |
| Debts with the associated party | 1,298 | 318 |

• **Awon Gestion**

| (in thousands of euros) | 2005 (12 months) | 2004 (12 months) |
|---|---|---|
| **Profit and loss account** | | |
| Acquisitions of services in the context of property administration | 92 | 265 |
| **Balance sheet on 31 December** | | |
| Debts with the associated party | — | — |

## NOTE 28: Off balance-sheet commitments

**Commitments given:**

| (in thousands of euros) | | Total amounts in 2005 |
|---|---|---|
| Mortgages | (1) | 130,880 |
| Security pledges | (2) | 244,528 |
| Purchase promises | | 2,157 |
| **TOTAL** | | **377,565** |

(1): net book value on 31 December 2005

(2): acquisition price of social securities

The group has made a commitment to subscribe for interest coverage instrument amounting to 137 million euros with a term of 27 December 2010.

**Commitments received:**

| (in thousands of euros) | Total amounts in 2005 |
|---|---|
| Rental guarantee | 1,001 |
| Joint guarantee | 50,350 |
| Liability guarantee | 15,000 |
| Pledging | 533 |
| Rent guarantee | 1,810 |
| **TOTAL** | **68,694** |

## NOTE 29: Events after the closing date

- Locafimo intends to opt for the SIIC system to take effect on 1 January 2006.
- The acquisition of Awon Asset Management should be finalised in April 2006.
- Since the beginning of 2006, the Tour Eiffel group has been involved in the refinancing of a proportion of its debt and is involved in other refinancing projects providing it with a financial structure which is adapted to its investment strategy and the characteristics of its assets.

# 7. Transition towards IFRS standards (in thousands of euros)

## 7.1. Move to IAS/IFRS international accounting standards

In 2005, the Tour Eiffel company is to establish consolidated accounts presented according to the international accounting standards (IAS/IFRS) including comparative financial statements for 2004.

In view of its business, the main effect for the Tour Eiffel company of the move to the IFRS standards concerns the property accounting rules and, to a lesser degree, a number of other fields: the acknowledgement of income, stock options and company groupings.

### ■ Consolidation structure

**Concept of IFRS audits (IAS 27):**

An audit is considered to exist when the parent company holds more than half of the voting rights of an entity, either directly or indirectly via subsidiaries.

An audit also exists when the parent company holding half or less than half of the voting rights of an entity possesses:

- power concerning more than half of the voting rights according to an agreement with other investors;
- the power to manage the financial and operational policies of an entity according to a statutory text or contract;
- the power to appoint or revoke the majority of the members of the Board of Directors or equivalent management body if the audit on the entity is carried out by this board or body;
- the power to obtain a majority of the voting rights at the meetings of the Board of Directors or equivalent management body if this audit on the entity is carried out by this board or body.

The application of the IFRS standards does not lead to any amendments in the consolidation structure which remains identical to the one implemented according to French standards, since all the subsidiaries are wholly owned and integrated globally.

### ■ Entry of fixed assets in the accounts

The IAS 40 opens up the choice of the entry of "investment property" in the accounts according to two methods:

- entry at market value (so-called "exact value" method; in this case, the property is no longer amortised and the effect of market variations is entered in the profit and loss account;
- entry on the basis of amortised costs.

The Tour Eiffel company, whose assets consist exclusively of investment property, has opted for the so-called "exact value" method.

The chosen market value is the value excluding registration duty determined by independent experts who evaluate the group's assets on 30 June and 31 December of each year.

### ■ Properties intended for transfer

In accordance with the IAS 5 standard, assets which the company has decided to transfer must be classified as "property intended for transfer".

These assets must be available with a view to their immediate sale in their current state and their sale must be highly probable (within a period of 12 months).

### ■ Acknowledgment of income – rental contracts

The leases currently signed by the Tour Eiffel group comply with the simple rental definition and do not come within the financial rental definition according to the IAS 17 standard.

In the consolidated accounts drawn up according to French standards, the total amount of rental income entered in the accounts by the Tour Eiffel company corresponds to the rents for which a receipt has been provided. The application of the IAS 17 standard amends the total operating income by distributing the financial consequences of all the provisions of the leasing contract over the fixed term of the lease, mainly with regard to franchises and rent levels.

### ■ Construction leases

On the basis of the analysis of the contracts and the IAS 17 and IAS 40 standards, a construction lease may be qualified as a simple rental contract or a financing rental contract. The chosen position is determined according to each particular contract.

The analysis of the contracts results in an absence of reprocessing. The Tour Eiffel group enters the construction leases in the accounts under the new simple rental contract reference system. The fee paid therefore appears under the expenses item in the profit and loss account.

### ■ Financial instruments

The evaluation and entry in the accounts of financial instruments and the information to be provided are defined by the IAS 39 and 32 standards. These standards stipulate the categorisation of financial instruments and their evaluation on the closing date according to the chosen category.

These standards are applicable from 1 January 2005. Since the Tour Eiffel group chose not to apply them in advance, the French principles remain in force throughout this financial year.

The loan issue costs which were entered under distributable expenses amortised over 5 years have been reclassified minus financial debts.

The 2004 result was not subject to any reprocessing since these loans were exercised at the end of the financial year and the difference between the expenses to be distributed over 5 years under the previous reference system and the financial expenses recorded over the period for 2004 is not significant.

### Stock options

The IFRS 2 standard, which stipulates that the effects of all transactions involving payments in shares must be reflected in the profit and loss account, concerns the Tour Eiffel company for its stock option allocations established after 7 November 2002.
The stock options are evaluated at their exact value determined on the allocation date taking into account the exercise price and the share price on this date. This advantage is entered in the accounts under external expenses as a counterpart to the stockholders' equity and distributed over the rights acquisition period.

### Taxes

The IFRS standards do not provide any major amendment to the tax entry principles.
The consideration of the variations in exact values leads to the entry of a deferred tax for assets which are not eligible for tax exemption within the framework of the SIIC system.
No deferred taxes have been recorded since all the variations in exact values come within the scope of tax exemption according to the SIIC system.

### Company groupings

The company groupings completed in 2003 and 2004 in the context of the acquisition of the real state companies generated:
- evaluation discrepancies allocated to the property assets held by the companies acquired on the basis of property appraisals on the acquisition date,
- goodwill amortised according to French standards over 5 years.

On 1 January 2004, in the consolidated accounts established according to the French reference system, the net book value of the property and goodwill amounting to 10,687 K€ was broken down as follows:
- Net book value of the property: 10,453 K€
- Net book value of goodwill: 234 K€

On this date, the property appraisal value, representing the exact value, amounted to 10,500 K€.

On 31 December 2004, in the consolidated accounts established according to the French reference system, the net book value of the property and goodwill amounting to 248,118 K€ was broken down as follows:
- the net book value of the property amounts to 242,335 K€ including 235,428 K€ relating to acquisitions during the 2004 financial year.
- the net book value of the goodwill relating to real estate companies concerning said property amounts to 5,792 K€ including 6,109 K€ (gross value) relating to acquisitions during the 2004 financial year.

On this date, the property appraisal value representing the exact value amounted to 255,039 K€.

At the time of the move to IFRS, the property was re-evaluated according to IAS 40 at its exact value on 01/01/2004 and on 31/12/2004 and the value variations were entered under the result. This property re-evaluation had a mechanical effect on the goodwill which was entirely depreciated. Within the framework of its annual depreciation test, the goodwill is tested in the cash generation unit (CGU) which corresponds, in this particular case, to property underpinned by real estate companies. Since the future cash flows of this CGU correspond to the appraisal values (in other words, the new re-evaluated property value), they cannot justify the associated goodwill which must be depreciated.

Therefore, the total goodwill existing on 31/12/2004 was entirely recorded under expenses for the period according to IAS 36.

In accordance with IFRS 3, the negative goodwill recorded in 2004, under provisions for liabilities and expenses amounting to 309 K€, was entered under the result.

### Sector-based analysis

The IAS 14 standard calls for the presentation of sector-based information.

The IAS 14 is intended to break down the groups according to sectors of activity and geographical areas according to the following:
- the internal reporting process,
- the definition of internal segments according to primary and secondary distributions,
- the grouping of internal segments on the basis of distinction criteria,
- segment definitions published on the basis of thresholds (10% and 75%),
- possible groupings of residual internal segments below the thresholds

This analysis reveals that the Tour Eiffel group is involved in a single sector of activity: office property and industrial premises in France.

## 7.2 Effects on stockholders' equity and the consolidated result

The table below summarises the exact effect on the consolidated accounts of the Tour Eiffel group of the application of the IFRS standards:

| (in thousands of euros) | Effect on stockholders' equity on 1/01/04 | Effect on stockholders' equity in 2004 | Effect on result in 2004 | Effect on stockholders' equity on 31/12/04 |
|---|---|---|---|---|
| **Consolidated accounts according to French standards (99-02) (total share)** | **15,752** | **119,654** | **3,036** | **138,442** |
| Asset valuation (IAS 40) | 46 | | 12,658 | 12,704 |
| Acknowledgement of income (IAS 17) | — | | 327 | 327 |
| Company grouping (IFRS 3) | (234) | | (5,558) | (5,792) |
| Carry forward of negative goodwill (IFRS 1) | — | | 309 | 309 |
| Advantages granted, BSA (IFRS 2) | — | 98 | (98) | — |
| **Total IFRS effects (total share)** | **(188)** | **98** | **7,638** | **7,548** |
| **Cons. accounts according to IFRS standards (total share)** | **15,564** | **119,752** | **10,674** | **145,990** |

## 7.3 Application of the IFRS standards

In order to understand the effects of the IFRS standards applying to the consolidated accounts as of 1 January 2005 and according to the recommendations of the financial markets authority, four tables are presented which reflect the move from the 2004 accounts established according to the French accounting standards to the accounts established according to the IFRS standards:

• move from the balance sheet closed on 31 December 2003 established according to the French standards to the opening balance sheet on 1 January 2004 established according to the IFRS standards;
• move from the profit and loss account for the 1st half of 2004 established according to the French standards to the profit and loss account established according to the IFRS standards;
• move from the profit and loss account for the financial year 2004 established according to the French standards to the profit and loss account established according to the IFRS standards;
• move from the balance sheet closed on 31 December 2004 established according to the French standards to the balance sheet on 31 December 2004 established according to the IFRS standards.

In order to make it easier to understand the main amendments made by the new accounting standards, the reprocessing activities are broken down in separate columns according to their type:
• Consolidated accounts established according to the French accounting standards after reclassification.
• Adjustments stemming from the application of the IFRS relating to:
- asset valuation (IAS 40).
- the acknowledgment of income (IAS 17).
- B.S.A. valuation (IFRS 2).
- company groupings (IFRS 3).
- the amortisation of negative goodwill (IFRS 3).
- Consolidated accounts established according to the new IFRS standards.

## MOVE FROM FRENCH TO IFRS STANDARDS IN OPENING BALANCE SHEET ON 1 JANUARY 2004

| ASSET BALANCE (in thousands of euros) | | 31.12.2003 French reference system | Reclassification of investment property | Establishment of exact value of investment property | Other reclassification | Other reprocessing | 1.1.2004 in IFRS |
|---|---|---|---|---|---|---|---|
| **NON CURRENT ASSETS** | | | | | | | |
| Goodwill | | 234 | | | | -234 | 0 |
| Tangible assets | | 10,454 | -10,454 | | | | 0 |
| Fixed assets | | | | | 1 | | 1 |
| Investment property | | | 10,454 | 46 | | | 10,500 |
| Property to be transferred | | | | | | | 0 |
| Intangible assets | | | | | | | 0 |
| Financial assets | | 1 | | | | | 1 |
| Other financial assets | | | | | | | 0 |
| **Total non-current assets** | **(I)** | **10,689** | | **46** | **1** | **-234** | **10,502** |
| **CURRENT ASSETS** | | | | | | | |
| Stocks and liabilities | | 0 | | | | | 0 |
| Customers and associated accounts | | 57 | | | | | 57 |
| Other receivables and equalisation accounts | | 528 | | | | | 528 |
| Investment securities | | 535 | | | | | 535 |
| Liquid assets | | 13,514 | | | | | 13,514 |
| **Total current assets** | **(II)** | **14,634** | **0** | **0** | **0** | **0** | **14,634** |
| **Total assets** | **( I + II )** | **25,323** | **0** | **46** | **1** | **-234** | **25,136** |

| LIABILITIES BALANCE (in thousands of euros) | | 31.12.2003 French reference system | Reclassification of investment property | Establishment of exact value of investment property | Other reclassification | Other reprocessing | 1.1.2004 in IFRS |
|---|---|---|---|---|---|---|---|
| Capital | | 15,422 | | | | | 15,422 |
| Premiums linked to capital | | 218 | | | | | 218 |
| Consolidated reserves | | 112 | | 46 | | -234 | -76 |
| Consolidated result | | 0 | | | | | 0 |
| **Stockholders' equity (groupe)** | **( A )** | **15,752** | **0** | **46** | **0** | **-234** | **15,564** |
| Minority interest | ( B ) | 0 | | | | | 0 |
| **Stockholders' equity** | **( I ) = (A+B)** | **15,752** | **0** | **46** | **0** | **-234** | **15,564** |
| **NON-CURRENT LIABILITIES** | | | | | | | |
| Long-term loans | | 8,388 | | | -388 | | 8,000 |
| Long-term provisions | | | | | | | 0 |
| Deposits and guarantees received | | | | | 306 | | 306 |
| Tax debts | | | | | | | 0 |
| Other financial liabilities | | | | | | | 0 |
| **Total non-current liabilities** | **( II )** | **8,388** | **0** | **0** | **-82** | **0** | **8,306** |
| **CURRENT LIABILITIES** | | | | | | | |
| Shareholder debts | | | | | | | 0 |
| Loans and financial debts (less than one year) | | | | | 82 | | 82 |
| Provisions (less than one year) | | 7 | | | | | 7 |
| Supplier debts and associated accounts | | 630 | | | 535 | | 1,165 |
| Other debts and equalisation accounts | | 545 | | | -545 | | 0 |
| Tax and social debts | | | | | 12 | | 12 |
| **Total current liabilities** | **( III )** | **1,182** | **0** | **0** | **84** | **0** | **1,266** |
| **Total liabilities** | **( I + II + III )** | **25,322** | **0** | **46** | **1** | **-234** | **25,136** |

## MOVE FROM FRENCH TO IFRS STANDARDS IN 2004 PROFIT AND LOSS ACCOUNT

| (in thousands of euros) | 31.12.2004 French reference system | Reclassification of other operating income | Reclassification of financial financier result | Reclassification of calculated expenses | Establishment of exact value of investment property | Acknowled-gement of income | Recording of BSA | Additional depreciation of goodwill | 2004 IFRS result |
|---|---|---|---|---|---|---|---|---|---|
| Turnover | 14,696 | | | | | 327 | | | 15,023 |
| Other operating income | 1,577 | -1,577 | | | | | | | 0 |
| Consumed purchases | -26 | | | | | | | | -26 |
| Staff expenses | -8 | | | | | | | | -8 |
| External expenses / other operating expenses | -4,086 | 1,497 | | | | | -98 | | -2,687 |
| taxes and duties | -2,115 | | | | | | | | -2,115 |
| Depreciation allowance and provisions | -3,628 | | | 3,628 | | | | | 0 |
| Net depreciation allowance | | | | | | | | | 0 |
| Net allocation to provisions | | 65 | | -28 | | | | | 37 |
| Net value adjustment balance | | | | -4,082 | 12,658 | | | -5,558 | 3,018 |
| Other operating income and expenses | | 8 | | | | | | | 8 |
| Extraordinary income and expenses | -7 | 7 | | | | | | | 0 |
| **Current operating result after value adjustment** | **6,403** | **0** | **0** | **- 482** | **12,658** | **327** | **-98** | **- 5,558** | **13,250** |
| Other operating income and expenses | 0 | 0 | 0 | 0 | | | | | 0 |
| **Operating result** | **6,403** | **0** | **0** | **-482** | **12,658** | **327** | **-98** | **-5,558** | **13,250** |
| | | | | | | | | | |
| Financial income and expenses | -3,334 | | 3,334 | | | | | | 0 |
| Cash income and equivalent | | | 550 | | | | | | 550 |
| Gross financial debt cost | | | -3,514 | -78 | | | | | -3,592 |
| **Net financial debt cost** | **-3,334** | **0** | **370** | **-78** | **0** | **0** | **0** | **0** | **-3,042** |
| Other financial income and expenses | | | -370 | | | | | | -370 |
| Profit tax | -8 | | | | | | | | -8 |
| Negative goodwill carried forward | | | | 535 | | | | 309 | 844 |
| Net appropriation to goodwill | -25 | | | 25 | | | | | 0 |
| **Net result** | **3,036** | **0** | **0** | **0** | **12,658** | **327** | **- 98** | **- 5,249** | **10,674** |
| Minority interest | 0 | 0 | | | | | | | 0 |
| **Net result (group)** | **3,036** | **0** | **0** | **0** | **12,658** | **327** | **- 98** | **- 5,249** | **10,674** |

## MOVE FROM FRENCH TO IFRS STANDARDS IN BALANCE SHEET ON 31 DECEMBER 2004

| ASSET BALANCE (in thousands of euros) | | 31.12.2004 French reference system | Reclassification of investment property | Establishment of exact value of investment property | Other reclassi-fications | Acknowled-gement of income | Company regrouping | recording of BSA | Amortisation of negative goodwill | 31.12.2004 in IFRS |
|---|---|---|---|---|---|---|---|---|---|---|
| **NON CURRENT ASSETS** | | | | | | | | | | |
| Goodwill | | 5,783 | | | | | -5,783 | | | 0 |
| Tangible assets | | 242,336 | -242,335 | | | | | | | 1 |
| Fixed assets | | | | | | | | | | 0 |
| Investment property | | | 241,743 | 12,451 | | | | | | 254,194 |
| Property to be transferred | | | 592 | 253 | | | | | | 845 |
| Intangible assets | | | | | | | | | | 0 |
| Financial assets | | 11,572 | | | | | | | | 11,572 |
| Other financial assets | | | | | | | | | | 0 |
| **Total non-current assets** | **( I )** | **259,691** | | **12,704** | **0** | **0** | **- 5,783** | **0** | **0** | **266,612** |
| **CURRENT ASSETS** | | | | | | | | | | |
| Stocks and liabilities | | | | | | | | | | 0 |
| Customers and associated accounts | | 2,490 | | | -1 | 327 | | | | 2,816 |
| Other receivables and equalisation accounts | | 10,593 | | | -1,305 | | -9 | | | 9,279 |
| Investment securities | | 11,691 | | | | | | | | 11,691 |
| Liquid assets | | 5,581 | | | | | | | | 5,581 |
| **Total current assets** | **( II )** | **30,355** | **0** | **0** | **- 1,306** | **327** | **- 9** | **0** | **0** | **29,367** |
| **Total assets** | **( I + II )** | **290,046** | **0** | **12,704** | **- 1,306** | **327** | **- 5,792** | **0** | **0** | **295,979** |

| LIABILITIES BALANCE (in thousands of euros) | | 31.12.2004 French reference system | Reclassification of investment property | Establishment of exact value of investment property | Other reclassi-fications | Acknowled-gement of income | Company regrouping | recording of BSA | Amortisation of negative goodwill | 31.12.2004 in IFRS |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital | | 121,837 | | | | | | | | 121,837 |
| Premiums linked to capital | | 13,457 | | | | | | | | 13,457 |
| Consolidated reserves | | 112 | | 46 | | | -234 | 98 | | 22 |
| Consolidated result | | 3 036 | | 12,658 | | 327 | -5,558 | -98 | 309 | 10,674 |
| **Stockholders' equity (group)** | **( A )** | **138,442** | **0** | **12,704** | **0** | **327** | **- 5,792** | **0** | **309** | **145,990** |
| Minority interest | ( B ) | 0 | | | | | | | | 0 |
| **Stockholders' equi** | **( I ) = ( A + B )** | **138,442** | **0** | **12,704** | **0** | **327** | **- 5,792** | **0** | **309** | **145,990** |
| **NON CURRENT LIABILITIES** | | | | | | | | | | |
| Long-term loans | | 139,456 | | | -7,061 | | | | | 132,395 |
| Long-term provisions | | | | | | | | | | 0 |
| Deposits and guarnatees received | | | | | 797 | | | | | 797 |
| Tax debts | | | | | 1,478 | | | | | 1,478 |
| Other financial liabilites | | | | | | | | | | 0 |
| **Total non-current liabilites** | **( II )** | **139,456** | **0** | **0** | **- 4,786** | **0** | **0** | **0** | **0** | **134,670** |
| **CURRENT LIABILITIES** | | | | | | | | | | |
| Shareholder debts | | | | | | | | | | 0 |
| Loans and financial debts (less than one year) | | | | | 4,964 | | | | | 4,964 |
| Provisions (less than one year) | | 343 | | | | | | | -309 | 34 |
| Supplier debts and associated accounts | | 5,111 | | | 3,242 | | | | | 8,353 |
| Other debts and equalisation accounts | | 6,694 | | | -6,694 | | | | | 0 |
| Tax and social debts | | | | | 1,968 | | | | | 1,968 |
| **Total current liabilities** | **( III )** | **12,148** | **0** | **0** | **3,480** | **0** | **0** | **0** | **- 309** | **15,319** |
| **Total liabilities** | **( I + II + III )** | **290,046** | **0** | **12,704** | **- 1,306** | **327** | **- 5,792** | **0** | **0** | **295,979** |

# REPORT FROM THE AUDITORS ON THE CONSOLIDATED ACCOUNTS

**To the shareholders of:**

**SOCIETE DE LA TOUR EIFFEL**
Joint stock company with capital of 243,673,920 euros
20-22 rue de la Ville-l'Evêque
75008 PARIS

In carrying out the assignment entrusted to us by your general shareholders' meeting, we have proceeded with auditing the consolidated financial statements of Société de la Tour Eiffel relating to the year ended on 31 December 2005, as attached to this report.

The annual financial statements were drawn up by the Board of Directors. It is our responsibility, based on our audit, to express an opinion on said financial statements.
These financial statements were drawn up for the first time in compliance with the IFRS reference system as adopted in the European Union.
They include for purposes of comparison the data relating to the financial year 2004 which has been reprocessed according to the same rules, with the exception of the IAS 32 and IAS 39 standards which, according to the option offered by the IFRS 1 standard, are only applied by the company from 1 January 2005.

## I- OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the auditing standards applicable in France; these standards require the implementation of due diligences making it possible to obtain the reasonable assurance that the annual financial statements do not contain any material mis-statements. An audit consists of the examination, on a test basis, of evidence relevant to the amounts and disclosures contained in these financial statements.
It also consists of evaluating the monitored accounting principles and significant estimates referred to for the finalisation of the accounts and appreciating their overall presentation. We consider that our checks provide a reasonable basis for the opinion expressed below.
We certify that, with regard to the IFRS reference system as it has been adopted in the European Union, the consolidated financial statements have been properly prepared and give a true and fair view of the asset base, the financial situation and overall result constituted by the persons and entities included in the consolidation.

## II- BASIS OF OUR ASSESSMENTS

In application of the provisions of article L. 823-9 of the French Commercial Code relating to the basis of our assessments, we draw your attention to the following items:
As indicated in point 2-5 of the notes to financial statements, all of the investment properties making up the group's real estate holding have been the subject of valuations as at 31 December 2005 by independent real estate experts. We have examined the valuation procedure and have made sure that calculation of the true value of such investment properties was made on the basis of said expert valuations.
The goodwill confirmed at the time of the arrival of companies owning investment properties into the scope of consolidation of Société de la Tour Eiffel are stated as described in point 2-6 of the notes to financial statements, in liaison with calculation of the true value of properties on the basis of outside expert valuations. Our work consisted of checking that the method was applied and making sure that information given in the notes to financial statements was appropriate.
Assessments made in this way enter into the context of our procedure for auditing the consolidated financial statements taken overall and have therefore contributed towards forming our opinion expressed in the first part of this report.

## III- SPECIFIC CHECK

In addition, we also proceeded with checking information given in the report on the group's management, in compliance with the professional standards applicable in France. We have no observation to make with regard to their proper preparation and their consistency with the consolidated financial statements.

**Paris and Neuilly-sur-Seine, 13 April 2006**

**The Auditors**

Pascal Fleury
12 rue Bouchut
75015 Paris

PricewaterhouseCoopers Audit
Catherine Thuret
63 rue de Villiers
92200 Neuilly-sur-Seine

# CORPORATE FINANCIAL STATEMENTS

## As at 31 December 2005

## CONTENTS

# ASSETS

| (in euros) | 31.12.2005 | | | 31.12.2004 |
|---|---|---|---|---|
| | Gross | Deprec. Prov. | Net | Net |
| **CAPITAL ASSETS** | | | | |
| **Intangible fixed assets** | | | | |
| **Tangible fixed assets** | | | | |
| Other tangible fixed assets | 915 | 622 | 293 | 598 |
| **Financial fixed assets (1)** | | | | |
| Participating interests | 248,068,686 | | 248,068,686 | 64,315,059 |
| Investment-related receivables | 44,558,753 | | 44,558,753 | 25,076,239 |
| Other financial fixed assets | 6,569,335 | | 6,569,335 | 12,498,820 |
| | **299,197,689** | **622** | **299,197,067** | **101,890,716** |
| **CIRCULATING ASSETS** | | | | |
| **Stocks and loans** | | | | |
| **Payments in advance/on account-inventories** | | | | 10,166 |
| **Debtors (2)** | | | | |
| Trade receivables | 1,311,722 | | 1,311,722 | 846,137 |
| Other receivables | 27,461,816 | | 27,461,816 | 32,847,932 |
| **Investment securities** | | | | |
| Other securities | 10,123,625 | | 10,123,625 | 4 836,633 |
| **Available cash** | 2,660,164 | | 2,660,164 | 525,002 |
| Prepaid expenses (2) | 24,029 | | 24,029 | 12,335 |
| | **41,581,356** | | **41,581,356** | **39,078,206** |
| Deferred expenses | 45,984 | | 45,984 | 2,990,781 |
| **OVERALL TOTAL** | **340,825,029** | **622** | **340,824,407** | **143,959,704** |

| | | |
|---|---|---|
| **(1)** Of which less than one year (gross) | 13,238,688 | 1,185,471 |
| **(2)** Of which more than one year (gross) | | |

# LIABILITIES

| (in euros) | | | 31.12.2005 Net | 31.12.2004 Net |
|---|---|---|---|---|
| **EQUITY CAPITAL** | | | | |
| Capital | (of which paid: | 243,673,920 ) | 243,673,920 | 121,836,960 |
| Issue, merger and acquisition premiums | | | 41,626,257 | 13,456,051 |
| Reserves: | | | | |
| - Legal reserve | | | 246,820 | 36,720 |
| - Regulated reserves | | | | 287,352 |
| - Other reserves | | | 518,802 | 231,451 |
| Retained earnings | | | 206,082 | (418,520) |
| **Financial year earnings (profit/loss)** | | | **9,720,481** | **4,201,998** |
| Dividend advances | | | (5,076,540) | |
| | | | **290,915,822** | **139,632,012** |
| **OTHER EQUITY CAPITAL** | | | | |
| **RISK AND EXPENSES PROVISIONS** | | | | |
| Risk provisions | | | 4,500 | 1,875 |
| | | | **4,500** | **1,875** |
| **DEBTS** (1) | | | | |
| Credit establishment borrowings and debts (2) | | | 32,087,083 | |
| Financial borrowings and debts (3) | | | 8,098,664 | 2,687,640 |
| Trade accounts payable | | | 9,382,123 | 1,499,368 |
| Tax and social debt | | | 336,082 | 138,674 |
| Other debts | | | 133 | 133 |
| | | | **49,904,084** | **4,325,816** |
| **OVERALL TOTAL** | | | **340,824,407** | **143,959,704** |

(1) Of which more than one year (a)
(1) Of which less than one year (a) 49,904,084 4,325,816
(2) Of which current bank loans and bank credit balances
(3) Of which guaranteed loans

(a) With the exception of payments in advance/on account-inventories

# PROFIT AND LOSS ACCOUNT

| (in euros) | | 31.12.2005 | | 31.12.2004 |
|---|---|---|---|---|
| | France | Export | Total | Total |
| **Operating income (1)** | | | | |
| Production sold (services) | 2,960,611 | | 2,960,611 | 1,076,229 |
| **Net sales** | **2,960,611** | | **2,960,611** | **1,076,229** |
| Reversal of provisions and expense reclassifications | | | 47,000 | 2,957,348 |
| Other income | | | 7 | 12 |
| | | | **3,007,618** | **4,033,589** |
| **Operating expenses (2)** | | | | |
| Other purchases and external expenses (a) | | | 5,427,586 | 3,135,036 |
| Taxes, dues and similar payments | | | 6,930 | 1,811,781 |
| Wages and salaries | | | 207,102 | |
| Social charges | | | 66,628 | |
| Allocations to depreciations and provisions: | | | | |
| - On fixed assets: allocations to depreciations | | | 1,321 | 199,317 |
| Other charges | | | 24,027 | 25,010 |
| | | | **5,733,593** | **5,171,144** |
| **OPERATING EARNINGS** | | | **(2,725,975)** | **(1,137,555)** |
| **Share of earnings from joint ventures** | | | | |
| **Financial income** | | | | |
| From participating interests (3) | | | 12,608,457 | 5,190,879 |
| From other investment securities and fixed asset receivables (3) | | | 282,613 | 19,787 |
| Net income from sales of investment securities | | | 96,672 | 483,184 |
| | | | **12,987,741** | **5,693,850** |
| **Financial expenses** | | | | |
| Interest and similar expenses (4) | | | 537,529 | 305,308 |
| | | | **537,529** | **305,308** |
| **NET FINANCIAL ITEMS** | | | **12,450,212** | **5,388,542** |
| **CURRENT PRE-TAX EARNINGS** | | | **9,724,237** | **4,250,987** |
| **Extraordinary income** | | | | |
| From capital transactions | | | 9 | 40,260 |
| Reversal of provisions and expense reclassifications | | | 1,125 | |
| | | | **1,134** | **40,260** |
| **Extraordinary expenses** | | | | |
| From capital transactions | | | 15 | 88,499 |
| Allocations to depreciations and provisions | | | 3,750 | 750 |
| | | | **3,765** | **89,249** |
| **EXTRAORDINARY EARNINGS** | | | **( 2,631 )** | **( 48,989 )** |
| Income tax | | | 1,125 | |
| **Total income** | | | **15,996,493** | **9,767,699** |
| **Total expenses** | | | **6,276,012** | **5,565,701** |
| **PROFIT/LOSS** | | | **9,720,481** | **4,201,998** |

(a) Including:

- Equipment leasing instalments
- Property leasing instalments

(1) Of which income relating to previous financial years

(2) Of which expenses relating to previous financial years

| | | |
|---|---|---|
| (3) Of which income concerning affiliated entities | 12,608,457 | 5,190,879 |
| (4) Of which interest concerning affiliated entities | 415,332 | 302,729 |

# APPENDIX

Appendix to the balance sheet before allocation of the financial year ended 31 December 2005, the total of which is €340,824,406.81, and the profit and loss account, presented in list form, and showing earnings of €9,720,481.25.

## General comments

Société de la Tour Eiffel was founded in 1889 by Gustave Eiffel, the designer of the tower that bears his name, and held the concession for the Eiffel Tower until 31 December 1979.
From 1980, the company became active in shareholding acquisitions then cash management following the sale of its participating interests.
Since 2003, its primary objective has been the acquisition or construction of buildings with a view to their leasing and the direct or indirect ownership of interests in corporate entities of the same vocation.

## Key events

### 1. Adoption of the Société d'Investissements Immobiliers Cotée (SIIC) status

The company opted for the status of Société d'Investissements Immobiliers Cotée (SIIC or listed property investments company) on 15 April 2004, taking effect retroactively from 1 January 2004.

### 2. New rules on Assets

From 1 January 2005, Société de la Tour Eiffel adopted the provisions of CRC Regulation no.2002-10 concerning the amortisation and depreciation of assets, and CRC Regulation no.2004-06 concerning the definition, recognition and valuation of assets.

Société de la Tour Eiffel has decided to retrospectively apply the new texts as if the method had always been applied. The effects of the change at opening have been included under "Retained earnings".

The company has opted to activate financial fixed asset acquisition expenses.

This change in accounting method has increased the company's net assets by €199,267. In keeping with article 237 septies of the CGI, this income has been reintegrated into pre-tax earnings over 5 financial years.

Comparative information as at 31 December 2004:
The effects of the change in accounting method compared with the previous financial year have increased equity capital by €199,267 and operating income by €199,012.

### 3. Acquisitions

**3.1. Variation in participating interests acquired in 2003 and 2004**

The retrospective application of new rules on Assets together with the activation of financial fixed asset acquisition expenses has increased the gross value of participating interests by €3,190,033, which can be broken down by company as follows:

| | |
|---|---|
| - SCI DU 153 AVENUE JEAN JAURES | €267,462 |
| - SCI NOWA | €196,128 |
| - SCI ARMAN F02 | €888,986 |
| - SCI MALAKOFF VALETTE (formerly SA ETABLISSEMENTS ENGEL) | €741,927 |
| - SCI MARCEAU BEZONS | €82,471 |
| - SCI COMETE | €1,013,059 |

During 2005, a price increase was paid to the Seller totalling €12,006 for the acquisition of SCI MALAKOFF VALETTE. In addition, the value of SCI COMETTE shares increased due to the release of half of the retained amount of the price of €545,000 and additional acquisition expenses of €17,183.

**3.2. 2005 acquisitions**

During 2005, Société de la Tour Eiffel acquired one company and formed four:

• SCI LYON GENLIS

Formed on 13 January 2005 with the contribution of €990. The tax regime for SCI (real estate investment trusts) takes over from the regime for partnership enterprises. Its taxable earnings are calculated in accordance with the rules applicable to SIIC.

• **SCI ETUPES DE L'ALLAN**
Formed on 24 January 2005 with the contribution of €990. The tax regime for SCI takes over from the regime for partnership enterprises. Its taxable earnings are calculated in accordance with the rules applicable to SIIC.

• **SCI CAEN COLOMBELLES**
Formed on 31 May 2005 with the contribution of €990. The tax regime for SCI takes over from the regime for partnership enterprises. Its taxable earnings are calculated in accordance with the rules applicable to SIIC.

• **SCI MASSY CAMPUS II**
Formed on 9 August 2005 with the contribution of €990. The tax regime for SCI takes over from the regime for partnership enterprises. Its taxable earnings are calculated in accordance with the rules applicable to SIIC.

• **SAS LOCAFIMO**
The acquisition of 100% of LOCAFIMO shares was conducted on 27 December 2005 in keeping with the sale agreement dated 22 November 2005 at a Minimum Price of €170,434,372, calculated as per the certified situation as at 30 November 2005. The Definitive Price is €171,384,084 and was established based on a Certified Definitive Situation as at 27 December 2005, requiring an additional payment to the seller of €949,713 over and above the sum in existence as at 31 December 2005. The value of shares on the balance sheet is €179,985,444 and includes acquisition expenses of €9,551,072 linked to the acquisition cost in keeping with the new rules on Assets. This company is subject to the Corporation Tax regime.

## 4. Allocation to 2004 earnings

The Mixed Shareholder Meeting of 12 May 2005 voted to allocate earnings from the 2004 financial year, after allocation to the legal reserve and allocation of negative retained earnings from the issue premium, in the amount of €3,985,083.90 to dividends and €6,814.17 to retained earnings. Dividends for 2004, amounting to €1.57 per share, were paid on 25 May 2005.

## 5. 2005 dividend advances

Taking into consideration the balance sheet closed on 30 June 2005 showing distributable earnings of €5,430,490 and the report drawn up by the Statutory Auditors for this purpose, the Board of Directors decided, on 20 September 2005, to distribute a dividend advance of €5,076,540, amounting to €2 per share and paid on 30 September 2005

## 6. Allocation of subsidiaries' 2005 profits/losses

The status of all subsidiaries under the legal form of Sociétés Civiles Immobilières or real estate investments trusts (with the exception of SAS LOCAFIMO) means that profits/losses are allocated from the close of the financial year, barring any decision to the contrary by the partners. The balance sheet date for all subsidiaries is December 31.

On 30 June 2005, Société de la Tour Eiffel, as the active partner of its subsidiaries, decided to divide distributable earnings in proportion to the participation of partners in the share capital.

As at 31 December 2005, the net financial items of Société de la Tour Eiffel include the shares of 2005 earnings of its subsidiaries with an SCI legal status.

On 30 June 2005 and 31 December 2005, Société de la Tour Eiffel, acting as active partner, opted for the reclassification under distributable reserves and the extraordinary distribution of the portion of the revaluation reserve corresponding to the amortisation supplement for the following subsidiaries and in the following amounts:

- €81,465 received from SCI MALAKOFF VALETTE on 30 June 2005.
- €87,993 received from SCI ARMAN F02 on 30 June 2005.
- €446,557 received from SCI MALAKOFF VALETTE on 31 December 2005.
- €82,989 received from SCI ARMAN F02 on 31 December 2005.

On 31 December 2005, SCI MALAKOFF VALETTE, following the sale of one of its buildings, distributed the entirety of the portion of the corresponding non-amortised revaluation reserve.

## 7. Capital increase

By virtue of the authorisation and powers delegated to the Board of Directors under the terms of the fourteenth resolution adopted by the Mixed Shareholder Meeting of 12 May 2005, on 21 December 2005 the Chief Executive announced the conduct of a capital increase totalling €121,836,960 with an issue premium of €35,535,780, via the issuance of 2,538,270 shares with a nominal value of €48 at a price of €62.

The capital increase expenses have been charged to the issue premium in the amount of €6,947,055.

# Accounting policies

The Annual Accounts are established in accordance with the rules laid out by the general accounting system of 1999 and fundamental accounting policies (prudence, consistent methods, independence of financial years, continuance of activity). In particular, the recommendations stipulated in the Professional Guide for companies in the sector of activity have been adhered to.
The financial year lasts for a 12-month period running from 1 January to 31 December 2005.
Recognised items are valued according to the historic costs method.
The notes and tables hereinafter are an integral part of the Annual Financial Statements.
The main accounting methods used are as follows:

## 1. Intangible and tangible fixed assets

Depreciation amortisations are calculated on the following basis:
- Office equipment
- duration: 3 years
- method: straight line

Fixed assets are valued at their acquisition cost (purchase price and additional expenses).

## 2. Investment securities

The gross value comprises the purchase cost excluding additional expenses. When the inventory value is lower than the gross value, the difference gives rise to a depreciation provision.
Investment securities as at 31 December 2005 comprise 4 SOGEMONOPLUS SICAV funds with a total value of €82,409 (of which €320 in latent capital gains) and 64 MONEY MARKET WARRANTS with a total value of €10,044,214 (of which €2,678 in latent capital gains).

## 3. Treatment of current and extraordinary earnings

Items arising from ordinary activities, even items that are extraordinary by their frequency or size, are included under current earnings. Only those items that are not the result of the company's ordinary activities have been recognised under extraordinary earnings.

## 4. Participating interests and other immobile securities

Participating interests are entered on the balance sheet at their acquisition cost as per the provisions of CRC Regulation no.2004-06 concerning the definition, recognition and valuation of assets. The company has opted to include acquisition expenses in the value of securities.
Participating interests include shares in Sociétés Civiles Immobilières (SCI) and all shares in a simplified stock company (see further details in the table of subsidiaries and participating interests at the end of the appendix).
If the inventory value of these shares proved to be lower than their purchase cost, a depreciation provision was conducted. The inventory value is determined based on the participating interest's value in use. For SCIs, this value takes into account the market value of the owned company's assets, which are audited every half year.
The simplified stock company is valued based on a multi-criteria analysis (stock market comparables, discounted cash flow and property approach methods).

## 5. Receivables

Receivables are valued at their nominal value.
A depreciation provision is entered when the inventory value is lower than the book value.

# Additional information

## 1. Staff

The company has employed a Director of Property since 1 July 2005.

## 2. Remunerations for members of the management and senior management

Directors' attendance fees paid in 2005 total €24,000. Gross salaries paid to the members of the management for their director mandates total €75,000.

## 3. Provisions entered on the balance sheet

Risk and expenses provisions total €4,500 and mainly comprise a provision for risk of non-allocation of minimum annual tax (Impôt Forfaitaire Annuel - IFA). During the financial year, extraordinary allocations of €3,750 were made as well as an extraordinary reversal of €1,125.

## 4. Reclassification of expenses

During the financial year, loan issuance costs were the subject of an operating expenses reclassification in the amount of €47,000. These costs were reclassified under capitalised expenses and amortised over the duration of the loans in question.

## 5. Asset Management master agreement

The aim of this master agreement is to confer the asset management and administrative management of companies in the group formed by Société de la Tour Eiffel and its subsidiaries to Awon Asset Management.
The master agreement will run for a period of six years from 26 April 2004. After three years, the agreement may be terminated subject to one year's notice and in the event of termination by Société de la Tour Eiffel, the Asset Manager will receive compensation equal to one and a half times the remuneration received during the calendar year preceding the year of termination.

## 6. Management master agreement

The aim of this master agreement was to award Awon Gestion, on behalf of Société de la Tour Eiffel and its subsidiaries, lease management, technical management and assistance in the accounting management of buildings, as well as third-party representation.
The master agreement will run for a period of three years from 26 April 2004 and will be renewed once for a period of one year barring termination by either party at least six months before the end of the three-year period.
Following the 31 March 2005 signature of a contract to sell the Awon Gestion business assets, as of 1 April 2005 the management mandates are operated by SAVILLS GESTION.

## 7. Provision of services agreement

Société de la Tour Eiffel has awarded Bluebird Holding the task of assisting the Directors with managing the existing property portfolio and the acquisition of new buildings. Under the terms of this agreement, Bluebird Holding will receive an annual set fee of €250,000. This agreement came into effect on 1 July 2005 for an unspecified duration, with a 3-year period of notice of termination after notification.

The agreement, signed between companies with common directors, was subject to the prior approval of the Société de la Tour Eiffel Board of Directors on 1 July 2005 in accordance with article L 235-38 of the Commercial Code.

## 8. Line of credit master agreement

A line of credit master agreement aimed at financing or refinancing the acquisition of assets was signed on 30 November 2004 between Société de la Tour Eiffel and Royal Bank of Scotland, totalling €210,000,000.
On 12 July 2005, an amendment to this master agreement increased the line of credit to €222,500,000.

## 9. Cash agreement

The subsidiaries of Société de la Tour Eiffel have adhered to the cash agreement signed on 2 April 2004 and its amendment of 24 June 2004.
The group interest rate is the 3-month EURIBOR plus 25 basis points.

## 10. Subordinated loans

Société de la Tour Eiffel, acting as a lender, makes sums available to its subsidiaries in the form of subordinated loan agreements. These loans are awarded at the rate of the 3-month EURIBOR plus 100 basis points and are repayable on 30 November 2006, extendible until 30 November 2008.
The repayment of these loans is subordinate to the creditor agreement in accordance with the line of credit master agreement signed with Royal Bank of Scotland.

## 11. Sales

The sales of Société de la Tour Eiffel mainly comprise reinvoicing Group subsidiaries for services rendered in property, administration, asset management, financing and consulting.

## 12. Master agreement for the sale of professional tax credits as surety

On 19 December 2005, Société de la Tour Eiffel sold Société Générale, as surety for a 3-year loan, a government tax credit worth €2,197,384 linked to the payment of extraordinary tax of 25% on dividends paid in 2005.

## 13. Share purchase warrants

On 26 November 2004, Société de la Tour Eiffel issued share purchase warrants to AWON ASSET MANAGEMENT as per the 13th resolution of the Extraordinary Shareholder Meeting of 18 May 2004.
12,852 "A" share warrants and 88,678 "B" share warrants were issued at a price of €0.01, giving the right to subscribe to one share per share warrant exercised at a price of €59.23 for "A" warrants and €63.83 for "B" warrants.
The share purchase warrants may be exercised between 30 April 2006 and 30 October 2008.

## 14. Share purchase option plan

The Extraordinary Shareholder Meeting of 12 May 2005 authorised in its 21st resolution the Board of Directors to award options, limited to 3% of the share capital, for a period of 38 months from the date of the Shareholder Meeting, to designate the beneficiaries, set the subscription price and define the option conditions.
The Board meeting of 26 December 2005 voted to award 111,530 share subscription options under the following conditions:

- 101,530 share subscription options giving the right to subscribe to 101,530 shares representing 2% of the share capital. These options may be exercised from the date they were awarded, namely 26 December 2005.
- 10,000 share subscription options giving the right to subscribe to 10,000 shares representing nearly 20% of the remaining total share capital that can be awarded to the company's directors and employees. These options may be exercised from the first anniversary of their allocation, namely 26 December 2006, and in tranches of 25%. A director or employee status will be required when exercising this tranche of options.

The subscription price is equal to the average of the first quoted prices between 28 November and 23 December 2005 minus 5%, or €68.44 per share. The options must be exercised within a period of five years, namely before 26 December 2010.

## 15. Financial commitments

### 15.1. Commitments made

The commitments made are as follows:

- The guarantee, as regards subsidiaries, of all sums due under the line of credit master agreement with Royal Bank of Scotland in the amount of €222,500,000.
- The pledging of shares in SCI Nowa to BNP Paribas.
- The pledging of shares in SCI Arman F02 to Aareal Bank.
- The pledging of shares in SCI Comète to Royal Bank of Scotland.
- The pledging of shares in SCI Berges de l'Ourcq to Royal Bank of Scotland.
- The pledging of shares in SCI Champigny Carnot to Royal Bank of Scotland.
- The pledging of shares in SCI Lyons Genlis to Royal Bank of Scotland.
- The pledging of shares in SCI Jean Jaurès to Royal Bank of Scotland.
- The pledging of shares in SCI Caen Colombelles to Royal Bank of Scotland.
- The pledging of shares in SCI Etupes de l'Allan to Royal Bank of Scotland.
- The pledging of shares in SCI Massy Campus 2 to Royal Bank of Scotland.
- The commitment to not sell shares in SCI Marceau Bezons without the approval of Crédit Foncier.

### 15.2. Commitments received

The commitments received are as follows:

| Compensation by the seller for any increase in liabilities or decrease in assets of the following companies: | |
|---|---|
| SCI Jean Jaurès | 100% of sums |
| SCI Nowa | 10,000,000 |
| SCI Arman F02 | 3,500,000 |
| SCI Malakoff Valette (formerly Engel) | 3,387,388 |
| SCI Marceau Bezons | 85,000 |
| SAS Locafimo | 5,000,000 |
| Profits from the registration of the conventional mortgage of SCI Jean Jaurès | 8,000,000 |
| TOTAL | 29,972,388 |

### 15.3. Reciprocal commitments

The reciprocal commitments are as follows:

| | |
|---|---|
| Sum available under the line of credit master agreement with Royal Bank of Scotland on behalf of subsidiaries | 54,871,813 |
| Credit awarded to subsidiaries and not yet paid | 63,682,912 |
| TOTAL | 118,554,725 |

# FIXED ASSETS

Euros

| Table A | | Gross value Financial year start | Increases Revaluations | Increases Acquisitions |
|---|---|---|---|---|
| **Tangible fixed assets** | | | | |
| Office and IT equipment, property | | 915 | | |
| | **Total I** | **915** | | |
| **Financial fixed assets** | | | | |
| Other participating interests | | 89,391,298 | | 220,213,512 |
| Loans and other financial fixed assets | | 12,498,820 | | 6,023,307 |
| | **Total II** | **101,890,118** | | **226,236,819** |
| **OVERALL TOTAL** | **(I + II)** | **101,891,033** | | **226,236,819** |

Euros

| Table B | | Writedowns By transfer | Writedowns By sale | Gross value Financial year end | Revaluations Original value |
|---|---|---|---|---|---|
| **Tangible fixed assets** | | | | | |
| Office and IT equipment, property | | | | 915 | 915 |
| | **Total I** | | | **915** | **915** |
| **Financial fixed assets** | | | | | |
| Other participating interests | | 16,977,371 | | 292,627,439 | 292,627,439 |
| Loans and other financial fixed assets | | 6,520,564 | 5,432,229 | 6,569,335 | 6,569,335 |
| | **Total II** | **23,497,935** | **5,432,229** | **299,196,774** | **299,196,774** |
| **OVERALL TOTAL** | **(I+II)** | **23,497,935** | **5,432,229** | **299,197,689** | **299,197,689** |

# DEPRECIATIONS

Euros

| Table A | FINANCIAL YEAR POSITION AND MOVEMENTS | | | |
|---|---|---|---|---|
| DEPRECIABLE FIXED ASSETS | Value at financial year start | Increases Allocations | Writedowns Disposals/Reversals | Value at financial year end |
| **Tangible fixed assets** | | | | |
| Office and IT equipment, property | 317 | 305 | — | 622 |
| **Total** | **317** | **305** | **—** | **622** |
| **OVERALL TOTAL** | **317** | **305** | **—** | **622** |

Euros

| Table B | ALLOCATION OF PROVISIONS TO FINANCIAL YEAR DEPRECIATIONS | | | Table C PROV. AMORT. EXCEPTIONAL | |
|---|---|---|---|---|---|
| FIXED ASSETS DEPRECIABLE | Straight-line depreciations | Accelerated depreciations | Extraordinary depreciations | Allocations | Reversals |
| **Tangible fixed assets** | | | | | |
| Office and IT equipment, property | 305 | | | | |
| **Total** | **305** | | | | |
| **OVERALL TOTAL** | **305** | | | | |

Euros

| Table D | | | | |
|---|---|---|---|---|
| CHANGES IN DEFERRED EXPENSES | Net sum at financial year start | Increases | Financial year depreciation provisions | Net sum at financial year end |
| Deferred expenses | 2,990,781 | (2,943,781) | 1,016 | 45,984 |

# RECEIVABLES AND DEBTS STATEMENTS

Euros

| Table A RECEIVABLES STATEMENT | Gross sum | Up to 1 year | More than 1 year |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment-related receivables | 44,558,753 | 6,669,353 | 37,889,400 |
| Other financial fixed assets | 6,569,335 | 6,569,335 | |
| **Circulating assets** | | | |
| Other accounts receivable | 1,311,722 | 1,311,722 | |
| Income tax | 4,500 | 4,500 | |
| Value added tax | 793,870 | 793,870 | |
| Group and partners | 26,234,066 | 26,234,066 | |
| Miscellaneous debtors | 429,380 | 429,380 | |
| Prepaid expenses | 24,029 | 24,029 | |
| **Total** | **79,925,655** | **42,036,255** | **37,889,400** |

Euros

| Table B DEBT STATEMENT | Gross sum | Up to 1 year | From 1-5 years | More than 5 years |
|---|---|---|---|---|
| Credit establishment loans and debts: | | | | |
| - up to an original maximum of one year | 69,666 | 69,666 | | |
| - more than an original maximum of one year | 32,017,416 | 32,017,416 | | |
| Trade accounts payable | 9,382,123 | 9,382,123 | | |
| Staff costs | 57,102 | 57,102 | | |
| Social security and other contributions | 55,828 | 55,828 | | |
| Value added tax | 219,051 | 219,051 | | |
| Taxes, dues and similar payments | 4,101 | 4,101 | | |
| Group and partners | 8,098,664 | 8,098,664 | | |
| Other debts | 133 | 133 | | |
| **TOTAL** | **49,904,084** | **49,904,084** | | |

# ACCRUED INCOME

| Euros | 31/12/2005 | 31/12/2004 |
|---|---|---|
| Investment-related receivables | 874,724 | 95,471 |
| Accounts receivable and associated items | 22,702 | 191,259 |
| Other receivables | 1,186,667 | 359,968 |
| **OVERALL TOTAL** | **2,084,092** | **646,698** |

# ACCRUED EXPENSES

| Euros | 31/12/2005 | 31/12/2004 |
|---|---|---|
| Credit establishment borrowings and debts | 69,666 | |
| Miscellaneous borrowings and financial debts | 177,258 | 49,856 |
| Trade accounts payable | 7,585,829 | 1,105,535 |
| Tax and social debt | 81,800 | |

## PREPAID EXPENSES

| Euros | 31/12/2005 | 31/12/2004 |
|---|---|---|
| Various prepaid expenses | 9,319 | 235 |
| Public relations prepaid expenses | 14,710 | 12,100 |
| **OVERALL TOTAL** | **24,029** | **12,335** |

## DEFERRED EXPENSES

| Euros | 31/12/2005 | 31/12/2004 |
|---|---|---|
| Fixed asset acquisition costs | | 2,990,781 |
| Loan issuance costs | 45,984 | |
| **OVERALL TOTAL** | **45,984** | **2,990,781** |

## BREAKDOWN OF EQUITY CAPITAL

(Decree 83-1020 of 29-11-1983 - Article 24-12)

| Different categories of shares | Value nominal | Number of shares | | | |
|---|---|---|---|---|---|
| | | At the financial year start | Created during the financial year | Reimbursed during the financial year | At the financial year end |
| **Ordinary shares** | **48.00** | **2,538,270** | **2,538,270** | | **5,076,540** |

## ITEMS RELATING TO SEVERAL BALANCE SHEET ENTRIES

(Decree 83-1020 of 29-11-1983 - Article 10 and 24-15)

Euros

| Items relating to several balance sheet entries | Sums concerning companies: that are affiliates | Sums concerning companies: with which the company has a shareholding link | Sum of debts or receivables represented by bills of exchange |
|---|---|---|---|
| **Financial fixed assets** | | | |
| Participating interests | 248,068,686 | | |
| Investment-related receivables | 44,558,753 | | |
| **Total Fixed Assets** | **292,627,439** | | |
| **Receivables** | | | |
| Accounts receivable and associated items | 1,311,722 | | |
| Other receivables | 26,606,627 | | |
| **Total Receivables** | **27,918,349** | | |
| **Debts** | | | |
| Miscellaneous borrowings and financial debts | 8,074,664 | | |
| **Total Debts** | **8,074,664** | | |

# TABLE OF SUBSIDIARIES AND PARTICIPATING INTERESTS (AS AT 31.12.05)

| Financial information<br>Subsidiaries<br>Participating interests | Capital | Reserve and Retained Earnings before allocation of earnings | Share of capital held in % | Book value of shares held GROSS | Book value of shares held NET | Loans and advances awarded by the company and not yet repaid |
|---|---|---|---|---|---|---|
| **I. Detailed information on each share whose gross value exceeds 1% of the affiliated company's capital at the time of publication** | | | | | | |
| **1- Subsidiaries (more than 50% of the capital held)** | | | | | | |
| SCI JEAN JAURES | 152 | (230,104) | 99.00 | 5,106,124 | 5,106,124 | 369,619 |
| SCI NOWA | 5,293,090 | (1,000,705) | 99.99 | 14,526,401 | 14,526,401 | 24,287,712 |
| SCI BERGES DE L'OURCQ | 1,000 | (141,382) | 99.00 | 990 | 990 | 5,381,762 |
| SCI COMETE | 1,000 | (1,089,958) | 99.00 | 15,822,570 | 15,822,570 | 958,154 |
| SCI CHAMPIGNY CARNOT | 1,000 | (419,864) | 99.00 | 990 | 990 | 12,037,240 |
| SCI ETUPES DE L'ALLAN | 1,000 | 38,552 | 99.00 | 990 | 990 | 5,881,758 |
| SCI LYON GENLIS | 1 000 | (33,625) | 99.00 | 990 | 990 | 3,161,501 |
| SCI CAEN COLOMBELLES | 1,000 | 60,537 | 99.00 | 990 | 990 | 2,788,241 |
| SCI MASSY CAMPUS 2 | 1,000 | | 99.00 | 990 | 990 | 10,397,632 |
| SCI ARMAN F02 | 11,192,100 | 5,195,938 | 99.99 | 20,254,699 | 20,254,699 | 3,900,198 |
| SCI MALAKOFF VALETTE | 321,424 | 7,786,910 | 99.99 | 11,363,565 | 11,363,565 | 1,058,528 |
| SCI MARCEAU BEZONS | 10,000 | 127,267 | 99.90 | 1,003,944 | 1,003,944 | 386,469 |
| SAS LOCAFIMO | 3,780,150 | (46,557,439) | 100.00 | 179,985,444 | 179,985,444 | 184,005 |
| **2 - Participating interests (from 10 to 50% of the capital held)** | | | | | | |
| **II. General information on shares whose gross value does not exceed 1% of the affiliated company's capital at the time of publication:** | | | | | | |
| **1 - Subsidiaries:** | | | | | | |
| a) French (all) | | | | | | |
| b) Foreign (all) | | | | | | |
| **2 - Participating interests:** | | | | | | |
| a) French (all) | | | | | | |
| b) Foreign (all) | | | | | | |

| Financial information<br>Subsidiaries<br>Participating interests | Sums of guarantees made by the company | Turnover excluding tax from the previous financial year | Net earnings or losses from the previous financial year | Dividends received by the company during the financial year | Comments |
|---|---|---|---|---|---|
| **I. Detailed information on each share whose gross value exceeds 1% of the affiliated company's capital at the time of publication:** | | | | | |
| **1 - Subsidiaries (more than 50% of the capital held)** | | | | | |
| SCI JEAN JAURES | 11,314,389 | 1,611,885 | 586,012 | 395,542 | Information |
| SCI NOWA | | 11,500,168 | 2,379,931 | 2,859,623 | in conformity as |
| SCI BERGES DE L'OURCQ | 8,797,234 | 1,211,172 | 230,318 | 150,936 | at 31/12/05 |
| SCI COMETE | 27,696,560 | 3,461,547 | 1,916,192 | 1,120,689 | and not |
| SCI CHAMPIGNY CARNOT | 19,404,009 | 2,541,534 | 784,335 | 443,483 | yet finalised |
| SCI ETUPES DE L'ALLAN | 10,566,014 | 5,485 | (237,201) | | by the |
| SCI LYON GENLIS | 5,850,682 | 629,050 | 114,516 | 33,289 | management |
| SCI CAEN COLOMBELLES | | | (41,046) | | |
| SCI MASSY CAMPUS 2 | 1,930,499 | 189,019 | (12,589) | | |
| SCI ARMAN F02 | | 5,728,476 | 2,147,881 | 2,778,723 | |
| SCI MALAKOFF VALETTE | | 1,139,029 | 929,045 | 945,788 | |
| SCI MARCEAU BEZONS | | 964,116 | 248,440 | 153,826 | |
| SAS LOCAFIMO | | 27,594,642 | 68,876,106 | | |
| **2 - Participating interests (from 10 to 50% of the capital held)** | | | | | |
| **II. General information on shares whose gross value does not exceed 1% of the affiliated company's capital at the time of publication:** | | | | | |
| **1 - Subsidiaries:** | | | | | |
| a) French (all) | | | | | |
| b) Foreign (all) | | | | | |
| **2 - Participating interests:** | | | | | |
| a) French (all) | | | | | |
| b) Foreign (all) | | | | | |

# CHANGE IN EQUITY CAPITAL

| In euros | Capital | Premiums | Legal reserve | Reserves |
|---|---|---|---|---|
| **At 01/01/2004** | **15,422,400** | **218,296** | **36,720** | **231,451** |
| **AGM of 18/05/2004** | | | | |
| Allocation of earnings | | | | |
| **AGM of 18/05/2004** | | | | |
| Issue premium | | 16,627,275 | | |
| Allocation of capital increase costs | | -3,390,535 | | |
| Cash capital increase | 70,084,560 | | | |
| Capital increase in remuneration | 36,330,000 | | | |
| **AGM of 18/05/2004** | | | | |
| Issuance of share subscription warrants | | 1,015 | | |
| **2004 earnings** | | | | |
| **At 31/12/2004** | **121,836,960** | **13,456,051** | **36,720** | **231,451** |
| **Change in accounting method:** | | | | |
| CRC no.2002-10 and no.2004-06 | | | | |
| **AGM of 12/05/2005** | | | | |
| Allocation of earnings | | -418,520 | 210,100 | |
| Payment of dividends | | | | |
| Reallocation of LTCGSP | | | | 287,352 |
| Cash increase | 121,836,960 | | | |
| Issue premium | | 35,535,780 | | |
| Allocation of capital increase costs | | -6,947,055 | | |
| **Turnover as at 20/09/05** | | | | |
| 2005 dividend advance | | | | |
| **2005 earnings** | | | | |
| **At 31/12/2005** | **243,673,920** | **41,626,257** | **246,820** | **518,803** |

| ( suite ) En euros | Long-Term Capital Gain Special Reserve | Retained earnings | Earnings | Dividends | Total |
|---|---|---|---|---|---|
| **Au 01/01/2004** | **287,352** | **0** | **- 418,520** | | **15,777,699** |
| **AGM of 18/05/2004** | | | | | |
| Allocation of earnings | | - 418,520 | 418,250 | | |
| **AGM of 18/05/2004** | | | | | |
| Issue premium | | | | | 16,627,275 |
| Allocation of capital increase costs | | | | | - 3,390,535 |
| Cash capital increase | | | | | 70,084,560 |
| Capital increase in remuneration | | | | | 36,330,000 |
| **AGM du 18/05/2004** | | | | | |
| Issuance of share subscription warrants | | | | | 1,015 |
| **2004 earnings** | | | **4,201,998** | | **4,201,998** |
| **At 31/12/2004** | **287,352** | **- 418,520** | **4,201,998** | | **139,632,012** |
| **Change in accounting method:** | | | | | |
| CRC no.2002-10 and no.2004-06 | | 199,267 | | | 199,267 |
| **AGM of 12/05/2005** | | | | | |
| Allocation of earnings | | 425,335 | - 4,201,998 | 3,985,084 | |
| Payment of dividends | | | | - 3,985,084 | - 3,985,084 |
| Reallocation of LTCGSP | - 287,352 | | | | |
| Cash increase | | | | | 121,836,960 |
| Issue premium | | | | | 35,535,780 |
| Allocation of capital increase costs | | | | | - 6,947,055 |
| **Turnover as at 20/09/05** | | | | | |
| 2005 dividend advance | | | | - 5,076,540 | - 5,076,540 |
| **2005 earnings** | | | 9,720,481 | | 9,720,481 |
| **At 31/12/2005** | **0** | **206,082** | **9,720,481** | **- 5,076,540** | **290,915,822** |

# INVENTORY OF SECURITY PORTFOLIO (C. COM. ART. L 232-7 ET L 232-8)

## EQUITY INTEREST

None.

The equity interest consists exclusively of shares in non-trading real estate investment companies and shares in a simplified joint stock company.

## INVESTMENT SECURITIES

The portfolio of investment securities had a total value of €10,123,625 on 31 December 2005 and consists of:

- 4 SOGEMONEPLUS mutual funds for a total amount of €82,089,
- 64 MONETARY BONDS for a total amount of €10,041,536.

# TABLE OF CASH FLOW

| In euros | 2005 | 2004 |
|---|---|---|
| **Net earnings** | **9,720,481** | **4,201,998** |
| Discontinuance of expenses and income not affecting cash: | | |
| + Depreciations and provisions | 5,071 | 200,067 |
| - Reversals of depreciations and provisions | -1,125 | |
| + Net book values of assets disposed | 15 | 49,379 |
| - Income from disposals | -9 | -40,260 |
| Variation in WCR | 13,000,694 | -32,575,626 |
| **Cash flow generated by activity** | **22,725,127** | **- 28,164,442** |
| - Acquisition of tangible fixed assets | | |
| - Acquisition of financial fixed assets | -201,065,205 | -97,086,990 |
| - Deferred expenses | -47,000 | -2,957,348 |
| + Income from asset disposals | 9 | 40,260 |
| **Cash flow linked to investment transactions** | **-201,112,196** | **-100,004,078** |
| - Pay-out of dividends | - 9,061,624 | |
| + Capital increase | 157,372,740 | 119,652,315 |
| + Increase in financial debts | 37,498,106 | 2,687,640 |
| **Cash flow linked to financing transactions** | **185,809,222** | **122,339,955** |
| - Opening cash flow | 5,361,636 | 11,190,201 |
| + Closing cash flow | 12,783,789 | 5,361,636 |
| **Variation in cash flow** | **7,422,153** | **-5,828,565** |

# COMPANY RESULTS OVER THE LAST FIVE FINANCIAL YEARS

| (In euros ) | | Financial year | | | | |
|---|---|---|---|---|---|---|
| TYPE OF INDICATIONS | | 2001 | 2002 | 2003 | 2004 | 2005 |
| **CAPITAL AT THE END OF THE FINANCIAL YEAR** | | | | | | |
| Share capital | | 367,200 | 367,200 | 15,422,400 | 121,836,960 | 243,673,920 |
| No. of issued shares | | 91,800 | 91,800 | 321,300 | 2,538,270 | 5,076,540 |
| Nominal share value | | 4 | 4 | 48 | 48 | 48 |
| **TRANSACTIONS and RESULTS of the FINANCIAL YEAR** | | | | | | |
| Turnover | (1) | 24,484.18 | 156,812.41 | 95,691.24 | 1,076,229 | 2,960,611 |
| Result before tax, depreciations and provisions | | 197,133.95 | 93,350.52 | ( 554,688.27 ) | 4,402,065 | 9,721,606 |
| Income tax | | 48,253 | — | — | — | 1,125 |
| Employee profit sharing due for the financial year | | — | — | — | — | — |
| Result after tax, employee interest and calculated charges | | 102,033.22 | 32,756.82 | ( 418,519.62 ) | 4,201,998 | 9,720,481 |
| Distributed result | | 55,080 | — | — | 3,985,083.90 | 5,076,540 |
| **RESULT PER SHARE** | | | | | | |
| Result after tax, before depreciation and provisions | (2) | 1.62 | 1.02 | ( 6.00 ) | 3.14 | 3.70 |
| Result after tax, depreciation and provisions | (2) | 1.11 | 0.36 | ( 4.53 ) | 3.00 | 3.72 |
| Divided attributed to each share (net) | (3) | 0.60 | — | — | 1.57 | 2.85 |
| **STAFF** | | | | | | |
| Average number of salaried employees during the financial year | | — | — | — | — | 1 |
| Total payroll of the financial year | (4) | — | — | — | — | 207,102 |
| Total amounts paid for social advantages for the financial year (Social security, social works) | (4) | — | — | — | — | 66,628 |

(1) Financial income only for financial years 2001 to 2003.
(2) The result per share is calculated on the basis of the average weighted number of shares over the financial year.
(3) Of which for the financial year 2005: 2 euros collection on account paid and 0.85 balance proposed.
(4) The payroll takes into account remuneration paid for social representatives.

# GENERAL AUDITORS' REPORT

**To the shareholders of:**

**SOCIETE DE LA TOUR EIFFEL**
Joint stock company with capital of 243,673,920 euros
20-22 rue de la Ville l'Evêque
75008 PARIS

In carrying out the assignment entrusted to us by your general shareholders' meeting, we now present to you our report relating to the year ended 31 December 2005 on:
• the audit of the annual financial statements of Société de la Tour Eiffel, as attached to this report,
• the basis of our appraisals,
• the specific checks and information required by French law.
The annual financial statements were drawn up by the Board of Directors. It is our responsibility, based on our audit, to express an opinion on said financial statements.

## I - OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with the auditing standards applicable in France; these standards require the implementation of due diligences making it possible to obtain the reasonable assurance that the annual financial statements do not contain any material mis-statements. An audit consists of the examination, on a test basis, of evidence relevant to the amounts and disclosures contained in these financial statements. It also consists of appraising the accounting principles followed and significant estimates retained for preparation of the financial statements and of assessing their overall presentation. We consider that our checks provide a reasonable basis for the opinion expressed below.

We certify that, with regard to French accounting rules and principles, the annual financial statements give a true and fair view of the result of transactions for the past year together with the company's financial situation and assets at the end of said year.

Without in any way calling into question the opinion expressed above, we do however draw your attention to the change in accounting method that came into effect as at 1 January 2005, in application of the regulations CRC 02-10, relating to the amortization and depreciation of assets, and CRC 04-06 relating to the definition, reporting and valuation of assets, covered in point 2 of the notes to financial statements.

## II - BASIS OF OUR ASSESSMENTS

In application of the provisions of article L.823-9, 1st paragraph, of the French Commercial Code relating to the basis of our assessments, we draw your attention to the following items:

**Accounting rules and principles**

In the context of our appraisal of the accounting rules and principles followed by your company, we have made sure of the merit of the change in accounting method indicated in the first part of this report and the way in which it is presented.

**Accounting estimates**

Note 4 of the accounting methods and rules in the appendix highlights the evaluation principles for holdings and other fixed securities at close. Our work consisted of checking the appropriateness of such principles together with their correct application and the fact that this did not lead to stating a possible depreciation of the historical value of participating interests.

Assessments made in this way enter into the context of our procedure for auditing the annual financial statements taken overall and have therefore contributed towards forming our opinion without reservation expressed in the first part of this report.

## III - SPECIFIC CHECKS AND INFORMATION

We have also proceeded, in compliance with professional standards applicable in France, with the specific checks required by French law.
We have no observations to make as to the accuracy and consistency of the information given in the Board of Directors' report and the documents sent to shareholders regarding the financial position and annual accounts, with the annual accounts.
In application of French law, we have made sure that the various items of information relating to acquisitions of interest and control and to the identity of stockholders have been communicated to you in the management report.

**Paris and Neuilly-sur-Seine, 13 April 2006**

**The Auditors**

Pascal Fleury
12 rue Bouchut
75015 Paris

PricewaterhouseCoopers Audit
Catherine Thuret
63 rue de Villiers
92200 Neuilly-sur-Seine

# GENERAL AUDITORS' REPORT ON:

**the issue of various marketable securities,**
**- the increase of capital to the benefit of employees or corporate officers,**
**- the issue of options for subscription or purchase of shares to the benefit of employees or corporate officers,**
**- the allocation of free shares to employees or corporate officers**
**(General shareholders' meeting of 17 May 2006)**

**To the shareholders of:**

**SOCIETE DE LA TOUR EIFFEL**
Joint stock company with capital of 243,673,920 euros
20-22 rue de la Ville l'Evêque
75008 PARIS

In our capacity as auditors to Société de la Tour Eiffel and in application of the statutory provisions, we now present to you our report with regard to the different transactions on which you are expected to give your opinion.

**Issue of various marketable securities (twelfth to fifteenth resolutions)**

In our capacity as auditors of your company and in carrying out the assignment as provided for by the French Commercial Code and in particular articles L. 225-135, L. 228-92, we now present to your our report on the plans to issue various marketable securities, with or without pre-emptive right of subscription, giving access immediately or in the long run to your company's capital, these being transactions on which you are expected to give your opinion.

Your Board of Directors proposes that, on the basis of its report and for a period of 26 months, you delegate to it your authority, with a view to deciding on such transactions and establishing their terms and conditions. It also proposes, for the thirteenth, fourteenth and fifteenth resolutions, to cancel your pre-emptive right of subscription.

We conducted our work in accordance with the auditing standards applicable in France. These standards require the implementation of due diligences intended to check the methods for calculation of the issue price.

Since the amount of the issue price for capital stock to be issued has not been established, we do not express an opinion on the final conditions under which issues will be made and, as a consequence with regard to the thirteenth to fifteenth resolutions, on the proposal to cancel the pre-emptive right of subscription which is made to you, although the principle nonetheless enters into the logic of the transaction submitted for your approval.

In compliance with article 155-2 of the French decree of 23 March 1967, we will be drawing up an additional report at the time when the issue is made by your Board of Directors.

**Capital increase reserved fro employees or corporate officers (sixteenth resolution)**

In our capacity as auditors to your company and in carrying out the assignment provided for by article L.225-138 of the French Commercial Code, we now present to you our report on the planned capital increase reserved for your company's employees or corporate officers, this being a transaction on which you are expected to give your opinion.

Your Board of Directors, making application of the provisions of article L 225-129-6 of the French Commercial Code, proposes that, on the basis of its report and for a period of five years, you delegate to it the task of drawing up the terms and conditions for said transaction under the conditions specified in article L.443-5 of the French labour code and proposes to cancel your pre-emptive right of subscription.

We conducted our work in accordance with the auditing standards applicable in France. These standards require the implementation of due diligences intended to check the methods for calculation of the issue price.

Subject to subsequent examination of the conditions for the proposed capital increase, applicant, we have no observation to make with regard to the terms and conditions for calculating the issue price given in the report from the Board of Directors.

Since the amount of the issue price has not been established, we do not express an opinion on the final conditions under which the capital increase will be made nor, as a consequence, on the proposal to cancel the pre-emptive right of subscription which is made to you although the principle nonetheless enters into the logic of the transaction submitted for your approval.

In compliance with article 155-2 of the French decree of 23 March 1967, we will be drawing up an additional report at the time when the issue is made by your Board of Directors.

**Options for subscription or purchase of shares to the benefit of employees or corporate officers (seventeenth resolution)**

In our capacity as auditors to your company and in carrying out the assignment specified by article L.225-177 of the French Commercial Code, we now present to you our report on opening up the subscription or purchase of shares to the benefit of employees or corporate officers.

It is the responsibility of the Board of Directors to draw up

a report on the merits of opening up options for subscription or purchase of shares as well as on the terms and conditions proposed for establishing the subscription or purchase price. It is our duty to give our opinion on the terms and conditions proposed for establishing the subscription or purchase price.
We conducted our work in accordance with the auditing standards applicable in France. These standards require the implementation of due diligences intended for checking that the terms and conditions proposed for establishing the subscription or purchase price are indicated in the report from the Board of Directors, that they comply with the provisions specified by legal documents, of a nature to enlighten shareholders and that they do not seem clearly inappropriate.
We have no observations to make on the terms and conditions proposed.

**Allocation of free shares to employees or corporate officers (eighteenth resolution)**
In our capacity as auditors to your company and in carrying out the assignment provided for by article L.225-197-1 of the French Commercial Code, we have drawn up this report on the planned allocation of free shares in existence or to be issued to the benefit of certain members of salaried personnel and/or corporate officers in the company.
Your Board of Directors proposes that you authorise it to allocate free shares in existence or to be issued. It is its duty to draw up a report on said transaction which it hopes to be able to proceed with. It is our duty to communicate to you, as relevant, our observations on the information which is given to you in this manner on the envisaged transaction.
In the absence of any professional standard applicable to said transaction, as a result of a legislative provision dated 30 December 2004, we have implemented the due diligences that we considered necessary. Such due diligences consisted of checking in particular that the terms and conditions envisaged and data in the report from the Board of Directors enter into the scope of the provisions specified by French law.
We have no observation to make on the information given in the report from the Board of Directors concerning the envisaged transaction for the free allocation of shares.

**Paris and Neuilly-sur-Seine, 13 April 2006**

**The Auditors**

Pascal Fleury
12 rue Bouchut
75015 Paris

PricewaterhouseCoopers Audit
Catherine Thuret
63 rue de Villiers
92200 Neuilly-sur-Seine

# SPECIAL REPORT FROM THE AUDITORS ON THE REGULATED CONVENTIONS

**To the shareholders of:**

**SOCIETE DE LA TOUR EIFFEL**
Joint stock company with capital of 243,673,920 euros
20-22 rue de la Ville l'Evêque
75008 PARIS

In our capacity as auditors to your company, we now present to you our report on the regulated conventions.
In application of article L.225-40 of the French Commercial Code, we have been notified of the conventions which have been the subject of prior authorisation from your Board of Directors.
It is not our responsibility to search for the possible existence of other conventions but to communicate to you, on the basis of information that has been given to us, the characteristics and essential terms and conditions relating to those of which we have been notified, without having to give our opinion on their usefulness and their merits. It is your responsibility, in accordance with the terms of article 92 of the French decree of 23 March 1967, to assess the interest that was attached to the conclusion of such conventions in view of their approval.
We conducted our work in accordance with the auditing standards applicable in France; these standards require the implementation of due diligences intended for checking the consistency of information that has been given to us with the source documents from which it has come.

**1. Conventions authorised during the year 2005:**
**Board meeting of 1 July 2005**

Employment contract with Mr. Robert Waterland
The board authorised the signature of an employment contract with Mr. Robert Waterland, as of 1 July 2005, in the capacity of Real Estate Manager in charge of the management and development of the real estate holding of the company and of its subsidiaries, in return for an annual gross salary set at 250,000 euros.
Board member concerned: Mr. Robert Waterland

Service contract with the company BLUEBIRD HOLDING
The board authorised the signature of a service contract with the company BLUEBIRD HOLDING, as of 1 July 2005, covering research and consultancy assignments at the time of acquisition of new properties, real estate portfolio management and intermediation, for which the annual fixed rate remuneration is set at 250,000 euros.
Board member concerned: Mr. Mark Inch

**Conclusion of application contracts with The Royal Bank of Scotland (RBS)**
In respect of the general authorisation issued by the Board of Directors on 10 December 2004 under the terms of which was authorised the signature of any sub-agreement between the subsidiaries and RBS, a convention submitted for your approval at your last general shareholders' meeting, the following new transactions were agreed:
Board members concerned: Messers Mark Inch, Robert Waterland and Jérôme Descamps

| SUBSIDIARIES CONCERNED | DATE | TOTAL AMOUNT OF (OF) APPLICATION CONTRACT (€) | ADDITIONAL ITEMS |
|---|---|---|---|
| SCI Champigny Carnot | 12 January 2005 | 5,064,718<br>4,360,821 | Increase in the amount of bonds guaranteed as share collateral. |
| SCI Lyons Genlis | 24.03.05 | 5,817,750 | - SCI joins Agreement between creditors<br>- Establishment of collateral for equity shares in the company for the benefit of RBS |
| SCI 153, avenue Jean Jaurès | 07.04.05 | 11,250,000 | d |
| SCI Caen Colombelles | 21.06.05 | 30,525,815 | d |
| SCI Etupes de l'Allan | 12.07.05 | 13,633,639 | d |
| SCI Massy Campus II: | 4 October 2005 | 43,347,300 | d |

**2. Conventions authorised in 2006 and for which approval is specifically required by the Board of Directors at the time of this Meeting:**

**Board meeting of 1 February 2006**

The board authorised the acquisition by SOCIETE DE LA TOUR EIFFEL of all shares in the company AWON ASSET MANAGEMENT, under the conditions specified in a letter of offer issued on 7 March 2006 and the main points of which are as follows:

— prior assignment of stock warrants issued by SOCIETE DE LA TOUR EIFFEL and held by AWON ASSET MANAGEMENT;

— purchase price calculated on the basis of a goodwill value set at 4,000,000 €;

— closing date of transaction: 30 May 2006.

Board members concerned: Messers Mark Inch, Robert Waterland and Jérôme Descamps

**3. Conventions approved during previous years that have continued in operation during the year:**

In addition, in application of the French decree of 23 March 1967, we have been informed that the following conventions, approved during previous years, have continued in operation during the past year:

Framework contract for service provision with AWON ASSET MANAGEMENT

The services provided by AWON ASSET MANAGEMENT (asset management and administrative management of companies) have, in compliance with the master contract dated 26 April 2004, given rise to a remuneration of 3,581,954 €, with 2,013,470 € re-invoiced by SOCIETE DE LA TOUR EIFFEL to the different subsidiaries concerned.

Framework contract for service provision with AWON GESTION

The total invoiced by AWON GESTION in respect of the contract for the provision of services amounted to 111,810 euros for the first quarter of 2005. It was borne directly by your company's subsidiaries.

On 31 Marcy 2005, AWON GESTION transferred its business assets to a third company including the management mandates relating to the property held by the TOUR EIFFEL group: as a result, the effects of the framework contract referred to above ceased.

RBS sub-agreements

The sub-agreements entered into with RBS in 2004 have continued in operation with regard to the following subsidiaries:

| | Credit lines | |
|---|---|---|
| | Granted | Used on 31 December 2005 |
| SCI des Berges de l'Ourcq | 11,388,006 € | 8,749,650 € |
| SCI Comète | 29,702,858 € | 27,549,572 € |
| SCI Champigny Carnot | 12,453,076 € | 12,453,076 € |

**Paris and Neuilly-sur-Seine, 13 April 2006**

**The Auditors**

Pascal Fleury
12 rue Bouchut
75015 Paris

PricewaterhouseCoopers Audit
Catherine Thuret
63 rue de Villiers
92200 Neuilly-sur-Seine

# D - REPORT FROM THE CHAIRMAN OF THE BOARD

**Dear Sir/Madam,**

In keeping with the provisions of article L 225-37 paragraph 6 of the Commercial Code, amended by law 2005-842 of 26 July 2005, we draw your attention under the terms of the present report to:
• the conditions of preparing and organising the work of your Board of Directors;
• internal control procedures put in place by the Company;
• any limitations placed by the Board of Directors on the powers of the Managing Director.

## I - CONDITIONS OF PREPARING AND ORGANISING THE WORK OF THE BOARD OF DIRECTORS

### The Board structure

The Board of Directors of Société de la Tour Eiffel is made up of six members.

### Board meetings

Article 14 of the statutes stipulates that the Board should meet as often as required by Company interests. Consequently, your Board of Directors met eight times during the last financial year.

### Convening Directors

The Directors were convened several days in advance by mail and e-mail.
In accordance with article L 225-238 of the Commercial Code, the Statutory Auditors were asked to attend the Board meetings examining and closing the intermediary financial statements (half-year accounts) and the annual financial statements.

### Provision of information to the Directors

Before every meeting, each Director receives all necessary documents and information, including a detailed agenda, the statement of the previous meeting for approval, a file on all items requiring additional information, particularly property investment transactions, and a table detailing the state of progress of current property transactions.

### Conduct of meetings

The Board of Director meetings are held at head offices. The date of each Board meeting is usually set by mutual agreement following the previous meeting.

### The mission of the Board of Directors

In accordance with the statutes, the Board of Directors determines the orientations for the Company's activities and ensures that they are implemented. It deals with all issues pertaining to the correct functioning of the Company and deliberates to resolve affairs with which it is concerned.
It examines and also decides on the property investment and financing strategy, the accounts, budgetary procedures and organisation, auditing and internal control orientations.

## 2. INTERNAL CONTROL PROCEDURES

### 2.1 Control procedure objectives

Since the management of the Company and its subsidiaries is outsourced, the control procedures, both internal and external, put in place by the group are aimed at:
• first of all, ensuring that management actions are in line with the activities arising from the Company's business purpose, with the strategic orientations as defined by the Board of Directors at the proposal of the Senior Management, and adhere to current laws and regulations, the business interests of the company and each of its subsidiaries;
• secondly, coordinating the effective communication of accounting, financial and management information among external agents and the Directors of group companies, verifying that said information is regularly forwarded to the Company's social entities and subsidiaries, and that they sincerely reflect the group's business and position (the group being hereinafter defined as the "Owner" and SOCIETE DE LA TOUR EIFFEL and its subsidiaries as the "Companies");
• lastly, preventing and controlling risks associated with the group's activity and the risk of error or fraud, particularly with regard to accounting and financial matters.

### 2.2 Preparing and controlling accounting and financial information

#### 2.2.1 Roles of the various external agents

**General Secretariat**

Awon Asset Management acts as the General Secretariat in addition to fulfilling an assignment commonly defined as asset management (acting as an Asset Manager).

The General Secretariat is responsible for the distribution and coordination of financial information among the various service providers and agents, taking into account the requirements of the strategy defined by the Owner.

Acting as a liaison between the Owner, Asset Manager and Managers, the General Secretariat has a complete view of the Owner and its Companies, and ensures adherence to legal and contractual, financial, fiscal and administrative commitments to deliver effective and optimum management of the Owner and Companies.

In order to successfully conduct its mission, the General Secretariat ensures that it is informed of all matters relating to the Owner and Companies, takes the necessary measures

to gather information if required, validates the decisions made and warns the appropriate entities and the Owner about any potentially unfavourable consequences arising from decisions not yet approved.

In its administrative monitoring of the Companies, the General Secretariat's primary tasks include Company accounting, cash flow management and tax returns.

As part of its monitoring responsibilities, the General Secretariat informs, forewarns and alerts the Owner and Asset Manager about all legislative and jurisprudential developments that have a bearing on the administration and management of the Owner or Companies. It makes recommendations to the latter concerning strategy and the monitoring of the Owner, Companies and buildings in the light of these developments.

Lastly, the General Secretariat warns, advises on and informs about any determining event relating to the Owner's strategy. It works with the Asset Manager to ensure the preparation and presentation of the Global Budget and Business Plan for the medium term, laying out the Owner's objectives and strategy for the short and medium term.

### The Managers

The building managers account for income and expenditure relating to buildings, in accordance with current French accounting regulation.

They are responsible for the monitoring and database registering of regulations, recommunications, agreements and disputes and their result so that the Owner has access to clear and up-to-date information.

At any time and whenever necessary, the Managers send the Owner, Asset Manager and any person designated by the General Secretariat the items required for preparing tax returns.

Every month and within a maximum of 10 days after the end of each month, the items required for preparing the Owner's accounts are sent to the General Secretariat or any other person it designates.

Every year and within 20 days after the end of the year, the Managers send the General Secretariat, responsible for account keeping, the annual account reports.

The Asset Manager and the Managers meet quarterly to discuss the past and future management of the Buildings. At this time, the Managers submit a report to the Asset Manager detailing activity, key events during the last quarter and the proposed courses of action for the following month.

### The Asset Manager

The Owner, Managers and Asset Manager (the 'Asset Manager' assignment being entrusted to the same company that acts as the General Secretariat) and/or their respective representatives meet at least once a year and more often if necessary in accordance with a timetable jointly established at the beginning of each year, with the purpose of:

- discussing the state of and the forecast developments on the markets in which the buildings are situated;
- updating the management objectives and commercial strategy, validating the long-term works programme and updating it for the coming year;
- examining safety and regulatory compliance issues;
- evaluating the IT system, its performances, developments and interconnections;
- evaluating the accounting and the management analyses.

The Asset Manager promptly notifies the Owner of any event or circumstance that has a significant negative or positive effect on the value of the buildings.

### 2.2.2. Preparing and controlling the accounting and financial information provided to shareholders

The company accounts and consolidated accounts are compiled by accountants in close coordination with the General Secretariat and the main options to be selected regarding the choice of accounting methods are discussed beforehand between the accountants, statutory auditors and Senior Management, as well as the Board of Directors if required.

The preparation of the accounting and financial information provided to shareholders depends on coordination between the General Secretariat, Senior Management, with the Board of Directors participating if need be, and external agents (accountants and statutory auditors).

The Chief Executive and Deputy Managing Director are responsible for preparing and controlling the accounting and financial information provided to shareholders, in liaison with the accountants and under the auspices of the statutory auditors.

### 2.3. Control improvement opportunities

The 2006 financial year will provide an opportunity to further improve the procedures put in place and test their effectiveness in terms of the objectives set.

In view of the Company's growth objectives, the Senior Management will set about adapting these procedures as a result.

## 3 - POWERS DELEGATED TO THE MANAGING DIRECTOR

The managing Directorship of Société de la Tour Eiffel can be assumed either by the Chairman of the Board or by another individual appointed by the Board of Directors and bearing the title of Managing Director.

By decision of the Board meeting of 10 July 2003, the Managing Directorship has been entrusted to Mr Mark Inch, who on 22 July 2003 was appointed Chairman of the Board.

Please note that no limitations have been placed on the powers delegated to Mr Mark Inch, your Managing Director during the 2005 financial year.

Please also note that the Board of Directors has appointed two deputy managing Directors, on 30 September 2003 and 14 March 2005, who have the same powers as the Managing Director.

**The Chairman of the Board of Directors**

# REPORT FROM THE AUDITORS ON THE BOARD OF DIRECTORS' REPORT

**To the shareholders of:**

**SOCIETE DE LA TOUR EIFFEL**
Joint stock company with capital of 243,673,920 euros
20-22 rue de la Ville l'Evêque
75008 PARIS

In our capacity as auditors of Société de la Tour Eiffel and in application of the provisions of the final paragraph of article L. 225-235 of the French Commercial Code, we now present to you our report on the report drawn up by your company's Chairman in compliance with the provisions of article L. 225-37 of the French Commercial Code in respect of the year ended 31 December 2005.

Under the responsibility of the Board of Directors, it is incumbent on management to define and implement adequate and effective internal control procedures. It is the Chairman's duty to state, in its report, in particular the conditions for the preparation and organisation of the work of the Board of Directors and the internal control procedures set up within the company.

It is our duty to inform you of any observations which are called for on our part by the information given in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information.

We carried out our work in accordance with the code of professional conduct applicable in France. This requires the implementation of diligences intended to assess the sincerity of information given in the Chairman's report, concerning the internal control procedures relating to the formulation and treatment of accounting and financial information.

Such diligences consist in particular of the following:
- familiarising ourselves with the objectives and general organisation of internal control and the internal control procedures relating to the preparation and processing of the accounting and financial information presented in the Chairman's report;
- taking cognizance of the work underpinning the information given in this manner in the report.

On the basis of this work, we have no observations to make on the information given concerning the company's internal control procedures relating to the preparation and processing of accounting and financial information, contained in the report of the Chairman of the Board of Directors, drawn up in application of the provisions of the last paragraph of Article L. 225-37 of the Commercial Code.

**Paris and Neuilly-sur-Seine, 13 April 2006**

**The Auditors**

Pascal Fleury
12 rue Bouchut
75015 Paris

PricewaterhouseCoopers Audit
Catherine Thuret
63 rue de Villiers
92200 Neuilly-sur-Seine

# E – RESOLUTIONS

## I - BY DECISION OF THE ORDINARY SHAREHOLDER MEETING

### FIRST RESOLUTION

**Approval of the company account**

Having heard and considered the Board of Directors' management report, the Chairman's report (article L. 225-37 of the Commercial Code) and the Statutory Auditors' report, the shareholders approve to adopt the annual financial statements for the financial year ended 31 December 2005, which show earnings of €9,720,481.25.

The General Meeting of Shareholders notes the alterations made to the presentation of the annual financial statements and the valuation methods for said statements, as described and justified in the appendix to the accounts.

The retroactive application of the new depreciation rules on assets has increased the company's net assets by €199,267.

The General Meeting of Shareholders also approves the transactions reported in these statements or summed up in these reports.

As a result, it fully and unreservedly discharges the Directors from their duties for said financial year.

### SECOND RESOLUTION

**Allocation of earnings - distributio**

In accordance with the proposal of the Board of Directors, the General Meeting resolves to allocate the financial year's earnings as follows:

| | |
|---|---|
| Financial year earnings of | €9,720,481.25 |
| to which is added the following items: | |
| • retained earnings (after 2004 allocation) | €6,814.47 |
| • effect of the adoption of new accounting rules on the amortisation and depreciation of assets | €199,267.12 |
| giving a total of | €9,926,562.84 |
| • legal reserve contribution of | -€495,987.42 |
| leaving distributable earnings of | €9,430,575.42 |
| of which a dividend advance of decided on by the Board meeting of 20 September 2005 has already been paid giving, as a result, a distributable earnings balance of | €5,076,540.00 |
| | €4,354,035.42 |
| • remaining dividend pay-out of or €0.85 per share, | €4,315,059.00 |
| • with the balance of considered as retained earnings. | €38,976.42 |

Dividends will be payable on 30 May 2006 or 9 June 2006 if no meeting is held when first convened due to a lack of quorum.

For physical persons domiciled in France, the entire amount of sums distributed and paid in 2006 is eligible, if applicable, for:

- firstly, an abatement of 40% (in accordance with article 158-3-2° of the new version of the General Tax Code);
- secondly, a set annual abatement of €1,525 for unmarried, divorced, widowed and married taxpayers subject to separate taxation and €3,050 for married taxpayers subject to joint taxation or linked by a PACS contract subject to joint taxation (as per the new provisions of article 158-3-5° of the General Tax Code).

The General meeting states that if, upon payment of dividends, the company owns several of its own shares, the earnings corresponding to the unpaid dividend on said shares will be allocated to retained earnings.

The General Meeting acknowledges the Board of Directors, which in accordance with the provisions of article 243 bis of the General Tax Code, states that the dividends paid for the last three financial years have been as follows:

| Financial Year | 2002 | 2003 | 2004 |
|---|---|---|---|
| Number of shares | 91,800 | 321,300 | 2,538,270 |
| Net dividend per share | 0 | 0 | €1.57 |
| Tax Credit | 0 | 0 | |
| Total dividend per share | 0 | 0 | |

### THIRD RESOLUTION

**Approval of the consolidated financial statements**

Having heard and considered the Statutory Auditors' report on the consolidated financial statements, the shareholders resolve to approve the consolidated financial statements to 31 December 2005 as well as the transactions stated in these accounts or summed up in the group management report included in the management report.

### FOURTH RESOLUTION

**Approval of regulated agreements**

Having heard and considered the Statutory Auditors' special report on the agreement regulated by article L. 225-38 and following of the Commercial Code, the shareholders resolve to approve the conclusions of said report and the agreements mentioned therein.

### FIFTH RESOLUTION

**Attendance fees**

The General Meeting sets the sum of attendance fees to be divided among the Directors for the current financial year at €45,000.

**SIXTH RESOLUTION**

**Renewal of the mandate of Mr MARIN as Director**

As required, the General Meeting confirms the renewal of the Director mandate of Mr Claude Marin from 12 May 2005 for a period of three years, namely until the end of the meeting to be held in 2008 for the purpose of approving the financial statements for the 2007 financial year.

**SEVENTH RESOLUTION**

**Expiry of the mandate of Mr Pascal FLEURY as the joint principal Statutory Auditor and the appointment of Société Expertise et Audit SA**

Noting that Mr Pascal Fleury's mandate as joint principal Statutory Auditor expires following the present Meeting, the shareholders vote to not renew it and appoint, as a replacement:

SOCIETE EXPERTISE ET AUDIT SA
3 rue Scheffer, 75016 Paris

for a period of six financial years, namely until the end of the Ordinary Shareholder Meeting convened for the purpose of approving the accounts for the financial year ending 31 December 2011.

**EIGHTH RESOLUTION**

**Renewal of the mandate of COREVISE SA as joint deputy Statutory Auditor**

Noting that COREVISE SA's mandate of joint deputy Statutory Auditor expires following the present Meeting, the shareholders vote to renew it for a period of six financial years, namely until the end of the Ordinary Shareholder Meeting convened for the purpose of approving the accounts for the financial year ending 31 December 2011.

**NINTH RESOLUTION**

**Renewal of the mandate of PRICEWATERHOUSE-COOPERS AUDIT as joint principal Statutory Auditor**

Noting that PRICEWATERHOUSECOOPERS AUDIT's mandate as joint principal Statutory Auditor expires following the present Meeting, the shareholders vote to renew it for a period of six financial years, namely until the end of the Ordinary Shareholder Meeting convened for the purpose of approving the accounts for the financial year ending 31 December 2011.

**TENTH RESOLUTION**

**Expiry of the mandate of Mr Pierre COLL as joint deputy Statutory Auditor and the appointment of Mr Christian PERRIER**

Noting that Mr Pierre Coll's mandate as joint deputy Statutory Auditor expires following the present Meeting, the shareholders vote to not renew it and appoint, as a replacement:

Monsieur CHRISTIAN PERRIER
63 rue de Villiers, 92200 Neuilly-sur-Seine

for a period of six financial years, namely until the end of the Ordinary Shareholder Meeting convened for the purpose of approving the accounts for the financial year ending 31 December 2011.

**ELEVENTH RESOLUTION**

**Provide the Board of Directors with the authority to implement a share buyback programme**

Recognising the conditions of quorum and majority required for ordinary shareholder meetings and acknowledging the Board of Directors' report prepared in accordance with article L. 225-209 of the Commercial Code, the shareholders authorise, in keeping with article 225-209 of the Commercial Code, the Board of Directors to acquire shares in the company in order to cover share purchase option, free share allocation and convertible bond plans, conduct external growth operations and stimulate the market for the company's share, under the terms of a liquidity contract.

The maximum number of shares that may be acquired, by application of the present authorisation, is set at 10% of the total number of shares comprising the share capital on the date of the present General Meeting, namely 507,654 shares.

The maximum purchase price is set at €125, with the minimum sale price set at €75. However, if all or part of the shares acquired under these conditions are used to award share purchase options, in accordance with the provisions of articles L. 225-177 and following of the Commercial Code, the sale price will then be determined in keeping with legal provisions relating to share purchase options.

The acquisition, sale or transfer of these shares may be conducted by any means available on the market or over-the-counter in keeping with current regulation.

The Board of Directors may adjust the aforementioned price(s) in the event of the capitalisation of reserves or earnings giving rise either to an increase in the nominal value of the shares or to the creation and allocation of free shares, in the event of the division of the shares' nominal value or the regrouping of shares, and, more generally, in the event of transactions pertaining to equity capital, in order to take into account the consequences of these operations on the value of shares. The price is then adjusted using a multiplying coefficient equal to the difference between the number of shares comprising the capital before and after the operation.

The authorisation is valid for a maximum period of eighteen months from the date of the present Meeting.

## II - BY DECISION OF THE EXTRAORDINARY SHAREHOLDER MEETING

**TWELFTH RESOLUTION**

**Delegation of authorisation to the Board of Directors to increase the share capital via the issue, while maintaining preferential subscription rights, of all marketable securities giving rise, immediately or in the long term, to shares in the company, or via the capitalisation of earnings, premiums, reserves or other items**

Recognising the conditions of quorum and majority in extraordinary shareholder meetings, acknowledging the Board of Directors' report and the Statutory Auditors' special report and in keeping with the provisions of legislation on commercial businesses, particularly article L. 225-129-2 of the Commercial Code, the shareholders:

**1°)** Give the Board of Directors all powers required to conduct a share capital increase, once or on several occasions, in the amount and at the times that it deems necessary:

a) via the issue, in euros or foreign currencies, of shares, warrants and/or marketable securities giving rise in the short or long term, at any time or on a set date, to ordinary shares in the company by subscription, conversion, exchange, reimbursement, presentation of a warrant or any other means,

b) and/or by the capitalisation of earnings, premiums, reserves or other items whose capitalisation will be legally and statutorily possible and via the allocation of free shares or increasing the nominal value of existing shares.

**2°)** Set the period of validity of the present delegation at twenty six months from the date of the present General Meeting.

**3°)** Vote to set as follows the limits on the size of issues authorised in the event that the Board of Directors makes use of the present delegation of powers:

- In the event of a capital increase conducted under the terms of the issues covered under 1° a) above:
  - a) the maximum value of shares that may be issued thusly, whether directly or upon the presentation of securities representing or otherwise debts, may not exceed €300m or the equivalent value of this amount in any other means of payment (currencies or units of account) assessed on the day of issue of the shares, barring if applicable the size of capital increases linked to the adjustment of the rights of certain equity security holders in the event of new financial operations.
    It should also be noted that this amount includes the nominal value of shares issued, directly or otherwise, by virtue of the sixteenth resolution of the present meeting.
  - b) the maximum value of marketable securities representing company debt giving rise immediately or in the long term, at any time or on a set date, to ordinary shares by subscription, conversion, exchange, reimbursement, presentation of a warrant or by any other means, that may be thusly issued may not exceed €300m or the equivalent value of this amount. It should be noted that this amount includes the nominal value of debt securities that will be issued by virtue of the present resolution of the present meeting.
- In the event of the capitalisation of earnings, reserves or other items: the maximum nominal value of a capital increase conducted thusly may not exceed €300m. It should be noted that the value of these capital increases will be included in the size of the limit stipulated in 3° a) above.

**4°)** In the event that the Board of Directors makes use of the present delegation of powers, under the terms of the issues covered by 1° a) above:

- vote that the issue(s) will be reserved by preference for shareholders, who will be able to subscribe unconditionally;
- nevertheless provide the Board of Directors with the power to establish an unconditional right to subscription;
- vote that if the unconditional subscriptions, and if applicable the conditional subscriptions, do not account for the entirety of the issue, the Board of Directors may make use, under the conditions provided for by law and in the order that it deems fit, of one or more of the following options:
  - Limit the capital increase to the size of subscriptions, provided that the latter is equal to at least three quarters of the original capital increase.
  - Freely distribute all or part of the unsubscribed shares issued.
  - Offer the public, via a market offering, all or part of the unsubscribed shares issued on the French and/or international market.
- note and decide as necessary that the present delegation of powers implies, in full accordance with the law and to the benefit of the holders of securities to be issued, the express relinquishment by shareholders of their preferential right to subscribe to securities that will be issued.

**5°)** Vote that the Board of Directors shall have all powers necessary to implement, under the conditions established by law, the present delegation of powers, with the purpose of:

- approving the conditions of capital increase and/or of issue, and in particular defining the value of the ensuing amount the company receives or may later receive for each of the shares issued or set for issuance under the present authorisation;
- determining the issue dates and terms, the share

release method, the type and form of shares to create (including the date on which they earn dividends), which may take the form of subordinated securities or otherwise, with a determined lifespan or otherwise;

- setting the terms under which the company shall have, if applicable, the ability to buy or exchange on the stock market, at any time or during specified periods, the securities issued or to be issued;
- setting, in the event of a capital increase by capitalisation of reserves, earnings or issue premiums, the amount by which the nominal value of shares will be increased;
- establishing the option of suspending as required the exercise of rights attached to these securities during a maximum period of three months;
- at its initiative alone, charge the share capital increase costs to the associated premiums and deduct from this amount the sums necessary to bring reserves up to one tenth of the new capital after each increase;
- deciding, if applicable, in a departure from the provisions of article L. 225-96 of the Commercial Code, that in the event of the capitalisation of earnings, premiums or reserves, the fractional rights will not be negotiable and the corresponding shares will be sold, with the sums generated by this sale being allocated to the holders of the rights at the latest 30 days after the full number of shares awarded is registered in their account;
- in general, signing any agreement, taking any measures and conducting any formalities required for the issuance and financial servicing of these securities issued by virtue of the present authorisation, as well as the exercise of the associated rights.

**6°)** Vote that the Board of Directors may, under the conditions established by law, sub-delegate to its Chairman or, in agreement with the latter, one of its members the powers conferred upon it by virtue of the present delegation of powers.

**THIRTEENTH RESOLUTION**

**Delegation of authorisation to the Board of Directors to increase the share capital via the issue, with the cancellation of preferential subscription rights, of all marketable securities giving rise, immediately or in the long term, to shares in the company**

Recognising the conditions of quorum and majority in extraordinary shareholder meetings, acknowledging the Board of Directors' report and the Statutory Auditors' special report and in keeping with the provisions of legislation on commercial businesses, particularly articles L. 225-129-2 and L. 225-135 of the Commercial Code, the shareholders:

**1°)** Delegate to the Board of Directors all powers necessary for conducting a capital increase via the issue, once or on several occasions, in the amount and at the times it deems necessary, on the French and/or international market, and by soliciting investment either in euros or foreign currencies, shares, warrants and/or marketable securities giving rise immediately or in the long term, at any time or on a set date, to ordinary shares in the company, whether by subscription, conversion, exchange, reimbursement, presentation of a warrant or any other means. It should be noted that these securities may be issued for the purpose of (a) remunerating any securities provided to the company as part of a public exchange offer on shares provided for under article L. 225-148 of the Commercial Code, and (b) within the limit of 10% of the share capital, remunerating contributions in kind made to the company and comprised of equity securities or marketable securities giving access to the capital, where the provisions of article L. 225-148 of the Commercial Code are not applicable.

**2°)** Set the period of validity of the present delegation of powers at twenty six months from the date of the present General Meeting.

**3°)** Vote to set as follows the limits on the size of issues authorised in the event that the Board of Directors makes use of the present delegation of powers, (i) including usage as part of a public exchange offer on the securities meeting the conditions stipulated in article L. 225-148 of the Commercial Code or (ii) the remuneration of contributions in kind as stipulated under 1°).

a) the maximum value of shares that may be issued thusly, whether directly or upon the presentation of securities representing or otherwise debts, may not exceed €300m or the equivalent value of this amount in any other means of payment (currencies or units of account) assessed on the day of issue of the shares, barring if applicable the size of capital increases linked to the adjustment of the rights of certain equity security holders in the event of new financial operations.
It should also be noted that this amount includes the nominal value of shares issued, directly or otherwise, by virtue of the sixteenth resolution of the present meeting.

b) the maximum value of marketable securities representing company debt giving rise immediately or in the long term, at any time or on a set date, to ordinary shares by subscription, conversion, exchange, reimbursement, presentation of a warrant or by any other means, that may be thusly issued may not exceed €300m or the equivalent value of this amount. It should be noted that this amount includes the nominal value of debt securities that will be issued by virtue of the present resolution of the present meeting.

**4°)** Vote to cancel the preferential subscription right of shareholders to securities that are the subject of the

present resolution. These shares may be issued by the company itself or by a company of which it directly or indirectly holds more than half of the capital. The Board of Directors may nevertheless award shareholders, in accordance with article L. 225-135 of the Commercial Code, during a period not exceeding ten stock market trading days, under the terms it shall establish and for all or part of the issue conducted, a subscription priority not giving rise to the creation of negotiable rights, that must be exercised in proportion to the number of shares held by each shareholder and which may be complemented by a conditional subscription. It should also be noted that following the priority period, the unsubscribed shares will be offered to the public.

**5°)** Note and decide as necessary that the present delegation of powers implies, in full accordance with the law and to the benefit of the holders of securities to be issued, the express relinquishment by shareholders of their preferential right to subscribe to securities that will be issued.

**6°)** Vote that the value of the ensuing amount the company receives or may later receive for each of the shares issued or to be issued under the present authorisation shall be at least equal to the weighted average price of the three stock market trading sessions preceding the establishment of this amount, minus a potential maximum discount of 5%.

**7°)** Vote that the Board of Directors shall have all powers necessary to implement, under the conditions established by law, the present delegation of powers, with the purpose of:

- approving the conditions of the issue(s) in agreement, if the need arises, with the Company's Board of Directors;
- determining the issue dates and terms, the share release method, the type and form of shares to create (including the date on which they earn dividends), which may take the form of subordinated securities or otherwise, with a determined lifespan or otherwise;
- establishing the option of suspending as required the exercise of rights attached to the securities issued during a maximum period of three months;
- more specifically, in the event of issuing securities for the purpose of remunerating securities contributed as part of a public exchange offer:
  - approving the list of securities contributed to the exchange,
  - setting the issue conditions, the exchange parity and the size of the equalisation payment in cash to be made,
- determining the issue terms under either a securities exchange offer, alternative purchase offer or exchange offer on the one hand, or a takeover or securities exchange offer in the first instance, combined with an additional securities exchange offer or takeover offer, on the other hand;
- at its initiative alone, charge the share capital increase costs to the associated premiums and deduct from this amount the sums necessary to bring reserves up to one tenth of the new capital after each increase;
- in general, signing any agreement, taking any measures and conducting any formalities required for the issuance and financial servicing of these securities issued by virtue of the present authorisation, as well as the exercise of the associated rights.

**8°)** Vote that the Board of Directors may, under the conditions established by law, sub-delegate to its Chairman or, in agreement with the latter, one of its members the powers conferred upon it by virtue of the present delegation of powers.

**FOURTEENTH RESOLUTION**

**Provide the Board of Directors with the authority, in the event of an issue together with cancellation of the preferential subscription right of shareholders under the conditions of the thirteenth resolution, to set, within a limit of 10% of the capital, the issue price under the conditions set by the General Meeting**

Recognising the conditions of quorum and majority in extraordinary shareholder meetings, acknowledging the Board of Directors' report and the Statutory Auditors' special report and in keeping with the provisions of article L. 225-136 of the Commercial Code, the shareholders:

**1°)** Authorise the Board of Directors, for a period of 26 months, with the option of sub-delegation to any person duly authorised by law, to issue ordinary shares or marketable securities giving access immediately or in the long term to the company's capital, together with the cancellation of the preferential right of shareholders, under the conditions, particularly pertaining to value, stipulated in the thirteenth resolution and to set the conditions as follows:

The issue price may not be lower, at the decision of the Board of Directors, than (a) the weighted average price of the ten stock market trading sessions preceding the establishment of the issue price, or (b) the aforementioned price, minus a potential maximum discount of 5%.

The maximum nominal value of a capital increase arising from the implementation of the present resolution may not exceed 10% of the share capital per period of 12 months or the total limit set under the thirteenth resolution, in which it is included.

**2°)** Vote that the Board of Directors has full authority to implement the present resolution, notably by signing any agreement to this effect, with a view in particular to the successful conduct of any issue, to conduct once or on several occasions, in the amount and at the times that it deems necessary, in France and/or, if required, abroad

and/or on the international market, the aforementioned issues, as well as, if required, postpone them, announce their realisation and make the necessary adjustments to the statutes, in addition to carrying out any formalities and declarations and requesting any authorisations that prove necessary for the realisation and successful conduct of these issues.

**FIFTEENTH RESOLUTION**

**Provide the Board of Directors with the authority to increase the value of the initial issue, in the event of an issue with the maintenance or cancellation of the preferential subscription right of shareholders decided following the application of the twelfth and thirteenth resolutions respectively**

Recognising the conditions of quorum and majority in extraordinary shareholder meetings, acknowledging the Board of Directors' report and the Statutory Auditors' special report, and recognising the provisions of article L. 225-135-1 of the Commercial Code, the shareholders authorise the Board of Directors, for a period of 26 months, with the option of sub-delegation to any person duly authorised by law, to decide, for each of the issues approved following the application of the twelfth and thirteenth resolutions, that the number of ordinary shares and marketable securities to issue may be increased by the Board of Directors, with the option of delegation to any person duly authorised by law, when the former pronounces surplus demand as per article L. 225-135-1 of the Commercial Code and article 155-4 of decree n°.67-236 and within the limits stipulated in the twelfth and thirteenth resolutions respectively.

**SIXTEENTH RESOLUTION**

**Provide the Board of Directors with the authority to increase the capital together with the cancellation of preferential subscription rights for Directors and employees as per the provisions of articles L. 225-138 of the Commercial Code and L. 443-5 of the Labour Code**

Acknowledging the Board of Directors' report, the Statutory Auditors' special report and in accordance, in particular, with articles L. 225-138 and L. 225-129-6 of the Commercial Code, the shareholders authorise, for a period of five years from the date of the present General Meeting, the Board of Directors to conduct, as per the provisions of articles L. 225-138 of the Commercial Code and L. 443-5 of the Labour Code, capital increases reserved for directors and employees of the company and companies with which it is affiliated as per current legislation, adhering to a company savings plan or a voluntary employee savings partnership plan, within a maximum limit of €15m in nominal value.

The shareholders vote that the price set for the subscription of shares by the beneficiaries shall be determined by the Board of Directors within the limits set by current legislation.

The General Meeting states that these decisions imply that shareholders relinquish their preferential subscription right to the employees for which the capital increase is reserved, and confers all powers upon the Board of Directors to determine all transaction conditions and terms, and in particular:

- to set and approve the opening and closing dates for subscriptions and the issue price of shares;
- to approve the number of new shares for issue;
- to announce the realisation of capital increases, consequently alter the company's statutes and, in general, carry out all useful and necessary actions provided for under current law and regulations.

The General Meeting votes that the Board of Directors may, under the conditions established by law, sub-delegate to its Chairman or, in agreement with the latter, one of its members the powers conferred upon it by virtue of the present authorisation.

**SEVENTEENTH RESOLUTION**

**Authority conferred upon the Board of Directors to award share subscription or purchase options**

Acknowledging the Board of Directors' report and the Statutory Auditors' special report, and in accordance with the provisions of the Commercial Code, particularly articles L. 225-177 to L. 225-185, the shareholders:

**1°)** Authorise the Board of Directors, once or on several occasions, to award the beneficiaries mentioned hereinafter options giving the right to subscribe to new shares in the company being issued under the terms of a capital increase or to buy existing shares in said company arising from buybacks conducted under the conditions stipulated by law;

**2°)** Set the period of validity of the present delegation at thirty eight months from the date of the present General Meeting;

**3°)** Vote that the beneficiaries of these options may only be:

- firstly, employees or certain persons among them or certain categories of staff;
- secondly, the Directors as defined by law or certain persons among them, both of the company itself and French or foreign companies or economic interest groupings that are affiliated, directly or indirectly, as per article L. 225-180 of the Commercial Code;

**4°)** Vote that the total number of options that will be made available thusly may not give the right to subscribe to or purchase a number of shares greater than 3% of the share capital;

5°) Vote, in the event of the granting of subscription options, that the share subscription price will be determined on the day when the options are awarded by the Board of Directors and may not be lower than 80% of the average of the former share's first listed price during the 20 stock market trading sessions preceding the day when the subscription options are awarded;

6°) Vote, in the event of the granting of purchase options, that the share purchase price will be set on the day when the options are awarded by the Board of Directors and may not be lower than either 80% of the average of the former share's first listed price during the 20 stock market trading sessions preceding the day when the subscription options are awarded, or 80% of the average purchase price of shares held by the company as per articles L. 225-208 and/or L. 225-209 of the Commercial Code; however, no subscription or purchase option may be awarded (i) less than 20 stock market trading sessions after a coupon is detached from the shares that gives the right to dividends or a preferential subscription right in a capital increase, (ii) during the period of 10 stock market trading sessions preceding and following the date on which the consolidated financial statements or, if not, the annual financial statements are made public, (iii) during the period between, on the one hand, the date on which the social entities receive information that, if made public, could have a significant effect on the company's share price and, on the other, the date 10 stock market trading sessions later than that on which this information is made public;

7°) Note that in accordance with article L. 225-178 of the Commercial Code, the present authorisation implies the express relinquishment by shareholders to the subscription option beneficiaries of their preferential right to subscribe to the shares that will be issued as the options are exercised;

8°) Vote that the Board of Directors shall have all powers necessary to implement, under the conditions established by law, the present delegation, with the purpose of:

- setting the conditions under which the options will be awarded and approving the list or categories of option beneficiaries as stipulated above; deciding on the conditions under which the price and number of shares may be altered, particularly in the different scenarios provided for by articles 174-8 to 174-16 of decree no.67-236 of 23 March 1967; setting the period(s) of exercise of the options thusly awarded, given that the option lifespan may not exceed a period of eight years from the date they are granted;
- establishing the option of temporarily suspending the exercise of options during a maximum period of three months in the event of the conduct of financial transactions involving the exercise of a right attached to the shares; fulfilling or delegating fulfilment of all acts and formalities required for rendering definitive any capital increases that may be conducted by virtue of the authorisation provided under the present resolution; altering the statutes as a consequence and generally carrying out all necessary tasks; at its sole decision and if it deems it necessary to do so, charging the share capital increase costs to the premiums associated with these increases and deducting from this amount the sums required to bring the legal reserve up to one tenth of the new capital after each increase;

9°) Note that the present authorisation negates the effect, in the amount of the portion not yet utilised, of any previous authorisation granting the Board of Directors the right to award subscription options;

10°) Vote that the Board of Directors may, under the conditions established by law, sub-delegate to its Chairman or, in agreement with the latter, one of its members the powers conferred upon it by virtue of the present authorisation.

**EIGHTEENTH RESOLUTION**

**Provide the Board of Directors with the authority to award free shares**

Having heard and considered the Board of Directors' report and the Statutory Auditors' special report, acknowledging the provisions of articles L. 225-197-1 and following of the Commercial Code, and noting that the share capital is entirely liberated, the shareholders vote that the Board of Directors is authorised to freely award 20,000 existing or future shares to certain directors and/or employees of the company or its subsidiaries of its choice, pending the fulfilment of legal award conditions. This authorisation may be used by the Board of Directors during a maximum period of thirty eight months.

The granting of shares to their beneficiaries will be definitive at the end of an acquisition period of two years. The beneficiaries must retain the shares for a minimum period of two years from the date they are definitively awarded.

The right arising from the free granting of shares will be unavailable until the end of the acquisition period of two years. In the event of the beneficiary's death, his or her heirs may request that the shares are granted within a period of six months from the date of death, in accordance with the law.

If the free award of shares arises from the issuance of new shares, the latter shall be issued at the money and deducted from the company's reserves, implying the relinquishment by shareholders of earnings from the new shares thusly created and earnings from the capitalised reserves.

**NINETEENTH RESOLUTION**
**Cancellation of previous authorisations**

The General Meeting notes that the authorisations that are the subject of the preceding resolutions negate the effect of any authorisations previously conferred.

**TWENTIETH RESOLUTION**
**Conditions for participating in the Board meetings**

Acknowledging the Board of Directors' report, the shareholders vote, as per law no.2005-842 of 26 July 2005, to alter articles 14 and 15 of the statutes relating to the meetings and deliberations of the Board of Directors by adding an amendment authorising the conduct of Board meetings via telecommunication networks so as to guarantee the effective participation of Directors:

- Article 14:
  The sixth paragraph is replaced by the following text:
  "Except when the Board of Directors meet to approve the transactions provided for under articles L. 232-1 and L. 233-16, internal regulations state that, for the purposes of quorum and majority, Directors who participate in the meeting via videoconference or telecommunication networks, enabling them to be identified and guaranteeing their effective participation, are deemed to be present."
  The ninth paragraph is amended and stated as follows:
  "A register of attendance is kept that is signed by the Directors participating in the meeting and that mentions, if applicable, the participation of Directors by videoconference or another means of telecommunication."

- Article 15:
  the second paragraph is now stated as follows:
  "The statement indicates the name of the Directors present, by videoconference or another means of telecommunication if applicable, or represented, excused or absent, and notes the presence of any other person having attended all or part of the meeting. It is signed by the Chairman of the meeting and at least one Director, or if the Chairman is prevented from attending, at least two Directors."

**TWENTY FIRST RESOLUTION**
**Harmonisation of quorum rules**

Acknowledging the Board of Directors' report, the shareholders vote to modify article 29 of the statutes so as to bring it into line with new legislation lowering the quorum required at an Ordinary Shareholder Meeting from one quarter to one fifth of shares with voting rights.
The first paragraph of article 29 is now stated as follows:
"In order that their deliberations be valid, Ordinary Shareholder Meetings must be attended by shareholders having or representing at least the minimum quorum required by law."
The rest of the article remains unchanged.

**TWENTY SECOND RESOLUTION**
**Powers to conduct formalities**

The General Meeting confers all powers upon the bearer of an original, copy or extract of the statement of the present Meeting to conduct all formalities that may be necessary.

# Quotables

**Goldman Sachs**

"The Paris office market continues to strengthen.... Our current model assumes rental growth of 2%-3% pa for Paris offices in the next five years.... Companies with significant exposure to Paris offices include.... Tour Eiffel."

**Merrill Lynch**

"Tour Eiffel Interims – On track for 2006: ... management has now amassed €400m+ of assets and the target remains for €1bn end 2006. This expansion should help to confirm our forecasts.... widen the shareholder base following new equity issuance, and also allow STE to bring the Awon management team internal. We continue to see upside to the shares... Buy!"

"Our top picks for 2006 are?... Tour Eiffel for the yield play, offering a prospective 7.5% dividend for 06E..."

## INDUSTRY QUOTES

**Kempen**

"Société de la Tour Eiffel: Investment case still applies.... Backed by anticipated increases in dividend return and our N.AV growth projections, we maintain our add rating...."

## Notes

Notes

## STOCK MARKET LISTINGS

Société de la Tour Eiffel shares are listed on the Paris Bourse

code ISIN: FR 00000 36816

Reuters: EIFF.PA

Bloomberg: EIFF.FP

## FINANCIAL INFORMATION

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## FINANCIAL STATEMENTS

Société de la Tour Eiffel press releases and statements are available on the company website

www.societetoureiffel.com

## 2006 KEY DATES

- Shareholders Meeting: 17 May 2006
- 2005 final dividend and 2006 interim dividend payment: 30 May 2006
- First half 2006 turnover announcement: 11 August 2006
- First half 2006 interim results announcement: 15 September 2006
- Interim Dividend: 26 September 2006

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