

2008 Annual Report

Reliable real estate



S O C I É T É D E L A T O U R E I F F E L

Contents

Corporate

Introduction

p. 01

Background

p. 02

2008 Results

p. 03

A joint interview

of Mark Inch and Robert Waterland

p. 04/07

Key figures

p. 08/09

Management team

p. 10/11

2008 Highlights

p. 12/13

The Parks Eiffel revival

p. 14/15

Development pipeline

p. 16/17

Market upheaval

A 2008 market struck by the recession

p. 20/21

A carefully thought-out, tailored strategy

p. 22/24

Recognised expertise rides
the economic market cycles

p. 25

Sustainable development

p. 26

The Foundation

p. 27

Sound fundamentals

The portfolio

p. 30/31

Offices

p. 32/33

Business parks

p. 34

Light industrial

p. 35

Warehouses

p. 36

Nursing homes

p. 37

Outlook

p. 38/39

Stock Market

p. 40/41

Financial information

p. 42/43

Financial report

Message from the CFO

p. 46

Management report

p. 47

Consolidated financial statements

p. 95

Corporate financial statements

p. 133

Report from the chairman of the board

p. 159

Resolutions

p. 165



As the worthy successor to its founder Gustave Eiffel, Société de la Tour Eiffel is today a listed property company investing exclusively in commercial real estate. Benefitting from its status as a SIIC (French REIT) since January 2004. The Company has built up a balanced portfolio of quality assets primarily composed of suburban offices and business parks. The portfolio is valued at €1,162 million for 713,323 sq. m (plus 100,000 sq. m of land reserves). Locations are evenly spread between Paris / Ile-de-France and the other regions of France. Sixty percent of rents attributable to some 430 tenants are assured until 2015.

The company's strategy is implemented through an experienced team focused on high standards and returns from a quality commercial real estate portfolio offering secure rental income and development potential. Regular, consistent distributions are thus ensured for the shareholders. Stemming from the experience accumulated through numerous property market cycles, this strategy assists Société de la Tour Eiffel in weathering the current financial storm.



Background

1889: Creation of Société de la Tour Eiffel by Gustave Eiffel.

1979: The City of Paris takes over the management of the Eiffel Tower.

The Société de la Tour Eiffel becomes a dormant listed company.

2003: The Company is taken over by Awon Group, backed by the Soros Real Estate Investors fund.

2004: Mark Inch and Robert Waterland transform Société de la Tour Eiffel into the first new SIIC to be listed on the Paris Stock Exchange with €277 million of assets at the year end.

2005: Acquisition of Locafimo, a property company valued at €285 million for a total of 300,000 sq. m

2006: The company is continuously listed on Euronext Paris (Eurolist compartment B) and integrates the EPRA index (European Public Real Estate Association).

2007: Acquisition of the Parcoval portfolio for €110 million which increases the company's presence in business parks and raises its portfolio of commitments to €1.2 billion.

2008 results

Rental income	€70.6m
Current operating income	€50.7m
Net profit (Group share)*	€-16.7m
Cash Flow	€18.4m
Dividend per share	€5

* of which €-32.3m of adjustment on property values and hedging instruments

The property portfolio**

- 713,323 sq. m of offices, business parks, warehouses, light industrial space and nursing homes
- €1,162m portfolio of commitments
- 88.6% financial occupancy rate

** at 31 December 2008

Corporate

Market upheaval

Sound fundamentals



Robert Waterland

Mark Inch

An unusual year

Interview

What is your perception of 2008 ?

Mark Inch: It was an extremely unusual year, divided into two distinct phases. During the first half of the year, with property prices holding up we were inclined to cease acquisition activity in favour of disposals. Also during this period restrictions in the credit market became apparent to us which prompted the renegotiation of a major portion of our debt. The agreement that we were able to forge with one of our banks in July 2008 is paramount because it extends the majority of our debt from 2010 to 2013 on unchanged terms. All these measures were designed to leave us in a comfortable position for the second half of the year, which, in light of the ensuing market deterioration, demonstrated foresight.

Robert Waterland: There was clearly a “before and an after Lehman Brothers”. No one has been spared from the crisis of confidence that hit the market! Having made a number of significant disposals early in the year in anticipation of the deteriorating market, we were able to concentrate on our asset management activities during the second semester. This mainly consisted in consolidating rental income by renegotiating certain major leases before their term and by concentrating on the marketing of new developments. We also worked on strengthening our tenant relations. The experience gained during previous business cycles prompts us to react in a pragmatic, realistic and responsive manner to the prevailing adverse market conditions and irrational events.

What are the consequences of the financial crisis?

R.W.: Firstly it is important to stress that contrary to some other countries (such as the United States, the United Kingdom or Spain), there is no property crisis in France, specifically in terms of supply and demand. There is clearly a financial and economic crisis, which has impacted both property financing and tenant demand, however unlike the situation which occurred during the 1990s, for example, there is not a real estate crisis as such. We must not therefore lose sight of the long-term perspective.

M.I.: In the short term the deteriorating economic environment has inevitably put a break on our exceptional growth of the previous four years. This is illustrated by acquisitions, which were limited to €40m in 2008 as compared to €135m during the previous year. We intend to profit from the security of our current leases and falling finance costs to partly offset the lack of external growth in our rental income. It should be mentioned in passing that the indiscriminate application of the construction cost index can lead to rental levels exceeding market values. Consequently, it is our responsibility to agree reasonable rents which retain our tenants for the long term, rather than to apply excessive indexation which might encourage them to look elsewhere! (This approach anticipates the pending introduction of a new composite reference index (the ILAT), in 2009)

The SIICs have particularly suffered on the Stock Market...

M.I.: The tax advantages of the SIIC (French REIT) – which in itself is a still young regime – are found in being listed, with the excesses this sometimes implies. Effectively the sector has gravitated from an extremely positive image over the past few years with premiums to NAV of 30 to 40%, to a discount in share prices of about the same amplitude. It might be noted that before the creation of the SIIC status in 2003, property companies were systematically trading at a discount of 15 to 20% to NAV for legal and tax reasons.

The Société de la Tour Eiffel's share performance cannot be dissociated from the fact there is a significant international free float, mainly comprising institutional investors who were unfortunately obliged to sell shares in listed companies, sometimes under very unfavourable circumstances at depressed prices, in order to meet redemption demands from their retail investors in search of liquidity.

Will that affect the distribution of dividends?

M.I.: Our core policy of distributing high dividends in relation to results will be maintained in 2009 and adapted relative to both general circumstances and the company's actual performance.

What is the status of your debt ratios?

R.W. : Our banking covenants are respected both in terms of L.T.V. and I.C.R.. Furthermore following the major debt refinancing in July 2008, we are confident of our relative comfort in this respect for 2009 assuming that the market stabilizes. It should be recalled that our portfolio was built up during a period when leverage was considered as a positive element which enabled us to achieve a doubling in size of our young company over four successive years. Since the advent of the credit crunch, the perception of debt has totally changed. We shall therefore remain alert and attentive in this area, controlling our debt through asset disposals and constantly monitoring our investment properties in order to respect our contractual undertakings.

Do you remain optimistic about the company's long-term prospects?

M.I. : In this period of falling interest rates, institutional and individual investors will seek secure income and protection against inflation, both of which are offered by listed real estate.

R.W. : A positive is that the limited development pipeline is likely to dry up rapidly. When the economy picks up, there will inevitably be a shortage of new, sustainable development-certified buildings...

What is your vision for 2009?

M.I. : Our prudent approach stems from many years of experience, which include the numerous downturns that have occurred since the early 1970s. Our main concern during these difficult times is to husband our diverse group of quality tenants. Despite the unfavourable circumstances, we shall continue to consider our medium-term investment policy of providing new buildings with high environmental standards at competitive rents.

R.W. : Obviously the primary objective is to consolidate our cash flows. We shall also carry out selective disposals according to market conditions and opportunities, which still exist for our typical transaction volume, enabling us to gradually adjust our debt level.

M.I. : Over and above optimising the management of our portfolio, the challenge consists in encouraging the return of savings investment to the listed real estate sector and in particular to attract institutional and private shareholders towards Société de la Tour Eiffel.

“Our main concern...
to husband our diverse group of quality tenants.”

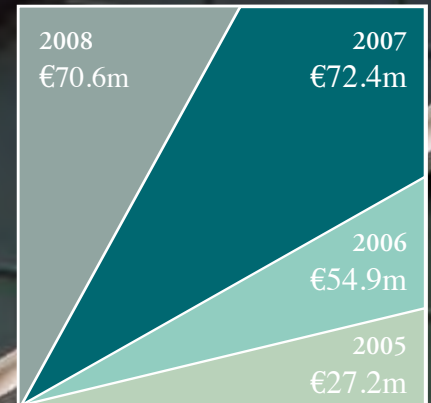
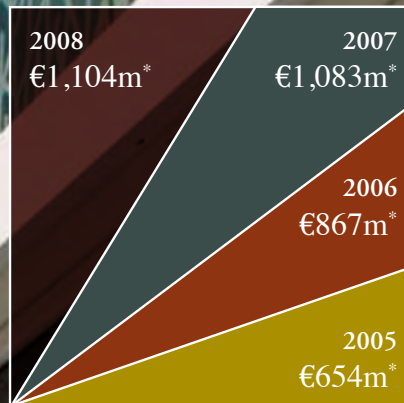


Mark Inch, President



Robert Waterland, Managing Director



Value of property assets:Rent:

* excluding transfer costs

The property portfolio as at 31 December, 2008 comprised 63 assets for a total value of €1,104 million. €1,096 million of properties were in service and €8.8 million of buildings were under construction valued at historic cost in the year end 2008 accounts. The financial occupancy rate stood at 88.6% and the physical occupancy rate at 88.2%.

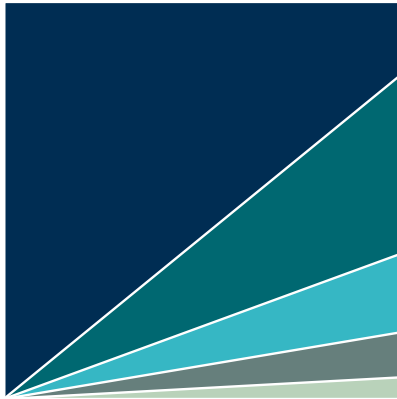
Following the strong growth of recent years, occasioned principally by an ambitious acquisition program, rental income slightly decreased in 2008 to €70.6 million. This reduction is explained by various asset disposals, being only partly compensated by new acquisitions and new development completions within the portfolio. The gross average property yield for the year stands at 7.2%.

Key figures



Portfolio of commitments:

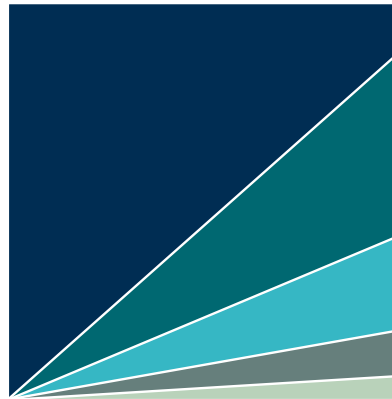
> Value:
€1,162m



- Offices: 54%
- Business parks: 28%
- Warehouses: 10%
- Light industrial: 5%
- Nursing homes: 3%

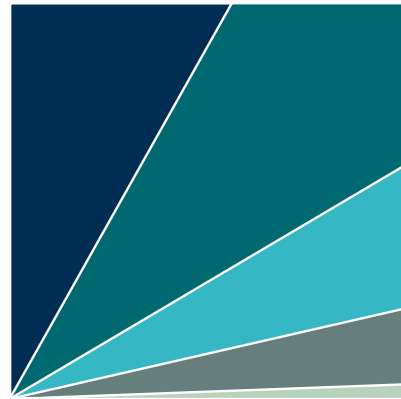
> Rent*:
€83.8m

* full year rent



- Offices: 51%
- Business parks: 29%
- Warehouses: 12%
- Light industrial: 5%
- Nursing homes: 3%

> Floor area:
713,323 sq. m



- Offices: 32%
- Business parks: 36%
- Warehouses: 22%
- Light industrial: 8%
- Nursing homes: 2%

Dividend per share:



- 2008: €5
- 2007: €6
- 2006: €5
- 2005: €4

Net profit (Group share):

€-16.7m

“The 2008 outcome was adversely affected by high prevailing interest rates and the delivery of certain unlet developments in the portfolio. On the other hand, we forecast an upswing of our current cash flow in 2009 due to increased rental income - mainly as a result of the leasing of new developments but also due to the rental indexation, coupled with an anticipated reduction in finance costs.”

Jérôme Descamps,
Deputy Managing Director
(finance) of Société de
la Tour Eiffel





The Board members, from left to right:

- Philippe Prouillac, Independent director
- Jérôme Descamps, Deputy Managing Director (finance)
- Robert Waterland, Managing Director
- Mark Inch, Chairman
- Michel Gautier, Independent director
- Marc Allez, Independent director
- Claude Marin, Independent director

Management team



Mark Inch, Chairman

After beginning his career in 1973 with Jean-Claude Aaron, one of France's leading property developers in the 1970s, Mark Inch (58, Oxford and Sciences Po Paris) joined the Arab international Investment Bank (Baii) in 1979. Between 1985 and 1990, as Director of the Bank and President of its real estate subsidiary, he initiated numerous operations combining financial engineering and property assets, restructuring companies by developing their real estate assets (Felix Potin, Les Trois Quartiers, etc.). He founded the Franconor firm of consultants (specifically for Anglo-Saxon property investors) in the early 1990s before creating the Awon Group in 1999 with Robert Waterland. Together they rapidly grew the new company into one of the leading French property asset management firms. Both joined with the Soros Real Estate Investment fund in July 2003 to take over Société de la Tour Eiffel.

Robert Waterland, F.R.I.C.S., Managing Director

In 1971 Robert Waterland (60, Kings School Rochester and College of Estate Management) joined the specialist real estate advisory partnership Jones Lang Wootton in London, before moving to Paris in 1973, to take part in the opening of the firm's French office. He was named a partner in 1977 before becoming President of the French business in 1985, a position he held for ten years. During this period, he initiated numerous landmark transactions in the French property market: the Hotel Meurice, Fnac Ternes, Les Mercuriales, Waterside Park, etc. In 1995, he joined Mark Inch at the head of Franconor. The pair subsequently founded Awon Group together in 1999. As one of the leading recognised experts in the French real estate market, he has twice been awarded the Pierre d'Or (Pierre Expertise) as asset manager of the year in 2001 and as investor of the year in 2003. He is a past Chairman of the Paris Region office market observatory.

Jérôme Descamps, Deputy Managing Director (finance) and Director

Before joining Awon Asset Management in 2000, Jérôme Descamps (41, ESG) began his career with the ISM group subsequently joining Bail Investissement.

His responsibilities cover financial management in the broad sense: finance, legal, administration, financial communication.

He is responsible for the financial control of the group liaising with the various teams: investment, asset management and property management.

Claude Marin, Independent director

A board member of Société de la Tour Eiffel since 1970, Claude Marin (HEC, bachelor of law) spent most of his career with the Havas group for which he was the Managing Director of IP (controller of the French radio station RTL), President of ODA (French Yellow Pages), CEO of the Avenir bill-posting company, then Managing Director of the group. He is also a non executive director of PIM Gestion Finances.

In addition, he is a member of the Supervisory Board of Actes Sud publishers and Safra Bank. He is Honorary President of the French National Advertising Federation.

Michel Gauthier, Independent director

A board member of Société de la Tour Eiffel since 1989, Michel Gauthier (Polytechnic, Insead MBA) is an advisor and expert in financial policy on the European and African markets. His directorships include member of the Supervisory Board of ADL Partners, Receiver (after being President) of La Salamandre Investment France, and Director of the Pakidié Rubber Company.

Marc Allez, Independent director

Founder in 1968 of the first Notary Public Partnership in Paris, Marc Allez (71, Master of Law) founded Allez & Associates in 1977 where he practised as a notary public until 1998. He is member of the Board of directors of the Philippe Amaury publishing company (Le Parisien-Aujourd'hui en France, l'Equipe and ASO).

Philippe Prouillac, M.R.I.C.S

Independent director

President of Atisreal Appraisers and Consultants until February 2008, Philippe Prouillac (56) previously held senior positions at Immobilail and the Caisse Centrale des Banques Populaires (in charge of property and financing investments), France Telecom real estate department and as Managing Director of Aareal Bank France.

Awon Asset Management

Awon Asset Management is the dedicated service company subsidiary responsible for implementing Société de la Tour Eiffel's investment strategy and asset management. It is headed by **Frédéric Maman** (41) who has been with the company since 1999 having previously held posts at Barclays Bank and the Consortium de Réalisation (defeasance structure for the Crédit Lyonnais). From 1999 to 2003, he was involved in various third party transactions (AIG French Property Fund, Merrill Lynch, Soros Real Estate Fund) before Awon Asset Management became fully dedicated to the management of Société de la Tour Eiffel.

Audit and Remuneration Committees

Audit and a Remuneration Committees have been introduced in accordance with prevailing corporate governance guidelines. The former is chaired by Michel Gauthier and the latter by Claude Marin; both committees include Marc Allez and Philippe Prouillac.

The Société de la Tour Eiffel's board was bolstered in 2008 by the appointment of two new independent directors, **Marc Allez and Philippe Prouillac (M.R.I.C.S.)**. Improvements were also made in the organisation and operating procedures of the dedicated service company, Awon Asset Management.

■ January

Three acquisitions were made of new or recent buildings for a total of €31 million. These acquisitions included the head office of Lee Cooper France, a warehouse and office building with 18,000 sq. m of floor space on a 33,500 sq. m site in Amiens (subject to a 9-year leaseback), and a recent building comprising 4,000 sq. m of media studios and offices located at 48, quai Carnot in Saint-Cloud, rented to VCF. These two acquisitions were made on the basis of ingoing yields in excess of 8% in addition to offering substantial development potential in the medium term. A purchase agreement was also signed with the developer Sagimm/Built to acquire the first phase of a mixed use office/business space and warehouse scheme located near Chartres. Two buildings of 5,700 sq. m will be delivered in the centre of the "Comestic Valley" on the edge of the A11 motorway in 2009.

■ March

The initiation of an investment project through the acquisition of a development plot at Aix La Duranne (Aix-en-Provence) and the simultaneous completion of a construction contract for a 2,750 sq. m, turn-key office building (with parkings) pre leased to Schneider Electric on a 7/9 year term. Total investment €6.5 million.

■ April

Launch of the first phase of the Massy Ampère reconversion project comprising a new, HQE-certified office building of 18,000 sq. m with parkings built by Nexity for occupation by Alstom. The investment of some 50 million euros is financed by a 9-year fixed rate mortgage loan. The closed 9-year lease will generate an annual rental income of 4.1 million euros.

Creation of a new label for the company's 12 business parks, henceforth consolidated under the new "Parc Eiffel®" brand, representing a strategic move designed to create a homogeneous, identifiable chain.



2008 Highlights



■ May

Sale of a portfolio valued at some 92 million euros to UFG REM. The assets concerned are Massy Campus 2 (13,600 sq. m of fully rented modern offices), the 13th floor of the Maine Montparnasse Tower in need of renovation, and the multilet Crédit Lyonnais Tower in Lyon, comprising 10,500 sq. m on 9 floors in co-ownership.

■ July

Completion of an agreement with Hypo Real Estate Bank International to refinance a major credit line, representing 60% of the company's overall bank facilities. The loan's maturity date was extended from December 2010 to June 2013 and the amount increased from €357 to €368 million subject to the same terms and conditions.

Delivery of CityZen , a 7,000 sq. m state-of-the-art office development in Rueil-Malmaison leased to Soletanche Bachy (Vinci group) as their new headquarters on a 6 year closed lease.

In the Parc des Aygalades in Marseille, the company acquired two small buildings sold by vacating owner occupiers, raising its shareholding in the park to 85%.

Inauguration ceremony at the Parc Eiffel des Tanneries at Strasbourg in the presence of

the local municipality to mark a number of measures undertaken in order to rejuvenate the park: groundbreaking of a new building flanking the entrance partially pre-leased to CESI (national engineering school), new graphic charter, occupational rationalisation internet and intranet site, etc.

■ September

Inauguration of Viséo, a 11,500 sq. m office complex located at Montbonnot in the Inovalée, a high technology business park near Grenoble, beside the A41 motorway. Launched on a speculative basis in 2006 with the property developer Cibex, the scheme, which represents an investment of some €20 million, met with immediate success, more than 80% of the floor space being leased upon delivery by quality tenants such as Schneider, Thales, Nexity, Eaton and Mentor Graphics, but also by Tiempo, a start-up, typical of the long-standing tradition of innovation in Grenoble. Continued consolidation of the "Parc Eiffels" with the completion of a purchase agreement on an office building of 1,500 sq. m in the Parc du Perray in Nantes, Société de la Tour Eiffel thereby becoming the sole owner.

■ October

Completion of a sale agreement for 17, rue Dumont d'Urville (75016 Paris) to a private group for €15 million representing the disposal of a non-core, prestige property, with the benefit of vacant possession.

■ December

A few weeks after the inauguration of Domino, an HQE-certified office building with more than 12,000 sq. m of floor space located at the Porte des Lilas (75019 Paris), a first major long-term lease was signed with Antalys for 3,500 sq. m. Two other leases were also signed for retail space on the ground floor, one for the branch of a national bank and the other with a florist chain.





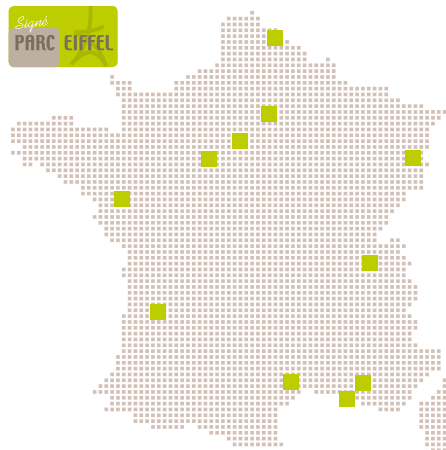
Launched in the spring of 2008, the “Parc Eiffel®” brand is a strategic initiative for Société de la Tour Eiffel. The 12 business parks concerned, mainly resulting from the acquisitions of the Parcoval and Locafimo portfolios, represent a total area of 326,000 sq. m (260,000 sq. m in service) in 178 buildings and housing more than 400 tenants, representing €22 million of annual rental income. Located on the periphery of major regional centres, they perfectly respond to the specific requirements of large provincial towns:

- rational, quality buildings with moderate rents,
- well maintained landscaping,
- plentiful external on-site parkings.

The Parcs Eiffel revival



Parcs Eiffel locations in France



- Aix
- Bordeaux
- Chartres
- Le Bourget
- Lille
- Lyon
- Marseille
- Montpellier
- Nantes (2 parks)
- Orsay
- Strasbourg

Parcs Eiffel in figures

- > **12 parks**
(in eleven of which the company is the majority shareholder)
- > **326,000 sq. m**
of which **260,000 sq. m** in service,
32,500 sq. m under development
and **30,000 sq. m** of land reserves
- > **€22 million** in rental income
- > **408 tenants**
- > **178 buildings**

“The Parc Eiffel branding has been well received by our tenants as embodying the coherent network image of comparable services (canteen facilities, signage, websites) associated with the development of a nationwide concept.”



Sophie Gay-Perret,
Asset Manager

Over and above these advantages, the “Parc Eiffel®” brand symbolises the standard services provided in the business parks, focused on providing quality living and work space. Various specialised amenities and convenience services are available within this new framework, such as catering, public transport, security services, standard signage, and in certain parks, a website offering information concerning the tenants and services on the campus, etc. A dedicated team of four (Awon Asset Management) is responsible for developing the Parcs Eiffel chain.

In addition to providing value-added services, this multi-disciplinary team also addresses the issues of on-going renovation contracting and optimization of land reserves. 26,500 sq. m were under development when the brand was launched, out of total reserves of 49,600 sq. m. Some 20,000 sq. m were delivered in 2008, representing approximately €1 million in annual rental income for leases

already signed. Noteworthy examples include 3,000 sq. m in the Parc du Golf in Aix-en-Provence fully pre-let on 9-year leases, 4,000 sq. m of new offices both in the Parc Cadera in Bordeaux and in the Parc des Ayyalades in Marseilles (delivered and leased at the beginning of 2009) as well as the launch of two new office buildings for 3,500 sq. m on the Parc des Tanneries in Strasbourg, 50% pre-leased.

The group is also pursuing its consolidation in the parks by purchasing buildings when the opportunity presents itself. By way of illustration, at the end of 2008 the company signed a purchase agreement for the acquisition of an office building of 1,500 sq. m on the Parc du Perray in Nantes, thereby becoming the sole owner of the entire business park. Two small buildings totalling 3,500 sq. m were similarly purchased in the Parc des Ayyalades in Marseilles, increasing overall ownership to 85%.



The investment strategy of Société de la Tour Eiffel includes the orderly development of the land reserves in the portfolio creating value and increased rental income. The company's market position provides an appropriate response to tenant expectations in terms of value for money through the supply of new, quality buildings at moderate rents in established suburban areas.

Development pipeline





“The deteriorating economic situation combined with the halt in the credit markets effectively paralysed investment activities at the end of 2008. However, the market presents a certain duality. The premium for volume has now been reversed with high leverage, large-scale operations becoming inexistent, while medium-sized transactions of well leased assets are increasingly in evidence in a market starved of liquidity.”

Nicolas Ingueneau,
Investment Director



In 2008 the company took delivery of some 50,000 sq. m of developments for a commitment of €114 million, generating annual rental income of €9.5 million.

In accordance with its investment philosophy, most of these projects were wholly or partly pre-leased. Principal deliveries during the year include:

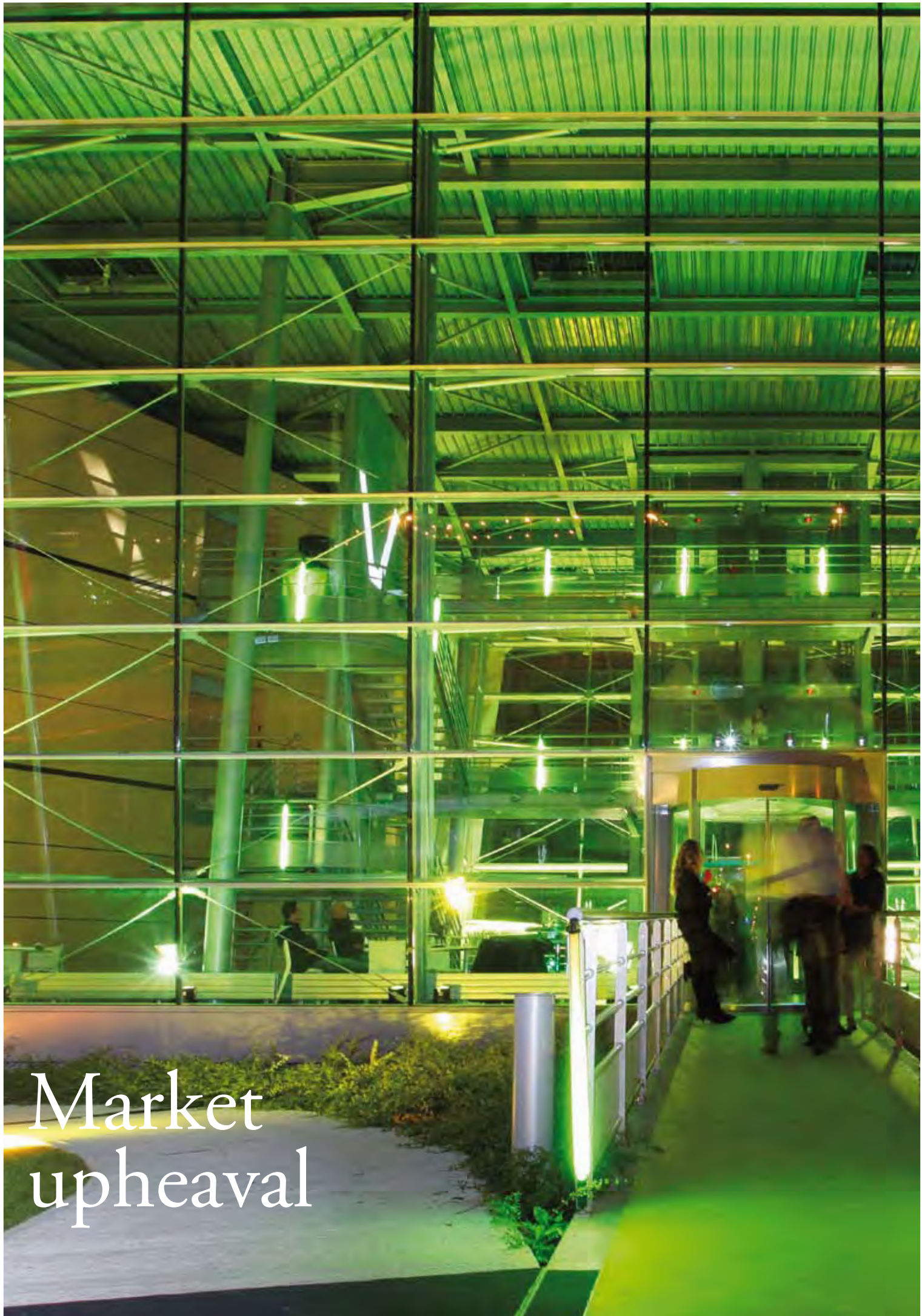
- Domino, an HQE-certified building with 12,275 sq. m of offices and retail located at the Porte des Lilas in Paris, already partially leased,
- CityZen, 6,900 sq. m of offices in Rueil Malmaison entirely pre-leased,
- Energy II, 5,450 sq. m of offices in Vélizy,
- Parc de l'Espace in Le Bourget, 9,700 sq. m of light industrial space partially leased.

Developments in hand during 2008 amounted to 56,415 sq. m of total floor space for an overall investment of €122 million, representing in pre-lettings alone, €5.4 million of secured rental income.

The Massy site offers potential for a further 65,000 sq. m of office development and consequently income growth in the medium term. The company intends to phase the project consequent to a letting campaign targeting large space users likely to be attracted by quality buildings at economic rents in this rapidly emerging location.

The projects initiated in 2008 (request for planning permission submitted) represent some 25,000 sq. m for an investment of €50 million.

In conclusion, office development activity requires a high level of expertise, on the part of Awon Asset Management, in order to conceive and develop quality buildings appropriate to various locations. Orderly phasing of the planning and construction process is key to tempering supply with demand.



Market
upheaval



The senior management of Société de la Tour Eiffel each bring to bear 35 years of professional experience to counter the adverse market conditions created by the economic and financial crisis. As an example, the property portfolio assembled under their aegis demonstrates astute anticipation of the subsequent trend towards quality space at moderate rents located away from traditional, less competitive locations. Investing and developing a portfolio, or timely disposals, requires a knowhow which is particularly tested in recessionary times... this is an added positive for the company.



After gaining momentum in 2007, the financial crisis seemed to stall during the first months of the year before spiralling into a severe economic crisis worldwide in September 2008. Close to failure, recapitalised or nationalised, the banking sector, already affected by the sub-prime mortgage crisis, felt the full brunt of its effects. The immediate consequence was a global credit crunch.

Unsurprisingly the expected decline in the leasing market, following several years of exceptional growth, and the sudden credit squeeze combined to provoke a sharp downturn in the property investment in 2008. According to CB Richard Ellis, investment in commercial real estate fell 55% to 12.5 billion euros, compared with 28.8 billion the year earlier, representing a level of activity comparable with that of 2004. Furthermore, the fall off accelerated during the year, in particular during the 3rd quarter which registered an overall decline of 70%.

A 2008 market struck by the recession



- > €12.5Bn invested in the commercial property market
- > €8.5Bn invested in Ile-de-France
- > Over 2.4m sq. m of office leasing transactions in Ile-de-France

- > 44% of leased floor space was new or refurbished
- > €322 per sq. m average rent in Ile-de-France



Against this background, real estate brokers AtisReal noted that the volumes invested in 2008 by French listed property investment companies (SIICs) suffered a marked decline representing a mere 29% of the total, against 44% one year earlier.

The tighter credit environment also caused a reduction in the average deal size, standing at 21 million euros, end 2008, as opposed to 28 million euros during the first quarter of the year. For the record, the average deal size stood at 44 million euros in 2007. The trend illustrates a general phenomenon: the disappearance of large deals and the relative market fluidity for small transactions that can still be financed with equity capital.

At the epicentre of the financial crisis, Île-de-France was severely hit by the market downturn, posting 8.5 billion euros of transactions against 20.3 billion one year earlier. The central business district (CBD) of Paris and La Défense were particularly affected. The survey by CB Richard Ellis also showed that new, quality offices located in the Paris inner suburbs and in the provinces were proving relatively more resistant to the downturn.

Investment yields consequently began to rise, as much as 200 basis points over one year in certain sectors. In the case of the Paris central business district, they stood between 5.75% and 6.25%. Office yields in the outer suburbs oscillate between 7% and 10%, while in the provinces they moved out to a range between 6.85% and 8.25%.



Market deterioration also affected the take up of office space which totalled some 2.4 million sq. m in 2008, a decline of 14%. The slowdown is more marked in Paris (-32% to 597,000 sq. m) than in the inner suburbs of the North or the West Crescent for example, where the reduction in take up (-8%) was less marked. The trend underlined the increasing migration of demand towards the Paris outskirts. The year's figures were bolstered by a number of major transactions involving the commitment of financial and/or banking groups towards decentralized locations, such as LCL to Villejuif, or the Société Générale to Fontenay, and France Telecom to Saint Denis. Inevitably, the level of current supply increased (+13% over one year) to reach 2.7 million sq. m by the end of 2008. The level of supply available under one year reached 4.3 million sq. m (up 12%), although inventories are difficult to quantify due to economic uncertainties surrounding notably the development pipeline.

The proportion of new construction and refurbishments accounts for only 25% of available floor space, against 36% in 2007, while this segment represents 70% of demand.

The market slowdown is also apparent in the regional markets, although overall they remain in balance. The share of new construction take up is continually increasing, and accounted for 50% in 2008. The markets in Lyon, Aix-en-Provence and Nantes are performing adequately; Bordeaux is stable, while Strasbourg suffers from over-supply. Rental levels remain stable.



Responding to the radical market turnaround in Autumn 2007, the Société de la Tour Eiffel has adapted its strategy to the business environment paying particularly attention to tenant demand. The company has focused on three main objectives: concentration on the timely completion of its current office developments in the inner suburbs of Paris and in the Regions, selective disposals of non-performing assets, and the renegotiation of its bank finance facilities. This focused, pro-active approach aims to consolidate a commercial real estate portfolio comprising high-yield properties of exceptional quality, for the long-term on a solid financial foundation.

The strategy was laid down by the company's senior management Mark Inch and Robert Waterland, who each possess over thirty-five years of experience on the French commercial real estate market, and developed by Awon Asset Management, a team of proven professionals.

A carefully thought-out, tailored strategy



- > **82% offices and business parks** in terms of value
- > **68% offices and business parks** in terms of floor area
- > **76 million euros** of rents projected for 2009
- > **100,000 sq. m** of site reserves
- > **15 major tenants**
- > **413 multiple-tenants** averaging 675 sq. m/demise



Development and consolidation



Société de la Tour Eiffel specialises in peri-urban commercial property located in the Paris area or the larger provincial cities, tailored to meet current tenant demand. This approach, fundamental to the company's investment strategy, encompasses three main principles:

- a maximum of new buildings,
- properties of a manageable lot size,
- secure tenancies (multiple tenants or long leases).

The 40,000 sq. m of space acquired by the Société de la Tour Eiffel in 2008 for nearly €40m meet these criteria as do new developments completed during the year. In addition to buildings constructed in the "Parcs Eiffel", the company commissioned properties at Vélizy (Energy II), Rueil-Malmaison and Porte des Lilas, in particular.

The majority of these developments were either partly or fully pre-let. Relations with the company's extensive and diverse tenant roster represented another top priority throughout the year. Complimentary to the marketing endeavour on vacant space was the company's commitment to renewing existing leases, frequently pre-empting the contracted term. New lettings and lease renewals during the year accounted for over €16m of annual rent.

Tenancies and lease renewals in 2008 representing secure future income included over €1m for the Parcs Eiffel, €4.1m in Massy with Alstom (until 2019), €2.8m in Champigny with Air Liquide, €2m with Atos Origin in Aubervilliers and €2.4m in Champs-sur-Marne with La Poste.

Debt maturity as at 31 December 2008

	€M	%
2009	4.4	-
2010	76.7	11
2011	64.6	9
2012	3.9	-
2013	483.2	71
2014	1.2	-
2015	11.8	2
2016	2.8	-
2017	33.9	5
Total	682.5	

“There was a marked slowdown in the office rental market in the wake of Lehman Brothers’ debacle in September 2008. Tenants postponed or even cancelled projected moves motivated by expansion or consolidation. Only the demand for small floor areas seems to have held up. This said, certain projects put on hold in 2008 should see the light of day in 2009.”

Odile Batsère,
Asset Management
Director



Financing




Société de la Tour Eiffel took advantage of the opportunity provided in July 2008 by the merger of its two subsidiaries, Locafimo and Parcoval (acquired in 2005 and 2007 respectively), to complete an attractive renegotiation of a significant credit line with Hypo Real Estate Bank International, representing 60% of the company’s total banking facilities. The new agreement extended the term of the €357m loan to June 2013. Consequently, the company has substantially restructured its financing placing more than 75% of its debt at a maturity of five years, hedged to 91%. In addition to respecting its contractual loan covenants, the company also seeks to respond to market sentiment in respect of its financial ratios and structures.

Disposals



Since the inception as a SIIC in 2004, the Société de la Tour Eiffel has regularly carried out disposals of assets considered non-strategic, non-performing or peripheral to its core activity. In May, the company completed the sale of three assets (Campus II Massy, an office floor in the Tour Montparnasse in Paris and co-ownership lots in the Crédit Lyonnais tower in Lyon), for €92m to UFG. It also signed later in the year a sale contract on 17, rue Dumont d’Urville (75016 Paris), at a price of 15 million euros, demonstrating the existence of continued liquidity for smaller transactions.



“Whilst 2008 was less significant in terms of acquisitions, it was nonetheless an important year of consolidation in terms of securing revenues through major lease renewals, an improvement in the debt maturity profile, simplification of corporate structures and reorganisation of external suppliers, such as accountants, valuers and property managers.”

Frédéric Maman,
Managing Director
of Awon Asset Management

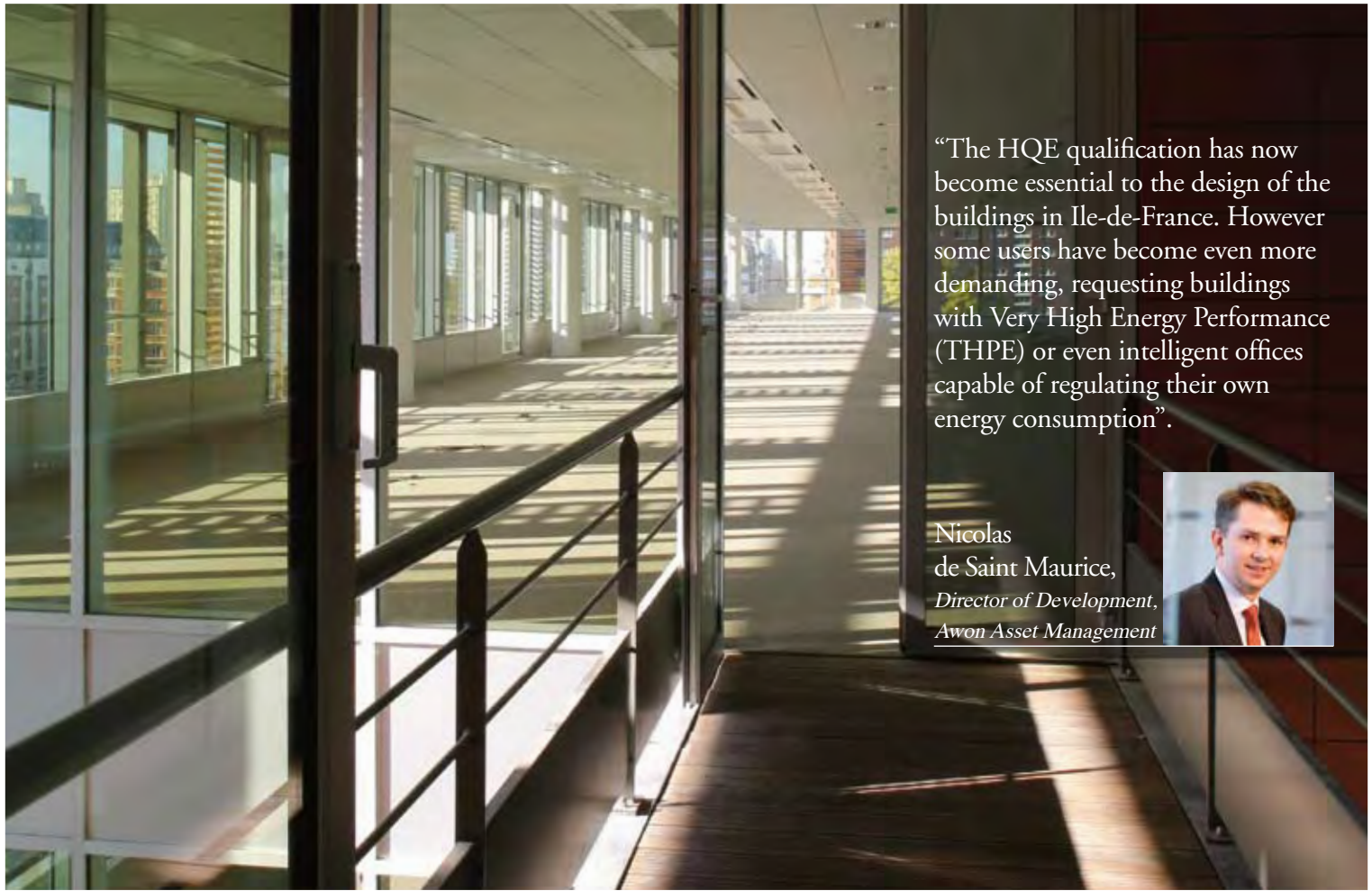


Recognised expertise rides the economic cycles

Founded in 1999 by Mark Inch and Robert Waterland – both of whom possess over 35 years of experience on the French commercial real estate market – [Awon Asset Management](#) is a full subsidiary of [Société de la Tour Eiffel](#). Staffed by 23 multi-skilled individuals (average age 39) possessing a high degree of expertise in the acquisition and on-going management of property portfolios, it implements the group strategy following the guidelines and parameters set out by the Board.

Awon Asset Management has been reorganised into three operating groups to optimize its services: financing and investment, portfolio and land reserve development, and asset management (primarily covering asset value enhancement and in particular leasing of vacant floor areas). Group managers have been appointed under the overall leadership of Frédéric Maman the managing director. Nicolas Ingueneau is responsible for investment, Nicolas de Saint Maurice, development and Odile Batsère for asset management.

This new organisation further enhances the company's management capacity, skills and ability in the areas of marketing, development, lease negotiation as well as the scrutiny of new investment opportunities or execution of sales etc. Awon Asset Management has also undertaken to streamline and standardise the relations with external services providers such as property managers and valuers.



“The HQE qualification has now become essential to the design of the buildings in Ile-de-France. However some users have become even more demanding, requesting buildings with Very High Energy Performance (THPE) or even intelligent offices capable of regulating their own energy consumption”.

Nicolas
de Saint Maurice,
Director of Development,
Awon Asset Management



Sustainable development

Although somewhat overshadowed in the real estate world by the emergence of the financial crisis, the pertinence of sustainable development nevertheless continues to grow. Notwithstanding the impetus of the so called “Grenelle” initiative of the Government, corporations are becoming increasingly sensitive to environmental issues, seeking to improve the working conditions of their employees, optimise space and save energy.

There is tangible demand for new buildings meeting sustainable development and High Environmental Quality (HQE) certification requirements, and Société de la Tour Eiffel seeks to meet these criteria whenever financially possible.

Among the principal HQE projects (in progress or delivered during 2008) are the “Topaz” building in Velizy, “Domino” Paris-Porte des Lilas and the launch of the “Ilot G” project in Massy for Alstom. This last project will also be test bed for certain “intelligent” offices capable of regulating their energy consumption according to the time of day for example.

Outside the Paris area, where it is generally still uneconomical to conceive HQE certification, Société de la Tour Eiffel has decided to initiate the creation of a charter (with a firm of consulting engineers) addressing concerns regarding the environment, water and energy savings and the overall efficient use of the buildings by their occupants.





The Foundation

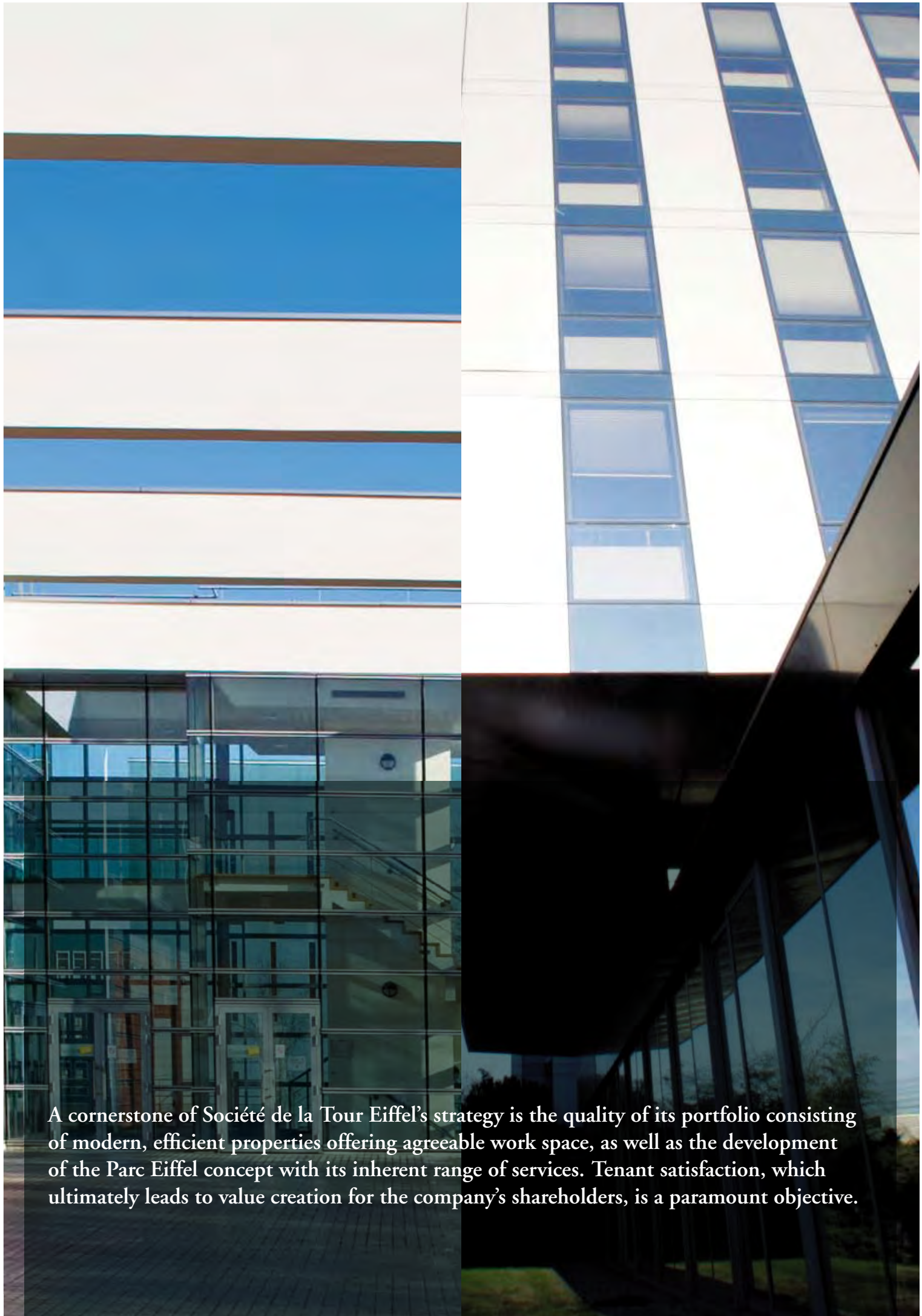
In the spring of 2008, in partnership with Abvent (a specialised architecture and design software house), the Société de la Tour Eiffel Foundation launched the Eiffel Architecture Challenge 2008 for student architects. Their remit: to design a high rise structure on the Champs de Mars in Paris, adjacent, adjoining or even in the place of the Eiffel Tower! Submissions were to take into account the environmental, urban, social, technical and economic realities and issues involved. They also had to employ contemporary techniques and materials in order to spotlight the fundamental breakthroughs achieved in architecture and construction since the initial conception of the Eiffel Tower.

Some 91 diverse and imaginative proposals were submitted by students from practically all the French schools of Architecture for careful scrutiny by the members of the jury: Philippe Couperie-Eiffel, architects Jean-Marie Charpentier and Jacques Ferrier; Dominique Alba, director of the Pavillon d’Arsenal, the contemporary architecture museum of Paris; Xavier Soule, Chairman of the Abvent group and Robert Waterland, Chairman of the Foundation and Managing Director of Société de la Tour Eiffel.

After an initial selection process, 26 candidatures were shortlisted by the jury, which finally retained four nominations. All the projects are to be published in a catalogue, and exhibited for ten days in April 2009 at the Architecture and Heritage Museum in Paris, thus spotlighting the conceptors’ work and talent.



Sound
fundamentals



A cornerstone of Société de la Tour Eiffel's strategy is the quality of its portfolio consisting of modern, efficient properties offering agreeable work space, as well as the development of the Parc Eiffel concept with its inherent range of services. Tenant satisfaction, which ultimately leads to value creation for the company's shareholders, is a paramount objective.



Constant upgrading and improvement of the property portfolio is an on-going objective for Société de la Tour Eiffel. Be it in the Parcs Eiffel or elsewhere, the company pays particularly close attention to the standard of the proposed living and working areas. By favouring properties in a landscaped environment which meet strict environmental considerations and, developing innovative and ambitious architectural projects, the company takes a quality-oriented approach which is rewarded by tenant loyalty. Comprising 62% of new or renovated properties, the company's portfolio projects a modern, high-performance image.

The portfolio



Portfolio age profile

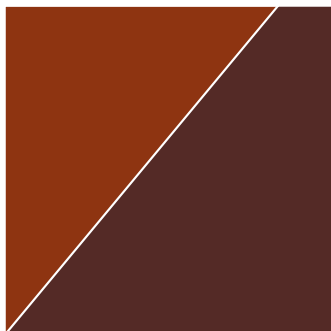


- New and refurbished properties: 31%
- Other buildings <10 years: 31%
- Buildings >10 years: 38%

Regular upgrading of the parks has been a feature of recent years reflecting overriding tenant demand for quality space.

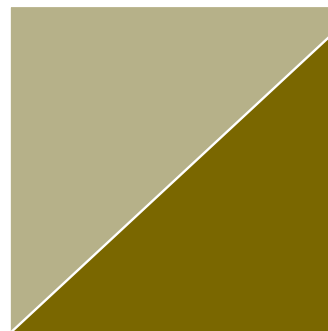
Geographical spread of portfolio

> Floor area



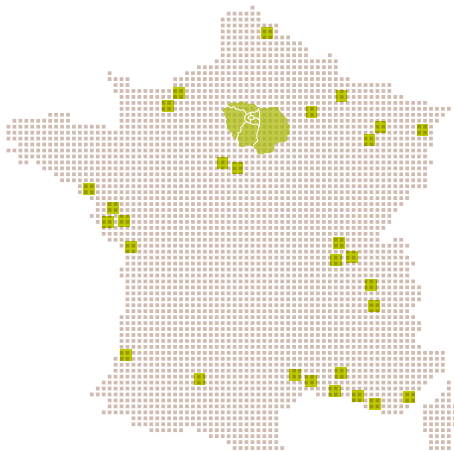
- Paris/IDF: 39% | 274,644 sq. m
- Regions: 61% | 438,679 sq. m

> Value



- Paris/IDF: 55% | €640m
- Regions: 45% | €522m

> Major locations



> Paris/Île-de-France



Offices

	<u>Location</u>	<u>Total floor area in sq. m</u>
Massy/Ampère	Paris/IDF	45,678
Le Plessis	Paris/IDF	16,597
Champigny Carnot	Paris/IDF	14,153
Champs-sur-Marne	Paris/IDF	12,029
Paris Porte des Lilas*	Paris/IDF	12,276
Asnières Quai Dervaux	Paris/IDF	10,391
Montigny-le-Bretonneux	Paris/IDF	7,641
Rueil	Paris/IDF	6,829
Bobigny	Paris/IDF	6,405
Vélizy Energy II	Paris/IDF	5,444
Herblay Langevin	Paris/IDF	4,778
Châtenay Central Parc	Paris/IDF	4,758
Saint-Cloud	Paris/IDF	4,104
Paris Charonne	Paris/IDF	3,685
Paris Dumont d'Urville	Paris/IDF	1,497
Roissy Fret	Paris/IDF	1,319
Paris Courcelles	Paris/IDF	881
Paris Malesherbes	Paris/IDF	753

* 90% interest in a 12,276 sq. m building





<u>Location</u>	<u>Total floor area in sq. m</u>
Caen Colombelles	17,525
Grenoble Viseo	11,477
Nantes Einstein	7,745
Orléans Université	6,470
Grenoble Polytec	5,133
Lyon Paul Santy	3,010
Nancy Lobau	2,187

Developments in hand

Vélizy Topaz	Paris/IDF	14,100
Aix la Duranne	Regions	2,747

Total Offices **229,612**

Business parks

	<u>Location</u>	<u>Total floor area in sq. m</u>
Orsay Université	Paris/IDF	17,211
Le Bourget - Espace	Paris/IDF	9,692
Strasbourg Tanneries	Regions	52,763
Lyon Moulin-à-Vent	Regions	36,589
Bordeaux Cadera	Regions	18,703
Lille Les prés	Regions	24,740
Montpellier Millénaire	Regions	23,597
Aix-en-Provence Golf	Regions	21,106
Marseille Aygalades	Regions	16,229
Nantes Perray	Regions	14,531
Nantes Connemara	Regions	2,461
		237,622
<u>Developments in hand</u>		
Chartres Business Park	Regions	11,546
Marseille La Mazarade	Regions	3,817
Strasbourg	Regions	3,199
Aix-en-Provence	Regions	1,983
Total Business parks		258,167



Light industrial

	<u>Location</u>	<u>Total floor area in sq. m</u>
Aubervilliers	Paris/IDF	21,002
Malakoff	Paris/IDF	10,882
Bezons	Paris/IDF	7,051
Montpellier Areva	Regions	12,003
Nancy Ludres	Regions	8,096
Total Light industrial		59,034

Warehouses

	<u>Location</u>	<u>Total floor area in sq. m</u>
Gennevilliers	Paris/IDF	20,569
Mitry-Mory	Paris/IDF	9,756
Herblay*	Paris/IDF	5,163
Sochaux	Regions	27,571
Amiens	Regions	18,244
Marseille Provence Vitrolles	Regions	12,634
Toulouse Capitols	Regions	13,753
Caen Mondeville	Regions	8,035
Vannes	Regions	7,750
Saint-Gibrien	Regions	11,350
La Roche-sur-Yon	Regions	5,980
Les Souhesmes 1 & 2 Verdun	Regions	9,958
Orléans/Ingré	Regions	4,436
Total Warehouses		155,199

* 3 retail warehouses





Nursing homes

	<u>Location</u>	<u>Total floor area in sq. m</u>
La Crau	Regions	3,331
Bourg-en-Bresse	Regions	2,840
Lyon	Regions	2,710
Cogolin	Regions	2,430
Total Nursing homes		11,311



Société de la Tour Eiffel aims to consolidate its recent development activity by focusing on the securing of rental flows notably through active lease management. The marketing of new space also represents a vital source of increased income to the company. Recent deliveries represent a significant component of the asset base, including Viseo in Grenoble, CityZen in Rueil-Malmaison, Domino in Porte de Lilas and Topaz in Vélizy.

It is anticipated that rental increment will be achieved through annual indexation (moderately calculated at 2.5% in the projections) in addition to the leasing up of new developments delivered in 2008. The rental projections established by the Company predict that income from rent will reach €76m in 2009 on a like-for-like basis, an amount which is forecast to increase to €81m in 2010 and €86m in 2011.

The company will consider new investments with the utmost caution and scrutiny. Land reserves will be developed on a built-to-suit basis only. The group remains optimistic as to its ability to continue targeted disposals.

All of these actions are carried out in conjunction with a view to the enhancement of the portfolio value and debt ratios.

Outlook



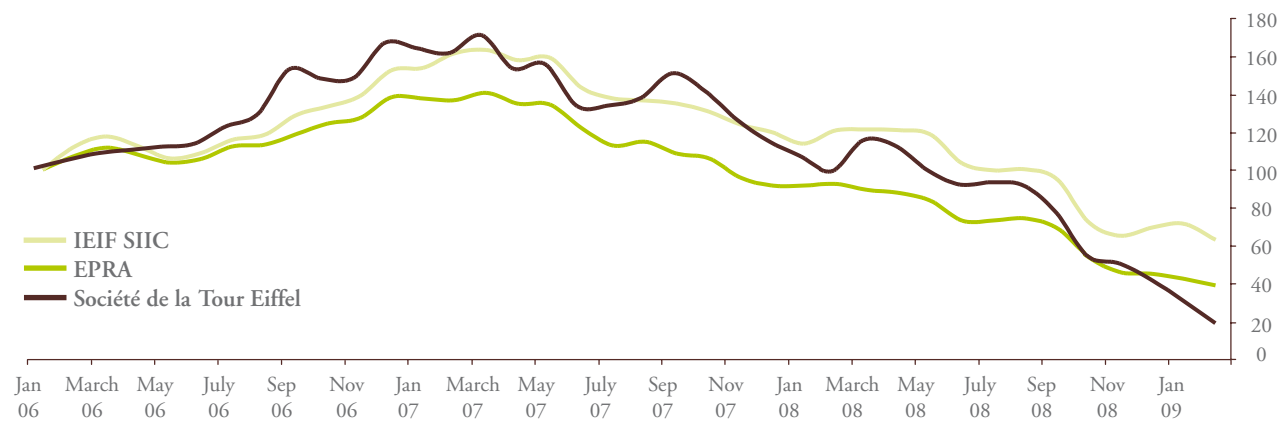




Transparency of financial information
 In 2008, Société de la Tour Eiffel demonstrated its continued commitment to transparency by communicating the details of its loan covenants. This is only part of a long-term approach. Since the beginning of 2007, Société de la Tour Eiffel has applied the EU transparency directive. This involves disclosing information relating to the Company's activities and financial aspects to provide the most complete and clearest possible reporting. The approach dovetails with the practise of reporting and dialoguing with individual and institutional shareholders, financial analysts, journalists and other opinion leaders in both France and abroad. All of the financial documents and relevant information concerning the company's activity are also available on its website at www.societetoureiffel.com, recently rebuilt.

Share price: comparable performance

(base 100 in January 2006)



Dividend yield

	Dividend (€/share)	Yield*
2004	1.6	2.70%
2005	4	5.40%
2006	5	3.70%
2007	6	6.40%
2008	5	15%

* based on share price as at 31 December

Stock Market



Ownership structure

Société de la Tour Eiffel has a free float of almost 90%. At 31 December 2008, 6 shareholders held more than 5% of the capital:

- > companies holding directly or indirectly more than 5% of the capital or the voting rights: ING Clarion, Nomura Asset Management Co. Ltd, DLIBJ Asset Management Co. Ltd, Sumitomo Mitsui Asset Management Co. Ltd
- > companies holding directly or indirectly more than 10% of the capital or the voting rights: Eiffel Holding Ltd, a company which holds the managers' equity stake (including shares held by companies or individuals acting jointly), Fortis Investment Management France.

2009 Agenda

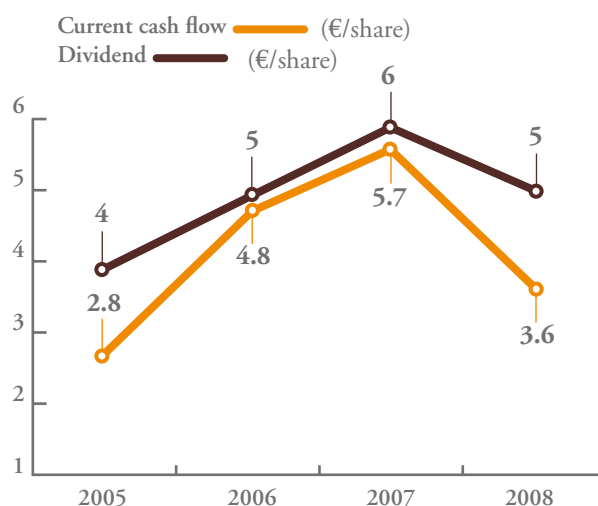
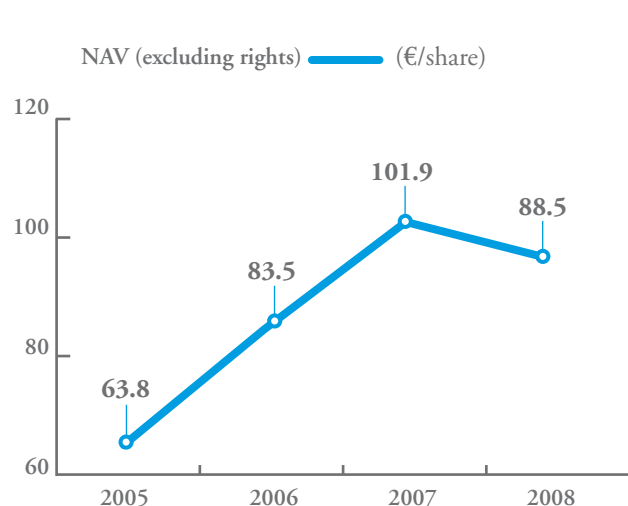
- > **14th Mai 2009:** 2008 Annual General Meeting
- > **15th May 2009:** 2009 First quarter turnover
- > **12th June 2009:** Final 2008 dividend payment
- > **September 2009:** Interim 2009 dividend payment
- > **15th November:** Third quarter 2009 turnover

* Final dividend of 1.50€ submitted to the General Meeting of 14th May 2009, with option of payment in shares or cash payment.

Summary share data table

	Unit	2005	2006	2007	2008
Consolidated net profit (Group share)	€m	15.8	117.9	91.6	-16.7
NAV (excluding rights) per share	€	63.8	83.5	101.9	88.5
Current cash flow per share	€	2.8	4.8	5.7	3.6
Share price at 31/12	€	74.5	136.5	93.9	33.6
Dividend per share	€	4.0	5.0	6.0	5.0
Market capitalisation at 31/12	€m	378.2	708.5	487.4	174.5

EIFF
LISTED
NYSE
EURONEXT



CONSOLIDATED BALANCE SHEET

in thousands of €	December 31, 2008	December 31, 2007	December 31, 2006
NON CURRENT ASSETS	1,090,526	1,105,580	885,160
Tangible assets	8,771	74,938	41,544
Investment properties	1,077,158	1,007,908	825,465
Goodwill	-	-	-
Intangible assets	2,286	3,043	3,707
Loans and receivables	1,115	12,320	9,653
Hedging at fair value	1,196	7,371	4,791
CURRENT ASSETS	99,022	64,952	70,158
Properties earmarked for sale	18,300	-	-
Trade receivables and related accounts	22,062	8,685	7,110
Tax receivables	15,109	20,189	32,396
Other receivables	15,216	9,052	7,667
Investment securities	17,420	16,247	8,788
Cash	10,915	10,779	14,197
■ TOTAL ASSETS	1,189,548	1,170,532	955,318
Shareholder's equity (Group share)	418,313	471,499	410,777
Capital	249,264	249,264	249,132
Share premium	42,653	42,653	42,571
Legal reserve	4,142	2,563	743
Consolidated reserves	139,002	85,424	423
Consolidated net profit	-16,748	91,595	117,908
Minority interests	362	69	21
TOTAL SHAREHOLDERS' EQUITY	418,675	471,568	410,798
NON CURRENT LIABILITIES	706,354	621,836	485,087
Long-term borrowings	678,876	601,335	464,529
Hedging at fair value	14,858	1,979	1,977
Rental deposits and guarantees received	10,314	9,684	7,474
Long-term provisions	621	619	305
Tax liabilities	1,386	8,219	10,802
Deferred tax liabilities and other non current liabilities	299	-	-
CURRENT LIABILITIES	64,519	77,128	59,433
Borrowings and financial debts (less than one year)	11,914	14,905	7,730
Trade payables and equivalent	36,477	49,380	40,239
Tax and social security liabilities	16,128	12,843	11,464
Short-term provisions	-	-	-
■ TOTAL LIABILITIES	1,189,548	1,170,532	955,318

Financial information



CONSOLIDATED INCOME STATEMENT

in thousands of €	December 31, 2008	December 31, 2007	December 31, 2006
Gross rental income	84,569	83,858	60,457
Property tax	-8,689	-8,250	-5,403
Other property operating expenses	-12,114	-8,621	-4,889
Net rental income	63,766	66,987	50,165
Corporate expenses	-13,073	-14,630	-13,262
■ CURRENT OPERATING PROFIT	50,693	52,357	36,903
Depreciation and operating provision	-903	-1,073	-191
Net other income	-95	406	60
Proceeds from disposal of investment property	92,723	40,510	45,376
Book value of investment property sold	-93,113	-37,363	-40,585
Net profit or loss on disposal of investment property	-390	3,147	4,791
Fair value adjustment to investment properties	-13,073	68,902	88,911
Goodwill adjustment	-	-	-999
Net balance of value adjustments	-13,073	68,902	87,912
■ NET OPERATING PROFIT	36,232	123,739	129,475
Financial income	1,453	868	1,287
Financial expenses	-35,269	-28,200	-15,064
Net financial costs	-33,816	-27,332	-13,777
Fair value adjustments on hedging & other financial income and expenses	-18,383	1,950	3,427
■ PROFIT BEFORE TAX	-15,967	98,357	119,125
Corporation tax	-702	-6,811	-1,196
■ NET PROFIT	-16,669	91,546	117,929
Minority interests	-79	49	-21
■ NET PROFIT (GROUP SHARE)	-16,748	91,595	117,908





Financial report

2008

Contents

Message from the CFO page 46

Management report page 47

Consolidated financial statements page 95

Corporate financial statements page 133

Report from the Chairman of the Board page 159

Resolutions page 165

MESSAGE FROM THE CFO

In spite of an unprecedented world financial crisis, Société de la Tour Eiffel maintained an acceptable level of activity during 2008 with satisfactory operational results; in the face of the liquidity crisis, the company negotiated 60% of its credit lines and disposed of €90 million of assets on attractive terms. Throughout the year, the active development program initiated the preceding 12/24 months came to fruition with the delivery of 50,000 s.q m of new office space largely prelet, whereas active asset management resulted in lease renewals representing more than 100,000 s.q m of space further enhancing the cash flow security of the portfolio (long leases, moderate rents, quality tenants roster and regional spread).

The financial crisis impacted equity values and all quoted property companies were penalized. Société de la Tour Eiffel was no exception and suffered particularly due to its widespread float and international shareholding. The discount of share price to NAV was 62% as at 31st December 2008 whereas the dividend yield rose to 15% compared to 3.7% end 2006 and 6.4% end 2007, a situation even more extravagant at end March 2009 (29%).

For 2009, Société de la Tour Eiffel's team will continue to apply discipline and experience in completing the development pipeline (financed), and execute portfolio management with an overriding objective of reducing debt and augmenting the net cash flow (notably benefiting from dramatically reduced interest rates) to provide the shareholders with durable and reliable dividends.



A handwritten signature in dark ink, appearing to be 'JD', written on a light-colored background.

Jérôme Descamps, Chief Financial Officer

Management report

Contents

1 – Business and highlights

1.1 – Highlights in the real estate business of the Group	page 49
1.2 – Highlights concerning the financing of the company and Group	page 52
1.3 – Other highlights	page 52

2 – Economic and Financial performance report

2.1 – Consolidated financial statements	page 53
2.2 – Group Financing	page 54
2.3 – Asset appraisal and NAV	page 57
2.4 – Corporate financial statements	page 59
2.5 – Activities of the main subsidiaries	page 60

3 – Corporate governance

3.1 – Composition of the Board of directors and senior management	page 60
3.2 – Role and operation of the Board of Directors	page 61
3.3 – Mandates held by the management in 2008	page 61
3.4 – Specialised committees	page 63
3.5 – Remunerations, allowances and benefits of corporate officers	page 64

4 – Future prospects and risk management

4.1 – Events since closing of year-end accounts	page 70
4.2 – Future prospects	page 70
4.3 – Risk factors and insurance	page 70

5 – Société de la Tour Eiffel's shareholders

5.1 – Information relating to the share capital	page 76
5.2 – Group ownership structure	page 77
5.3 – Dividends paid out over the past five years	page 79
5.4 – Transactions involving the Company's shares	page 80
5.5 – Factors which could affect a take-over bid	page 84

6 – Employment and sustainable development information

6.1 – Organisation	page 84
6.2 – Activities of the company foundation	page 84
6.3 – Environmental information	page 85

7 – Presentation of resolutions

7.1 – Resolutions of the ordinary shareholders' meeting	page 85
7.2 – Resolutions of the extraordinary shareholders' meeting	page 88

8 – Appendix to the management report

8.1 – Special report on share subscription or purchase options	page 90
8.2 – Special report on free share attributions	page 91
8.3 – Table of results for the last five years	page 92
8.4 – Authorisation to assume sureties, guarantees and other warranties	page 93
8.5 – Summary table of delegations of powers in respect of capital increases	page 93

The events of 2008 were divided into two clear-cut phases.

During first half of the year, the financial crisis having migrated from the United States in late 2007, the economy began to lose impetus. The breakdown of the financial markets strongly affected the attitude of investors, in particular their willingness to undertake leverage operations.

Société de la Tour Eiffel was able to take advantage of this calm period on the market to carry out some modest operations with improved returns compared to transactions carried out during the previous year.

In addition, since the rental market remained robust, the decision was made to launch certain development operations, in particular the Topaz project in Vélizy and new buildings in certain business parks, such as those in Bordeaux and Marseilles.

Unfortunately, a clear fracture appeared during the second half of the year when the financial crisis worsened in October, symbolised by the bankruptcy of Lehman Brothers and the onslaught of the economic recession.

The real estate market was severely affected both in terms of leasing and the fall in asset values. Consequently, the company, after several years of strong growth, was forced to cease all investment activity and concentrate its efforts on maintaining tenants and marketing its developments in a particularly difficult environment.

Management report



1 – BUSINESS AND HIGHLIGHTS

1.1 – Highlights in the real estate business of the Group

Business was sustained for Société de la Tour Eiffel in 2008 with regard to the marketing of existing assets and the development of new buildings, confirming the legitimacy of an investment strategy focusing on moderate rents with long-term security, a highly relevant approach in the current economic environment. Business activity outside Paris showed particularly encouraging results.

a) Investment policy

The Group continued its growth during the first half of 2008 following its selective investment criteria, acquiring several properties representing a total value of almost €40m in financial commitments, representing €3m in annual rents:

- In Amiens, the Group acquired, subject to a 9-year leaseback, a recent warehouse and office complex of 18,000 sq. m. on a 35,500 sq. m. site, the selling party remained tenant under a fixed-term lease of 9 years. In addition to an initial yield of 8.5%, the site presents interesting long-term prospects for redevelopment, as it is located in the Saint-Lodre integrated development zone, an established retail district including in particular a Carrefour hypermarket. €5.5m have been invested.
- In Chartres, at the Jardin d'Entreprises integrated development zone, the first phase of an office/business and warehouse scheme was acquired. Two 5,700 sq. m. buildings will be delivered in late 2009 in the heart of Cosmetic Valley, near the A11 motorway. €13.5m have been invested for an anticipated yield of 7.5%. In time, this scheme will be extended to a total 22,800 sq. m. The Company holds an option on the future phases.
- In Saint-Cloud, 48 quai Carnot, a recently-constructed building was purchased comprising 4,000 sq. m. of media studios and offices, subject to a 9-year lease. The initial yield of this operation, involving an investment of approximately €12m, is 8%. The site offers considerable possibilities for redevelopment potential.

- In Aix Les Milles (near Aix-en-Provence), the Group acquired a 100% shareholding in the SCI Duranne Sud. On 8 January 2008, this company acquired a site located in the Parc de la Duranne integrated development zone in Aix Les Milles, and signed a real estate development contract on 4 March 2008 relating to the construction of a 2,747 sq. m. pre-leased office with car parking, scheduled for delivery in early 2009.
- In Marseilles, at Parc des Ayalades, the Company acquired a warehouse of 2,846 sq. m. under a 6-year fixed-term lease, at a price of €1.3m (initial yield of 7.7%). Also in July 2008, a 513 sq. m. building was acquired at a price of €0.5m to be renovated. Further to these 2 acquisitions, Locafimo now holds over 85% of this Marseilles business park.

These acquisitions form part of the investment strategy of the company, focused on new or recently-constructed buildings offering secure, long-term yields and redevelopment potential.

During the second half of 2008, the company concentrated on acquisitions aimed at consolidating ownership in its business parks, as well as on developments carried out on its own land reserves.

b) Valuation of the group's land reserves

The redevelopment operation of the Massy Ampère site was initiated following the signature of a fixed-term lease of nine years with Alstom on 23 February 2008, for a first building of 18,000 sq. m., on which construction began in March 2008. This building was designed by architect Jean-Michel Wilmotte, will be HEQ certified and delivered in late 2009, complete with a staff cafeteria and a two-level basement car park.

Parallel to the construction of this building, in accordance with the Land Transfer Requirements contract signed with the semi-public company S.E.M. Massy in October 2007, Société de la Tour Eiffel carried out the following operations as part of the redevelopment scheme of the Ampère integrated development zone initiated by Massy town hall:

- Assignment in March 2008 of one small site to the S.E.M. Massy;
- Sale of a designated residential site (9,714 sq. m.) to a developer (commitment signed on 4 December 2007, extended until 29 February 2009);
- Assignment of land to S.E.M. Massy for the construction of public facilities and new roadwork (contract signed E on October 24, 2008);
- Sale of a residential site to a specialist developer as part of a social housing scheme (commitment signed in 2008).



These disposals will generate over €10m in revenue, thus reducing the residual site to 65,000 sq. m. of office potential which Société de la Tour Eiffel will develop according to rental demand. In the meantime, the Company continues land optimisation in accordance with administrative requirements.

A further decision made regarding this large-scale real estate operation was to isolate a portion of the land to be developed in an ad hoc legal structure in order to facilitate, if required, construction projects and partnerships; the SCI Arman Ampère was formed for this purpose on 4 December 2008.

A commitment to sell was signed between SCI Arman F02 and SCI Arman Ampère on 24 December 2008.

c) Business parks

The Société de la Tour Eiffel Group has become a leading player in the French business park market.

Accordingly, the continued renovation and upgrading of the Group's 12 business parks was a major consideration in 2008. The new and renovated buildings launched by the Company are tailored to user requirements. As a result, these parks will appeal to an upscale market, increasing their value. In 2008, the company pursued planning permissions and broke ground on new buildings, in Nantes, Aix, Strasbourg and Marseilles.

As it is now either majority owner and sometimes even the sole owner of these business parks, in 2008 the Company decided to launch the "Parc Eiffel" label. The idea is to create a chain effect by forging a shared identity for the parks by way of similar services and amenities. Renovation works in the common areas and vacant floor space and the construction of new buildings have contributed to this upgrading.

Over and above the considerable renovation works involved in the creation of the "Parc Eiffel" label, the entire approach taken by the Group with regard to these business parks has been reworked in order to improve their user-friendliness and visibility. Société de la Tour Eiffel intends to step up the development of on-site personal services – particularly catering.

The merger between Parcoval and Locafimo in July 2008 simplified the companies' internal legal structures, as they possess complimentary business park holdings, and has also initiated economies of scale at both the operational and functional levels.

In 2008 the following operations were carried out regarding these business parks:

- **In Marseilles – Parc des Aygalades:** Development of a new 3,800 sq. m. building named "La Mazarade" partially pre-rented, which is scheduled for delivery in February 2009.
 - **In Nantes – Parc du Perray:** Signature of a purchase agreement to sell in September 2008 an office building comprising 1,253 sq. m. of floor space at a price of €1.2m. This building will be entirely renovated before being placed back on the rental market in 2010. Following this acquisition, Locafimo will be the sole owner of the business park.
- In addition, a 2,000 sq. m. office building under a fixed-term lease of 6/9 years was constructed and delivered in early 2009, and the Company is planning the construction of a second building of 2,000 sq. m.
- **In Strasbourg – Parc des Tanneries:** The entire park is being revamped, with the planned construction of a 1,680 sq. m. building under a fixed-term lease of 9 years, scheduled to be delivered in late 2009. In parallel, the Group is divesting of certain land reserves and non conforming buildings.
 - **In Lyon – Parc du Moulin à Vent:** Construction and delivery of a new inter-company cafeteria in 2008.
 - **In Aix-en-Provence – Parc du Golf:** Completion and delivery in 2008 of three fully pre-rented buildings (3,100 sq. m.). A building of 2,000 sq. m., pre-rented, is under construction and will be delivered in August 2009.
 - **In Bordeaux/Mérignac – Parc Cadéra:** Delivery of two partially rented buildings (4,000 sq. m.).
 - **In Nantes/La Chapelle-sur-Erdre – Parc du Connemara:** Delivery in July 2008 of a 2,460 sq. m. building rented entirely to a single tenant.
 - **In Le Bourget – Parc d'Activités de l'Espace:** Delivery in 2008 of a property complex of 9,641 sq. m., partially leased.

Overall, the buildings completed and delivered in 2008 in the business parks of the Group represented a total investment of €24m for 20,000 sq. m. in floor space.

d) Non-business parks development

In addition to the on-going development carried out in the business parks, the following properties were completed in 2008, reducing the average age of the assets of the Group:

- In Rueil-Malmaison the “CitiZen” building, pre-rented under a fixed-term lease of 6/9 years, was delivered in July 2008.
- In Paris – Porte des Lilas, the “Domino” building was delivered in October 2008 and is HEQ certified (13,000 sq. m.). Three leases were signed in December 2008, covering a total 3,800 sq. m. in floor space.
- In Vélizy, the “Energy II” building was delivered in October 2008 following major renovation work.

In Saint-Gibrien (near Châlons-en-Champagne), an extension to a Post Office sorting unit was delivered in first semester 2008, in conjunction with a renewed fixed-term lease of 9 years for the entire site.

The four property complexes delivered in 2008 represent a total investment of €90m for over 30,000 sq. m. in floor space.

In Aix-en-Provence – Parc de la Duranne : Construction of a building of 2,745 sq.m., subject to a 9-year lease closed for 7 years, scheduled for delivery in February 2009.

Further to the delivery of some 50,000 sq. m. of floor space in new buildings in 2008, 62% of the Group’s assets are less than 10 years old, with a value of €1,104m as recorded in the consolidated financial statements dated 31/12/2008, against €1,083m at the end of 2007. This net rise in value is the combined result of:

- changes in the scope of consolidation (new acquisitions and value increment of new developments exceeding twice the value of the €93m of divestments carried out during the year),
- a limited decrease in the value of the portfolio on a like-for-like basis (active asset management on the strategic buildings and the indexation of rents partially compensating for yield expansion, less pronounced yield uplift outside Paris).

In addition, the company broke ground on the “Topaz” building (former head office of Cogema) in Vélizy, where 15,000 sq. m. are scheduled for delivery in mid-2010, for an investment (pre-financed) of €35m.

e) Business activity

Business activity was particularly encouraging in 2008 with regard to the existing portfolio, both in terms of lease renewals and signature of new leases.

The company signed leases for over 100,000 sq. m. (out of 713,000 sq. m. in total assets) over the course of 2008, including 76,000 sq. m. in secure lease renewals (€12.5m annual rent) with well-established tenants, mostly for 9-years fixed. Some two thirds of the total rents are secured with fifteen major tenants, whose average lease term extends to the first quarter of 2015. The remaining rental income from these properties stems from multilet properties (400 leases), and all the assets benefit from a wide geographical distribution and competitive, moderate rents.

As of 31 December 2008, the physical occupancy rate of properties in service stands at 88.2%; after adjustment for the buildings delivered in 2008 (in the process of being rented), the physical occupancy rate remains stable at 91.4% in relation to the figure at 31 December 2007; the financial occupancy rates stand at 88.6% and 93.1% respectively (excluding buildings delivered in 2008) as of 31 December 2008, compared to 90% at 31 December 2007.

f) Disposal policy

Building upon actions carried out in 2006 and 2007, Société de la Tour Eiffel continued to deploy its business model in 2008, centred on the development of the new buildings in its portfolio and the selective divestment of certain assets considered non-strategic, non performing or mature.

During the first half of 2008, the Company concluded the sale of a portfolio of buildings valued at nearly €92m as well as a plot of land on the Massy Ampère site.

The following assets of this €92m portfolio have been sold:

- Massy Campus 2: 13,600 sq. m. of new offices, entirely rented,
- Maine Montparnasse Tower: Paris – 1,750 sq. m. on the 13th floor to be renovated,
- Crédit Lyonnais Tower: Lyon – 10,500 sq. m. on 9 levels with multiple tenants.

The transaction was concluded above the appraised value at 31 December 2007, with a profit on the Massy Campus asset which offsets a lower valuation of the two older towers, which sold at a price reflecting the renovation work in progress.



The operation enabled Société de la Tour Eiffel to:

- post distributable capital gains,
- limit its debt,
- increase its resources for financing its own development projects,
- divest two non-strategic assets (ownership lots in the two towers).

The disposal of the Massy Campus, a quality asset of Société de la Tour Eiffel, also reduced the exposure of the Group to the Massy market, where the group is currently constructing an HEQ building of 18,000 sq. m. for Alstom.

In addition, a commitment to sell was signed in October 2008 on Rue Dumont d'Urville in Paris (75016) at a price of €15m, which should be confirmed in early 2009.

Following these events, the value of the portfolio of commitments at 31 December 2008 rose to €1,161.9m, including investment property recorded in the group accounts at 31 December 2008 (€1,077.2m), the buildings under construction at their fair value upon completion (€66.4m) and assets earmarked for disposal (€18.3m under commitment to sell, signed before 31 December 2008).

1.2 – Highlights relating to the financing of the Company and Group

In 2008, the Group adjusted its financing requirements according to completed acquisitions, initiated and/or completed development operations and completed disposals, and renegotiated 60% of its total debt with one of the two main financial partners of the group in order to prolong debt maturity and simplify employment and operating conditions.

To this end, and in order to simplify its obligations to the bank which has ensured its financing since 2001, on 30 June 2008 Locafimo concluded a 2008 Consolidated and Modified Version of its June 2001 loan agreement, under the terms of which:

- the outstanding debt of the tranches successively set up during the financing of Locafimo operations have been consolidated into a single loan,
- the balance of the loan principal is extended to a maximum amount of €424m, including a newly granted credit line of up to €56m,

- the term of the Senior Credit agreement has been extended a further 3 years to 30 June 2013,

This contract took effect on 21 July 2008, the date of the merger of the Parcoval and Lyon Lilas companies with SAS Locafimo.

Société de la Tour Eiffel obtained a loan of €4m in January 2008 in order to finance the acquisition of a building located in Amiens, and another loan of €9.7m to finance the building located in Saint-Cloud.

The SCI Arman F02 obtained two loans on 28 March 2008, the first for €63.5m in order to i) reimburse its existing loans and ii) finance €40m worth of the redevelopment costs of the Massy site located in the Ampère integrated development zone, the second totalling €8.8m in order to finance the VAT on this redevelopment operation.

Lastly, the SCI Duranne Sud obtained a loan of €5.5m on 18 June 2008 intended to finance i) the €4.5 m price relating to the property development contract for the construction of a building located in Aix-en-Provence, and ii) €1.05m for the VAT on the construction of this building.

All of these new financing operations were completed with rate hedging instruments in the form of fixed-rate SWAP contracts.

1.3 – Other highlights

Internal reorganisation

On 21 July 2008, Locafimo authorised the Parcoval and Lyon Lilas companies to transfer to the Locafimo Company all of their assets, rights, and obligations in the form of a merger, with the goal of standardising business and management policy, creating economies of scale, searching for synergies and simplifying their internal legal structures, as Locafimo and Parcoval carry out similar activities and each hold a complementary portfolio of business parks.

In addition, the SCI Marne Haute Maison and SCI Marseille Sauvagère, which no longer held assets following divestments carried out in late 2007, were dissolved without liquidation.

Governance

Two new independent administrators, Mr Philippe Prouillac and Mr Marc Allez, were appointed to the Board of Directors in 2008.

In addition, the Board of Directors introduced two special committees: an audit and accounts committee and a remuneration committee.

Share buy-back programme – liquidity contract

On 29 July 2008, the company set up a new share buy-back programme similar to that previously implemented.

The purpose of the programme is to:

- ensure, by means of an investment services company and through a liquidity contract compliant with the code of practice of the French Association of Investment Firms (AFEI), the oversight of investments and the liquidity of transactions,
- enable the issuance of shares to employees or officers of the Company or Group who receive stock options under the provisions of articles L.225-177 et seq. of the French Commercial Code, and the issuance of free shares as per the provisions of articles L.225-197-1 et seq. of the French Commercial Code,
- offer shares in payment or exchange as part of property transactions.

The maximum number of shares authorised for buy-back is 519,300 – representing 10% of the capital of Société de la Tour Eiffel.

The liquidity contract concluded on 28 June 2007 with Natixis Securities remained in effect during 2008.

2 – ECONOMIC AND FINANCIAL PERFORMANCE REPORT

2.1 – Consolidated financial statements

2.1.1 – PRINCIPLES AND ACCOUNTING METHODS

The consolidated financial statements of the Société de la Tour Eiffel Group have been prepared at 31 December 2008 in accordance with IFRS standards as adopted by the European Union and applicable on the date of preparation. The accounting methods applied are the same as those implemented to produce the annual financial statements closed on 31 December 2007. The options retained by the Group for the application of IFRS standards are compliant with the recommendations of European Public Real Estate Association* (EPRA).

As of 31 December 2008, the scope of consolidation comprises 28 companies versus 30 at 31 December 2007, under the combined effect of an increase resulting from an acquisition and the creation of companies and, inversely of a decrease caused by 2 merged companies and two others which were the subject of an universal asset merger (TUP).

* EPRA : *best practices policy recommendations* – november 2007.

2.1.2 – ANALYSIS OF CONSOLIDATED RESULTS

Consolidated income statement

Consolidated turnover, which comprises rental and service charge income from investment properties, grew 0.8% between 2007 and 2008, from €83.9 to 84.6m, of which €72.4 and 70.6m, respectively was represented by rents. This net decrease in rental income is primarily due to the loss of rents from the properties divested (-€5.5 m) or turned over to redevelopment during 2007/2008 and net relettings (-€2.7m), partially offset by the delivery of new rented buildings (+€3.2m) and the indexation of rents on existing assets (+€3.2 m).

Operational charges, representing €34.8m in 2008 versus €32.6 m in 2007, reflected the company's increased turnover: they consist mainly of rental charges (€12.2m versus €10.1m in 2007), payroll expense (€4.7m versus €7.7m) including €1m, under IFRS standards, corresponding to the valuation in 2008 of stock-options, free shares, general expenses and operating costs of the companies in the Société de la Tour Eiffel Group.

The net balance of fair value adjustments is mainly due to a decrease in the fair value of investment properties in 2008 (- €13.1m).

After inclusion of a net loss on the sale of assets in the amount of €0.4m, the net operating profit stands at €36.2m in 2008 compared with €123.7m in 2007.

The net debt service cost (net cash finance charges) was €33.8m in 2008 versus €27.3m, under the combined effect of the appreciable increases in the property portfolio and interest rates.

Other financial income and charges (net financial charges in 2008 of €18.4m versus €2.0m in net financial result in 2007) mainly comprised the devaluation of derivative instruments due to falling interest rates at the end of 2008 on the one hand, and the discounting of the Group's exit tax liability on the other.

Taking the above into account along with income tax in the amount of 0.7 million euros, the net consolidated result for 2008 stands at -€16.7m versus €91.6m in 2007, i.e. -€3.2 per share based on the average weighted number of shares outstanding during the year, i.e. 5,193,003 shares.

After adjusting the valuation of assets and liabilities as well as the divestment of assets, the operating results from regular activity stand at €52.1m for 2008 and net profit at €17.6m, compared to €56.8m and €28.9m respectively in 2007.

Cash flow after income tax and the net debt service cost debt is €18.4m in 2008 versus €23.5m 2007.

Consolidated balance sheet

At 31 December 2008 net non-current assets amount to €1,090.5m versus €1,105.6m at year-end 2007. This decrease during the year is mainly due to the acquisition of the property assets described above and new buildings deliveries (decrease in tangible assets and increase in investment properties), and, on the other hand, to property sales in 2008 (€93.1m in net book values from divested buildings, fair value adjustment of investment properties and financial instruments).

Current assets represent €99.0m at 31 December 2008, compared with €65.0m at the end of the preceding financial year, reflecting an increase in operating receivables, and two properties designated by IFRS as assets to be sold for the sum of €18.3m.

On the liabilities side, consolidated equity for the year stands at €418.3m versus €471.5m at year-end 2007, a change due in particular to the appropriation of 2007 earnings, the distribution of 2008 dividends and the 2008 net income.

The net increase in overall debt, which rose from €699m to €770.9 m between 31 December 2007 and 2008, can be explained by the increase in banking loans having financed acquisitions during the year, and to a lesser extent, by that of overall financing costs.

2.2 – Group financing

In many respects, 2008 was a difficult year for the financial markets in terms of bank liquidity, credit spread and the volatility of interest rates.

2.2.1 – LIQUIDITY

In 2008, the Group adjusted its financing needs according to the acquisitions and development projects launched and adapted its interest rate hedging policy.

New resources were obtained, mainly during the first half of 2008, on the banking market from reputed financial institutions by setting up new credit lines and by extending existing master agreements, exclusively in the basis of mortgage security.

As described in the highlights relating to financing, in 2008 the Group financed and refinanced €92.6 m of its bank debt. One of the major events of the year was the renegotiation of the mortgage financing granted to Locafimo according to the loan agreement dated 1 June 2001, which represents nearly 60% of the total bank financing of the Group. The term of this €357m loan – initially July 2010 – has been extended to July 2013 for an increased amount of €368m under the same conditions. In addition, a new, undrawn credit line of €56m has been offered subject to conditions; about half of this facility was already available at year-end 2008.

At 31 December 2008, the Group has €60.7m of unused credit lines (excluding the €56m line granted in 2008).

2.2.2 – DEBT STRUCTURE AT 31 DECEMBER 2008

Global gross debt at 31 December 2008 stood at €682.5m, versus €606.1m at 31 December 2007.

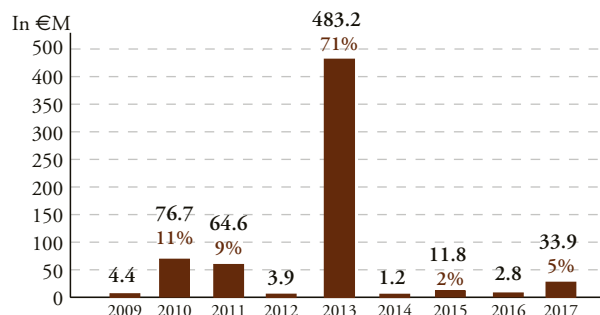
Net debt recorded on the balance sheet, obtained by deducting from the global debt all financial investments in the form of cash securities held by the bank financing property assets currently under construction, liquid asset investments, and available assets of the Group's subsidiaries, amounted to €654m at year-end 2008 versus €571.2 at year-end 2007.

In €M	31/12/2007	31/12/2008
Global debt	606.1	682.5
Invested cash reserves	(16.2)	(17.4)
Liquidity	(10.7)	(10.8)
Financial investments (pledged cash)	(11.5)	(0.3)
■ NET DEBT ON BALANCE SHEET	567.7	654.0

Thus, with the financial resources set up and used this year mainly in the form of mortgages, the LTV ratio at 31 December 2008 represents 59.2 % of property assets, valued at €1,104.3m.

Debt by maturity date

€682.5m in bank financing of Société de la Tour Eiffel drawn at 31 December 2008, represented by maturity date:



The average maturity of the Company's debt is 4.3 years at 31 December 2008, versus 4 at 31 December 2007.

71% of the global debt has a time to maturity of 4.5 years, and 8.5% from 5 to 9 years.

The average cost for Group refinancing was 5.2% in 2008 (5% in 2007). This change in the average cost of the debt is explained by the significant rise in interest rates between January and October 2008 of over 70 BP, applied to recently concluded finance agreements. Interest rates fell sharply at the very end of 2008 and the beginning of 2009.

2.2.3 – MANAGEMENT OF MARKET RISKS

Société de la Tour Eiffel is only concerned by the market risk resulting from the change in interest rates relating to loans contracted to finance its investment strategy and maintain requisite financial liquidity.

The aim of the interest rate risk policy of Société de la Tour Eiffel is to limit the impact of a variation in interest rates on profits, and to keep the global cost of debt as low 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, according to the recommendations of the banks with which it regularly works. When new financing or refinancing lines are set up, they are systematically backed with a suitable rate hedging instrument, chosen as a result of consultation with several competing banks in terms of maturity and cost according to market conditions and the nature of the underlying asset to be financed subject.

Setting up derivative products to limit the risk of rate exposes the Company to the possible failure of a counterparty. To limit the counterparty risk, Société de la Tour Eiffel carries out hedging operations only with first-rate financial institutions.

Evaluation of interest rate risk:

At 31 December 2008, gross bank financial debt amounted to €682.5 m, of which €623.1m is at variable rates and €59.4m at fixed rates. After taking into account the fixed rate SWAP instruments, the total debt at fixed rate stands at €342.4m, i.e. 50% of the total debt. In addition, the debt at variable rate was hedged for a total of €279.5m by CAP instruments which would allow the Group to profit from the fall in the interest rates during the 2009 year. In this way, at 31 December 2008, the debt was hedged overall to a total ratio of 91%.

On the basis of the outstanding debt as at 31 December 2008 and the hedgings in place, a rise in the Euribor 3-month interest rates of 100 base points in 2009 would have a negative impact on recurring net income, estimated at €2.8m.

A contrario, in the event of drop in the interest rates of 100 basic points, a decrease in finance cost estimated at €2.8m would occur, resulting in an equivalent positive impact on the recurring net income for 2009.

As a reminder, between 1st October 2008 and the end of February 2009, the Euribor 3-month rates, the sole reference rate applied to the variable-rate bank financings of the Group, fell from 5.29% to 1.8%.

2.2.4 – FINANCIAL STRUCTURE RATIOS

Indebtedness ratios	2008	2007	2006
Consolidated equity €M	418.7	471.6	410.8
Net financial debt €M	654.0	567.7	430.3
Net financial debt/Consolidated equity	156%	120%	110%
Net banking debt/Total property assets (Loan to Value)	59.2%	52.4%	49.6%
Financing ratios	2008	2007	2006
Average cost of debt	5.2%	5%	4%
Fixed-rate or capped debt	91%	99%	82%
Maturity of debt	4.3 years	4 years	4.8 years
Hedging of financial costs by GOP ⁽¹⁾	1.5	1.9	2.7

(1) GOP: Gross Operating Profit = Operating income before adjustment of value and other income and operating expenses

These financing ratios reflect a company which has heavily invested each year since its redeployment in 2004, and consequently required significant financial resources, either in the form of capital or bank financing (hedged by suitable derivative products). In particular, the capital increases carried out in 2003, 2004 and 2005 significantly affected debt ratios which since 2006 represent optimal use of leverage, appropriate to the yield profile of the property assets financed.

Loan covenant ratios

The financial ratios that the Group has committed to respect as part of its bank financings are summarised in the table below, for the highest amounts posted at 31 December 2008 per bank. The table compares the latest ratios communicated to the banks at 31 December 2008 to the company's contractual obligations (LTV and ICR i.e. coverage of finance costs incurred during the 4th quarter of 2008 and projected for the first three quarters of 2009 by the net rents of the 4th quarter 2008 and those projected over the first three quarters 2009) with those the Group committed to respect in accordance with its main financing contracts.

BANKING FINANCING AND MAIN COVENANTS AT 31/12/2008

In €M	31/12/2008 Debt drawn	Contractual Thresholds		Ratios at 31/12/2008		
		Maximum LTV	Minimum ICR	LTV	ICR	Term
RBS/AXA/Calyon	144.4	75%	170%	52%	318%	15/06/2013
RBS/Calyon/Crédit Foncier/AXA	72.5	75%	180%	66.2%	247%	31/03/2010
Calyon	60.6	80%	125%	52.0%	207%	15/04/2011
Société Générale/Crédit Foncier	38.6	-	110%	-	N/A	17/03/2017
Hypo Real Estate	349.3	72.5%	140%	62.6%	179%	30/06/2013

The level of the loan covenants at 31 December 2008 complies with all the commitments of the Group as established by each of its financing contracts.

2.3 – Asset Appraisal and NAV

2.3.1 – GROUP PROPERTY ASSETS

All the property assets of the Société de la Tour Eiffel Group were appraised at 31 December 2008 by one or the other of the following independent valuers: Atisreal Expertises, Savills Expertises, Drivers Jonas, Cushman and Wakefield and Ad Valorem. The Group appointed Ad Valorem as a new valuer and rotated two valuers for one portion of its property assets. Attributions between firms are determined by the geographical location and nature of the subject properties.

The property assets of the group stand at €1,104.3m, excluding transfer duties and expenses, of which €1,095.5m represent investment properties and €8.8m represent current plant, property, and equipment including buildings under construction, valued at cost depending on their state of progress at 31 December 2008.

In compliance with the recommendations of the Autorité des Marchés Financiers (France's Financial Markets Authority), these appraisals are undertaken annually on a uniform manner based on net selling prices, i.e. excluding transfer costs.

VALUATION OF PROPERTY ASSETS

In €M	31/12/2007		31/12/2008	
		In %	In €M	In %
Offices	535.1	53.1%	579.7	52.9%
Parcs Eiffel	272.8	27.1%	311.1	28.4%
Warehouses	103.5	10.3%	107.7	9.8%
Light Industrial space	60.5	6.0%	60.2	5.5%
Nursing homes	35.9	3.6%	36.8	3.4%
■ TOTAL	1,007.9	100.0%	1,095.5	100.0%

CHANGE

In €M		In %
Offices	44.5	8%
Parcs Eiffel	38.4	14%
Warehouses	4.1	4%
Light Industrial space	(0.3)	(1%)
Nursing homes	0.9	2%
■ TOTAL	87.5	9%

Methodology retained by the experts

The general principle of valuation retained by the valuers is based on the application of two methods: the capitalisation method, cross-checked with the comparison method. The value is estimated by the valuers on the basis of the values resulting from both methodologies.

The results obtained are also cross-checked with the initial yield and capital market values per sqm.

The capitalisation method consists in capitalizing a net passing income or a market rent at a suitable rate of return taking into account discounted adjustments for future rental increments or shortfalls.

This method is based on the rental value (market rent) of the assets, compared with the passing rent. When the net rent is close to the rental value, the rent is capitalized on the basis of a market rate of return, reflecting in particular the quality of the building, its location, the tenant and the fixed lease remaining term. The adopted rate of return reflects the rates of return arising from the transactions occurring on the market. If the net rent is appreciably higher or lower than the rental value, the difference is capitalised on a discounted basis up until the next lease break date and added or subtracted from the core result.



For vacant space at the time of the valuation, the rental value is capitalized at a market rate of return plus an allowance for risk, and then the loss of rent for the estimated marketing period deducted.

2.3.2 – NET ASSET VALUE

Net Asset Value including taxes

To calculate the net asset value including taxes, properties are first assessed for their tax-inclusive value according to appraisals made by independent valuers. Buildings under construction, however, although they represent potential capital gains, appear, in accordance with IFRS standards, in the consolidated financial statements, at cost. As a matter of interest, the potential capital gains on buildings under construction, based on their appraisal value excluding taxes (upon delivery) determined by independent valuers, less the cost of works remaining to complete, were null at 31 December 2008 with respect to the calculation of NAV.

The Net Asset Value corresponds to the consolidated shareholders' equity at 31 December 2008, plus the unrealised gains on goodwill (value of Awon Asset Management as estimated by Deloitte at 31 December 2008).

The net asset value including taxes (replacement NAV) stands at €93.3 per share at 31 December 2008 compared with €107.4 per share at 31 December 2007 representing a reduction of 13%.

Net asset value excluding taxes

A second calculation provides net asset value excluding taxes. Transfer charges are estimated at 5% of the new value of the company owning an asset. This same transfer tax calculation method has been used for every year since the Company began its property investment activities.

At 31 December 2008, the transfer taxes and other divestment expenses estimated by the Company, compared with the taxes already deducted from the value of the assets, issued by independent property experts and represented in the consolidated balance sheet (pursuant to IFRS standards), result in an adjustment of €28.7m.

The net asset value excluding taxes (liquidation NAV) stands at 88.5 euros per share at 31 December 2008 versus 101.9 euros per share at 31 December 2007, representing a total decrease percentage of 13%.

CALCULATION OF NET ASSET VALUE EXCLUDING TAXES FROM CONSOLIDATED SHAREHOLDERS' EQUITY

In €m	31/12/2007	31/12/2008
Consolidated shareholders' equity	471.6	418.7
Appreciation on intangible assets	1.9	2.7
Appreciation on buildings under construction	21.8	0
Net adjustment of the transfer taxes:	27.4	28.7
+ Taxes deducted from the value of assets on the balance-sheet	55.6	53.2
- Estimated divestment taxes and fees	28.2	24.5
■ NAV EXCLUDING TAXES	522.7	450.1
Number of shares (excluding treasury shares)	5,130,878	5,085,145
■ NAV EXCLUDING TAXES BY SHARE IN €	101.9	88.5
Change compared with 31/12/2007		(13.1)%

CHANGE IN NAV EXCLUDING TAXES FROM 31/12/2007 TO 31/12/2008

	In €M	By share in €
NAV excluding taxes at 31/12/2007	522.7	101.9
Impact of the change in number of shares		0.9
Recurring net income	17.6	3.5
Distribution of 2008 dividends	(33.1)	(6.5)
Capital gains on divestments	(0.4)	(0.1)
Valuation of property assets ⁽¹⁾	(34.9)	(6.9)
Valuation of hedging instruments	(18.4)	(3.6)
Other	(2.9)	(0.7)
■ NAV EXCLUDING TAXES AT 31/12/2008	450.6	88.5

Number of shares (excluding treasury shares) at 31 December 2008: 5,085,145

Number of shares (excluding treasury shares) at 31 December 2007: 5,130,878

(1) including €21.8m at 31/12/2007 and 0 euro at 31/12/2008 for buildings under construction, which were all delivered in 2008.

2.4 – Corporate financial statements

It should be noted that a change in accounting method relating to the plans for share subscription or purchase options and the plan for granting free shares was carried out in 2008, following the Accounting Regulatory Committee regulation of December 2008. The impact of this change was €969,695 as of 1 January 2008, recorded in the income statement in accordance with the option issued by the aforementioned regulation.

The total balance sheet of Société de la Tour Eiffel at 31 December 2008 amounted to €418.1m versus €380.3m at 31 December 2007.

Assets

Fixed assets include, on the one hand, the Vélizy buildings acquired at year-end 2006 and the Amiens and Saint-Cloud buildings (acquired in early 2008) (total net book value of €29.5m at 31 December 2008) and, on the other hand, the equity interests in subsidiaries and related receivables. The rise in the value of equity interests (from €260.6m to €261.3m) is due to the acquisition of the SCI Duranne Sud in March 2008.

In compensation, the receivables related to equity interests, representing stable financing from the parent company to the subsidiaries, decreased by €20.0m in 2008, from €78.9m in 2007 to €58.9m, mainly due to the settlement of the subordinated loan of the Massy Campus II property partnership (following the sale of its Massy building), and the receipt of dividends by subsidiaries.

The increase in current assets from 2007 to 2008 (€28.9 to €68.0m) is above all due to the increase in operating receivables of €27.2 m, the financing of subsidiaries' property investments by current shareholders accounts, and the Company's cash assets (€14.3m). Conversely, the marketable securities representing the treasury shares obtained through the currently applicable share buy-back programme and the liquidity contract (107,358 shares at 31 December 2008 versus 65,744 at 31 December 2007) posted a net decrease of €1.7m, under the combined effect of an increase in gross value related to acquisitions (€2.0 m) and an additional provision in 2008 of €3.7m (owing to the fall in the share price of Société de la Tour Eiffel).

Liabilities

Equity decreased from €313.8m at 31 December 2007 to €308.9m at year-end 2008, under the combined effect, on the one hand upwards due to the appropriation of 2007 earnings to legal reserves and retained earnings (€0.9m), and on the other hand downwards due to the decrease in net company earnings as impacted by the interim dividend distributed during the year (-€5.8m).

The increase in overall debt, from €66.5m at 31 December 2007 to €108.2m at year-end 2008, reflects in particular the increase in bank finance (including €30.8m drawn in 2008 from the corporate line of credit, €9.7m from the line allocated to the acquisition of the Saint-Cloud building and €3.9m from that of the Amiens building), and in addition, the reduction in operating debt and intra-group debts (€2.7m).



Income statement

Operating income (€7.4m in 2008 versus €6.4m in 2007) is mainly derived in 2008 from Société de la Tour Eiffel having re-invoiced its subsidiaries for administration and asset management expenses and investments charges and the rental income from its properties (€1.4m versus €0.7m, respectively). Operation expenses include costs in relation to the master asset management agreement with Awon Asset Management, certain financing and investment charges and Société de la Tour Eiffel overhead. The overall increase of €3.6m in 2008 is primarily due to the €1.0m in provisions, on the basis of purchase cost, of the own shares granted as free shares as well as the impact of the free share plans, for which the definitive issuance occurred in 2008 (€2.0m).

The operating loss is - €5.6m in 2008 versus -€3.0m in 2007.

The financial profit, which amounts to €33.7m in 2008 versus €34.9m in 2007, mainly comprises equity interest income and related receivables, net cash reserve income and financial charges on intra-group debt and corporate bank financing, as well as provisions for depreciation of own held shares (charges of €4.2 m and write-backs of €0.5m in 2008).

These aforementioned elements together with a small insignificant non-recurring profit, net profit stands at €28.2m in 2008 versus €31.6m in 2007.

The income statement required under article R 225-102 of the French Commercial Code is appended to the present report.

Expenditure on luxuries and no tax deductible charges

In compliance with the terms of Articles 223 quater and 223 quinquies of the Tax Code, we specify that the accounts for the past financial year do not include expenses which are not tax deductible.

2.5 – Activities of the main subsidiaries

The business activities of subsidiaries and holdings were presented in our introductory statement on the business activities of both the Company and the Group.

A table presenting our subsidiaries and holdings, presented as an appendix to the balance sheet, shows the key indicators for sales turnover and earnings in 2008.

Also mentioned above in the “Buildings and Highlights” chapter are acquisitions of shareholdings made in 2008.

At 31 December 2008, the consolidation of the Société de la Tour Eiffel group encompassed 27 companies (not including Société de la Tour Eiffel): 26 are wholly-owned companies as per the list appended to the consolidated accounts, for one company the shareholding is 90%. Among the 27 subsidiaries, 26 are companies that own properties, and one is a company providing consultancy services (asset management).

These subsidiaries do not hold any shares in Société de la Tour Eiffel.

3 – CORPORATE GOVERNANCE

3.1 – Composition of the Board of Directors and senior management

Mark Inch, Chairman and Chief Executive Officer
Business address: Société de la Tour Eiffel

Robert Waterland, Deputy Managing Director and Board member
Business address: Société de la Tour Eiffel

Jérôme Descamps, Deputy Managing Director and Board member
Business address: Société de la Tour Eiffel

Michel Gauthier, Board member
Home address: 31 rue Boissière, 75116 Paris

Claude Marin, Board member
Home address: 1 rue du Louvre, 75001 Paris

Philippe Prouillac, Board member
Home address: 6 Villa Pauline, 92100 Boulogne

Marc Allez, Board member
Home address: 109 avenue Général Guisan - 1009 Pully - Switzerland

Over one half of the board comprises independent Board members, in accordance with the recommendation of the Afep-Medef Code of corporate governance for listed companies dated December 2008. This report defines an independent Board member in the following way: “*Board members are independent when they do not entertain any relation of any kind with the company, its group, or its management that might compromise their independent judgment*”.

3.2 – Role and operation of the Board of Directors

The members of the administrative and management bodies are not related to Société de la Tour Eiffel by a contract of employment, except for Mr Robert Waterland.

Mr Robert Waterland has a contract of employment with the Company in his capacity as Director of Property, under the terms of remuneration indicated in paragraph 3.5 below.

Mr Jérôme Descamps has a contract of employment with the Awon Asset Management Company a subsidiary of Société de la Tour Eiffel.

There is a service contract between the Company and the Bluebird Investissements Company, of which Mr Mark Inch is the manager. The services provided by Bluebird Investments, consisting in assistance for the development of the asset management business, mandate research and negotiation, are subject to an assistance contract which gives rise to an annual contractual fee of €670,000. The Company shares the cost between itself and its subsidiaries.

The board of directors comprises four independent Board members out of a total of seven members.

The independent Board members do not have any link of dependence with the Company, from which they do not receive any direct or indirect remuneration apart from the attendance fees mentioned in paragraph 3.5 below, as well as the remuneration of their functions within the special committees, the audit committee and the remunerations committee.

Given the size of the firm and the fact that its business is concentrated in a single sector, all the strategic issues and decisions are dealt with by the Board of Directors.

Nevertheless, on 29 July 2008 the Board of Directors appointed an audit committee and a remunerations committee to act in an advisory role.

3.3 – Mandates held by the management in 2008

MARK INCH

Born 12 February 1950 in Edinburgh (United Kingdom)
Address: 76 Avenue Paul Doumer, 75116 Paris

Main function held in the Company: Chairman and Chief Executive Officer

Date of appointment:

Appointed as Board member:
10 July 2003, renewed 29 March 2007

Appointed as **Chairman of the Board of Directors:**
22 July 2003, renewed on 29 March 2007

Appointed as **Chief Executive Officer:** 10 July 2003, renewed on 29 March 2007

Expiry of term of office: 2010

Other offices and mandates held outside Société de la Tour Eiffel at 31 December 2008:

Board member of Fondation de la Société de la Tour Eiffel

Other offices and mandates held outside the Company at 31 December 2008:

Manager, Bluebird Holding SARL
Manager, Bluebird Investissements SARL
Manager, SNC Albion
Board member, Fédération des Sociétés Immobilières et Foncières
Director, Eiffel Holding Limited
Director, Eiffel Management Limited

Other effective mandates and functions having expired during the past five years:

Chairman of the Board of Osiris Gestion de Entidades S.L.U.
Deputy Board member, Albion Development SA
Manager, SNC Cergy La Bastide
Manager, SNC Manufacture Colbert
Director, Douglasshire International Holding BV (Netherlands)

ROBERT GUY WATERLAND

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

Main function held in the Company:

Deputy Managing Director

Date of appointment:

Appointed as Board member: 22 July 2003, renewed on 29 March 2007

Appointed as **Deputy Managing Director:** 14 March 2005, renewed on 29 March 2007

Expiry of term of office: 2010

Other offices and mandates held within the Société de la Tour Eiffel Group at 31 December 2008:

Chairman of Fondation de la Société de la Tour Eiffel
Chairman, SAS Locafimo
Manager, SCI du 153 avenue Jean Jaurès
Manager, SCI Arman F02
Manager, SCI des Berges de l'Ourcq
Manager, SCI Caen Colombelles
Manager, SCI Champigny Carnot
Manager, SCI Comète
Manager, SCI Etupes de l'Allan
Manager, SCI Grenoble Pont d'Oxford
Manager, SCI Lyon Genlis
Manager, SCI Malakoff Valette
Manager, SCI Marceau Bezons



Manager, SCI Massy Campus II
Manager, SCI Nowa
Manager, SCI Porte des Lilas
Manager, SCI Rueil National
Manager, SCI Daumesnil d'Etudes and Promotion
Sodeprom
Manager, SCI Arman Ampère

Other offices and mandates held outside the Company at 31 December 2008:

Board member, ORIE
Manager, SNC Awon Participations – SNTTP
Manager, SNC Foncière Eiffel Développement
Manager, SNC Albion
Manager, SC Layla

Other effective mandates and functions having expired during the past five years:

Managing Director, Osiris Gestion de Entidades S.L.U.
Chairman, SAS Parcoval
Chairman, ORIE
Manager, SNC Awon Asset Management
Manager, SNC Cergy La Bastide
Manager, SNC Manufacture Colbert
Managing Director, Awon Conseil
Manager, Awon Gestion
Director, Douglasshire International Holding BV (Netherlands)

MICHEL GAUTHIER

Born 26 December 1935 in Rabat (Morocco)
Address: 31 Rue Boissière, 75116 Paris

Main function held in the Company:
Board member

Date of appointment: 30 September 2003 (renewed during the General shareholders' meeting of 27 March 2008)

Expiry of term of office: 2011

Other offices and mandates held within the Société de la Tour Eiffel Group at 31 December 2008:

Chairman of the Société de la Tour Eiffel audit committee

Other offices and mandates held outside the Company at 31 December 2008:

Receiver, 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
Manager, Suscripciones España

Other effective mandates and functions having expired during the past five years:

Chairman of the supervisory board of France Abonnements (until June 2005), then member of the supervisory board of France Abonnements
Permanent representative of France Abonnements until December 2005 to the ADL Partner Board of Directors until December 2005
Board member, ADL Partner Italia
Permanent representative of a Board member, Macaci
Chairman and Managing Director, La Salamandre Investissements France

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 (renewed during the General Assembly of 27 March 2008)

Expiry of term of office: 2011

Other offices and mandates held within the Société de la Tour Eiffel Group at 31 December 2008:

Board member, Société de la Tour Eiffel Foundation
Chairman of the Société de la Tour Eiffel remunerations committee

Other offices and mandates held outside the Company at 31 December 2008:

Board member, Société Greco
Member of the Supervisory Board, Editions Actes Sud
Board member, PIM Gestion
Member of the Supervisory Board, Banque Safra

Other effective mandates and functions having expired during the past five years:

Chairman and Chief Executive Officer, Société Greco

MARC ALLEZ

Born 21 April 1937 in Paris 8th district
Address: 109 avenue Général Guisan, 1009 Pully, Suisse

Main function held in the Company:
Board member

Date of appointment: 27 March 2008

Expiry of term of office: 2011

Other offices and mandates held within the Société de la Tour Eiffel Group at 31 December 2008:

Member of the Société de la Tour Eiffel audit committee
Member of the Société de la Tour Eiffel remunerations committee

Other offices and mandates held outside the Company at 31 December 2008:

Honorary notary
Board member, Les Editions P. Amaury Company, since 1999

Other effective mandates and functions having expired during the past five years:

None

PHILIPPE PROUILLAC

Born 6 April 1953 in Dakar (Senegal)
Address: 6 Villa Pauline, 92100 Boulogne

Main function held in the Company:

Board member

Date of appointment: 12 February 2008

Expiry of term of office: 2010

Other offices and mandates held within the Société de la Tour Eiffel Group at 31 December 2008:

Member of the Société de la Tour Eiffel audit committee
Member of the Société de la Tour Eiffel remunerations committee

Other offices and mandates held outside the Company at 31 December 2008:

Acting Manager, CIPA company

Other effective mandates and functions having expired during the past five years:

Board member and General Manager, Aareal Bank France
Chairman, Banque Mansart
Chairman, Atisreal Expertise
Chairman, Atisreal Consult

JÉRÔME DESCAMPS

Born 11 June 1967 in Saint-Amand-les-Eaux (France)
Address: 15/17 Rue de Dantzig, 75015 Paris

Main function held in the Company:

Deputy Managing Director

Date of appointment:

Appointed as Board member: 14 November 2003,
renewed on 29 March 2007

Appointed as Deputy Managing Director: 30 September 2003,
renewed on 29 March 2007

Expiry of term of office: 2010

Other offices and mandates held outside the Company at 31 December 2008:

Finance Director, SNC Awon Asset Management

Other effective mandates and functions having expired during the past five years

Manager, SNC Albion

3.4 – Specialised committees

On 29 July 2008, the Board of Directors appointed an audit committee and a remunerations committee to act in an advisory role. The members of these committees are also independent Board members.

The main role of the audit committee is to i) oversee the conditions under which the corporate and consolidated financial statements are established ii) verify that the company is equipped with the means (audit, accounting and legal) required to prevent risks and anomalies related to the management of the company's business. This committee comprises three members: Mr Michel Gauthier, Chairman, Mr Marc Allez and Mr Philippe Prouillac.

The main role of the remunerations committee is to ensure that the remunerations of corporate officers and changes to these remunerations are consistent with the interests of the shareholders and the performance of the company. This committee comprises three members: Mr Claude Marin, Chairman, Mr Marc Allez and Mr Philippe Prouillac.

3.5 – Remunerations, allowances and benefits of corporate officers

■ TABLE 1

Summary table of gross remunerations and options and shares granted to each corporate officer

Mark Inch, Chairman and Chief Executive Officer ⁽¹⁾	2007	2008
Remunerations due for the financial period (detailed in table 2)	€140,000	€140,000
Valuation of options granted during the financial period (detailed in table 4)	€564,165	€50,452
Valuation of performance-based shares granted during the financial period (detailed in table 6)	€371,259	€0
■ TOTAL	€1,075,424	€190,452

(1) Mr Mark Inch is also a majority shareholder and manager of Bluebird Investissements, which is tied to Société de la Tour Eiffel under a service agreement and receives an annual remuneration of €670,000 to this effect. The conclusion of this agreement, provided for by article L225-38 et seq. of the French Commercial Code, was authorised by the Board of Directors on 29 November 2006. This agreement is subject to an advance notice of termination of three years.

Robert Waterland, Deputy Managing Director	2007	2008
Remunerations due for the financial period (detailed in table 2)	€636,592	€638,471
Valuation of options granted during the financial period (detailed in table 4)	€564,165	€50,452
Valuation of performance-based shares granted during the financial period (detailed in table 6)	€371,259	€0
■ TOTAL	€1,572,016	€688,923

Jérôme Descamps, Deputy Managing Director	2007	2008
Remunerations due for the financial period (detailed in table 2)	€225,033	€240,033
Valuation of options granted during the financial period (detailed in table 4)	€533,343	€26,603
Valuation of performance-based shares granted during the financial period (detailed in table 6)	€193,127	€0
■ TOTAL	€951,503	€266,636

■ TABLE 2

Summary table of the remunerations of each corporate officer

Mark Inch, Chairman and Chief Executive Officer ⁽¹⁾	2007		2008	
	due	paid	due	paid
Fixed remuneration	€120,000	€120,000	€120,000	€120,000
Variable remuneration	na	na	na	na
Exceptional remuneration	na	na	na	na
Attendance fees	€20,000	€20,000	€20,000	€20,000
Allowances and benefits	na	na	na	na
■ TOTAL	€140,000	€140,000	€140,000	€140,000

(1) Mr Mark Inch is also a majority shareholder and manager of Bluebird Investissements, which is tied to Société de la Tour Eiffel under a service agreement and receives an annual remuneration of €670,000 to this effect. The conclusion of this agreement, provided for by article L225-38 et seq. of the French Commercial Code, was authorised by the Board of Directors on 29 November 2006.

		2007		2008	
Robert Waterland, Deputy Managing Director⁽²⁾	due	paid	due	paid	paid
Fixed remuneration					
- as Deputy Managing Director	€100,000	€100,000	€100,000	€100,000	€100,000
- as Director of Property	€500,000	€500,000	€500,000	€500,000	€500,000
Variable remuneration	na	na	na	na	na
Exceptional remuneration	na	na	na	na	na
Attendance fees	€20,000	€20,000	€20,000	€20,000	€20,000
Allowances and benefits	€16,592	€16,592	€18,471	€18,471	€18,471
<i>of which:</i>					
<i>GAN insurance</i>	€16,566	€16,566	€16,960	€16,960	€16,960
<i>car</i>	-	-	€1,477	€1,477	€1,477
<i>mobile telephone</i>	€26	€26	€34	€34	€34
■ TOTAL	€636,592	€636,592	€638,471	€638,471	€638,471

(2) Mr Robert Waterland is also entitled to the following severance package:

- remuneration liable to be due in the event of severance: one year of wages including bonus,
- two years' notice in the event of dismissal.

On 12 February 2008, the allocation of the portion of these allowances exceeding the amounts set forth in the Collective Agreement was tied to the following performance-based conditions by the Board of Directors:

- average annual growth of at least 5% of consolidated sales turnover (excluding any reduction in rents resulting from divestment) from January 1, 2007 onward,
- average annual increase in the dividend of at least 5% from 2007 onward.

		2007		2008	
Jérôme Descamps, Deputy Managing Director⁽³⁾	due	paid	due	paid	paid
Fixed remuneration	€150,000	€150,000	€165,000	€165,000	€165,000
Variable remuneration ⁽⁴⁾	€55,000	€55,000	€55,000	€55,000	€55,000
Exceptional remuneration	na	na	na	na	na
Attendance fees	€20,000	€20,000	€20,000	€20,000	€20,000
Allowances and benefits (portable telephone)	€33	€33	€33	€33	€33
■ TOTAL	€225,033	€225,033	€240,033	€240,033	€240,033

(3) Remuneration paid by Awon Asset Management, a controlled company, for his services as chief financial officer

(4) This variable remuneration is provided for by the employment contract signed with Awon Asset Management prior to the appointment of Mr. Descamps as a corporate officer. It takes into account the individual performance and achievement of objectives during the previous financial period.

■ **TABLE 3**

Table of attendance fees and other remunerations collected by non-management corporate officers

Members of the Board	2007	2008
Marc Allez		
Attendance fees	(a)	€20,000
Remuneration as a member of the audit committee	(b)	€1,250
Remuneration as a member of the remunerations committee	(b)	€1,250
Michel Gauthier		
Attendance fees	€20,000	€20,000
Remuneration as Chairman of the audit committee	(b)	€2,500
Claude Marin		
Attendance fees	€20,000	€20,000
Remuneration as Chairman of the remunerations committee	(b)	€2,500
Philippe Prouillac		
Attendance fees	(a)	€20,000
Remuneration as a member of the audit committee	(b)	€1,250
Remuneration as a member of the remunerations committee	(b)	€1,250
■ TOTAL		€40,000
		€90,000

(a) Appointed to the Board in 2008

(b) Committees formed in 2008

■ **TABLE 4**

Share subscription or purchase options granted during the financial period to each corporate officer by the issuer and by any company of the group

Name of corporate officer	Plan number and date	Type of options (purchase or subscription)	Valuation of options according to the method selected for the consolidated financial statements	Number of options granted during the financial period	Strike price	Financial period
Mark Inch	No. 7 11/12/08	Subscription	€50,452	8,500	€35,69	From 11/12/08 to 11/12/13
Robert Waterland	No. 7 11/12/08	Subscription	€50,452	8,500	€35,69	From 11/12/08 to 11/12/13
Jérôme Descamps	No. 7 11/12/08	Subscription	€26,603	4,482	€35,69	From 11/12/08 to 11/12/13
■ TOTAL			€127,507	21,482		

The recipients, in their capacity as senior executives, must ensure that a third of their shares remain registered until the suspension of their functions.

■ TABLE 5

Share subscription or purchase options exercised during the financial period by each corporate officer

Options exercised by managing corporate officers	Plan number and date	Number of options exercised during the financial period	Strike price
Mark Inch	na	nil	na
Robert Waterland	na	nil	na
Jérôme Descamps	na	nil	na
■ TOTAL		nil	

■ TABLE 6

Performance-based shares granted to each corporate officer

Performance-based shares granted by the General Shareholders' Assembly during the financial period to each corporate officer by the issuer and by all companies of the group	Plan number and date	Number of shares granted during the financial period	Valuation of the shares according to the method selected for the consolidated financial statements	Date of acquisition	Date of availability	Performance-based conditions
Mark Inch	Plan no. 5 29/07/2008	5,000 ⁽¹⁾	0	29/07/2010	29/07/2012 ⁽²⁾	-
Robert Waterland	Plan no. 5 29/07/2008	5,000 ⁽¹⁾	0	29/07/2010	29/07/2012 ⁽²⁾	-
Jérôme Descamps	Plan no. 5 29/07/2008	1,300 ⁽¹⁾	0	29/07/2010	29/07/2012 ⁽²⁾	-

(1) Provided that the dividend amount per share approved at the next annual assembly represents an increase of €1 compared with the dividend distributed during the 2007 financial period.

(2) Senior executives must ensure that a third of their shares remain registered until the end of their functions.

■ TABLE 7

Performance-based shares which became available to each managing corporate officers during the financial period ⁽¹⁾

Performance-based shares newly available to managing corporate officers	Plan number and date	Number of shares available during 2008 ⁽¹⁾	Conditions of acquisition
Mark Inch	Plan no. 1 14/06/2006	4,000	-
	Plan no. 2 29/11/2006	4,000	-
Robert Waterland	Plan no. 1 14/06/2006	4,000	-
	Plan no. 2 29/11/2006	4,000	-
Jérôme Descamps	Plan no. 1 14/06/2006	1,400	-

(1) Free shares acquired by recipients during the financial period must be kept for a period of 2 years; at the expiry of this 2-year term, the recipients must, as senior executives, ensure that a third of their shares remain registered until the end of their functions.

■ **TABLE 8**
History of allocation of share subscription or purchase options

Information on share subscription or purchase options							
	Plan no. 1	Plan no. 2	Plan no. 3	Plan no. 4	Plan no. 5	Plan no. 6	Plan no. 7
Date of shareholders' meeting	12/05/2005	12/05/2005	12/05/2005	17/05/2006	17/05/2006	29/03/2007	29/03/2007
Date of Board of Directors or executive committee meeting where applicable	26/12/2005	22/03/2006	17/05/2006	14/09/2006	29/03/2007	16/10/2007	11/12/2008
Total number of shares available for subscription or purchase	111,530	28,516	10,750	132,400	3,300	25,951	25,965
<i>number available for subscription or purchase by corporate officers</i>	<i>106,530</i>	<i>26,016</i>	<i>0</i>	<i>107,500</i>	<i>17,440</i>	<i>19,464</i>	<i>21,482</i>
Mark Inch	50,765	11,758		50,000	6,540	6,488	8,500
Robert Waterland	50,765	11,758		50,000	6,540	6,488	8,500
Jérôme Descamps	5,000	2,500		7,500	4,360	6,488	4,482
Starting date of the exercise of options							
Mark Inch	26/12/2005	22/03/2006		14/09/2006	29/03/2007	16/10/2007	11/12/2008
Robert Waterland	26/12/2005	22/03/2006		14/09/2006	29/03/2007	16/10/2007	11/12/2008
Jérôme Descamps	26/12/2006	22/03/2007		14/09/2007	29/03/2008	16/10/2007	11/12/2008
Frédéric Maman, Manager of SCI Champigny Carnot	26/12/2006	22/03/2007		14/09/2007	29/03/2008	16/10/2007	11/12/2008
Executive personnel			17/05/2006	14/09/2007			
Non-executive personnel			17/05/2006	14/09/2006	29/03/2007		
Date of expiry	26/12/2010	22/03/2011	17/05/2011	14/09/2011	29/03/2012	16/10/2012	11/12/2013
Price of subscription or purchase	€68.44	€83.77	€87.78	€100.04	€124.48	€115.34	€35.69
Terms of exercise (when the plan comprises several tranches)							
Jérôme Descamps	Options exercisable by a maximum tranche of 25%	Options exercisable by a maximum tranche of 25%		Options exercisable by a maximum tranche of 25%	Options exercisable by a maximum tranche of 25%		
Frédéric Maman, Manager of SCI Champigny Carnot	Options exercisable by a maximum tranche of 25%	Options exercisable by a maximum tranche of 25%		Options exercisable by a maximum tranche of 25%	Options exercisable by a maximum tranche of 25%		
Executive personnel				Options exercisable by a maximum tranche of 25%			
Number of shares subscribed as of 31 December 2008	1,250	0	1,500	0	0	0	0
Cumulated number of share subscription or purchase options cancelled or null and void shares	0	0	0	2,250	0	0	0
Number of share subscription or purchase options remaining at the end of the financial period	110,280	28,516	9,250	130,150	23,300	25,951	25,965

■ TABLE 9

Share subscription or purchase options granted to the top ten non-corporate officer employees and options exercised by these individuals	Total number of options allotted/ of subscribed or bought shares	Weighted average price	Plan no. 7
options granted during the financial period by the issuer and all companies included within the scope of option allocation, to the ten employees of this issuer and all companies included within this perimeter, of which the number of options granted is the highest (overall information)	4,483	€35,69	4,483
options held on the issuer and the previously noted companies, exercised during the financial period by the ten employees of the issuer of these companies, of which the number of options granted is the highest (overall information)	nil	nil	nil

■ TABLE 10

Managing corporate officers	Employment contract		Additional pension plan		Allowances or benefits due or likely to be due in the event of suspension or change of functions		Allowance relating to an exclusive rights clause	
	yes	no	yes	no	yes	no	yes	no
Mark Inch Chairman and CEO mandate start date: 2003 mandate expiry date: 2010		X		X			X	X
Robert Waterland Deputy Managing Director mandate start date: 2003 mandate expiry date: 2010	X			X	X ⁽¹⁾			X
Jérôme Descamps Deputy Managing Director mandate start date: 2003 mandate expiry date: 2010	X ⁽²⁾			X			X	X

(1) Mr Robert Waterland is also entitled to the following severance package:

- remuneration liable to be due in the event of severance: one year of wages including bonus,
- two years' notice in the event of dismissal.

On 12 February 2008, the allocation of the portion of these allowances exceeding the amounts set forth in the Collective Agreement was tied to the following performance-based conditions by the Board of Directors:

- average annual growth of at least 5% of consolidated sales turnover (excluding any reduction in rents resulting from divestment) from January 1, 2007 onward,
- average annual increase in the dividend of at least 5% from 2007 onward.

(2) with a subsidiary.

4 – FUTURE PROSPECTS AND RISK MANAGEMENT

4.1 – Events since closing of year-end accounts

Since 1 January 2009, two deliveries have been carried out: the Aix La Duranne property complex (Aix-en-Provence), as well as La Mazarade - Parc des Ayalades in Marseilles.

The sale of the building located at 17 rue Dumont d'Urville in Paris (75016) took place on 8 January 2009.

Otherwise, to the best of the Company's knowledge, there has been no significant change in the financial or commercial standing of the company since the end of the 2008 financial year.

4.2 – Future prospects

The identified and secured rental income of Société de la Tour Eiffel, for the property assets held at 31 December 2008, will be at least €76m in 2009, €81m in 2010, €86m in 2011 and €89m in 2012 (before potential disposals).

In 2009, Société de la Tour Eiffel will pursue its prudent development strategy in new buildings, according to the real estate and financing markets. Indeed, in this period of financial and economic crisis, rental demand is exclusively generated by efforts to cut costs and streamline operations, and continues to focus on modern offices with moderate and competitive rents.

With regard to its existing property assets, Société de la Tour Eiffel will also pursue the completion of buildings under construction (pre-financed) scheduled for delivery in 2009/2010. For Locafimo in particular, the Company considers it can further optimise the occupancy levels of its business parks, and continue their renovation.

The Company will also endeavour to secure further long-term rental flows, in particular for buildings delivered in 2008 by letting 13,500 sq. m. of latest-generation offices and 7,500 sq. m. of light industrial.

The development of property reserves at the Massy Ampère site (65,000 sq. m.) will be considered according to pre-rental agreements.

Marketing campaigns for properties currently under construction will increase the rental income growth potential and reduce the rental risks of existing properties through firm and secure lease agreements.

The Company intends in 2009 to carry out further targeted disposals of certain properties, according to market conditions.

The Company stands by its long-term objective of ensuring to provide to the shareholders a long-term basis with a recurring revenue that will evolve with the net recurring per share result.

4.3 – Risk factors and insurance

RISK FACTORS

These are risks the occurrence of which is liable to have a significant adverse effect on the Group, its activity, its financial standing, its earnings, or the price of Company shares and which are important for making investment decisions. The company has proceeded to review its risks and considers that there are no significant risks, apart from those presented below and in the appendix to the consolidated financial statements, which it considers to be relevant. Attention is drawn to the fact that the list of risks presented below is not exhaustive and that other risks, either unknown or the occurrence of which is not considered likely to have an adverse effect on the Group, its activity, its financial standing, its earnings, or the price of Company shares, may exist.

The description of the financial risks (rates, counterparty, currency exposure and liquidity) is developed in paragraph 4 of the appendix to the consolidated financial statements 2008.

Risks related to the change in the economic environment

Since the property assets of the Group mainly consist of office property and industrial premises located in France, changes in the principal French macro-economic indicators are liable to affect the level of activity of the Group, its rental income, the value of its property portfolio, as well as its policy for investment and development of new assets, and thus its prospects for growth. The activity of the Group can be influenced in particular by the economic situation, level of interest rates, and that of the national cost of construction index ("ICC").

The general economic situation is liable to encourage or on the contrary to slow down demand in the business sector in which the Group operates and, consequently, the need to develop its base of office property and industrial premises. It can also affect the occupancy rate of its property assets and the capacity of tenants to pay their rents.

The capacity of the companies in the Group to maintain or increase rental income when lease agreements are renewed also depends at the same time on trends in supply and demand and the market, which are influenced by the general economic situation.

The value of the property portfolio of the Group also depends on a number of factors, including the level of supply and demand on the market, factors which also change according to the general economic environment.

The level of rental income of the Group and its earnings, the value of its property assets and its financial standing as well as its prospects for development may therefore be subject to the influence of these factors and be affected in the event of downward trends.

The vacancy rate of operated assets at 31 December 2008, for example, stands at 11.8%. Given the economic forecasts for 2009, this rate could increase.

Risks related to the competitive environment

In carrying out its business, the Group is confronted with a number of players and must face a certain competition within the framework of its development business and in that of its property rental activities.

The Group is in competition with a number of players, some of which benefit from a sounder financial base and control larger portfolios. Certain entities may enjoy a regional advantage compared to the Group. These diverse factors may give operators a competitive edge in bidding for property assets as well as leading them to adopt investment criteria which are unacceptable to our company's objectives.

The context provoked by the financial crisis and lack of liquidity coupled with the competitive environment has led the company to intentionally limit its growth strategy in the short-term pending the emergence of market circumstances, which demonstrate more discernable growth prospects.

Risks related to the office and industrial property markets

The levels of rental income and the valuation of office property and industrial premises are considerably influenced by the state of supply and demand. An unfavourable change in demand in relation to supply could affect the Group's earnings, its business, the value of its property assets and its financial standing. Furthermore, the development of the Group's business partly depends on the availability of property assets with the requisite characteristics and qualities, in particular in terms of location and rental area.

Legal risks

To the Company's knowledge, there is no lawsuit, arbitration, governmental procedure or unusual event likely to have or having had in the past twelve months a significant impact on the financial situation, income, business activity or assets of the Company or the group formed by the Company. The company considers that litigation currently underway is appropriately provisioned.

Property acquired by the Group is systematically carried out by means of notarial acts, drafted on the basis of procedures implemented by professional operators who check the legal risks inherent to the properties.

In carrying out its business of holding and managing property assets, in addition to the taxation rules inherent to the SIIC tax status, the Group is held to comply with a number of regulations of specific or general application governing, among other things, town planning regulations, the construction of buildings, public health, as well as environment and safety. Any substantial change in these regulations is liable to have an impact on the operating income or the prospects for development or growth of the Group.

In addition, the Group cannot guarantee that all its tenants strictly comply with all the regulations applicable to them, with particular regard to public health, environment, safety and town planning. The consequences of irregularities for which these tenants could be responsible, could incur the application of sanctions to the companies of the Group, in their capacity as owner, which could affect its earnings and financial standing.

Risks due to the constraints of the SIIC tax status, to an eventual change in the methods of acquiring this status or to the loss of benefit from this status

Our Company is subject to the tax regime of French listed property investment companies (SIIC) and therefore, is not required to pay corporate income tax. The main advantage of this regime is derived from our obligation under this status to distribute a significant portion of the Group profits and could be called into question in the event of a breach of that obligation.

If we were to no longer be eligible for the SIIC tax status and related tax efficiencies, the Group's financial position could be adversely affected.

Under the terms of the directive issued on 25 September 2003, 4 H-5-03 no. 55, the breach of the conditions on which SIIC status is granted during any subsequent financial years shall result in exclusion from the SIIC regime affecting both the parent company and any subsidiaries having opted for the status. This exclusion is retroactive as of the first day of the financial year in which the Company is excluded. Income recorded by the Company and its subsidiaries is therefore not entitled to an exemption even if income for the financial year in question is duly distributed.

If a SIIC ceases to benefit from the regime within ten years of having taken up the option, any capital gains on the transfer of the SIIC and any subsidiaries having opted for the status, usually taxed at a beneficial rate of 16.5%, will be taxed at the standard rate, or discounted rate if the capital gains on shares of parties concerned by article 8 are benefiting from a discounted rate on assignment or exit, subject to a 16.5% tax reduction already paid at this assignment (CGI art. 208 C, IV). It is a matter of placing the SIIC and its subsidiaries in the same position if the gain had not been taxed at the privileged rate of 16.5%. In addition, in accordance with the provisions introduced by the 2009 *Loi de Finances* ("SIIC 5"), for exclusions entering into effect as from January 2, 2009, the SIIC and its subsidiaries must reinstate the fraction of distributable gains existing at the closing date of this financial period and resulting from previously exempted sums into their taxable income from the financial period of their exclusion. The amount of corporation tax is increased by a tax computed to a rate of 25% of the latent gains on the buildings, credit-bail contracts and shareholdings, acquired during the regime, decreased by a tenth per financial year since entry into the regime.

The *Loi de Finances Rectificative* 2006 introduced new provisions entitled "SIIC 4", effective as of 1 January 2007.

Two specific measures need to be mentioned due their risk potential:

- a) One or more shareholders acting jointly must not hold, directly or indirectly, 60% or more of the share capital of any SIIC. Otherwise, the special tax regime will no longer be applicable.

The *Loi de Finances* 2009 ("SIIC 5") deferred from 1 January 2009 to 1 January 2010 the entry into force of this condition relating to the capital holdings of a SIIC having opted for the exemption regime before 1 January 2007, provided that the company opted for the SIIC tax system before 1 January 2007.

In addition, the *Loi de Finances* 2009 states that in the event of non-observance of the shareholding ceiling of 60% during a given financial period, the SIIC tax system may, under certain conditions, be suspended for the duration of this financial period if the situation is regularised before the financial period accounts are closed. During this suspension period, the SIIC is subjected to corporation tax under the conditions of common law, subject to the capital gains from the divestment of buildings which are taxed, after deduction of the depreciation previously deducted from the exempted results, at a reduced rate of 19%. The return to the exemption scheme during the following financial period carries with it the consequences of the suspension of company business and, in particular, the taxation at a reduced rate of 19% of unrealised gains on property assets, solely on the fraction acquired since the first day of the financial period during which the ceiling was exceeded. The suspension is applicable only once during the ten years following the option and during the ten years that follow.

Our Company currently complies with this new provision with regard to its capital structures. Nonetheless, we are unable to guarantee that this obligation will be respected in so far as it is subject to the decision of the shareholders, both current and future, over which the Company has no influence.

Furthermore, the stock market on which SIICs are listed in France could globally be affected by this measure which may significantly increase the offer of this class of securities on the market.

b) SIICs must withhold 20% of the amount of dividends distributed as of 1 July 2007 to any corporate shareholder owning more than 10% of the share capital when distributed income is not subject to corporate income tax or an equivalent tax.

The tax withheld by the SIIC implies decreased returns for the remaining shareholders who collectively bear the liability either directly or indirectly.

Given the aforementioned provisions, introduced by article 208 C II B of the General Tax Code, the articles of association of the Company were modified by decision of the extraordinary general shareholders' meeting held on 27 March 2008, on the one hand in order to oblige shareholders affected by these provisions to register their shares under penalty of having their maximum voting rights reduced to a tenth of the number of shares held (article 8) and, on the other hand, to transfer liability to the aforementioned shareholders for the sum due by the Company as a result of the situation of the said shareholders (article 33).

Industrial risks and those related to the environment and health

The business of the Group is subject to laws and regulations relating to the environment and public health. These laws and regulations relate in particular to the possession or use of facilities liable to be a source of pollution, the use of toxic substances or materials in constructions, their storage and handling. If these applicable laws and regulations became more stringent, the Group could be obliged to incur additional expenditure to adapt its assets to the new applicable standards.

Furthermore, the buildings held by the Group can be exposed to problems involving issues of public health or safety, in particular related to the presence of asbestos, legionella, lead and polluted soil. The liability of the companies of the Group can nevertheless be engaged, in the event of failure to fulfil its obligation to monitor and control the facilities they own. If such problems occurred, they could have a negative impact on the financial standing, earnings and reputation of the Group.

Lastly, the buildings held by the Group can be exposed to the risks of flooding, collapse, or be subject to unfavourable reports by the qualified safety commissions. Such events could involve closing all or part of the concerned office building or industrial premises, and have a significant adverse effect on the image and the reputation of the Group, on the attractiveness of its assets, and on its business and earnings.

In addition to insurance coverage of its assets, the Company also systematically verifies, prior to an acquisition, the conformity of technical facilities which could have impact on the environment or the safety of individuals (in particular fire-fighting equipment, ventilation, air conditioning systems, electrical installations, lifts). These verifications are performed by independent inspection authorities. Observations by these inspection authorities are then taken into account by the technical managers appointed by the Company in order to respond as appropriate to the observations made by inspection authorities.

As a result of thorough due diligence prior to acquisitions, the Company makes all necessary undertakings in order to be in compliance with current legislation and standards.

Rental risks

The leasing of the property assets of the Group is supervised by Awon Asset Management which defines the marketing objectives (price, term, timing, etc.) and check the tenants solvability. Leases are drafted by jurists on the basis of standard lease agreements.

The principal tenants of the Group's properties are either substantial covenants or state organisations, thus ex ante reducing exposure to the risk of insolvency.

On signing lease contracts, the Group requires that its tenants pay a deposit representing 3-months rent or provide a first demand bank guarantee for an equivalent amount.

Nevertheless, as part of its development, the Group has acquired companies whose rental portfolio is not based on the same selection criteria in particular with regard to the profile of the tenants or the guarantees or sureties they provide, which is the case for the rental portfolio of the Locafimo Group in particular. Such a situation could have an impact on the exposure of the Group concerning the insolvency of its tenants and more generally on the profitability, growth, business and future earnings of the Group.

The invoicing of financial items relating to lease agreements is carried out by the outside property management companies exclusively mandated by the Company. The organisation and monitoring of the invoicing and recovery of rents and charges are centralised.

Certain operating costs of the assets held by the Group are billed to tenants. These consist mainly of services provided within the framework of annual contracts.

Late payments are systematically followed by a reminder and may give rise to penalties. Outstanding are monitored by Awon Asset Management staff members who decide on the preliminary procedures or legal actions required.

AT 31 DECEMBER 2008, THE DEPENDENCE OF THE GROUP WITH REGARD TO ITS TENANTS WAS AS FOLLOWS:

No.	Tenants	Property	% of total rental income 2008
1	La Poste	13 buildings + Millénaire Locafimo building + Cadéra Sud building + Parc des Tanneries in Strasbourg	16%
2	Alstom	Massy + Nancy + Parc du Perray + Parc des Tanneries	8%
3	C&S Communication	Le Plessis-Robinson	6%
4	NXP	Caen	5%
5	Air Liquide	Champigny + Parc du Perray	4%
6	French Ministry of the Interior	Asnières Quai Dervaux	4%
7	Medica	4 nursing homes	4%
8	Soletanche (Vinci)	Rueil-Malmaison	3%
9	Gefco	Sochaux	2%
10	Atos	Aubervilliers	2%
11	DRASS DDASS	PC Millénaire Parcoval	2%
12	Seine-Saint-Denis General Council	Bobigny	2%
13	Schneider	Grenoble Polytec + Parc du golf (2 leases) + Viséo	2%
14	Colt	Malakoff + Aubervilliers	2%
15	VCF	Saint-Cloud	1%
16	Others	Other business (<1% per tenant)	37%
■ TOTAL			100%

Risks related to the delay or absence of effective handover of future constructions in their future state of completion (“VEFA”)

As part of its commitments portfolio, the Group may acquire developments by the VEFA forward acquisition agreement system. The delay or absence of effective handover of these projects, in particular due to the failure of the development companies responsible for the construction of such buildings, could slow down the development strategy of the Group and have an adverse impact on its earnings, business, financial standing, and prospects for growth.

Risks related to the dependence with respect to certain key directors

The Group depends on certain key directors whose departure could adversely affect its development objectives. The current management team has considerable experience of the market in which the Group carries out its business. The departure of one or more of these directors could have a significant adverse effect on the business, financial standing, prospects and earnings of the Group.

Risks related to the dependence upon property managers

The Company considers the risks related to the dependence of the company with regard to property managers to be weak.

Insurance and risk coverage

The Group has a comprehensive insurance cover with leading insurance companies, covering damage its property assets may suffer as well as operating losses or periodic rental income losses for compensation periods that vary according to the property assets in question.

The group’s property assets are all insured at their new reconstruction cost and are regularly appraised by specialist firms. Financial consequences of the group’s civil liability toward third parties are also insured.

The construction and renovation works of the Group’s property assets are covered by comprehensive site insurance and structural damage insurance. Management of these policies is centralised by the Company’s asset manager who coordinates operations with insurance brokers at Group level.



A significant portion of insurance premiums is re-invoiced to tenants in service charges. The Group benefits from the expertise of the Awon Asset Management's team which include specialists in property insurance.

The total amount of insurance premiums paid in 2008 amounts to €1,299k. The breakdown of this overall figure is as follows:

- | | |
|--|-------|
| • “Multi-risk Building”: | €982k |
| • “Structural Damage”
and “Contractor Total Coverage”
insurance: | €147k |
| • “Civil Liability” insurance | €138k |
| • Other insurance: | €32k |

All property assets held by the Group are covered under “Damage” and “Liability” or “Multi-risk” insurance policies taken out with French insurance companies

Legal procedures and arbitration

During the last twelve months, there have been no governmental, legal or arbitration procedures or, to the best knowledge of the Company, any threat of such procedures, which could or did recently have significant effects on the financial standing or the profitability of the Company and/or the Group.

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 did not carry out activities in research and development.

5 – SOCIÉTÉ DE LA TOUR EIFFEL'S SHAREHOLDERS

5.1 – Information relating to the share capital

5.1.1 – CHANGES IN THE SHARE CAPITAL OVER 5 YEARS

Date	Transaction	Changes in the amount of share capital		Resulting share capital	Number of shares created	Number of shares after the transaction	Nominal share value
		Nominal	Prime				
Position on 1 January 1998	-	-	-	F2,295,000	-	91,800	F25
6 March 2001	Capital translated into euros	-	-	€349,758	-	91,800	€3,81
6 March 2001	Capitalisation of reserves	€17,329.50	-	€367,200	-	91,800	€4
14 November 2003	Capital increase by capitalisation of reserves	€4,039,200.00	-	€4,406,400	-	91,800	€48
31 December 2003	Share issue with pre-emptive rights maintained	€11,016,000.00	-	€15,422,400	229,500	321,300	€48
9 July 2004	Share issue without pre-emptive rights	€106,414,560.00	€16,627,275	€121,836,960	2,216,970	2,538,270	€48
21 December 2005	Share issue without pre-emptive rights	€121,836,960.00	€35,535,780	€243,673,920	2,538,270	5,076,540	€48
18 May 2006	Exercising A and B warrants	€5,458,224	€963,316	€249,132,144	113,713	5,190,253	€48
Position on 31 December 2006	-	-	-	€249,132,144	-	5,190,253	€48
Position on 31 December 2007*	-	-	-	€249,264,144	-	5,193,003	€48
Position on 31 December 2008	-	-	-	€249,264,144	-	5,193,003	€48

* After exercising the share purchase options in 2007.

5.1.2 – SHARE PURCHASING OPERATIONS

Set out below is the information required by article L 225-100 of the French Commercial Code relating to the share buy-back programmes set up on 28 June 2007 and 23 September 2008, the purposes of which are identical, i.e.:

- ensure, with the support of an investment services company and through a liquidity contract compliant with code of practice of the French Association of Investment Firms, the oversight of investments and the liquidity of transactions,
- enable the issuance of shares to employees or officers of the Company or Group who receive stock options under the provisions of articles L.225-177 et seq. of the French Commercial Code, and issue free shares as per the provisions of articles L.225-197-1 et seq. of the French Commercial Code,
- deliver stocks in payment or exchange as part of operations for external growth.

2008 BUY-BACK PROGRAMME SUMMARY

	Quantity	Average price	Total
Purchases	173,676	€71.58	€12,431,660.47
Sales	113,262	€71.25	€8,069,489.32
Transfers	18,800		
Trading fees			€9,725.72

Number of shares registered in the name of the Company on the year end accounts: 107,358.

Total value of these shares as determined at purchase: €8,622,994.56 (value per share: €80.32).

Nominal value for each of the transactions: nominal share value €48.

Number of shares used: 18,800.

Possible reallocations of the shares and the fraction of capital represented by these operations: nil.

5.2 – Group ownership structure

Changes in the ownership structure over 2008

- Fortis Investment Management France declared that it crossed the 10% threshold of capital and voting rights on the upside on 1 April 2008.
- Sumitomo Mitsui Asset Management Co. Ltd declared on 17 July 2008 that it crossed the 5% threshold of capital and voting rights of Société de la Tour Eiffel on the upside and that it holds 260,098 shares representing as many voting rights, i.e. 5.0086% of capital and voting rights. The company later declared on August 27, 2008 that it had fallen below the threshold of 5% of the capital and the voting rights of the company, then to have risen above it on 1 September 2008.

Ownership structure on 31 December 2008

- Persons who hold over 1/20th of the capital or voting rights either directly or indirectly: ING Clarion, Nomura Asset Management Co. Ltd, DLIBJ Asset Management Co Ltd⁽¹⁾, Sumitomo Mitsui Asset Management Co. Ltd,
- Persons who hold over 1/10th of the capital or voting rights either directly or indirectly: Eiffel Ltd Holding⁽²⁾, Fortis Investment Management France⁽³⁾.

Our Company has not been notified of any other crossing of thresholds.

(1) Acting on behalf of the funds which it manages: DIAM International REIT Income Open Mother Fund, Global DIAM REIT Fund, Global DIAM REIT Fund 2, Global DIAM REIT Fund 3.

(2) Including the shares held by the persons acting in concert.

(3) Acting on behalf of the mutual French and foreign funds that it manages: Valmy Immo, Fortis Property Fund, Fortis L Fund; Flexifund, Fortis Personal Portfolio Fund, Fortis B Global, Fortis B Fund, FIM Institutional Fund, Maestro Strategy, Post-Global Fund.



No double voting rights exist. Certain shareholders were deprived of part of their voting rights pursuant to their late threshold crossing declaration:

- Fortis Investment Management France was deprived of 78,006 voting rights for a two-year period starting on 4 January 2007,
- Nomura Asset Management Co. Ltd was deprived of 836 voting rights for a two-year period starting on 19 March 2007,
- DLIBJ Asset Management was deprived of 69,880 voting rights for a two-year period starting on 21 September 2007.

Material changes in the ownership structure over the three past years

Management is aware of the following changes over the 2006, 2007 and 2008 financial years:

- Colonial First State Investments Limited, which is controlled by Commonwealth Bank of Australia, acting on behalf of the funds which it manages, declared that it crossed the 5% threshold of capital and voting rights on the upside on 15 September 2005 and that it holds 7.8% of the capital. After declaring that it crossed the 10% threshold of capital and voting rights on the upside on 16 May 2007, this company declared that it crossed the same threshold on the downside on 12 June 2007, and then crossed the 5% threshold on the downside on 21 August 2007.
- Osiris Gestion de Entidades SLU declared that it crossed the 10% threshold of capital and voting rights of Société de la Tour Eiffel on 19 September 2006 following an acquisition of shares on the market and that it held 519,843 shares representing the same number of voting rights, i.e. 10.02% of the capital and 10.32% of the voting rights. In the same declaration, Osiris Gestion de Entidades SLU declared that it acted alone, and that it planned to continue with its purchases according to its financial means, but that it did not intend to acquire control of Société de la Tour Eiffel, to request a seat on the Board or that other persons be seated on the Board. Following the transfer of shares on 20 December 2007 between Osiris Gestion de Entidades and its parent company, Eiffel Holding Ltd, Osiris Gestion de Entidades declared on 26 December 2007 that it crossed the 10% and 5% thresholds of capital and voting rights on the downside on 20 December 2007 and that it directly held 6,000 shares, or 0.115% of the capital and voting rights and that it held 12,003 shares in concert with Mark Inch and Robert Waterland, or 0.229% of the capital and voting rights.
- Following the transfer of shares on 20 December 2007 between Osiris Gestion de Entidades and its parent company, Eiffel Holding Ltd, Eiffel Holding Ltd declared on 26 December 2007 that it crossed the 10% threshold of capital and voting rights on 20 December 2007 on the upside and that it held in concert with Osiris Gestion de Entidades SLU, 524,843 shares representing the same number of voting rights, or 10.10% of the capital and voting rights. In the same declaration, it declared that it acted in concert with its subsidiary, Osiris Gestion de Entidades SLU, and that it had no plans to increase its equity stake above around 10%. It also did not intend to acquire a controlling stake in Société de la Tour Eiffel, and it had no intention to ask for a seat on the Board for itself or any other person.
- Fortis Investment Management France, acting on behalf of clients under its management, declared as an adjustment, that it crossed the 5% threshold of Société de la Tour Eiffel's capital and voting rights on the upside on 23 December 2005. It then declared to have crossed the 10% threshold of capital on 1 April 2008, this crossing resulting from the consolidation of the positions of the Fortis Investments Management and ABN AMRO Asset Management companies following their merger on 1 April 2008;
- Sumitomo Mitsui Asset Management Co. Ltd declared on 17 July 2008 that it crossed the 5% threshold of capital and voting rights of Société de la Tour Eiffel on the upside and that it held 260,098 shares representing as many voting rights, i.e. 5.0086% of capital and voting rights. The company later declared on August 27, 2008 that it had fallen below the threshold of 5% of the capital and the voting rights of the company, then to have risen above it on 1 September 2008
- Nomura Asset Management Co. Ltd, acting on behalf of the funds that it manages, declared on an adjustment basis, that it crossed the 5% threshold of Société de la Tour Eiffel's capital and voting rights on the upside on 8 September 2005 and that it held 5.02% of the Company's capital and voting rights. Nomura Asset Management Co. Ltd specified that it held 5.90% of the capital and voting rights on 16 March 2007. In a letter dated 4 April 2007, Nomura Asset Management Co. Ltd was deprived of a portion of the voting rights on 386 shares, or 0.015% of the capital, that it held in the Company for any shareholders' meeting that will be convened until 19 March 2009 pursuant to Article L. 233-14 of the French Commercial Code.

- DLIBJ Asset Management Co. Ltd, acting on behalf of the funds that it manages, declared on an adjustment basis on 17 July 2007, that it crossed the 5% threshold of Société de la Tour Eiffel's capital and voting rights on the upside on 6 February 2006 and that it held 257,450 shares, or 5.07% of the Company's capital. On 10 September 2007, it declared that it held 329,392 shares, or 6.35% of the capital and voting

rights. In a letter dated 31 October 2007, DLIBJ Asset Management Co. Ltd was deprived of a portion of the voting rights on 69,880 shares, or 1.35% of the capital, that it held in the Company for any shareholders' meeting that will be convened until 21 September 2009 pursuant to Article L 233-14 of the French Commercial Code.

Shareholders holding more than 5% of capital and/or voting rights

Situation at 31/12/2008	Situation at 31/12/2007	Situation at 31/12/2006
- Eiffel Holding Ltd* - Fortis Investment Management France - ING Clarion - Nomura Asset Management Co Ltd - DLIBJ Asset Management Co Ltd - Sumitomo Mitsui Asset Management Co Ltd	Eiffel Holding Ltd* - ING Clarion - Fortis Investment Management France - Nomura Asset Management Co Ltd - DLIBJ Asset Management Co Ltd	Osiris Gestion de Entidades, S.L.U.* - ING Clarion - Colonial First State Investments Ltd - Fortis Investment Management France

* Companies in which a majority stake is held by Mr Mark Inch, Chairman and CEO of Société de la Tour Eiffel, and Mr Robert Waterland, Deputy Managing Director of Société de la Tour Eiffel.

5.3 – Dividends paid out over the past five years

Dividends over five years

Financial year	Dividend	Number of shares	Nominal value
2003	0	321,300	€48
2004	€1.57	2,538,270	€48
2005	€2.00 (interim)	2,538,270	€48
2005	€0.85	5,076,540	€48
2006	€1.15 (interim)	5,190,253	€48
2006	€2.50 (interim)	5,190,253	€48
2006	€2.50	5,192,933	€48
2007	€3.00 (interim)	5,192,933	€48
2007	3.00	5,193,003	€48
2008	€3.50 (interim)	5,193,003	€48

Dividend policy

The dividend distribution policy follows the rules under the SIIC status. In particular, 85% of the earnings from building rentals are distributed before the financial year end following the year they were recorded. 50% of the capital gains from building disposals and shares in tax transparent property companies or shares of subsidiaries subject to the company income tax which opted for SIIC status are distributed before the end of the second year following the year they were recorded. Dividends received from subsidiaries that opted for SIIC status are entirely distributed over the financial year following the one they were received.

The SIIC option was exercised on 15 April 2004 effective from the 2004 financial year.

The dividends and interim dividends declared but not claimed revert to the government after five years from the time they were declared to comply with Article 2277 of the French Civil Code.

Société de la Tour Eiffel plans to continue to pay out dividends twice a year for as long as its earnings and expanding business activity allow it to do so.



5.4 – Transactions involving the Company's shares

5.4.1 – BUY-BACKS

During the 2008 financial year, two share buy-back programmes were implemented:

The first one, authorised by the Combined General Shareholders' Meeting of 29 March 2007, was introduced on 28 June 2007.

The second one, authorised by the Combined General Shareholders' Meeting of 27 March 2008, was introduced on 23 September 2008.

The purpose of this programme, identical to that which preceded it, is as follows:

- to provide liquidity and even out stock price fluctuations through an investment services firm and a liquidity agreement that conforms to the AFEI's ethics charter,
- to grant equity shares to the Company or its group's employees, officers and directors benefiting from share purchase options pursuant to Articles L. 225-177 et seq. of the French Commercial Code and to grant free shares pursuant to Articles L.225-197-1 et seq. of the Commercial Code,
- to tender shares in payment or exchange in order to make acquisitions.

The maximum number of securities the repurchase of which was allowed was 519,300 on the date of the communiqué, representing 10% of Société de la Tour Eiffel's capital.

The liquidity contract associated with the first share buy-back programme continued in 2008.

5.4.2 – SHARE SUBSCRIPTION OR PURCHASE OPTIONS

The Combined General Shareholders' Meeting of 29 March 2007 empowered the Board of Directors to grant share subscription or purchase options to some or all employees or to certain categories of personnel and to the Company's officers and directors and/or those of affiliated companies by the terms of Article L 225-180 of the French Commercial Code. This delegation was granted for a 38-month period.

These options will entitle the holders to subscribe or buy stock up to the limit of 1.5% of the share capital over a three-year period in the absence of an equity issue. Should there be a capital increase, this limit will be replaced over the same three-year period by a limit of 3% of the number of new shares issued during the capital increase(s) in question.

The options granted during the 2008 financial year are indicated in paragraph 3.5 above.

TABLE OF OUTSTANDING SHARE SUBSCRIPTION OPTIONS

INFORMATION ON SHARE SUBSCRIPTION OPTIONS AUTHORISED BY THE GENERAL SHAREHOLDERS' MEETING OF 12 MAY 2005

Board of Directors meeting date:	26/12/2005	22/03/2006	17/05/2006
	Plan no. 1	Plan no. 2	Plan no. 3
Total number of shares which can be subscribed by:	111,530	28,516	10,750
• company officers and directors	106,530	26,016	0
• Top ten employees with the most options			9,700
Expiration date	26/12/2010	22/03/2011	17/05/2011
Subscription price	€68.44	€83.77	€87.78
Number of shares exercised and sold in 2008	1,250	0	1,500
Share options cancelled during the year	0	0	0
Remaining share options	110,280	28,516	9,250

**INFORMATION ON SHARE SUBSCRIPTION OPTIONS AUTHORISED
BY THE GENERAL SHAREHOLDERS' MEETING OF MAY 17, 2006**

Board of Directors meeting date:	14/09/2006	29/03/2007
	Plan no. 4	Plan no. 5
Total number of shares which can be subscribed by:	132,400	23,300
• company officers and directors	116,900	21,800
• Top ten employees with the most options	15,500	1,500
Expiration date	14/09/2011	29/03/2012
Subscription price	€100.04	€124.48
Number of shares exercised and sold in 2008	0	0
Share options cancelled or voided during the year	2,250	0
Remaining share options	130,150	23,300

**INFORMATION ON SHARE SUBSCRIPTION OR PURCHASE OPTIONS AUTHORISED
BY THE GENERAL SHAREHOLDERS' MEETING OF MARCH 29, 2007**

Board of Directors meeting date:	16/10/2007	11/12/2008
	Plan no. 6 purchase options	Plan no. 7 subscription options
Total number of shares which can be purchased or subscribed by:	25,951	25,965
• company officers and directors	25,951	25,965
• Top ten employees with the most options	0	0
Expiration date	16/10/2012	11/12/2013
Subscription or purchase price	€115.34	€35.69
Number of shares purchased, exercised and sold in 2008	0	0
Share options cancelled or voided during the year	0	0
Remaining share purchase and subscription options	25,951	25,965

5.4.3 – TRANSACTIONS CONDUCTED BY COMPANY OFFICERS AND DIRECTORS

Transactions done in 2007 declared in 2008

Date	Acquisition/ divestment	Person	Number of shares	Unit price
10/05/2007	Acquisition	Mr Mark Inch, Chairman and CEO	14	€118.22
10/05/2007	Acquisition	Natural person linked to Mr Mark Inch, Chairman and CEO	114	€118.18
11/05/2007	Acquisition	Mr Robert Waterland, Deputy Managing Director	45	€118,47
11/05/2007	Acquisition	Natural person linked to Mr Robert Waterland, Deputy Managing Director	66	€118.00
20/12/2007	Divestment	Osiris Gestion de Entidades SLU, legal entity linked to Mr Mark Inch, Chairman and CEO, and Mr Robert Waterland, Deputy Managing Director	518,843	€91.35
20/12/2007	Acquisition	Eiffel Holding Limited, legal entity linked to Mr Mark Inch, Chairman and CEO, and Mr Robert Waterland, Deputy Managing Director	518,843	€91.35

Transactions done in 2008

Date	Acquisition/ divestment	Person	Number of shares	Unit price
14/03/2008	Divestment	Osiris Gestion de Entidades, legal entity linked to Mr Mark Inch, Chairman and CEO, and Mr Robert Waterland, Deputy Managing Director	6,000	€89.02
25/03/2008	Divestment	Eiffel Limited Holding, legal entity linked to Mr Mark Inch, Chairman and CEO, and Mr Robert Waterland, Deputy Managing Director	2,000	€88.00
26/03/2008	Divestment	Eiffel Limited Holding, legal entity linked to Mr Mark Inch, Chairman and CEO, and Mr Robert Waterland, Deputy Managing Director	2,000	€90.34
27/03/2008	Divestment	Eiffel Limited Holding, legal entity linked to Mr Mark Inch, Chairman and CEO, and Mr Robert Waterland, Deputy Managing Director	6,000	€92.59
28/03/2008	Divestment	Eiffel Limited Holding, legal entity linked to Mr Mark Inch, Chairman and CEO, and Mr Robert Waterland, Deputy Managing Director	2,843	€91.85
11/04/2008	Acquisition	Mr Robert Waterland, Deputy Managing Director	72	€91.26
11/04/2008	Acquisition	Individual linked to Mr Robert Waterland, Deputy Managing Director	42	€91.16
11/04/2008	Acquisition	Mr Mark Inch, Chairman and CEO	164	€91.90
11/04/2008	Acquisition	Individual linked to Mr Mark Inch, Chairman and CEO	125	€91.99
19/05/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	60	€87.99
19/05/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	10	€87.994
19/05/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	180	€88.00
19/05/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	250	€87.75
19/05/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	250	€87.50
30/06/2008	Acquisition	Mr Mark Inch, Chairman and CEO	115	€74.00
7/07/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	150	€72.20
4/07/2008	Acquisition	Mr Robert Waterland, Deputy Managing Director	55	€71.99
24/07/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	100	€75.00



24/07/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	20	€74.99
24/07/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	10	€74.97
24/07/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	10	€74.93
24/07/2008	Acquisition	Bluebird Holding SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	10	€74.85
12/08/2008	Acquisition	Mr Robert Waterland, Deputy Managing Director	106	€73.48
12/08/2008	Acquisition	Individual linked to Mr Robert Waterland, Deputy Managing Director	63	€73.48
12/08/2008	Acquisition	Mr Mark Inch, Chairman and CEO	123	€74.00
12/08/2008	Acquisition	Individual linked to Mr Mark Inch, Chairman and CEO	88	€74.48
17/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	50	€44.98
17/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	50	€44.99
17/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	900	€45.00
20/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	150	€47.92
20/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	350	€48.00
21/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	50	€50.35
21/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	50	€50.35
21/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	50	€50.37
21/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	150	€50.48
21/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	50	€50.93
21/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	100	€50.93
21/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	50	€50.91
21/10/2008	Acquisition	Mr Mark Inch, Chairman and CEO	10	€50.96
22/10/2008	Acquisition	Mr Mark Inch, Chairman and CEO	10	€50.37
23/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	500	€49.00
29/10/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	500	€41.00
17/11/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	500	€40.00
18/11/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	500	€39.50
19/11/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	500	€39.00
20/11/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	500	€38.00
8/12/2008	Acquisition	Bluebird Investissements SARL, legal entity linked to Mr Mark Inch, Chairman and CEO	500	€34.00

5.5 – Factors which could affect a take-over bid

In accordance with Article L. 225-100-3 of the French Commercial Code based on Law 2007-387 of 31 March 2007 which stipulates that companies must disclose factors which could have an effect during a take-over bid, we report the following:

- the services contract entered into with Awon Asset Management on 26 April 2004 as amended beginning on 1 January 2007 for a 5-year renewable term stipulates a rescission penalty equal to two times the remuneration received over the year previous to the rescission,
- the services contract entered into with Bluebird Investissements on 17 January 2004 as amended beginning on 1 January 2007 for an indefinite period stipulates a three-year prior notice in the event of rescission,
- the bank borrowing agreements include cancellation clauses should there be a change in control,
- Mr. Robert Waterland's employment contract stipulates a maximum two years of severance pay in the event of termination,
- The General Shareholders' Meeting held on 12 May 2007 delegated various powers to the Board of Directors enabling it to issue new shares with or without removal of the pre-emptive subscription right for a maximum amount of €150m.
- The General Shareholders' Meeting held on 27 March 2008 authorised the Board of Directors to carry out a share buy-back programme of up to 10% of the capital for a maximum price of €150.

6 – EMPLOYMENT AND SUSTAINABLE DEVELOPMENT INFORMATION

6.1 – Organisation

At 31 December 2008, Société de la Tour Eiffel had one employee.

The staff which manages the Société de la Tour Eiffel group's real estate portfolio and manage its finances and administrative functions are employed by Awon Asset Management, its wholly owned subsidiary.

An asset management master agreement was entered into on 26 April 2004 with Awon Asset Management. The Board of Directors authorized the agreement as a regulated convention on 2 April 2004 and the shareholders ratified it at their general meeting of 18 May 2004. Under the contract terms, this company, which

had no equity tie with Société de la Tour Eiffel before, was invested with the following purposes: providing advice on building acquisition, managing the buildings held by Société de la Tour Eiffel's subsidiaries to optimize the rental revenue and property enhancement. It also administers Société de la Tour Eiffel.

The contract was amended by amendment no. 1 signed on 30 November 2006 with effect on 1 January 2007 to modify the term by raising it to five years starting on 1 January 2007. It can then be extended by tacit renewal. The amended contract conferred more comprehensive responsibilities and simplified the financial terms owing to the consolidation of Awon Asset Management into the Société de la Tour Eiffel group.

Awon Asset Management is now entirely dedicated to Société de la Tour Eiffel.

At 31 December 2008, the group had 24 employees. It also employed 24 staff at 31 December 2007 and at 31 December 2006, it had one employee at 31 December 2005. The staff consists of 15 women and 9 men. Seventeen of them are executives and 7 are not. The average age is 40 years. In 2008, 3 people were hired, and 3 left the Group. The expenditure carried out in 2008 for training activities stands at 21,515 euros. For informational purposes, the personnel does not hold any company shares on a collective basis.

Société de la Tour Eiffel entrusts the following companies to manage the group's properties: Savills Gestion, CPMS (CBRE group), UFFI and Parcomie.

6.2 – Activities of the company foundation

The Société de la Tour Eiffel Foundation, initiated by the SIIC's managers with the support of the Board of Directors, commits the Company to a socially oriented approach in line with its business and heritage. The foundation's mission is to offer a first chance to youth by enabling them to publish a first-time professional project in the areas of city planning, architecture or regional development.

"Because it goes back to the rich heritage of one of the greatest inventors of his century, a name like Société de la Tour Eiffel creates obligations", explain Mark Inch and Robert Waterland. "We are therefore proud to share the values of corporate innovation and performance by extending a helping hand to youth who are interested in our trade in the broad meaning of the word. We ourselves are entrepreneurs who started on a shoestring and we remember how important it is – and it's even tougher these days – to find a first job. The first step is crucial; it's the one that helps you to become known and to enter the professional circuit. Thus we have chosen to make this first step easier through an annual award".

The French Law of 1 August 2003 provided for a tax incentive that favours the creation of company foundations. 60% of the donations of legal entities can be deducted from the company income tax if they are spent on an action programme spanning several years. To be sure, these provisions overlay those of the special tax treatment for SIICs. It is nevertheless true that company foundations now rate as a strategic tool enabling companies to act on their commitments and issues of concern as a good corporate citizen through clearly identified initiative.

The Foundation organised its first competition with the support of the Abvent Group, an architecture software publisher, for the design of a very high structure on the Champ de Mars in Paris using contemporary techniques and materials. Limited to students enrolled in French architecture schools, the contest has been an undeniable success with over 90 designs entered for the competition. The jury, comprising representatives of the Foundation and the Abvent Group, well-known architects, a representative from the City of Paris and another from the Eiffel family, deliberated on 24 November 2008, and the awards ceremony, during which over 41,000 euros in prizes in cash and software will be handed out to the winners, will take place on 31 March 2009 at Cité de l'Architecture. Selected works will be exhibited.

6.3 – Environmental information

By favouring new construction, Société de la Tour Eiffel underscores its commitment to the development process that reconciles environmental protection with economic efficiency and social justice.

The Company adheres to France's high environmental quality (HQE) initiative. This programme seeks to fully engage the sustainable development issue by limiting all of the environmental impacts caused by building construction and by opting for a harmonious integration in perfect suitability with the users' needs and comfort.

7 – PRESENTATION OF RESOLUTIONS

In this section of the report, we detail the main characteristics of the resolutions which shall be put before you.

We should also like to inform you that we can provide all of the Statutory Auditors' reports covering the issues put up for your vote.

7.1 – Resolutions of the ordinary shareholders' meeting

FIRST RESOLUTION – PRESENTATION AND APPROVAL OF THE COMPANY ACCOUNTS

The individual financial statements for the year ended 31 December 2008 which we submit for your approval were drawn up in accordance with the presentation and evaluation methods stipulated by current regulations.

These financial statements disclose a profit of 28,180,742 euros.

SECOND RESOLUTION – APPROPRIATION OF EARNINGS – DISTRIBUTION

We propose to allocate the financial year's earnings as follows:

Financial year earnings of	28,180,742 euros
ato which are added retained earnings	<u>1,993,279 euros</u>
giving a total of	30,174,021 euros
- a legal reserve contribution of	<u>1,409,038 euros</u>
leaving distributable earnings of	28,764,983 euros
from which has already been paid out an interim dividend of	<u>17,820,390 euros</u>
or €3.50 per share, as voted by the Board of Directors on 29 July 2008, resulting in a distributable earnings balance of	10,944,593 euros
- for distribution as the dividend balance or €1.50 per share	7,789,504.50 euros ⁽¹⁾
with the balance of	3,155,088.50 euros ⁽¹⁾
being considered as retained earnings.	

⁽¹⁾ This amount could be adjusted as indicated below in the resolution.

The total amount of the dividends and Retained Earnings account could be adjusted to take into account the following events:

- in the event that, when a dividend is being paid, should new shares be issued before the dividend payment date as a result of exercising share subscription options, these new shares would pay a dividend which would be withheld, where applicable, as retained earnings,
- in the event that, when a dividend is being paid, the company happens to hold some treasury stock, the profit corresponding to the dividend not paid on the aforesaid stock would be allocated to the retained earnings account,
- payment of the dividend in shares.

We propose to offer to each shareholder the option of a payment in cash or in share dividends of up to €1.50 per share. The option would apply to the entire dividend.

The share price used to calculate the dividend payment will be calculated as follows: 90% of the average closing market value of the 20 days of trading prior to the date on which the decision to distribute is made, minus the net amount of the dividend rounded up to the nearest centime, in so far as to the issuing price is not less than the share's nominal value, as required by law, and the adoption of the ninth resolution is voted.

Shareholders who request payment of the dividend in shares will be able to exercise their option from 21 May 2009 to 4 June 2009 inclusive through financial intermediaries authorised by the Company to pay out the dividend. Once this deadline has elapsed, the dividend will be paid out in cash on 12 June 2009.

We also propose to offer each shareholder, in the event of the allocation of interim dividends, the option of a cash payment or interim shares. The option would apply to the entire interim dividend.

The share price used to calculate the interim dividend payment will be calculated by the Board of Directors as follows: 90% of the average closing market value of the 20 days of trading prior to the date on which the decision to distribute is made, minus the net amount of the dividend rounded up to the nearest centime, in so far as the issuing price is not less than the share's nominal value, as required by law.

The present authorisation would be valid until the next ordinary General Shareholders' Meeting ruling upon the books closed on 31 December 2009.

The shares issued to pay the dividend or interim dividend will be created with dividend payable from 1st January 2009.

For individuals domiciled in France, all of the sums distributable and paid out in 2009, subject to the progressive income tax scale are eligible for:

- firstly, a 40% tax deduction in accordance with Article 158-3-2 of France's General Tax Code as revised,
- secondly, a fixed annual tax deduction of €1,525 for single, divorced, widowed and married taxpayers filing separate returns and €3,050 for married taxpayers filing joint returns or who are bound by a civil union agreement qualifying them for a joint filing pursuant to Article 158-3-5 of the General Tax Code.

Individuals domiciled in France may opt to have 18% withheld (in addition to social security contributions) on the amounts distributed and paid in 2009 in lieu of the progressive income tax by the terms of Article 117 quater of the General Tax Code.

We inform you that, in accordance with article 243 bis of the General Tax Code, the dividends paid over the past three financial years were as follows:

	FY 2005	FY 2006	FY 2007
Number of shares	5,076,540	5,190,253	5,190,253 ⁽⁴⁾
Net dividend per share	€2.85 ⁽¹⁾	€6.15 ⁽²⁾	€6 ⁽³⁾

(1) Includes €2.00 eligible for the 50% tax deduction and €0.85 eligible for a 40% tax deduction benefiting individuals whose tax domicile is in France as stipulated by Article 158-3 of the General Tax Code.

(2) Amount eligible for a 40% tax deduction benefiting individuals, fiscally domiciled in France, as stipulated in article 158-3 of the General Tax Code.

(3) Amount eligible for a 40% tax deduction and for the option of a withholding at a rate of 18% benefiting individuals whose tax domicile is in France, as stipulated in article 158-3 of the General Tax Code.

(4) For the company's treasury shares, the earnings corresponding to the dividends not paid on the aforesaid shares was appropriated to Retained Earnings.

THIRD RESOLUTION – CONSOLIDATED FINANCIAL STATEMENTS

We propose to approve the group financial statements at 31 December 2008.

FOURTH RESOLUTION - MODIFICATION OF THE CONDITIONS OF THE DEFERRED REMUNERATION OF MR. ROBERT WATERLAND

We inform you that the Board of Directors has decided to limit the allowance liable to be paid to Mr Robert Waterland, in the event of severance, to two years of salary, in accordance with Afep-Medef recommendations, and we submit for your approval a modification of the performance conditions tied to this deferred remuneration due to Mr Robert Waterland in relation to the termination of his employment contract, such as adopted by the Board of Directors on 12 February 2008.

The condition tied to an average annual increase of at least 5% of the dividend appears unattainable given the current situation. We propose to remove this condition and replace the condition related to an average annual growth in consolidated sales turnover of at least 5% (excluding the reduction of rents resulting from divestments) by the following condition: an increase in the consolidated operating cash-flow on a like-for-like basis, excluding the appreciation of divestments, at least 5% higher than the average of the past three financial years. We find this condition, which has a direct correlation with the performance of Mr Waterland, to be the most relevant.

FIFTH RESOLUTION – APPROVAL OF REGULATED AGREEMENTS

We will request you to ratify the Statutory Auditors' special report on the agreements regulated by Article L. 225-38 and following of the Commercial Code, and approve the agreements mentioned therein.

We specify that no agreement concluded under normal conditions, which due to its purpose or financial implication is significant to the parties, was concluded during 2008.

SIXTH RESOLUTION - ATTENDANCE FEES

We propose to allocate attendance fees to the Board members for the current financial year for the global sum of 100,000 euros.

SEVENTH RESOLUTION - AUTHORITY GIVEN TO THE BOARD OF DIRECTORS TO IMPLEMENT A SHARE BUYBACK PROGRAMME

We request you to authorise the Board of Directors to implement a new program to buy back the company's shares (in order to meet stock option plans attributions, the allocation of free shares or convertible debts, to make acquisitions in exchange for shares and, under the terms of a liquidity agreement, to stimulate the market) or alternatively to cancel them.

This authorisation would be valid for a period of eighteen months. It would be capped at 10% of the total number of shares making up the share capital adjusted to allow for any changes that come about during the authorised period. The maximum purchase price would be set at €90 exclusive of fees.

EIGHTH RESOLUTION -
APPOINTMENT OF A NEW DIRECTOR

We propose to appoint a supplementary Board member. We propose the application of Mr Renaud Haberkorn, member of Grove International (ex Soros REP), former Board member of Société de la Tour Eiffel. The appointment of Mr Haberkorn will permit to the Board to benefit from his professional skills and from his knowledge of the real estate market. You can have further information on Mr Renaud Haberkorn upon request.

7.2 – Resolutions of the extraordinary shareholders' meeting

NINTH RESOLUTION - CAPITAL REDUCTION
BY DECREASING THE SHARE'S NOMINAL
VALUE

Considering that the nominal value of the shares is now significantly higher than the average market value, we propose to reduce the share capital by way of a reduction in the nominal value, which would be brought down from 48 euros to 5 euros per share. In this way, the capital would be reduced from €249,264,144 to €25,965,015.

The amount of the reduction in capital i.e. €223,299,129, would be assigned to a reserve line without allocation to the shareholders.

Such a reduction in capital would not alter the amount of the shareholders' equity in the Company.

TENTH RESOLUTION - CANCELLATION
OF THE DELEGATIONS IN RESPECT
TO CAPITAL INCREASES

Since no capital increases have been planned at present, we propose to dissolve the delegations in respect to capital increases granted to the Board of Directors under the twelfth to sixteenth resolutions of the Extraordinary General Shareholders' Meeting held on 29 March 2007, for the purpose of increasing capital by issuing transferrable securities.

ELEVENTH RESOLUTION -
AUTHORISATION GIVEN TO THE BOARD
OF DIRECTORS TO REDUCE THE CAPITAL
BY CANCELLING TREASURY SHARES

As a complement to the proposal to renew the share buy-back programme which has been submitted to you, we propose you authorise the Board of Directors to carry out one or more reductions in capital by cancelling treasury shares, within a 10% limit of the Company's capital.

We remain at your disposal for any further information and we hope that you will choose to approve the resolutions put to vote.

The Board of Directors

8.1 – Special report on share subscription or purchase options

Pursuant to Article L 225-184 of the French Commercial Code, we are providing information on the share subscription and purchase options transactions conducted during the financial year ended 31 December 2008.

1 – CONDITIONS OF THE SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED AND THE PROCEDURES FOR THEIR EXECUTION OVER THE PAST YEAR

On 11 December 2008, by the authority conferred by the Special General Shareholders' Meeting of 29 March 2007 in its 17th resolution, the Board of Directors awarded the following share subscription options:

- Number: 25,965 share subscription options
- Expiration date: 11 December 2013
- Subscription price: €35.69

2 – INFORMATION ON THE OPTIONS GRANTED TO THE COMPANY'S OFFICERS AND DIRECTORS OVER THE PAST FINANCIAL YEAR

Below is the individual and nominative information relating to the share subscription and purchase options granted to your company's officers and directors:

2.1 – OPTIONS GRANTED TO THE COMPANY'S OFFICERS AND DIRECTORS

Mr. Mark Inch, Chairman and Managing Director:

11/12/08	8,500 share subscription options	Expiration date: 11/12/13	price: €35.69
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Mr. Robert Waterland, Deputy Managing Director:

11/12/08	8,500 share subscription options	Expiration date: 11/12/13	price: €35.69
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Mr. Jérôme Descamps, Deputy Managing Director:

11/12/08	4,482 share subscription options	Expiration date: 11/12/13	price: €35.69
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Over the year ended 31 December 2008, the company's officers and directors did not exercise any share subscription options.

2.2 – OPTIONS GRANTED TO THE COMPANY'S OFFICERS AND DIRECTORS BY THE COMPANIES THAT ARE TIED TO IT UNDER THE TERMS OF ARTICLE L 225-180

NONE

2.3 – OPTIONS GRANTED TO THE COMPANY'S OFFICERS AND DIRECTORS BY THE COMPANIES THAT ARE CONTROLLED IN THE MEANING OF ARTICLE L 233-16 OF THE FRENCH COMMERCIAL CODE

NONE

3 – INFORMATION ON THE TEN EMPLOYEES WHO RECEIVED THE MOST OPTIONS

Below is the individual and registered information concerning the company's ten employees, excluding company officers or top executives, who hold the highest number of share subscription and purchase options.

Options granted by the Company to its ten employees, excluding company officers:

This provision does not apply to our Company since the sole employee is also a company officer and director, i.e. Mr. Robert Waterland, Deputy Managing Director.

Options granted to the ten employees who are not company officers by those companies affiliated with it as provided in article L. 225-180 of the French Commercial Code:

NONE



8.2 – Special report on free share attributions

Sirs,

We are honoured to provide you with the information relating to the granting of free shares to employees and top executives who did not hold more than 10% of our Company's share capital for the year ended 31 December 2008 in accordance with Article L. 225-197-4 section 1 of the French Commercial Code.

We should stress that pursuant to Article L. 225-197-4, these free shares did not result in the top executives holding over 10% of the share capital.

On 29 July 2008 by the authority conferred by the Extraordinary Shareholders' Meeting held on 29 March 2007 in its 18th resolution, the Board of Directors awarded 14,221 free shares to:

- **Mr. Mark Inch**, Chairman and Managing Director of Société de la Tour Eiffel
5,000 free shares ;
- **Mr. Robert Waterland**, Deputy Managing Director of Société de la Tour Eiffel
5,000 free shares ;
- **Mr. Jérôme Descamps**, Deputy Managing Director of Société de la Tour Eiffel
1,300 free shares ;
- **Mr. Frédéric Maman**, Manager of SCI Champigny Carnot, a company controlled by Société de la Tour Eiffel
1,300 free shares ;
- Certain employees of SNC Awon Asset Management, a company controlled by Société de la Tour Eiffel
1,621 free shares.

The granting of the aforementioned free shares is a tool used to motivate and foster loyalty among the Group's employees and/or company officers and executives based on the improvement of the Company's performance. The number of free shares is based on a value equal to 20% of the growth in dividend per share times the number of shares with the reference value of the free shares being the average of the opening stock price quotations over the twenty trading sessions previous to the day when the free shares were awarded.

The free shares were issued provided the amount of the dividend per share approved at the next annual shareholders' meeting will be raised by €1 over the dividend for 2007. In the event the dividend amount voted by the Company's shareholders at their annual general meeting convened to approve the 2008 financial statements, including interim dividends, is not raised by €1 over the 2007 dividend, the number of free shares awarded on 29 July 2008 would be reduced by a decision of the Board of Directors to the number computed using the method indicated below based on the dividend's actual growth.

In accordance with the law and the special general shareholders' meeting's decision, these new shares will not be granted to the aforementioned persons on a final basis until the acquisition period fixed at two years expires. Once this period expires, the free shares must be held by their beneficiaries for a two-year period. Those beneficiaries who are top executives of the company and/or its subsidiaries are required to retain one third of the shares resulting from exercising the options recorded on the Company's books until they relinquish their duties.

8.3 – Table of results for the last five years

INDICATORS (Euros)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
■ SHARE CAPITAL AT YEAR-END					
Share capital	121,836,960	243,673,920	249,132,144	249,264,144	249,264,144
Number of shares issued	2,538,270	5,076,540	5,190,253	5,193,003	5,193,003
Nominal value of the shares	48	48	48	48	48
■ YEAR'S TRANSACTIONS AND RESULTS					
Turnover	1,076,229	2,960,611	5,570,553	6,047,457	6,537,292
Earnings before taxes, amortisation and provisions	4,402,065	9,721,606	36,535,247	31,891,065	32,246,005
Company income tax	-	1,125	229,197	314,906	(90,000)
Employee profit sharing during the year	-	-	-	-	-
Earnings after taxes, employee profit sharing, depreciation and provisions	4,201,998	9,720,481	36,403,314	31,576,159	28,180,742
Dividend paid	3,985,083,90	9,391,599	31,920,056	31,033,971	25,448,857
■ EARNINGS PER SHARE					
Earnings after taxes and before amortisation and provisions ⁽¹⁾	3.14	3.70	7.00	6.19	6.23
Earnings after taxes, amortisation and provisions ⁽¹⁾	3.00	3.72	7.01	6.08	5.43
Dividend paid per share (net) ⁽²⁾	1.57	2.85	6.15	6.00	5.00
■ PERSONNEL					
Average head count during the year	-	1	1	1	1
Payroll ⁽³⁾	-	207,102	392,898	720,000	3,695,685
Amount of social security benefits paid in during the year (social security, community enterprises) ⁽³⁾	-	66,628	115,762	392,751	238,323

(1) The earnings per share is computed based on an weighted average number of shares during the year.

(2) Of which during FY 2008: €3.5 of interim dividends paid and €1.5 proposed balance.

(3) The payroll figure includes remuneration paid to the company officers and directors and cost of free shares attribution.

8.4 – Authorisation to assume sureties, guarantees and other warranties

Pursuant to Articles L. 225-35 and R 225-28 of the French Commercial Code, the Board of Directors authorised the Managing Director at its meeting held on 12 February 2008 to give sureties, guarantees and other warranties up to a total cap of €550m.

This authorisation was given for a one-year term.

8.5 – Summary table of delegations of powers in respect of capital increases

Authorisation granted	Use
<p>I - Overall authorisation granted to the Board of directors to increase the share capital by the issue of any marketable securities with keeping of the pre-emptive subscription rights giving access, immediately or in the long term, to Company shares, or by the capitalisation of profits, premiums, reserves or others.</p> <p>On 29 March 2007, the Special General Meeting of Shareholders granted on the Board of Directors in its twelfth resolution the powers necessary to increase share capital:</p> <ul style="list-style-type: none"> - by issue of shares, warrants and/or securities giving access to the ordinary shares of the Company, - by capitalisation of profits, premiums, reserves or other, where capitalisation into the capital would be legally and statutorily possible and by allocating free shares or raising the nominal value of existing shares. <p>Term of the delegation: twenty-six months as of the date of the aforementioned meeting. Overall cap: €150m.</p>	<p>This authorisation has not been used.</p>
<p>II - Overall authorisation granted to the Board of directors to increase the share capital by the issue of any marketable securities with suppression of pre-emptive subscription rights, giving access, immediately or in the long term, to Company shares, or by the capitalisation of profits, premiums, reserves or other.</p> <p>On 29 March 2007, the Special General Meeting of Shareholders, under its 13th resolution, granted the Board of Directors the powers necessary to increase share capital by the issue of shares, warrants and/or marketable securities giving access to ordinary securities in the Company, said issues being (a) intended to remunerate share contributions made to the Company within the scope of an exchange offer that meets the conditions stipulated in article L. 225-148 of the French Commercial Code, (b) limited to 10% of the share capital for the purpose of remunerating contributions in kind made to the Company that comprise rights in share capital or marketable securities giving access to share capital provided the provisions of article L. 225-148 of the French Commercial Code do not apply.</p> <p>Term of the delegation: twenty-six months as of the date of the aforementioned meeting. Overall cap: €150m</p>	<p>This authorisation has not been used.</p>

Authorisation granted

Use

III - Authorisation granted to the Board of directors to award options to subscribe or purchase shares.

On 29 March 2007, the Special General Meeting of Shareholders, under its 17th resolution, delegated to the Board of Directors the powers necessary to grant employees, or certain among them or certain categories of staff, and Corporate Officers, or certain among them, of either the Company itself or any French or foreign companies or economic interest groups directly or indirectly related to it, under the terms of article L.225-180 of the French Commercial code, options granting them the right to subscribe new shares in the Company to be issued for the purpose of a capital increase, or existing shares in the Company originating from share buybacks that comply with 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 must not grant the right to subscribe or purchase a number of shares equivalent to more than 1.5% of the share capital over a three-year period.

The meeting of the Board of 16 October 2007 decided to allocate the following share purchase options:

- to Mr. Mark Inch options granting him the right to buy 6,488 shares,
- to Mr. Robert Waterland options granting him the right to buy 6,488 shares,
- to Mr. Jérôme Descamps options giving him the right to buy 6,488 shares,
- to Mr. Frédéric Maman options giving him the right to buy 6,487 shares.

The meeting of the Board of 11 December 2008 decided to allocate the following options to subscribe shares:

- to Mr. Mark Inch options granting him the right to subscribe 8,500 shares,
- to Mr. Robert Waterland options granting him the right to subscribe 8,500 shares,
- to Mr. Jérôme Descamps options giving him the right to subscribe 4,482 shares,
- to Mr. Frédéric Maman options giving him the right to subscribe 4,483 shares.

IV - Authorisation granted to the Board of Directors to award free shares

On 29 March 2007, the Special General Meeting of Shareholders, under its 18th resolution, delegated to the Board of Directors the powers necessary to grant certain corporate officers and/or employees of the Company or its subsidiaries of its choice, 60,000 free shares either existing or to be issued.

Term of the delegation: thirty-eight months.

The meeting of the Board of 16 October 2007 decided to allocate the following free shares:

- to Mr. Mark Inch 3,000 shares,
- to Mr. Robert Waterland 3,000 shares,
- to Mr. Jérôme Descamps 800 shares,
- to Mr. Frédéric Maman 800 shares,
- to employees of the Awon Asset Management company, 950 shares.

Provided the amount of the dividend which will be approved at the time of the next annual general meeting is as forecast.

The Board of Directors on 29 July 2008 decided to award the following free shares:

- to Mr. Mark Inch 5,000 shares,
- to Mr. Robert Waterland 5,000 shares,
- to Mr. Jérôme Descamps 1,300 shares,
- to Mr. Frédéric Maman 1,300 shares,
- to employees of the Awon Asset Management company, 1,621 shares.

Provided that the per-share dividend amount that will be approved at the next annual general meeting is increased by €1 over the 2007 dividend.

Consolidated financial statements

Contents

1 – Balance sheet - Assets	
Balance sheet - Liabilities	page 96

2 – Consolidated income statement	page 98
--	----------------

3 – Cash flow statement	page 99
--------------------------------	----------------

4 – Statement of changes in shareholders' equity	page 100
---	-----------------

5 – Appendix to the consolidated financial statement	page 101
---	-----------------

5.1 – General information	page 101
---------------------------	----------

5.2 – Accounting methods	page 101
--------------------------	----------

5.3 – Consolidation scope	page 108
---------------------------	----------

5.4 – Financial Risk Management	page 111
---------------------------------	----------

5.5 – Accounting estimations and judgments	page 112
--	----------

5.6 – Notes to the balance sheet, the income statement and the cash flow statement	page 113
---	----------

6 – Statutory auditors' reports	page 132
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1 – BALANCE SHEET - ASSETS

Euros, in thousands	Notes	31 December 2008	31 December 2007
		Net	Net
Non-current assets			
Plant, property and equipment	1	8,771	74,938
Investment property	2	1,077,158	1,007,908
Goodwill	3	-	-
Intangible fixed assets	4	2,286	3,043
Financial assets	5	2,311	19,691
Deferred tax debit		-	-
■ TOTAL NON-CURRENT ASSETS (I)		1,090,526	1,105,580
Current assets			
Assets for disposal	6	18,300	-
Trade receivables and related accounts	7	22,062	8,685
Other receivables and accrual accounts	8	30,325	29,241
Cash and cash equivalents	9	28,335	27,026
■ TOTAL CURRENT ASSETS (II)		99,022	64,952
■ TOTAL ASSETS (I + II)		1,189,548	1,170,532

Consolidated financial statements



BALANCE SHEET - LIABILITIES

Euros, in thousands	Notes	31 December 2008	31 December 2007
Shareholders' equity (Group share)			
Share capital	10	249,264	249,264
Premiums linked to capital	10	42,653	42,653
Legal reserve		4,142	2,563
Consolidated reserves		139,002	85,424
Consolidated income for the financial year		(16,748)	91,595
Shareholders' equity (Group share) (A)		418,313	471,499
Minority interests (B)		362	69
■ SHAREHOLDERS' EQUITY (I) = (A + B)		418,675	471,568
Non-current liabilities			
Long-term borrowings	11	678,056	597,976
Other financial liabilities	11	25,992	15,022
Long-term provisions	12	621	619
Tax liabilities	13	1,386	8,219
Deferred tax credit	14	-	-
Other long-term liabilities	15	299	
■ TOTAL NON-CURRENT LIABILITIES (II)		706,354	621,836
Current liabilities			
Borrowings and financial debt (less than one year)	11	11,914	14,905
Provisions (less than one year)	11	317	327
Trade payable and other debts	12	-	-
Tax and social debt	13	16,128	12,843
Trade accounts payable and other debts	15	36,160	49,053
■ TOTAL CURRENT LIABILITIES (III)		64,519	77,128
■ TOTAL LIABILITIES (I + II + III)		1,189,548	1,170,532

2 – CONSOLIDATED INCOME STATEMENT

Euros, in thousands	Notes	31 December 2008	31 December 2007
Turnover	16	84,569	83,858
Consumed purchases	17	(59)	(98)
Payroll expense	18	(4,664)	(7,706)
External expense	18	(20,464)	(15,447)
Property taxes	18	(8,689)	(8,250)
Allowances for depreciation	19	(850)	(838)
Net allowances for provisions	19	(53)	(235)
Net value adjustment balance	20	(13,073)	68,902
Other operating income and expense	21	(485)	3,553
Operating income on ordinary activities		36,232	123,739
Other income and expense on ordinary activities		-	-
Operating profit		36,232	123,739
Income from cash and cash equivalents		1,453	868
Gross cost of financial indebtedness		(35,269)	(28,200)
Net cost of financial debt	22	(33,816)	(27,332)
Other financial income and expense	23	(18,383)	1,950
Corporate income tax	24	(702)	(6,811)
■ NET PROFIT		(16,669)	91,546
Minority interests		79	(49)
■ NET PROFIT (GROUP SHARE)		(16,748)	91,595
Profit per share	25	(3.23)	17.64
Diluted profit per share	25	(3.27)	17.57

3 – CASH FLOW STATEMENT

Euros, in thousands	31 December 2008	31 December 2007
■ CASH FLOW FROM OPERATIONS		
Consolidated net profit	(16,669)	91,546
<i>Restatement:</i>		
Net depreciation expense and provisions	467	1,154
Net balance from value adjustments of investment properties	13,073	(68,902)
Profit (loss) on value adjustment of other assets and liabilities	21,159	2,800
Calculated charges and income from payments in shares	-	-
Gross change in deferred taxes and exit tax debt	-	-
Gains or losses on asset disposals	390	(3,147)
= Cash flow from operations after net cost of financial indebtedness and income tax	18,420	23,451
Income tax expense	702	6,811
Net cost of financial debt	33,816	27,332
= Cash flow from operations before net cost of financial indebtedness and income tax	52,938	57,594
Taxes paid	(7,939)	(9,377)
Change in working capital requirement linked to operations	1,873	4,200
= Net cash flow from (for) operations	46,872	52,417
■ CASH FLOW LINKED TO INVESTMENT TRANSACTIONS		
Acquisition of capital assets		
<i>Intangible and tangible fixed assets</i>	(143,949)	(66,325)
<i>Financial assets</i>	-	-
Disposal of capital assets	83,755	40,539
Change in loans and financial receivables agreed	11,492	(3,518)
Impact of changes in the consolidation scope	(724)	(35,195)
= Net cash flow for investment activities	(49,426)	(64,499)
■ CASH FLOW LINKED TO FINANCING TRANSACTIONS		
Dividends paid to parent company shareholders	(33,072)	(28,430)
Dividends paid to minority interests	-	-
Capital increase	-	214
Borrowings issues	(4,362)	(6,767)
Repayment of borrowings	158,654	188,115
Net financial interest paid	(84,287)	(110,416)
Change in other financial debt	(33,139)	(25,782)
	-	-
= Net cash flow from financing activities	3,794	16,934
■ CASH FLOW VARIATION	1,240	4,852
Cash flow at opening	26,957	22,105
Cash flow at closing	28,197	26,957
Cash flow variation	1,240	4,852

4 – STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euros, in thousands	Share capital	Premiums	Legal reserve	Consolidated reserves	Year-end net income	Total Group share	Minority interests	Total Shareholders' equity
■ POSITION AT 01/01/2007	249,132	42,571	743	423	117,908	410,777	21	410,798
Appropriation of earnings	-	-	1,820	116,088	(117,908)	-	-	-
Dividends paid	-	-	-	(28,430)	-	(28,430)	-	(28,430)
Capital increase	132	85	-	-	-	217	-	217
Costs of capital increase	-	(3)	-	-	-	(3)	-	(3)
Income from previous ended year	-	-	-	-	91,595	91,595	(49)	91,546
Share subscription warrants	-	-	-	-	-	-	-	-
Stock option plans	-	-	-	4,110	-	4,110	-	4,110
Other movements	-	-	-	-	-	-	97	97
Share buy-back	-	-	-	(6,767)	-	(6,767)	-	(6,767)
■ POSITION AT 31/12/2007	249,264	42,653	2,563	85,424	91,595	471,499	69	471,568
Appropriation of earnings	-	-	1,579	90,016	(91,595)	-	-	-
Dividends paid	-	-	-	(33,072)	-	(33,072)	-	(33,072)
Capital increase	-	-	-	-	-	-	-	-
Cost of capital increase	-	-	-	-	-	-	-	-
Income for current year	-	-	-	-	(16,748)	(16,748)	79	(16,669)
Share subscription warrants	-	-	-	-	-	-	-	-
Stock option plans	-	-	-	996	-	996	-	996
Other movements	-	-	-	-	-	-	214	214
Share buy-back	-	-	-	(4,362)	-	(4,362)	-	(4,362)
■ POSITION AT 31/12/2008	249,264	42,653	4,142	139,002	(16,748)	418,313	362	418,675



5 – APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 – General information

Société de la Tour Eiffel and its subsidiaries specialise in the holding and management of commercial property.

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 in Paris.

The Company is listed on the Euronext Paris Eurolist (compartment B) financial market in France.

The consolidated financial statements for the year ended 31 December 2008 were adopted by the Board of Directors on 4th March 2009. They are presented in thousands of euros unless otherwise indicated.

5.2 – Accounting methods

The main accounting methods used in preparing the consolidated financial statements are set out below. Unless otherwise indicated, these same methods have been applied consistently to all financial years presented.

5.2.1 – BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of Société de la Tour Eiffel group have been prepared in accordance with IFRS standards as adopted by the European Union.

The preparation of financial statements in accordance with IFRS standards requires the application of certain pertinent estimates. Management must also exercise judgment 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 judgment or complexity, or those where assumptions and estimates are significant in relation to the consolidated financial statements are explained in paragraph 5.

Below are the mandatory application standards as at 1 January 2009 which had not yet been applied before:

- IFRS 8, Operating segments

- IFRIC 11, Group and treasury shares transactions
- IAS 40 revised: accounting for construction work in progress at its fair value (subject to approval by the European Union).

The closing date of year-end accounts for all companies in the Group is 31 December.

The consolidated accounts are established on this basis.

5.2.2 – METHOD OF CONSOLIDATION

Subsidiaries

The subsidiaries are all entities where the Group is entitled to direct financial and operational policy, an authorisation 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 valuation. Subsidiaries are wholly consolidated as of the date of transfer of control to the Group. They are deconsolidated as of 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 Group's pro-rata share in the net assets of the subsidiary acquired, the difference is posted directly to the income statement (cf. Note 2.6).

5.2.3 – GROUPING OF COMPANIES AND ASSET ACQUISITIONS

5.2.3.1 – GROUPING OF COMPANIES

When the Company acquires an economic activity as defined in IFRS 3, this acquisition is recognised as a grouping of companies as defined by this standard.

In this case, deferred taxes and goodwill are likely to be recorded.

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 impairment 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. Income on the disposal of an entity takes the accounting value of the entity's goodwill into consideration.

Goodwill is posted to units generating cash flow, which we expect to benefit from the Grouping, in order to carry out impairment tests. Amortisation is recognised for the amount of the excess of the unit's book value over its recoverable value. The recoverable value of a unit is the highest amount between its fair value less disposal costs and its economic value.

The treatment of these acquisitions as groupings of companies leads to the recognition of deferred tax credits on the balance between the taxable value and the fair value of the properties at the date of acquisition as well as any future adjustments to the fair value at the time fair value is exercised (cf. Note 2.17). Also, acquisition costs are included in the purchase price 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 when performing impairment tests on cash generating units, to which goodwill is allocated, an effect leading to overall impairment of goodwill during the financial year when the acquisition took place.

In fact, the cash generating units, 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 properties), they are unable to justify the corresponding goodwill impairment.

Consequently, as a result of the application of IAS standard 36, goodwill is fully recorded as charges in the year of acquisition; in the present case, impairment is recorded under "net value adjustment balance".

In accordance with IFRS standard 3, negative goodwill is recorded on the income statement in the "net value adjustment balance".

5.2.3.2 – ASSET ACQUISITIONS

When the Group acquires an entity that constitutes a group of assets and liabilities but is void of economic activity as defined in IFRS 3, such acquisitions are not a grouping of companies as defined by this same standard and are recorded as asset and liability acquisitions with no corresponding goodwill.

Any difference between the purchase price and the fair value of assets and liabilities acquired is allocated on the basis of the relative fair values of the individual assets and liabilities which can be identified as a grouping at the time of acquisition.

In compliance with IAS 12 §15 (b), there is no deferred tax recognised at the time the assets and liabilities are acquired for acquired entities subject to income tax.

5.2.4 – INFORMATION PER SECTOR

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 recognises only one sector of activity and all of this activity is based in France.

5.2.5 – PLANT, PROPERTY AND EQUIPMENT

Property assets under construction or rehabilitation for subsequent use as an investment property

These assets are carried as “under construction” and are valued at their capitalised cost.

In these development programs, cost commitments are capitalised with effect from the start of the program where there is reasonable certainty of receiving authorisation 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 duties.

The Group opted (under the option set out in IAS standard 23) to incorporate the cost of borrowings into the cost of the asset created. These are assets requiring a long construction period. Financial expenses included are interest 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 interest rate is that defined in the terms of the financing granted to the Group.

Other plant, property and equipment

Other plant, property and equipment mainly include office, computer and transport equipment as well as fittings. These are amortised on a straight line basis over their useful life.

Amortisation is calculated on the following basis:

- transport equipment: 3 years,
- office and computer equipment: 3 years,
- installations, fixtures and fittings: 10 years.

5.2.6 – INVESTMENT PROPERTY

The IFRS standards differentiate between investment properties (subject to IAS 40) and other properties (such as all other plant, property and equipment, subject to IAS 16).

An investment property 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 properties at their fair market value. These properties are not amortised.

The fair market value used for all of the Group's investment properties 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 various independent specialists:

- Atisreal Expertise,
- Drivers Jonas,
- Savills,
- Cushman & Wakefield,
- Ad Valorem.

The appraisers' methodology is in accordance with standards in the profession (TEGoVA, RICS, French property appraisal charter, February 2000 COB report).

To assess value, appraisers have used the income capitalisation method which consists of capitalising the net rentals of properties based on the rental statements provided by the Group and taking non-recoverable charges into account (management costs, lump-sum or capped payments, maintenance costs, cost of basic repairs...)

This rental income accounts for a vacancy rate as well as any decreases or increases in rents that are to be effective at the time of renewal based on market rental values and the probability of leases being renewed.

The return rates automatically derived from these appraisals are compared against market rates and the values adjusted accordingly.

Investment buildings under refurbishment remain subject to the classification and appraisal (fair value) rules under IAS 40.

They are valued on the basis of an appraisal of the building after rehabilitation to the extent that the company can be reasonably assured that the project will be successfully completed owing to the lack of significant risk factors with administrative authorisations (building permits, CDEC, etc.), or of conditions precedent for technical and commercial operation.

The remaining cost of construction work is then deducted from this appraisal based on the development budget or contracts negotiated with the developers and contractors.

Those investment properties which do not meet these conditions are assigned a value according to their condition at accounting period end.

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 capitalisable works and expenses during the financial year).

Income from the disposal of an investment project is calculated in relation to the last fair value posted in the closing balance sheet for the previous financial year.

5.2.7 – INTANGIBLE FIXED ASSETS

In accordance with IAS standard 38, intangible fixed assets are valued at historic cost less the cumulative total of amortisation and possible impairment loss.

Intangible fixed assets mainly involve the agreement concluded between Awon Asset Management and Société Tour Eiffel valued with regard to Awon Asset Management's acquisition on 16 May 2006.

This agreement is amortised over its fixed term, thus until 31 December 2011.

An impairment test will be made if any loss in value is suspected.

Other intangible fixed assets consist essentially of software. These are valued at cost and amortised on a straight-line basis over their estimated useful life, usually between 1 and 3 years.

5.2.8 – FINANCIAL ASSETS

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

Financial assets at fair market value through the income statement

This category includes financial assets shown at fair value through the income statement when they are first recorded. A financial asset falls under this category if it has been designated as such by management (assets

valued at fair value through the income statement) in accordance with the IAS standard 39. Assets under this category are recognised as current assets when they are held for future transactions or if they are expected to reach maturity within twelve months of closing. They are then revalued at their fair value at each closing.

For the Group, this involves the valuation of CAPs and SWAPs.

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 reaching maturity more than twelve months after closing. The latter are categorized under non-current assets.

These assets are accounted for at cost.

5.2.9 – TRADE RECEIVABLES AND RELATED ACCOUNTS

Trade receivables are first accounted for at fair value, less provision for impairment. A provision for impairment of trade receivables is made when there is an objective indication that the Group is not able to recover the totality of sums owed under the conditions initially 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.

5.2.10 – CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" includes cash reserves, bank sight deposits, other very liquid short-term investments with a maturity not exceeding three months and bank overdrafts. Bank overdrafts are shown in the balance sheet as current liabilities under "Borrowings".

Marketable securities are classified as cash equivalent, they meet the criteria of maturity, liquidity and the absence of volatility.

They are valued at fair value with a contra account in the income statement.

5.2.11 – NON-CURRENT ASSETS AND ASSET GROUPS DESTINED FOR DISPOSAL

IFRS standard 5 stipulates that assets which the Company has made a decision to sell should be classified as “Assets for disposal”.

Non-current assets are classified as “assets for disposal” if management, authorised to approve the disposal, has decided as such.

For the sale to be highly probable a plan to dispose of the asset must have been undertaken and an active program to find a buyer launched.

The Company expects the sale to take place within a limit of twelve months.

Investment properties included in this category continue to be valued according to a principle of fair value.

5.2.12 – SHAREHOLDERS’ EQUITY

The fair value of share subscription warrants and stock options is valued according to mathematical models applicable at the time of allocation. This fair value is recognised on the income statement as rights are acquired with a contra account in shareholders’ equity.

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

Purchases of treasury shares were recognised as a reduction to shareholders’ equity at their acquisition price.

5.2.13 – BORROWINGS AND OTHER FINANCIAL LIABILITIES**Borrowings**

Borrowings are initially entered at their fair value, net of transaction costs, and then at their depreciated cost. Amortisation of issue costs over the lifetime of existing borrowings is done 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.

Hedging instruments

Société de la Tour Eiffel uses financial instruments (SWAPs and CAPs) to hedge the risk of an increase in the interest rates of its debt and has not opted for the hedge accounting option available under the IFRS standards.

Financial instruments are valued at fair value and any changes in fair value from one period to another are recognised in the income statement.

Other financial liabilities

Other financial liabilities mainly include outstanding premiums, CAPs, SWAPs and deposits and sureties received.

These financial liabilities are accounted for at their amortised cost.

5.2.14 – PROVISIONS

Provisions are made if it is likely that a significant outflow of resources will be required to discharge a current obligation (legal or implied) arising from a past occurrence and where a fairly accurate estimate of the obligation’s value is possible.

5.2.15 – SOCIAL SECURITY BENEFITS**Retirement obligations**

IAS standard 19 requires that companies expense all present and future benefits and remuneration to its personnel or to a third party over the period of vesting benefits.

The Group had 24 employees at of 31 December 2008 of which 23 were with Awon Asset Management and 1 was with Société de la Tour Eiffel.

Management decided to maintain the accounting treatment for actuarial gains and losses consisting of recognising them as income.

For 2008, the Group has made an estimation of its retirement obligations in the form of guaranteed benefits.

Thus estimation was based on:

- actuarial valuations (discount rate and net annual valuation of the fund at a rate of 4.51%),
- death rate assumptions (source Insee),
- employee turnover
- salary increases at 4%
- a retirement age of 65.

This provision for retirement obligations was recorded in the amount of €94,000.

Payments based on shares

The group has put in place a remuneration plan based on equity instruments, i.e. options on shares and free shares. The fair value of services rendered in exchange for the award of stock options is recorded as an expense as a contra to reserves on the basis of the value of the options at the time they are granted.

The company does not recognise any commitment when the awarding of these instruments is subject, on the awarding date, to any condition other than a market condition that will not be fulfilled. This applies to the free shares issued in 2008.

At the closing of each financial year, the Company reviews the number of options available to be exercised.

Sums received on the exercise of options are credited to the "share capital" (par value) and "Issue premium, net of directly attributable transaction costs" accounts.

5.2.16 – DEBT WITH DEFERRED REPAYMENT

The amount of these debts is updated and financial expense/income is recognised in the income statement over the period of deferred repayment.

The only deferred repayments recognised concern: exit tax relating to newly acquired SIIC status and security deposits from tenants. The main restatement involved the discounting of the exit tax.

5.2.17 – CURRENT AND DEFERRED TAXES

The Group's tax regime

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 recorded for the activities and companies subject to corporate income tax are calculated according to 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 realised or the deferred tax credit settled.

Deferred tax debit is recognised only where a future taxable profit is likely, enabling the temporal differences to be written off.

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 offers an exemption from the company income tax on profits from property rentals.

As a result of this decision, no company income tax is payable in respect of property rental activities through income from subsidiaries, either directly or indirectly. Capital gains on disposal of buildings or the shares of subsidiaries under the same tax system are also exonerated.

The Group continues to pay income tax on any transactions that do not fall within the scope of the SIIC regime.

Since Locafimo opted for the SIIC regime in 2006, the scope of application is currently very limited.

Parcoval, a company which entered the perimeter on 31st March 2007, has opted for the SIIC regime with effect as at 1st April 2007.

Changes to the SIIC tax regime

2006 amendments to France's *Loi de Finances*, promulgated 30 December 2006, stipulate that SIICs are required to deduct a 20% contribution on all dividends paid as at 1 July 2007 to shareholders (not including individuals and SIICs) owning, directly or indirectly, at least 10% of the company's share capital and not subject income tax on the dividend payout received.

In accordance with the IFRS rule by which the tax consequences of dividends are recorded when the dividends payable are accounted for as liabilities (IAS 12, 52B), the withholding tax is recorded for the period when the distribution is decided on.

Based on the shareholding structure at 31 December 2008, the company did not have to pay withholding taxes on its dividend distributions.

5.2.18 – RECOGNITION OF INCOME

In accordance with the IAS standard 18, "Revenue", 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 Group's case, to earnings from rental of investment properties.

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.

5.2.19 – OTHER INCOME AND EXPENSES ON ORDINARY ACTIVITIES

“Other income and expenses on ordinary activities» corresponds to events which are unusual, abnormal, and infrequent as set down in paragraph 28 of the “IASB Framework”, for example:

- A capital gain or loss on disposal of non-current tangible or intangible assets,
- Impairment of non-current tangible or intangible assets,
- Certain restructuring charges,
- Provision relating to major legal proceedings for the Company.

5.2.20 – LEASE-FINANCING AGREEMENTS

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.

5.2.21 – DISTRIBUTION OF DIVIDENDS

Distribution of dividends to the Company's shareholders is entered as debt in the Group financial statements for the period during which dividends receive the approval of the shareholders.

5.3 – Consolidation scope

5.3.1 – LIST OF CONSOLIDATED COMPANIES

Companies	Siren	Consolidation method	% interest Dec. 2008	% interest Dec. 2007	Consolidation date
SA SOCIETE DE LA TOUR EIFFEL	572 182 269	Parent company	100%	100%	
SCI DU 153, AVENUE JEAN-JAURÈS	419 127 287	F.C.**	100%	100%	December 2003
SCI NOWA	443 080 379	F.C.**	100%	100%	April 2004
SCI MARCEAU BEZONS	429 665 672	F.C.**	100%	100%	June 2004
SCI ARMAN F02	444 978 076	F.C.**	100%	100%	April 2004
SCI DES BERGES DE L'OURCQ	478 726 565	F.C.**	100%	100%	September 2004
SCI CHAMPIGNY CARNOT	479 586 893	F.C.**	100%	100%	November 2004
SCI COMETE	479 576 761	F.C.**	100%	100%	December 2004
SCI LYON GENLIS	480 351 576	F.C.**	100%	100%	January 2005
SCI ETUPES DE L'ALLAN	480 601 038	F.C.**	100%	100%	January 2005
SCI CAEN COLOMBELLES	482 598 133	F.C.**	100%	100%	May 2005
SCI MALAKOFF VALETTE	552 138 448	F.C.**	100%	100%	May 2004
SCI MASSY CAMPUS 2	483 575 635	F.C.**	100%	100%	August 2005
SAS LOCAFIMO *	692 031 149	F.C.**	100%	100%	December 2005
SCI AIX GOLF *	403 092 471	F.C.**	100%	100%	December 2005
SCI LA RIVIERE GIRAUDIERE*	388 323 909	F.C.**	100%	100%	December 2005
SCI MARNE HAUTE MAISON*	403 105 133	F.C.**	Absorbed to 30/12/08	100%	December 2005
SCI BOTADIÈRE *	397 968 207	F.C.**	100%	100%	December 2005
SCI PARIS CHARONNE *	403 104 458	F.C.**	100%	100%	December 2005
SNC AWON ASSET MANAGEMENT	380 757 807	F.C.**	100%	100%	May 2006
SCI DE BROU	351 819 966	F.C.***	100%	100%	June 2006
SCI COGOLIN GAOU	442 525 382	F.C.***	100%	100%	June 2006
SCI DE LA CRAU	447 913 278	F.C.***	100%	100%	June 2006

Companies	Siren	Consolidation method	% interest Dec. 2008	% interest Dec. 2007	Consolidation date
SCI GRENOBLE PONT D'OXFORD	490 034 063	F.C.**	100%	100%	May 2006
SCI LYON LILAS	434 819 488	F.C.***	Absorbed to 01/01/08	100%	June 2006
SCI RUEIL NATIONAL	489 900 498	F.C.**	100%	100%	May 2006
SCI MARSEILLE SAUVAGERE	443 878 244	F.C.***	Absorbed to 30/12/08	100%	June 2006
SCI PORTE DES LILAS	490 989 803	F.C.**	90%	90%	July 2006
SCI SODEPROM	328 223 706	F.C.***	100%	100%	December 2006
SAS PARCOVAL	441 834 645	F.C.***	Absorbed to 01/01/08	100%	March 2007
SCI DURANNE SUD	498 033 869	F.C.***	100%	-	March 2008
SCI ARMAN AMPERE	509 498 523	F.C.***	100%	-	December 2008

* Companies consolidated on acquisition of Locafmo.

** Fully consolidated.

*** Acquisitions considered as asset acquisitions in compliance with paragraph 2.6.2.

All companies in the Group are registered in France.

Shared address for all companies in the Group: 20-22, rue de la Ville l'Evêque, 75008 Paris, France.

5.3.2 – CHANGE IN THE CONSOLIDATION SCOPE

Acquisitions

Acquisition of Duranne Sud on 4 March 2008:

On 4 March 2008, the Group acquired 100% of Duranne Sud.

This acquisition was considered as an asset acquisition in compliance with paragraph 2.6.2.

The Duranne Sud company does not contribute to the group's consolidated results. Its assets solely consist of construction work in progress.

Assets and liabilities linked to this acquisition at 4 March 2008 are presented in the following statement:

In thousands of euros	Fair value	Portfolio's book value
Cash and cash equivalents	1	1
Intangible fixed assets*	-	-
Property, plant and equipment	1,331	606
Investment properties (Note 2)	-	-
Licenses (included in intangible fixed assets) (Note 4)	-	-
Financial assets available for disposal (Note 5)	5	5
Trade and other receivable	120	120
Trade and other payable	-	-
Borrowings (Note 11)	-	-
Other financial liabilities (Note 11)	(732)	(732)
Provisions for contingencies and charges (Note 12)	-	-
Deferred tax credit – net (Note 14)	-	-
Current account	-	-
■ NET ASSETS	725	-
Minority interests (%)	0 %	0%
■ NET ACQUIRED ASSETS	725	
Purchase price paid in cash	725	
Cash and cash equivalents of the acquired subsidiary	(1)	
Cash outflow for the acquisition	724	

Creation

The SCI Arman AMPERE was created on 9 December 2008.

Deconsolidations

Merger/Absorption of Parcoval and Lyon Lilas by Locafimo:

Locafimo carried out the merger by absorbing Parcoval and Lyon Lilas with retroactive effect to 1 January 2008.

Full Asset Transfer:

All the assets of the Marne Haute Maison and Marseille Sauvagere companies were transferred to Locafimo on 30 December 2008.

5.4 – Financial Risk Management

Management of market risks

Interest rate changes have a direct impact on the borrowings collected to fund the Group's investment programme, and may, in case of rate increase, lead to increased costs in investment financing. Likewise, higher rates could have an effect on maintaining the financial liquidity which the Group needs.

Against a global backdrop of tension in the financial markets, the Group's interest rate management policy is intended to limit the impact from changing interest rates on its income and cash flow, as well as to minimise the overall cost of its debt. To achieve these objectives, the Group's companies generally borrow at a variable rate and use derivatives (CAPs and SWAPs) to cover their risk of exposure to rate changes. The companies only conduct transactions in the market to hedge their interest rate risk and they centralise and manage all of the transactions themselves done following the recommendations of the banking institutions with which they have a business relationship.

Société de la Tour Eiffel did not record any losses on its open-end fund investments, including after the sub-prime crisis. Indeed, the investment vehicles are liquid, secure and hardly volatile. Therefore, they can be recorded as cash or cash equivalents.

At 31 December 2008, the group's consolidated gross indebtedness to banks was €682.5m, comprising €342.4m of fixed rate debt (of which €283m was hedged with SWAPs) and €340.1m of variable rate debt €279.5m, hedged by interest rate CAPs. Hence, at 31 December 2008, 91% of the debt was covered.

On the basis of the debt recorded at 31 December 2008, an average 100 basis point increase in 3-month Euribor rates over 2009 would have an estimated negative impact of €2.8m on net recurring income.

On the other hand, were interest rates to fall 100 basis points, interest expense is estimated to drop €2.8m and would have an equivalent positive impact on the net recurring income for 2009.

As a reminder, between 1 October 2008 and end-February 2009, 3-month Euribor, which is the only benchmark rate applied to the group's variable rate bank indebtedness, fell from 5.29% to 1.8%.

Counterparty risk

The company only enters into hedging agreements with world-class banking institutions.

Currency risk

Since the Group conducts its activities only in France, it is not exposed to any currency risk.

Liquidity risk

The Company and its subsidiaries have entered into blanket agreements with internationally known banks to finance the Group's property portfolio. These contracts were modified by amendments as the Group made new acquisitions.

One of the major events in 2008 involved refinancing the mortgage loan extended to Locafimo under the framework agreement dated 1 June 2001, a refinancing representing nearly 60% of the group's total bank indebtedness. The term of this €357m loan, originally fixed for July 2010, was extended to July 2013 for an increased amount of €368m at the same terms. In addition, a new €56m working capital line of credit was offered with certain conditions. It has not yet been drawn down. Nearly half of it remained available at year-end 2008.

These bank financing agreements contain boilerplate prepayment clauses covering various cases and, in each case, under certain precisely defined conditions. These cases are, in particular, the failure to pay an amount due, the breach of certain financial ratios, the failure to honour various commitments taken by the Company or its subsidiaries, the imprecision of various declarations and guarantees made; the occurrence of an event having a significant unfavourable effect on the Group's activity, its financial, legal or tax position, the failure to record a mortgage surety bond at the agreed-to credit grade, the realization of a security interest by the Company's creditor on assets financed by money drawn on the blanket agreement; the existence of class action suits; dissolution; a merger not authorized by the lender; the assignment of a portion of a subsidiary's securities whose real estate property was financed through a blanket agreement; the existence of proceedings to requisition / expropriate a building financed by the blanket agreement if the compensation is insufficient to pay down the financed portion, the assessment of a tax following an uncontested tax adjustment with an unfavourable effect; the loss of eligibility for the SIIC tax break which does not follow a change in the law; and the statutory auditors' opinions as soon as they have a material unfavourable effect or the total loss of a building financed through the blanket agreement.

Should any one of the above events occur, and this is not remedied by the deadlines stipulated by the blanket agreements, the lender banks may cancel their commitments in respect of extending credit, immediately demand repayment of any loans outstanding and costs relating thereto and realize all or part of the securities granted under these contracts.

The two main financial ratios which the group is committed to maintain under its bank financing agreements are:

- LTV ratio: amount of committed financings over that of the fixed assets financed;
- ICR ratio: interest coverage for the 4th quarter of 2008 and projections of interest expense over the following 3 quarters by net rentals for 4th quarter 2008 and those projected over the next 3 quarters.

BANKING FINANCING AND COVENANTS AT 31/12/2008

€ millions	31/12/2008 Debt drawn down	Main covenants		Covenants at 31/12/2008		
		Maximum LTV	Minimum ICR	LTV	ICR	Due date
RBS/AXA/Calyon	144.4	75%	170%	52%	318%	15/06/2013
RBS/Calyon/Crédit Foncier/AXA	72.5	75%	180%	66.2%	247%	31/03/2010
Calyon	60.6	80%	125%	52.0%	207%	15/04/2011
Hypo Real Estate	349.3	72.5%	140%	62.6%	179%	30/06/2013

The level of the ratios under loan covenants at 31 December 2008 complies with all of the group's commitments contained in its financing agreements.

5.5 – Accounting estimations and judgments

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

Accounting estimates and assumptions

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

Appraisal of property

The Group has its assets valued by independent appraisers who use assumptions of future flows and interest rate which have a direct effect on property values.

Since these valuations are necessarily estimations, it is possible that in the event of a future transfer, the sales price will differ from the aforesaid valuations.

A decline in appraised values would lead to a decline in net income.

Evaluation of intangible assets

The contract binding Awon Asset Management and Société de la Tour Eiffel is subject to an annual impairment test.

Fair value of derivatives and other financial instruments

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

5.6 – Notes to the balance sheet, the income statement and the cash flow statement

NOTE 1: TANGIBLE ASSETS

VARIANCE BY TYPE

Euros, in thousands	Property under construction	Office and computer equipment	Total
Year-ended 31/12/07			
Net balance at opening	41,433	111	41,544
Change in consolidation scope	10,115	-	10,115
Acquisitions	37,404	45	37,449
Transfers	-	-	-
Reclassification	(14,114)	-	(14,114)
Amortisation	-	(56)	(56)
■ NET BALANCE AT CLOSE	74,838	100	74,938
At 31/12/07			
Gross	74,838	195	75,033
Total amortisation	-	(95)	(95)
■ NET BOOK VALUE	74,838	100	74,938
Closed at 31/12/08			
Net balance at opening	74,838	100	74,938
Change in consolidation scope	1,331	-	1,331
Acquisitions	19,730	475	20,205
Transfers	-	-	-
Reclassification ⁽¹⁾	(87,431)	-	(87,431)
Other movements	(207)	3	(204)
Amortisation	-	(68)	(68)
■ NET BALANCE AT CLOSING	8,261	510	8,771
At 31/12/08			
Gross	8,261	673	8,934
Total amortisation	-	(163)	(163)
■ NET BOOK VALUE	8,261	510	8,771

(1) The following buildings were delivered in the 2008 financial year, and were thus reclassified to the investment property category:

- STE buildings located in Amiens and St-Cloud,
- Parcoval building 31 located in Aix-en-Provence,
- Parcoval buildings 1 and 2 located in Mérignac,
- extension of the Nowa building located in Châlons-en-Champagne,
- the building located at Le Bourget and relating to the Locafimo company,
- the building at Rueil-Malmaison,
- the building complex Commemara of Locafimo
- the building at Porte des Lilas.

PROPERTY ASSETS UNDER CONSTRUCTION

At 31 December 2008, the Société de la Tour Eiffel group possessed two assets entered in the accounts as “Property under construction” whose main details are indicated in the table below.

Summary table of properties under construction.

Property	Address	Type of asset	Total rental area	% of lettable area, long term	Estimated rent excl tax/years	Estimated date of completion	Current status
Locafimo Chartres Business Park	Av. Nicolas Conte, ZAC du Jardin d'ent. Chartres	Mixed Use	Buildings: 11,546 sq. m. Car park: 160 spaces	100%	1,019,080	August 2009	Under construction
Duranne Sud	Av. Galilée, Parc tertiaire de la Duranne, Aix Les Milles	Offices	Buildings: 2,747 sq. m. Car park: 106 spaces	100%	475,503	March 2009	Under construction

PROPERTY UNDER CONSTRUCTION - APPRAISAL

	Cost at 31 Dec. 2007		Costs incurred in 2008		Cost until completion of works		Total cost of the project		% Int. used
	Net of interest	Financial interest	Net of interest	Financial interest	Net of interest	Financial interest	Net of interest	Financial interest	
Locafimo Chartres Business Park	-	-	2,993	-	10,594	-	13,587	-	-
Duranne Sud	-	-	5,156	112	923	-	6,079	112	3 - month Euribor +1.2 %
Total	-	-	8,150	112	11,517	-	19,667	112	
■ GRAND TOTAL		-	8,262		11,517		19,779		

NOTE 2: INVESTMENT PROPERTIES

VARIANCE BY TYPE

Euros, in thousands	Investment property	Euros, in thousands	Investment property
Close at 31/12/2007		Close at 31/12/2008	
Net balance at opening	825,465	Net balance at opening	1,007,908
Acquisitions	46,628	Acquisitions	17,218
Transfers	(37,363)	Later expenditure	89,087
Reclassification	14,114	Transfers	(93,113)
Net transfer to buildings intended to be sold	-	Reclassification	87,431
Changes in consolidation scope	90,512	Net transfer to buildings destined for sale	(18,300)
Other movements	(350)	Changes in consolidation scope	-
Fair value effect (profit or loss)	68,902	Other movements	-
■ NET BALANCE AT CLOSE	1,007,908	■ NET BALANCE AT CLOSE	1,077,158

Restrictions relating to the possibility of disposing of an investment property or the recovery of the proceeds from their sale.
There has been no such restriction placed on any investment property.



NOTE 3: GOODWILL

Euros, in thousands	Comète	Malakoff Valette	Arman F02	Jean-Jaurès	Locafimo	Total goodwill
Close at 31/12/2007						
Net balance at opening	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
■ NET BALANCE AT CLOSE	-	-	-	-	-	-
At 31/12/2007						
Gross	2,350	1,895	1,873	262	25,885	32,265
Total provisions	(2,350)	(1,895)	(1,873)	(262)	(25,885)	(32,265)
■ NET BOOK VALUE	-	-	-	-	-	-
Close at 31/12/2008						
Net balance at opening	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Transfers	-	-	-	-	(2,361)	-
Provisions	-	-	-	-	2,361	-
■ NET BALANCE AT CLOSE	-	-	-	-	-	-
At 31/12/2008						
Gross ⁽¹⁾	2,350	1,895	1,873	262	23,524	29,904
Total provisions ⁽¹⁾	(2,350)	(1,895)	(1,873)	(262)	(23,524)	(29,904)
■ NET BOOK VALUE	-	-	-	-	-	-

(1) Goodwill and the corresponding provision concerning Locafimo were reduced following property transfers in 2008 totalling €2,361,000.

NOTE 4: INTANGIBLE FIXED ASSETS

VARIANCE BY TYPE

Euros, in thousands	Intangible assets generated internally	Acquired intangible assets	Total intangible assets
Year ended 31/12/2007			
Net balance at opening	-	3,707	3,707
Acquisitions	-	148	148
Transfers	-	(29)	(29)
Amortisation	-	(783)	(783)
Reclassification	-	-	-
Consolidation date	-	-	-
■ NET BALANCE AT CLOSE	-	3,043	3,043
At 31/12/2007			
Gross	-	4,515	4,515
Total amortisation	-	(1,472)	(1,472)
■ NET BOOK VALUE	-	3,043	3,043
Year ended 31/12/2008			
Net balance at opening	-	-	-
Acquisitions	-	3,043	3,043
Transfers	-	26	26
Amortisation	-	-	-
Reclassification	-	(782)	(782)
New consolidation	-	-	-
■ NET BALANCE AT CLOSE	-	2,286	2,286
At 31/12/2008			
Gross	-	4,540	4,540
Total amortisation	-	(2,254)	(2,254)
■ NET BOOK VALUE	-	2,286	2,286

The intangible assets have been acquired and have not been revalued.

€2,223,000 of the net value of the intangible assets derive from the Asset Management contract which was recognised as an intangible asset when Awon Asset Management was consolidated in 2006.

NOTE 5: FINANCIAL ASSETS

FINANCIAL ASSETS - TYPE

Euros, in thousands	Fixed securities	Long-term investments	Valuation of CAPs and SWAPs	Deposits and sureties paid	Loans	Total Financial assets
Close at 31/12/2007						
Net balance at opening	2	12	4,791	787	8,852	14,444
Increases	-	-	-	5,275	-	5,275
New consolidations	-	-	624	-	-	624
Reclassification	-	(12)	-	7,832	(8,229)	(409)
Decreases	-	-	-	(1,704)	(495)	(2,199)
Redemptions	-	-	-	-	-	-
Fair value effect (profit and loss)	-	-	1,956	-	-	1,956
Provisions	-	-	-	-	-	-
■ NET BALANCE AT CLOSE	2	-	7,371	12,190	128	19,691
Close at 31/12/2008						
Net balance at opening	2	-	7,371	12,190	128	19,691
Increases	-	-	-	31	-	31
New consolidations	-	-	-	5	-	5
Reclassification	-	-	-	-	-	-
Decreases	-	-	-	(11,523)	(103)	(11,626)
Redemptions	-	-	-	-	-	-
Fair value effect (profit and loss)	-	-	(6,175)	-	-	(6,175)
Provisions	-	-	-	-	385	385
■ NET BALANCE AT CLOSE	2	-	1,196	703	410	2,311

DEPOSITS AND SURETIES PAID

These consist mainly of cash pledges made as part of the company's financing operations.

The cash pledges paid over the period concerned Locafimo for €5,455,000, Marne Haute Maison for €3,882,000 and Société de la Tour Eiffel for €1,862,000.

The cash pledges stood at €272,000 at 31 December 2008 as against €11,471,000 at 31 December 2007.

The cash pledges are paid and will be repaid by the terms of the framework agreement set up at year-end 2004 and its June 2006 amendment.

DERIVATIVE INSTRUMENTS

The Tour Eiffel group has contracted financial instruments (CAPs and SWAPs) which have not been considered as hedge instruments in accounting terms.

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 fair values are provided by the issuing financial institutions.

Any changes in the value of financial instruments from one year-end to another were recorded under financial result.

The adjustment of fair value for 31 December 2008 results in a total negative financial impact of €19,249,000 including €6,175,000 in financial credits and €13,074,000 in financial debts (see Note 11).



MAIN CHARACTERISTICS OF FINANCIAL INSTRUMENTS HELD AT 31 DECEMBER 2008

Type of contract	Subscription date	Effective date	Maturity date	Notional amount in thousands of euros	Reference index rate	Guaranteed rate	Fair value in thousands of euros
CAP	28/11/2002	02/09/2003	03/12/2012	87,700	3-month Euribor	5.00%	907
CAP	02/06/2006	02/06/2006	27/12/2010	32,830	3-month Euribor	4.50%	16
CAP	09/05/2006	02/06/2006	27/12/2010	2,753	3-month Euribor	5.00%	1
CAP	03/04/2006	20/04/2006	27/12/2010	54,213	3-month Euribor	5.00%	19
CAP	07/07/2006	04/06/2007	27/12/2010	658	3-month Euribor	5.00%	0
CAP	30/03/2007	30/03/2007	27/12/2010	37,513	3-month Euribor	5.00%	10
CAP	08/04/2004	30/04/2009	30/04/2012	19,050	3-month Euribor	6.50%	0
CAP	06/05/2004	30/07/2008	30/12/2011	2,710	3-month Euribor	8.00%	0
CAP	28/06/2006	01/08/2006	07/06/2013	19,480	3-month Euribor	4.50%	110
CAP	28/06/2006	01/08/2006	07/06/2009	17,000	3-month Euribor	4.50%	12
CAP	28/06/2006	02/05/2007	07/06/2013	16,528	3-month Euribor	4.50%	121
■ TOTAL							1,196

NOTE 6: ASSETS INTENDED TO BE DIVESTED

Euros, in thousands	Buildings intended to be sold
Year ended 31/12/07	
Net opening balance	-
Acquisitions	-
Divestments	-
■ NET ENDING BALANCE	-
Year ended 31/12/08	
Net opening balance	-
Net transfer from investment properties	18,300
Acquisitions	-
Divestments	-
■ NET ENDING BALANCE	18,300

The properties slated for sale are:

- Locafimo's building in Paris at rue Dumont d'Urville
- Building A at Locafimo's Tanneries complex in Strasbourg.

NOTE 7: TRADE RECEIVABLES AND RELATED ACCOUNTS

Euros, in thousands	31 December 2008	31 December 2007
Gross	26,260	12,831
Provisions	(4,198)	(4,146)
■ TOTAL NET TRADE RECEIVABLES AND RELATED ACCOUNTS	22,062	8,685



NOTE 8: OTHER RECEIVABLES AND ACCRUAL ACCOUNTS

Euros, in thousands	31 December 2008 Net	31 December 2007 Net
Advances and deposits paid	485	1,049
Payroll expense and related accounts	16	18
State receivables ⁽¹⁾	15,109	20,189
Current accounts - Assets	293	87
Trade payables	132	80
Prepaid expenses	890	781
Other receivables ⁽²⁾	13,400	7,037
Total gross value	30,325	29,241
Provisions on other receivables	-	-
■ TOTAL	30,325	29,241

(1) This amount mainly concerns:

- an updated non-recurring and recoverable government deduction on 2005's distributions in the amount of €2,764,000 recorded by the Locafimo Group,
- a VAT reimbursement on real estate that will be refunded during the first quarter of 2009.

(2) This amount is composed mainly of:

- €8,969,000 of receivables on the divestments carried out by Locafimo,
- 2,044,000 of receivables contracted by Locafimo vis-à-vis a property appraisal firm,
- €810,000 of calls on charges at Locafimo.

NOTE 9: CASH AND CASH EQUIVALENTS

The marketable securities mainly consist of monetary UCITs evaluated at their closing price.

Euros, in thousands	31 December 2008	31 December 2007
Marketable securities	19,867	19,302
Cash and cash equivalents	10,915	10,779
Total gross value	30,782	30,081
Provision on current accounts ⁽¹⁾	(2,447)	(3,055)
■ TOTAL	28,335	27,026

(1) Provision on marketable securities with the Pallas Stern bank in the name of Locafimo in 2006.

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

Euros, in thousands	31 December 2008	31 December 2007
Cash and cash equivalents	28,335	27,026
Credit bank balance (Note 11)	(138)	(69)
■ TOTAL NET CASH	28,197	26,957

NOTE 10: CAPITAL AND PREMIUMS LINKED TO CAPITAL

1) COMPOSITION OF SHARE CAPITAL

	Number of ordinary shares	Nominal value of the share	Total capital (Euros, in thousands)	Premium value (Euros, in thousands)	TOTAL (Euros, in thousands)
■ AT 31 DECEMBER 2006	5,190,253	48	249,132	42,571	291,703
Capital increase	2,750	48	132	85	217
Issue costs	-	-	-	(3)	(3)
Appropriation to 2006 retained earnings	-	-	-	-	-
■ AT 31 DECEMBER 2007	5,193,003	48	249,264	42,653	291,917
Capital increase	-	-	-	-	-
Issue costs	-	-	-	-	-
Appropriation to 2007 retained earnings	-	-	-	-	-
■ AT 31 DECEMBER 2008	5,193,003	48	249,264	42,653	291,917

All the issued shares have been fully paid up.

2) ISSUE OF SHARE PURCHASE OPTIONS

The conditions

Allocated in 2005

Share purchase options were allocated to top executives during 2005. 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 less 5%, amounting to €68.44 per share. Certain options may be exercised as of their allocation and other options may be exercised for a maximum of 25% per year from the first anniversary of their allocation, in other words from 26 December 2006. The contractual option term is five years.

Options are allocated in the aim of motivating the loyalty of the Company's management by granting an additional source of remuneration that is linked to the Company's performance; certain executives will no longer be entitled to the options granted if they cease to represent or be employed by the Company or one of its subsidiaries.

Allocated in 2006

During the first half of the year, 39,266 share purchase options were allocated to employees.

The exercise price of the options is €87.78 for a total of 10,750 shares; the exercise price for the remaining 28,516 shares is €83.77.

34,266 options may be exercised immediately after having been awarded and 5,000 may be exercised within the limit of 25% per year as of the first anniversary of their allocation, thus as at 22 March 2007. The options have a contractual term of five years.

During the second half of the year, 132,400 share purchase options were allocated to employees.

The exercise price is €100.04.

103,900 options may be exercised immediately after having been allocated and 28,500 may be exercised within the limit of 25% per year as of the first anniversary of their allocation, thus as at 14 September 2007.

The options have a contractual term of five years.

Allocated in 2007

During the first half of the year, 23,300 share purchase options were allocated to employees.

The exercise price of the options is €124.48, 14,580 shares may be exercised immediately after having been allocated and 8,720 may be exercised within the limit of 25% per year as of the first anniversary of their allocation, thus as at 29 March 2008.

The options have a contractual term of five years.

During the second half of the year, 25,951 share purchase options were allocated to the managers and corporate officers.

The exercise price is €115.34.

All of the options may be exercised from the time of their award, thus as at 16 October 2007. The options have a contractual term of five years.

Allocated in 2008

25,965 share subscription options were granted to the company's officers and top executives.

The exercise price is fixed at €35.69.

All of the options may be exercised once they are granted, namely from 11 December 2008. The options contractual term is five years.



Estimation of option value:

The number of options in circulation and their exercise price are presented below:

Euros, in thousands	31 December 2008		31 December 2007	
	Exercise price (in euros per share)	Options (in units)	Exercise price (in euros per share)	Options (in units)
At 1 January	90.65	329,697	68.44	111,530
			83.77	28,516
			87.78	10,750
			100.04	132,400
Granted	33.25	25,965	124.48	23,300
Granted			115.34	25,951
Null and void			-	-
Exercised			68.44	1,250
Exercised			87.78	1,500
Due			-	-
■ AT 31 DECEMBER	86.46	355,662	90.65	329,697

Of the 355,662 options in circulation at 31 December 2008, 329,872 may be exercised.

The principal assumptions of the model are as follows:

Date granted	Date exercised	Option exercise price	Underlying price	Standard deviation of the expected dividend yield	Annual risk-free interest rate
26/12/2005	26/12/2010	€68,44	€74,00	14%	3,0%
22/03/2006	22/03/2011	€83,77	€73,64	36%	3,5%
17/05/2006	17/05/2011	€87,78	€74,16	35%	3,7%
14/09/2006	14/09/2011	€100,04	€84,35	38%	3,6%
29/03/2007	29/03/2012	€124,48	€108,91	47%	3,9%
16/10/2007	16/10/2012	€115,34	€95,13	51%	4,2%
11/12/2008	11/12/2013	€35,69	€14,90	69%	3,0%

At 31 December 2008, the rights acquired according to exercisable options were recorded in the income statement (payroll expense) as a contra account to the shareholders' equity for a total amount of €521,000.

4) ALLOCATION OF FREE SHARES**The Conditions**

Free shares have been allocated to the top executives (18,800 shares in 2006 and 9,750 in 2007). The allocation of shares will become definitive after a period of 2 years, namely from 14 June 2008 for 10,800 shares, from 29 November 2008 for 8,000 shares, from 12 February 2009 for 1,200 shares and from 16 October 2009 for 8,550 shares.

Beneficiaries must retain their shares for a minimum period of two years from their firm allocation, namely until 14 June 2010 for 10,800 shares, until 29 November 2010 for 8,000 shares, until 12 February 2011 for 1,200 shares and until 16 October 2011 for 8,550 shares.

During 2008, 18,800 free shares were awarded definitively to the beneficiaries of the 2006 plans.



On 31 December 2008, rights acquired were recorded on the profit and loss account as personnel charges as a contra account to the shareholders' equity for a total amount of (€1,482,000).

The number of outstanding free shares is detailed below:

Euros, in thousands	31 December 2008		31 December 2007	
	Exercise price (Euros per share)	Free Shares (in units)	Exercise price (Euros per share)	Free Shares (in units)
At 1 January	-	28,550	-	18,800
Granted	-	-	-	9,750
Allocated	-	18,800	-	-
■ AT 31 DECEMBER	-	9,750	-	28,550

NOTE 11: BORROWINGS AND FINANCIAL DEBTS

BORROWINGS AND FINANCIAL DEBTS – VARIANCE BY TYPE

Euros, in thousands	Borrowings from credit institutions	Other borrowings and related debt	Currently bank support	CAP & SWAP owed premiums	Deposits and sureties received	Total
■ POSITION						
AT 01/01/07	460,277	11,102	880	1,977	7,474	481,710
Increases	186,963	5,443	-	404	1,024	193,834
Decreases	(102,584)	(6,159)	-	(402)	(281)	(109,426)
New consolidations	61,456	-	-	-	1,543	62,999
Other	-	-	(811)	-	-	(811)
Reclassification	-	-	-	-	(76)	(76)
■ BALANCE						
AT 31/12/2007	606,112	10,386	69	1,979	9,684	628,230
Increases	155,855	4,693	-	-	2,725	163,273
Decreases	(79,548)	(6,587)	-	(327)	(2,095)	(88,557)
Fair value	-	-	-	13,074	-	13,074
New consolidations	-	-	69	-	-	69
Other	-	-	-	132	-	132
Reclassification	58	-	-	-	-	58
■ BALANCE						
AT 31/12/2008	682,477	8,492	138	14,858	10,314	716,279

BORROWINGS FROM LENDING INSTITUTIONS – FIXED AND VARIABLE RATES

Euros, in thousands	Fixed rate	Variable rate	Total
Borrowings from lending institutions	342.4	340.1	682.5

The Group's average interest rate for financing was 5.40% at 31 December 2008.

After taking account of fixed rate SWAP instruments, the total fixed rate debt comes out at €342.4m.

Furthermore, the variable rate debt which totals €340.1m is covered up to €279.5m by CAP instruments.

BORROWINGS AND FINANCIAL DEBTS

Euros, in thousands	31 December 2008	31 December 2007
Non-current		
Bank loans	678,056	597,976
Other financial liabilities	25,992	15,022
■ TOTAL	704,048	612,998
Current		
Bank loans	4,421	8,136
Accrued interest	4,599	3,921
Bank overdrafts	138	69
Other financial debts	2,756	2,779
Other financial liabilities	317	327
■ TOTAL	12,231	15,232
■ TOTAL BORROWINGS AND FINANCIAL DEBTS	716,279	628,230

THE BORROWING MATURITIES FOR NON-CURRENT BANK LOANS ARE SHOWN BELOW:

Euros, in thousands	31 December 2008	31 December 2007
From 1 to 5 years	628,410	453,191
Over 5 years	49,646	144,785
■ TOTAL	678,056	597,976

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

Extinguishment schedule for overall bank indebtedness (Euros, in thousands):

31 December 2009:	4,421
31 December 2010:	80,746
31 December 2011:	60,574
31 December 2012:	3,875
31 December 2013:	483,215
31 December 2014:	1,206
31 December 2015:	11,747
31 December 2016:	2,843
31 December 2017:	33,850
	682,477

CAP AND SWAP LIABILITIES

The Tour Eiffel group has entered into CAP and SWAP contracts which were not accounted for as hedging instruments.

Principal characteristics of the liability-side financial instruments held at 31 December 2008

Type of contract	Subscription date	Effective date	Expiration date	Notional amount in thousands of euros	Reference rate	Guaranteed rate	Fair value in thousands of euros
CAP	28/11/2002	02/09/2003	03/12/2012	87,700	3-month Euribor	5.00%	(1,381)
SWAP/CAP	21/02/2006	28/02/2008	15/04/2011				(873)
- SWAP alternatif				62,400	3-month Euribor	3.45%	
- CAP				15,600	3-month Euribor	7.00%	
SWAP	05/09/2006	02/12/2006	27/12/2010	2,474	3-month Euribor	3.77%	(957)
SWAP	28/03/2008	28/03/2008	28/03/2013	2,890	3-month Euribor	4.53%	(83)
SWAP	28/03/2008	31/03/2008	28/03/2013	9,855	3-month Euribor	4.57%	(383)
SWAP	28/03/2008	01/04/2008	02/05/2014	40,000	3-month Euribor	4.34%	(1,735)
SWAP	25/07/2007	01/11/2007	01/05/2010	31,800	3-month Euribor	4.78%	(1,328)
SWAP	28/06/2006	01/08/2006	07/06/2013	58,439	3-month Euribor	4.10%	(2,486)
SWAP	29/06/2006	01/05/2007	07/06/2013	49,583	3-month Euribor	4.19%	(3,073)
SWAP	16/01/2008	01/02/2008	16/01/2015	9,562	3-month Euribor	4.36%	(536)
SWAP	14/01/2008	14/01/2008	14/01/2015	4 000	3-month Euribor	4.20%	(195)
SWAP	05/12/2005	29/06/2007	30/06/2011	12,634	3-month Euribor	3.215%	(172)
SWAP	13/07/2006	13/07/2006	03/06/2011	8,652	3-month Euribor	3.965%	(262)
SWAP	21/06/2004		30/06/2011	47,343	3-month Euribor	4.035%	(1,394)
■ TOTAL							(14,858)

NOTE 12: LONG-TERM AND CURRENT (LESS THAN ONE YEAR) PROVISIONS

Euros, in thousands	Provision for employee disputes	Provision for the risk of insurance policies failing to pay out	Provisions for retirement benefits	Other provisions for expenses	Total
■ POSITION AT 31/12/2007	-	527	92	-	619
Allocations	-	-	2	-	2
Reversals not used	-	-	-	-	-
Reversals used	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-
■ BALANCE AT CLOSE 31/12/2008	-	527	94	-	621

Euros, in thousands	31 December 2008		31 December 2007	
	Long term	Less than one year	Long term	Less than one year
Provision for employee disputes	-	-	-	-
Provision for Locafimo tenant risks	527	-	527	-
Provisions for retirement benefits	94	-	92	-
Other provisions for expenses	-	-	-	-
■ NET BALANCE AT CLOSE	621	-	619	-
■ TOTAL PER PERIOD	621		619	

NOTE 13: TAX AND SOCIAL SECURITY OWED (CURRENT AND NON-CURRENT)

Type (Euros, in thousands)	31 December 2008	31 December 2007
Taxes owed (exit tax)	1,385	8,219
■ TOTAL NON-CURRENT TAXES OWED	1,385	8,219
Social security owed	1,172	1,144
Taxes owed (exit tax – current portion owed)	7,172	7,213
Other tax indebtedness	7,784	4,486
■ TOTAL CURRENT TAXES AND SOCIAL SECURITY OWED	16,128	12,843
■ TOTAL	17,513	21,062

NOTE 14: DEFERRED TAXES

There is no reason to recognise deferred taxes since the great majority of the group's sales are subject to the SIIC tax treatment.

The taxable sales did not result in the recording of a deferred tax in 2008.

NOTE 15: TRADE ACCOUNTS PAYABLE AND OTHER INDEBTEDNESS

Type (Euros, in thousands)	31 December 2008	31 December 2007
Trade accounts payable	8,086	23,397
Debts associated with acquisitions of tangible assets ⁽¹⁾	6,791	13,338 ⁽²⁾
Current account liabilities	230	337
Advances and deposits received	2,003	1,146
Due to clients	3,462	3,965
Other operating debts ⁽³⁾	7,320	6,778
Other non-operating debts	70	-
Prepaid income ⁽⁴⁾	8,198	92
■ TOTAL	36,160	49,053
Other long-term liabilities		
Prepaid income ⁽⁵⁾	299	-
■ TOTAL	299	-

(1) Corresponds to outstanding payments on properties located in Rueil, Porte des Lilas, and Locafimo.

(2) Corresponds to outstanding payments on properties located in:

- Porte des Lilas: €7,544,000,

- Parcoval: €3,473,000,

- Locafimo: €1,560,000.

(3) This account is mainly made up of provisions for charges:

	2008	2007
- Parcoval	-	€2,561,000
- Locafimo	€3,902,000	€2,467,000

It should be noted that the provision for charges recorded in 2007 at Parcoval was transferred to Locafimo in 2008. .

(4) This account at 31 December 2008 was made up mainly of prepaid rental income for the 1st quarter 2009.

(5) This account reflects the reclassification of the net subsidy received by:

- Jaurès: €39,000,

- Rueil: €260,000.

NOTE 16: TURNOVER

TURNOVER – COMPARATIVE ANALYSIS BY TYPE

Euros, in thousands	31 December 2008	31 December 2007
Rental income	70,609	72,447
Other rental income ⁽¹⁾	13,960	11,411
■ TOTAL TURNOVER	84,569	83,858

(1) Consists mainly of levies for property taxes and office taxes passed through to tenants.

Sector-based analysis: (with reference to note 3.12)

The Tour Eiffel Group's business is concentrated in a single sector - office property, industrial and commercial premises in France.

ACCRUED RENT FOR FIXED TERM LEASES HELD IN PORTFOLIO

Euros, in thousands	31 December 2008	31 December 2007
<i>Total minimum future payments</i>		
Less than one year	66,689	69,191
More than one year and less than five years	237,987	207,256
More than five years	58,349	95,290
■ TOTAL FUTURE PAYMENTS	363,025	371,737
Rental income reported as year-end income	70,609	72,447



NOTE 17: PURCHASES CONSUMED

Euros, in thousands	31 December 2008	31 December 2007
Non-stocked purchases of material and supplies	(59)	(98)
■ TOTAL PURCHASES CONSUMED	(59)	(98)

NOTE 18: PERSONNEL EXPENSES, EXTERNAL CHARGES, DUTIES AND TAXES

STAFF EXPENSE

Euros, in thousands	31 December 2008	31 December 2007
Staff remuneration	(2,447)	(2,325)
Social security and other benefits	(1,221)	(1,271)
Charges on payments in shares	(996)	(4,110)
■ TOTAL STAFF EXPENSE	(4,664)	(7,706)

EXTERNAL EXPENSES

Euros, in thousands	31 December 2008	31 December 2007
General subcontracting	(23)	-
Rentals and rental expenses	(10,232)	(7,397)
Maintenance and repairs	(583)	(627)
Insurance premiums	(1,299)	(597)
Miscellaneous documentation, seminars	(222)	(123)
Staff from outside of the company	(53)	(56)
Remuneration of intermediaries and fees ⁽¹⁾	(6,666)	(4,782)
Advertising, publishing and public relations	(530)	(623)
Goods transport, collective staff transport	(17)	(15)
Travel, assignments and receptions	(301)	(273)
Postal and telecommunications costs	(67)	(76)
Banking and related services	(377)	(802)
Other external services	(94)	(76)
■ TOTAL EXTERNAL EXPENSES	(20,464)	(15,447)

(1) These amounts correspond mainly to costs incurred in the pursuit of assets, asset management and property management.

TAXES AND DUTIES

Euros, in thousands	31 December 2008	31 December 2007
Property taxes	(6,442)	(6,611)
Other duties and taxes	(2,247)	(1,639)
■ TOTAL DUTIES AND TAXES	(8,689)	(8,250)

NOTE 19: NET AMORTISATION AND PROVISIONS

Euros, in thousands	31 December 2008	31 December 2007
Allocations-Reversals of amortization of intangible assets	(782)	(783)
Allocations-Reversals of amortization of tangible assets	(68)	(55)
■ TOTAL ALLOCATIONS – REVERSALS/ AMORTISATION	(850)	(838)
Allocations-Reversals of provisions for current assets	(52)	79
Allocations-Reversals of provisions for operating liabilities and expenses	(1)	(314)
Allocations-Reversals of amortisation provisions for trade receivables	-	-
■ TOTAL ALLOCATIONS – REVERSALS/ PROVISIONS	(53)	(235)



NOTE 20: NET BALANCE OF VALUE ADJUSTMENTS

Euros, in thousands	31 December 2008	31 December 2007
Investment property	(13,073)	68,902
Goodwill	-	-
■ TOTAL	(13,073)	68,902

NOTE 21: OTHER OPERATING INCOME AND EXPENSES

Euros, in thousands	31 December 2008	31 December 2007
Miscellaneous current management income	594	798
Other reversals on amortisation and provisions	-	-
Irrecoverable receivables losses	-	-
Miscellaneous current management expenses	(510)	(392)
Other allocations to amortisation and provisions	-	-
Proceeds from disposals of investment property ⁽¹⁾	92,723	40,510
Net book value of the property disposed of ⁽¹⁾	(93,113)	(37,363)
One-time charges on previous financial years	(179)	-
■ TOTAL	(485)	3,553

(1) In 2008, SAS Locafimo sold 2 non-strategic assets. The Massy Campus and Aix Golf properties were also sold.

RENTAL INCOME AND DIRECT OPERATING EXPENSES LINKED TO INVESTMENT PROPERTY:

Euros, in thousands	Investment properties producing rental income	Investment properties not producing rental income
Rental income	70,609	-
Direct operating expenses ⁽¹⁾	(10,810)	(6,926)

(1) Mainly property administration costs and property tax.

NOTE 22: NET FINANCIAL DEBT COSTS

Euros, in thousands	31 December 2008	31 December 2007
Net income from marketable security transfers	-	-
Net expenses from marketable security transfers	-	-
Marketable securities income	1,450	867
Loan income	3	1
Total income from cash and near cash	1,453	868
Interest on financing deals	(35,269)	(28,200)
Total gross financial debt costs	(35,269)	(28,200)
■ TOTAL NET FINANCIAL INDEBTEDNESS	(33,816)	(27,332)

NOTE 23: OTHER FINANCIAL INCOME AND EXPENSES

Euros, in thousands	31 December 2008	31 December 2007
Other financial income ⁽¹⁾	1,785	3,517
Income from securities transfers	-	-
Total other financial income	1,785	3,517
Forgiveness of debt granted	-	-
Other financial expenses ⁽¹⁾	(20,168)	(1,567)
Net book value of transferred securities	-	-
Total other financial expenses	(20,168)	(1,567)
■ TOTAL	(18,383)	1,950

(1) Includes a €19,249,000 downward adjustment to the value of the financial instruments.



NOTE 24: COMPANY INCOME TAX

Euros, in thousands	31 December 2008	31 December 2007
Current tax	(702)	(6,811) ⁽¹⁾
Deferred tax	-	-
■ TOTAL	(702)	(6,811)

(1) Includes €6,159,000 of exit tax for Parcoval.

NOTE 25: BASIC EARNINGS PER SHARE**Basic earnings**

The basic earnings per share is calculated by dividing the net profit paid to Company shareholders by the average weighted number of ordinary shares outstanding during the financial year.

Euros, in thousands	31 December 2008	31 December 2007
Profit paid to company shareholders	(16,748)	91,595
Average weighted outstanding shares	5,193,003	5,192,330
Basic earnings per share (euros per share)	(3.23)	17.64

Diluted Earnings

The diluted earnings per share is calculated by increasing the average weighted number of shares outstanding 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 their fair value (namely, the average annual market price of the company's shares) on the basis of the monetary value of the share 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.

Euros, in thousands	31 December 2008	31 December 2007
Profit paid to Company shareholders	(16,748)	91,595
Average weighted number of ordinary shares used to calculate the diluted earnings per share	5,129,349	5,212,784
Diluted earnings per share (euros per share)	(3.27)	17.57

Earnings-dilutive financial instruments

The weighted average number of shares at 31 December 2008 which can give access to the share capital is as follows:

	Number of securities	Giving right to number of securities
Shares	5,193,003	5,193,003
Share options	332,447	18,294
Free shares	9,750	9,750
Own held shares	(107,358)	(107,358)
■ TOTAL	5,427,842	5,113,689

NOTE 26: DIVIDENDS

The remainder of the 2007 dividend, representing €3 per share, was put in payment on 8 April 2008 for a total of €15,244,479. In addition, €6,700 was paid as a correction to the 2007 dividend payment and a €17,820,390 interim dividend on the 2008 earnings was paid for a total of €33,071,569 paid out in 2008.



NOTE 27: TRANSACTIONS WITH RELATED PARTIES

Remuneration of senior management

The following information, concerning the annual amount of gross allocated remuneration, is generally provided for members of the administrative and management bodies of the firm consolidating Tour Eiffel, namely:

Euros, in thousands	31 December 2008	31 December 2007
Salaries and other short-term benefits	720	720
Directors' fees	140	100
Payments based on shares (share options)	996	4,110
■ TOTAL	1,856	4,930

The redundancy payment for a deputy general manager may be no less than €250,000.

Related parties

€670,000 in commissions was paid to Bluebird, a related party, in 2008. This amount is identical to that paid in 2007.

During 2007, Tour Eiffel received €28,000 from Fanar for the sale of a trademark.

NOTE 28: OFF BALANCE SHEET COMMITMENTS

Commitments given

Euros, in thousands	31 December 2008	31 December 2007
Mortgages ⁽¹⁾	163,181	120,944
Securities pledges ⁽²⁾	309,169	398,559
Money lender's lien	112,052	46,468
Surety	7,000	48,541
Framework agreement	194,052	194,052
Commitment made to a builder	46,591	9,597

(1) *Net book value*

(2) *Acquisition price of the securities pledged*

Commitments received

Euros, in thousands	31 December 2008	31 December 2007
Tenant's security deposit	725	1,673
Joint guarantee	82,708	83,549
Pledge	200	200
Liability guarantee	30,187	33,832
Rent guarantee	1,869	3,869
Performance bond	109,915	49,474

Off balance sheet commitments encumbering the group's assets at 31 December 2008

	Starting date	Expiration date	Amount of assets encumbered	Total balance sheet items	%
Mortgage on the Arman F02 building	28/03/08	28/03/17	50,312	69,954	72%
Mortgage on the 13 Nowa buildings	28/02/06	15/04/11	78,000	116,573	67%
Mortgage on the Caen building	21/06/05	15/06/13	3,519	43,880	8%
Mortgage on the principal building of the Champigny property	14/12/04	15/06/13	581	26,420	2%
Mortgage on buildings A and B of the Champigny property	12/01/05	15/06/13	570	12,720	4%
Mortgage on the Etupes building	11/07/05	15/06/13	10,750	18,000	60%
Mortgage on the Jaurès building	06/04/05	15/06/13	11,250	24,940	45%
Mortgage on the Duranne building	17/06/08	18/06/17	5,555	5,267	105%
Mortgage on Locafimo's building at 6 rue Paul Langevin	30/03/07	27/12/10	909	2,386	38%
Mortgage on Locafimo's Le Bourget building	30/03/07	27/12/10	1,735	10,500	17%
■ SUB-TOTAL MORTGAGES			163,181	330,640	49%
Collateralised Nowa shares	28/02/06	15/04/11	14,528	-	-
Collateralised Champigny Carnot shares	12/01/05	15/06/13	1	-	-
Collateralised Lyon Genlis shares	24/03/05	15/06/13	1	-	-
Collateralised Jaurès shares	07/04/05	15/06/13	5,146	-	-
Collateralised Caen shares	21/06/05	15/06/13	1	-	-
Collateralised Etupes shares	12/07/05	15/06/13	1	-	-
Collateralised Locafimo shares	27/12/05	15/04/11	180,984	-	-
Collateralised Bezons, Grenoble and Rueil shares	15/06/06	15/06/13	3	-	-
Collateralised Malakoff shares	14/02/07	15/06/13	6,500	-	-
Collateralisation of various shares held by STE	25/07/07	31/03/10	100,000	-	-
Collateralised Berges de l'Ourcq shares	14/12/04	15/06/13	1	-	-
Collateralised shares held by Jaurès	24/01/07	15/06/13	2,003	-	-
■ SUB-TOTAL COLLATERALISATIONS			309,169	-	-

6 – STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Financial year ended 31 December 2008)

To the shareholders of:

SOCIÉTÉ DE LA TOUR EIFFEL

20-22, rue de la Ville l'Évêque

A French joint stock company with capital of €249,132,144

75008 Paris

In carrying out the mission entrusted to us by your General Shareholders' Meeting, we present our report for the year ended 31 December 2008 on:

- The audit of Société de la Tour Eiffel's consolidated financial statements as they are appended to this report;
- The justification for our assessments;
- The specific verifications stipulated by law.

The consolidated financial statements were closed by the Board of Directors. It is our responsibility, based on our audit, to provide our opinion on these financial statements.

6.1 – 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 diligence enabling us to confirm, with reasonable assurance, that the consolidated financial statements contain no significant misstatements. An audit consists in the examination, on a test basis or by means of other selection methods, the elements justifying of the amounts and information appearing in the group accounts. It also consists in appraising the accounting principles applied, the significant estimates retained and the overall presentation of the accounts. We believe that the elements that we collected provide a sufficient and appropriate basis on which to formulate our opinion.

We certify that, with regard to the IFRS standards, as adopted by the European Union, the consolidated financial statements are a true and fair representation of the assets, the financial position and overall result constituted by the persons and entities included in the consolidation.

6.2 – Basis of our appraisals

As a result of the prevailing economic conditions at the end of the financial year, the accounting estimates used to prepare the financial statements at 31 December 2008 were carried out in a market setting marked by a considerable reduction in property transactions and a certain difficulty in apprehending the economic and financial outlooks.

Against this backdrop and in application of Article L. 823-9, section 1, of the French Commercial Code concerning the basis of appraisals, we would like to draw your attention to the following items:

- Paragraphs 2.6 and 5 of the annex specify that the property portfolio is appraised by independent experts to estimate the possible declines in the properties fair value. Our mission involves reviewing the appraisal methods of these experts, evaluating the consistency of the assumptions upheld and establishing the fair value of the properties in question based on independent appraisals and ensuring that the information presented in the annex is appropriate.
- As indicated in paragraph 2.13 of the annex, the group uses derivatives recorded at their fair value on the consolidated balance sheet. We have assessed the data and the assumptions made to determine this fair value and reviewed the computations made as at 31 December 2008.

Assessments made in this manner fall within the scope of our procedure for auditing the consolidated financial statements as a whole and have therefore contributed to our opinion provided in the first part of this report.

6.3 – Specific verifications

We have also verified the legally required information presented in the Group management report.

We have no comments regarding their fairness and consistency with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 23 March 2009

The Statutory Auditors

Expertise & Audit SA
3, rue Scheffer - 75016 Paris
Pascal Fleury

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



Corporate financial statements

Contents

1 – Assets page 134

2 – Liabilities page 135

3 – Income statement page 136

4 – Appendix page 137

5 – General Report from the auditors
on the annual financial
statements page 154

6 – Special report from the auditors
on regulated conventions
and commitments page 156

7 – Special report from the auditors
on the capital reduction page 158

8 – Special report from the auditors on
the capital reduction by cancellation
of shares bought page 158

1 – BALANCE SHEET - ASSETS

Euros			31/12/2008	31/12/2007	See notes
	Gross	Impairment	Net	Net	
■ PROPERTY, PLANT AND EQUIPMENT					
Intangible fixed assets					
Concessions, patents, licences, software	9,784		9,784	3,373	A
Tangible fixed assets					
Land	10,966,696		10,966,696	3,019,345	A
Buildings	19,278,898	706,843	18,572,055	5,437,685	A
Other tangible fixed assets	14,516	4,964	9,552	7,909	A
Construction work in progress				1,185,696	A
Long-term investments ⁽¹⁾					
Equity interests	261,346,538		261,346,538	260,641,435	A/G/H
Income owed on equity interests	58,891,636		58,891,653	78,914,326	A/B/G
Other long-term investments				1,861,691	A
	350,508,069	711,807	349,796,279	351,071,461	
■ CIRCULATING ASSETS					
Stocks and in-process					
Advances and down payments on orders	23,621		23,621	31,591	
Receivables ⁽²⁾					
Trade and related receivables	2,369,162		2,369,162	2,980,918	B/G
Other receivables	43,827,887		43,827,887	16,552,596	B/G
Marketable securities					
Treasury shares	8,622,584	4,243,442	4,379,142	6,114,192	F
Other securities	14,013,767		14,013,767	1,893,404	F
Cash and near cash					
Prepaid expenses ⁽²⁾	634,759		634,759	729,249	B/D
	72,291,680	4,243,442	68,048,238	28,939,405	
Deferred expenses	292,087		292,087	288,877	E/O
■ GRAND TOTAL	423,091,852	4,955,249	418 136,603	380 299,743	

(1) Including those at less than one year (gross)

(2) Including those at more than one year (gross)

Corporate financial statements



2 – BALANCE SHEET - LIABILITIES

Euros	31/12/2008	31/12/2007	See notes
	Net	Net	
■ SHAREHOLDERS' EQUITY			
Capital (of which paid: 249,264,144)	249,264,144	249,264,144	I
Issue, merger and acquisition premiums	42,652,927	42,652,927	
Reserves:			
- Legal reserve	4,141,781	2,562,973	
- Other reserves	518,802	518,802	
Retained earnings	1,993,279	2,702,069	
Net profit for the year (profit or loss)	28,180,742	31,576,159	
Interim dividends	(17,820,390)	(15,454,962)	
	308,931,286	313,822,113	N
■ OTHER EQUITY CAPITAL			
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions for charges	969,695		J
	969,695		
■ DEBTS ⁽¹⁾			
Borrowings and debt owed to credit institutions ⁽²⁾	86,787,543	42,384,617	K
Borrowings and financial debts	17,163,521	21,028,546	K/M
Trade accounts payable	2,578,485	1,966,217	K/M
Taxes and social security withholdings owed	557,695	752,186	K
Payables to fixed assets suppliers and related accounts	484,502		
Other debts	275,378	346,063	K/M
Prepaid income	388,498		P
	108,235,622	66,477,630	
■ GRAND TOTAL			
	418,136,603	380,299,743	
<i>(1) Including those at more than one year (a)</i>	<i>85,689,651</i>	<i>42,000,000</i>	
<i>(1) Including those at less than one year (a)</i>	<i>22,545,971</i>	<i>24,477,287</i>	
<i>(2) Including current bank loans and bank credit balances</i>		<i>343</i>	
<i>(a) With the exception of down payments and advances on purchase orders.</i>			

3 – INCOME STATEMENT

Euros			31/12/2008	31/12/2007	See notes
	France	Exportation	Total	Total	
Operating income ⁽¹⁾					
Production sold (services)	6,537,292		6,537,292	6,047,457	
Net turnover	6,537,292		6,537,292	6,047,457	Q
Capitalised production			773,651		T
Reversal of provisions and expense reclassifications			124,275	306,811	S
Other income			608	24	
			7,435,826	6,354,292	
Operating expenses ⁽²⁾					
Other purchases and external expenses ^(a)			7,830,993	7,710,297	U
Taxes, duties and similar payments			454,400	102,327	
Wages and salaries			3,695,685	720,000	FS 3
Social security withholding payments			238,323	392,751	
Allocations to amortisation and provisions:					
- Amortisation of fixed assets			663,736	328,064	R
Other charges			140,097	98,883	
			13,023,234	9,352,322	
■ OPERATING RESULT			(5,587,408)	(2,998 030)	
Financial income					
From equity interests ⁽³⁾			43,568,577	39,229,757	
From other marketable securities and fixed asset receivables ⁽³⁾			53,834	156,619	
Other interest and related income			1,235,432	12,640	
Recoveries on write-downs, provisions and expense transfer			542,132		
Realised gains on foreign exchange			7	115	
Net proceeds from the sale of marketable securities			161,408	156,813	
			45,561,389	39,555,943	
Financial expenses					
Allocations to amortisation, impairment and provisions			4,157,934	552,089	J
Interest and similar charges ⁽⁴⁾			7,189,839	3,960,825	
Realised losses on foreign exchange			13		
Net losses on the sale of marketable securities			493,265	153,904	
			11,841,051	4,666,817	
■ NET FINANCIAL INCOME			33,720,338	34,889,126	
■ CURRENT PRE-TAX EARNINGS			28,132,930	31,891,096	
Extraordinary income					
From capital transactions			15	28,488	
Reversal of provisions and expense reclassifications			969,695		J
			969,710	28,488	
Extraordinary expenses					
On capital transactions			42,203	28,518	
Allocations to amortisation and provisions			969,695		J
			1,011,897	28,518	
■ NET EXTRAORDINARY RESULT			(42,188)	(31)	
Company income tax			(90,000)	314,906	IC 5.3
Total income			53,966,925	45,938,723	
Total expenses			25,786,183	14,362,564	
■ NET PROFIT (LOSS)			28,180,742	31,576,159	
<i>(a) Including:</i>					
- Equipment leasing instalments					
- Property leasing instalments					
<i>(1) Including income relating to previous financial years</i>					
<i>(2) Including expenses relating to previous financial years</i>					
<i>(3) Including income relating to affiliated entities</i>			43,568,577	39,229,757	
<i>(4) Including interest relating to affiliated entities</i>			2,314,121	1,905,506	



4 – APPENDIX

4.1 – General information

The main corporate purpose of Société de la Tour Eiffel is to acquire or construct buildings to rent out, and to hold direct or indirect equity stakes in corporate bodies having the exact same purpose.

OPTION FOR STATUS AS A SOCIÉTÉ D'INVESTISSEMENTS IMMOBILIERS COTÉE (SIIC)

On 15 April 2004, the company opted for the status of *Société d'Investissements Immobiliers Cotée* (SIIC) effective on 1 January 2004.

4.2 – Important facts

4.2.1 – ACQUISITIONS AND DIVESTMENTS OF FIXED ASSETS

4.2.1.1 – INVESTMENT PROPERTY

On 16 January 2008, Société de la Tour Eiffel acquired a commercial building in St-Cloud for a principal amount of €12,100,000. The €363,341 closing and financial linked costs were recorded as assets in accordance with the accounting principles adhered to by the company. A nine-year lease has been signed.

On 14 January 2008, Société de la Tour Eiffel acquired a building complex located in Amiens for €5,320,000. The €398,936 in closing and financial linked costs were recorded as assets in accordance with the accounting principles adhered to by the company. A nine-year lease has been signed.

The renovation work undertaken on the Energy II building complex located at Velizy was completed on 2 October 2008 and capitalised for a total cost of €3,468,279 of which €72,925 was financing expense. The net book value of the renovated property was €31,662.

4.2.1.2 – SECURITIES PORTFOLIO

During 2008, Société de la Tour Eiffel acquired a 99% equity stake in SCI Duranne for €718,501. The €129,596 in closing costs were recorded as part of the acquisition cost.

4.2.2 – FINANCING

In January 2008, Société de la Tour Eiffel signed two loan agreements with Société Générale towards acquiring its assets located at Amiens and St-Cloud. The amounts lent were €4,000,000 and €9,700,000 respectively. The loan repayment schedule extends to 2015.

4.2.3 – CHANGE OF ACCOUNTING METHOD RELATING TO THE SHARE PURCHASE OR SUBSCRIPTIONS OPTION PLANS AND FREE SHARE PLANS

In accordance with CNC Regulation 2008-15 dated 4 December 2008 relating to the accounting treatment of share subscription or purchase plans and free share plans, Société de la Tour Eiffel allocated the treasury shares held in the affected plans according to their probability of being carried out.

Those allocated treasury shares which were liable to be tendered to the employees were assigned a provision based on the net book value of the shares at the start of the 2008 financial year. When the award is subordinated to a condition of working for the company, the purchase price is spread out over the acquisition period. Any allocations of provisions, reversals and charge-offs relating to awarding equity shares are disclosed as personnel expenses.

The impact of the change of accounting method amounted to €969,695, representing the fraction relating to the previous financial periods, was recorded as personnel expenses owing to the application of tax rules.

The unallocated treasury shares are written down to their market value.

For comparative reporting purposes, applying this regulation at 31 December 2007 would have resulted in recording a loss provision of €2,655,150.

4.2.4 – SHARE PURCHASE OR SUBSCRIPTION PLANS AND FREE SHARE PLANS

The 96,093 treasury shares held can be broken down as follows:

- 9,750 treasury shares have been allocated for €969,695 and are fully provisioned with a loss provision based on the purchase price at the start of the financial year,
- 86,343 unallocated treasury shares held for €5,611,380 were marked to market at their average cost for €4,135,696 in December 2008.

The free share plans whose final awards were made in 2008 were recorded as personnel expense for €2,005,990.

4.3 – Accounting policies

The Annual Accounts are established in accordance with the rules laid out by the general accounting system of 1999 and fundamental accounting principles (conservatism, consistent methods, independence of financial years, going concern).

The financial year spans a 12-month period running from 1 January to 31 December 2008.

Recognised items are valued according to the historic costs method.

The main accounting methods used are as follows:

4.3.1 – TANGIBLE FIXED ASSETS

4.3.1.1 – LAND AND BUILDINGS

General Rules

Fixed assets are valued at their acquisition cost as per the provisions of CRC Regulation no. 2004-06. The company has opted to capitalise acquisition expenses and the costs of borrowings, where applicable.

In accordance with the CRC Regulation no. 2002-10, property assets have been accounted for using the components approach.

The gross value was split into 4 separate components on the basis of valuations carried out by the Technical Services of the Asset Management Company.

Given the nature of the properties, a residual value of 10% was recorded under the main component (the structural framing).

Amortisations are made following Rule no. 2002-10 with each component being amortised over its individual useful life on the following basis:

- Structural framing • Life: 60 years • Method: straight line
- Water-proofing • Life: 20 years • Method: straight line
- Equipment • Life: 20 to 50 years • Method: straight line
- Fixtures & Fittings • Life: 15 to 50 years • Method: straight line

At 31 December 2008, the current state of the buildings does not require the allocation of provisions for major upkeep or refurbishing.

Valuation of Assets

The company has all its property assets valued by an independent appraiser every six months. An asset impairment is recorded if the appraised value has fallen considerably below the net book value.

In the financial period ended 31 December 2008, no provision was recorded in the accounts pursuant to these valuations.

4.3.1.2 – OTHER TANGIBLE FIXED ASSETS

Depreciation is calculated on the following basis:

- Office equipment • Life: 3 years • Method: straight line
- Furniture • Life: 3 years • Method: straight line

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

4.3.2 – MARKETABLE SECURITIES AND TREASURY SHARES

4.3.2.1 – MARKETABLE SECURITIES

The gross value is made up of the purchase cost excluding additional expenses. When the inventory value is lower than the gross value, the difference gives rise to an impairment loss provision. The inventory value of the treasury shares consists of the average market price during the last month before accounts closing.

4.3.2.2 – TREASURY SHARES

The treasury shares held and allotted to the free share plan carry a loss provision equal to their purchase price.

Those unallocated treasury shares are written down to their market value.

4.3.3 – EQUITY INTERESTS AND OTHER LONG-TERM INVESTMENTS

Equity interests are entered on the balance sheet at their acquisition cost as per the provisions of CRC Regulation no. 2004-06 pertaining to the definition, recognition and valuation of assets. The company has opted to include acquisition expenses in the value of securities.

If the inventory value of these shares proved to be lower than their purchase cost, an impairment provision would be made.

The inventory value is determined based on the equity interest's value in use and takes into account the market value of the owned company's assets, which are audited every half year.

4.3.4 – RECEIVABLES

Receivables are recorded at their nominal value. A write-down is recorded when the inventory value is lower than the book value.

4.3.5 – BOND ISSUANCE EXPENSES

Bond issuance expenses are transferred from operating expenses to expenses to be amortised over the term of these borrowings.

4.3.6 – FINANCIAL FUTURES

Under the framework agreement governing the opening of credit lines, Société de la Tour Eiffel has entered into hedging contracts in the form of CAPs and SWAPs.

CAP

The initial premium paid and covering several periods is reported as an expense over the contract term. Any eventual unrealised gains are not recorded at period end.

SWAP

At period end, the accrued interest differential on the SWAPs is recorded.

Potential losses on the financial instruments do not carry a liabilities provision inasmuch as these instruments are used in a hedging transaction.

4.4 – Additional information

4.4.1 – STAFF

The company employs a Property Director.

4.4.2 – REMUNERATION OF MEMBERS OF MANAGEMENT AND GOVERNING BODIES

Board members' attendance fees paid in 2008 totalled €140,000. Gross remuneration paid to members of governing bodies for their director mandates totalled €220,000.

4.4.3 – APPROPRIATION OF THE 2007 EARNINGS AND 2008 INTERIM DISTRIBUTION

The ordinary combined shareholders' meeting decided to appropriate the 2007 profit of €31,576,159 plus net retained earnings of €2,702,069 minus a €6,700 adjustment to the legal reserve in an amount of €1,578,808 and as dividends in an amount of €31,033,971.

The remaining 2007 dividend of €3 out of a total of €6 per share was paid on 8 April 2008.

On 8 August 2008, a €17,820,390 interim dividend at €3.50 per share was paid out based on the interim balance sheet for the period ended 30 June 2008.

4.4.4 – APPROPRIATION OF THE SUBSIDIARIES' 2008 EARNINGS

4.4.4.1 – NET FINANCIAL INCOME – UPSTREAMING THE 2008 RESULTS

The articles of association of those subsidiaries organised as non-trading real estate investment companies or as partnerships contain a clause for appropriating the period-end earnings unless the partners decide otherwise.

The subsidiaries all have the same account closing date of 31 December.

The decisions to appropriate the 2008 earnings by the various general shareholders' meetings are taken prior to that of the Société de la Tour Eiffel Board of Directors' meetings.

Consequently, as at 31 December 2008, the net financial income of Société de la Tour Eiffel includes the proportionate shares in the 2008 earnings of those subsidiaries organised as non-trading real estate investment companies or as partnerships.

4.4.4.2 – NET FINANCIAL INCOME – OTHER DISTRIBUTIONS

On 30 May 2008, SAS Locafimo decided to distribute a total dividend of €11,070,439 to its sole partner, Société de la Tour Eiffel.

These distributions were made from:

- the distributable fraction of the Reserve for restated assets for €5,670,225 reflecting either a depreciation in excess of cost or basis or the buildings sold.
- the 2007 earnings for a total of €5,400,214 reflecting the 2007 dividend remaining to be paid.

During 2008, the Société de la Tour Eiffel, acting as general partner, decided to transfer to distributable reserves and to make an exceptional distribution of the fraction of the reserve for restatement of assets equal to the depreciation in excess of cost or basis of its subsidiary, SCI Arman F02 for €165,978.

On 30 December 2008, Société de la Tour Eiffel, the sole partner, decided to distribute €1,000,000 withdrawn from the retained earnings of SCI Malakoff Valette.

4.4.5 – TAXABLE INCOME – TRACKING OF THE OBLIGATIONS UNDER THE SIIC REGIME

Société de la Tour Eiffel reported a €28,181,000 profit for 2008 and a €22,245,000 profit for tax purposes.

4.4.5.1 – TAX EXEMPT INCOME AND TRACKING OF THE DISTRIBUTION OBLIGATIONS

The 2008 tax exempt income came to €27,912,000 and breaks down as follows:

- €1,940,000 from property rentals subject to an 85% distribution rate
- €19,826,000 from capital gains on property sales subject to a 50% distribution rate
- €6,145,000 from dividends received from subsidiaries which opted for the SIIC status and are subject to a 100% distribution rate.

Thus, the distribution obligation adds up to €17,708,000 in 2009 of which €9,913,000 is reserved for capital gains from 2009 to 2010.

The 2009 distribution obligation will therefore be respected through the estimated distribution of €25,449,000 (based on the number of shares and payees at 31 December 2008), or €5 per share as put before the General Shareholders' Meeting.

4.4.5.2 – INCOME LIABLE TO CORPORATION TAX

The income liable to corporation tax for 2008 totalled -€5,667,000 and equals to the portion of expenses which cannot be allocated to the exempted activity of the upstreaming of the taxable tax income of the non-SIIC subsidiary, Awon Asset Management and the portion of the expenses and charges relating to the dividends collected from the distribution of the excess of restated assets over historical cost by the subsidiaries SAS Locafimo and SCI Arman F02.

4.4.5.3 – INCOME TAX

The €90,000 income tax benefit corresponds to the foundation tax credit the company has received owing to payments made to the Société de la Tour Eiffel Foundation.

4.4.6 – SHARE SUBSCRIPTION OPTION PLANS

4.4.6.1 – SUMMARY TABLE OF THE SHARE OPTION PLANS ISSUED AND GRANTED

Shareholders' meeting date	Date awarded By the Board	Exercise period	Subscription Price	No. of possible options exercisable since the time granted	No. of possible options exercisable since the 1 st anniversary	No. of exercised options	No. of remaining options	Potential number of shares
12/05/2005	26/12/2005	from 26/12/2005 to 26/12/2010	68.44	101,530	10,000	1,250	110,280	110,280
	22/03/2006	from 22/03/2006 to 22/03/2011	83.77	23,516	5,000	-	28,516	28,516
	17/05/2006	from 17/05/2006 to 17/05/2011	87.78	10,750	-	1,500	9,250	9,250
17/05/2006	14/09/2006	from 14/09/2006 to 14/09/2011	100.04	103,900	28,500	-	132,400	132,400
	29/03/2007	from 29/03/2007 to 29/03/2012	124.48	23,300	-	-	23,300	23,300
29/03/2007	16/10/2007	from 16/10/2007 to 16/10/2012	115.34	25,951	-	-	25,951	25,951
	11/12/2008	from 11/12/2008 to 11/12/2013	35.69	25,965	-	-	25,965	25,965
■ TOTAL				314,912	43,500	2,750	355,662	355,662

4.4.6.2 – EMPLOYER'S CONTRIBUTION OF 10%

In accordance with the modification company share subscription options scheme and the addition of an employer's contribution of 10% on the options granted starting on 16 October 2007, a €15,168 social security charge was recorded.

The company elected to base this contribution on the basis of 25% of the shares' value on the date it was decided to award them.

4.4.6.3 – ASSIGNING A VALUE TO THE SOCIAL SECURITY CONTRIBUTIONS LIABILITY

At 31 December 2008, in light of the €34.93 December 2008 monthly average share price, no risk of liability to employer social security contributions has been identified should there be a transfer of shares within the 4-year period by all of the subscription option plan beneficiaries for all of the shares allocated.

4.4.7 – GRANTING OF FREE SHARES

4.4.7.1 – SUMMARY TABLE OF FREE SHARES ISSUED AND GRANTED

General Shareholders' Meeting date	Date granted by the Board of Directors	Final granting date	Minimum holding period	No. of free shares allocated
17/05/2006 ^(a)	14/06/2006	14/06/2008	2 years	10,800
	29/11/2006	29/11/2008	2 years	8,000
	12/02/2007	12/02/2009	2 years	1,200
29/03/2007 ^(b)	16/10/2007	16/10/2009	2 years	8,550
	29/07/2008	29/07/2010	2 years	14,221
■ TOTAL				42,771

(a) Allocation of 20,000 existing or yet-to-be issued shares

(b) Allocation of 60,000 existing or yet-to-be issued shares

The company will deliver the free shares to the beneficiaries, either within the framework of a share buy-back scheme, or a capital increase paid for by a withdrawal from a reserve account.

4.4.7.2 – EMPLOYER'S CONTRIBUTION OF 10%

The Company recorded an additional social security charge of €72,390 towards modifying the social security tax treatment of the free shares and the inauguration of a 10% employer's contribution on the shares granted starting on 16 October 2007. The Company elected to base this contribution on the value of the shares on the date the decision was taken to award them (i.e. at a price of €72.39).

4.4.7.3 – THEORETICAL DILUTIVE EFFECT ON EARNINGS PER SHARE

Assuming that the shares are issued through a new equity issue, the theoretical dilutive effect on 2008 earnings per share would be:

- 2008 net earnings per share: €5.43,
- Theoretical 2008 net earnings per share after granting of free shares: €5.40.

4.4.8 – FINANCIAL COMMITMENTS

4.4.8.1 – GIVEN COMMITMENTS

Commitments made are as follows:

- A guarantee, in respect of subsidiaries, of all sums due under the line of credit master agreement of €194,051,824,
- Authorisation for a personal joint and several guarantee in favour of borrowing subsidiaries as part of the group's master financing agreement,

- Guarantee agreement issued in favour of the bank in respect of an interest rate hedging agreement concluded on 28 November 2002 with SCI Nowa and transferred to Locafimo on 24 March 2006,
- Guarantee agreement issued on 7 September 2006 in favour of Calyon to secure all sums due under the interest rate hedging contract entered into on 5 September 2006 between Calyon and Locafimo up to a limit of €4,900,000,
- Conclusion of RCF amendment no. 1 to the initial contract entered into with The Royal Bank of Scotland in June 2006, so as to:
 - carry the maximum amount of the revolving credit from €40,000,000 to €100,000,000,
 - extend the final expiration date to 31/03/2010,
 - reiterate the whole of the declarations and guarantees and extend them mutatis-mutandis to amendment no. 1.
- The shares of the following non-trading property investment companies are pledged as collateral with the bank:
 - Nowa,
 - Arman F02,
 - Comète,
 - Berges de l'Ourcq,
 - Champigny Carnot,
 - Marceau Bezons,
 - Grenoble Pont d'Oxford,
 - Rueil National,
 - Lyon Genlis,
 - Jean-Jaurès,
 - Caen Colombelles,
 - Étupes de l'Allan.



- On 14 January 2008, a first lien mortgage was given to the bank upon signing of a €4,000,000 loan extended by Société Générale to finance the building in Amiens.
- On 16 January 2008, a first lien mortgage was given to the bank upon signing of a €9,700,000 loan extended by Société Générale to finance the building in Saint-Cloud.
- To keep the “Energy II” building acquired on 20 December 2006, for a 5-year term in accordance with the requirements of Article 210 E of the General Tax Code, being the “SIIC 3” tax scheme,
- To keep the St Cloud building, acquired on 16 January 2008, for a 5-year term in accordance with the requirements of Article 210 E of the General Tax Code, being the “SIIC 3” tax scheme,
- To keep the Amiens building, acquired on 14 January 2008, for a 5-year term in accordance with the requirements of Article 210 E of the General Tax Code, being the “SIIC 3” tax scheme,
- Within the scope of founding the Société de la Tour Eiffel Foundation, Société de la Tour Eiffel as founder committed itself to pay €210,000. The amount of this commitment is reduced each year by €30,000 under an instalment scheme spanning several years. The remaining balance owed at 31 December 2008 is €90,000.

4.4.8.2 – RECEIVED COMMITMENTS

The following commitments were received:

Assignor’s indemnity against any increase in liabilities or decrease in assets for the following companies:

SCI Nowa	10,000,000
SCI Malakoff Valette (ex-Engel)	3,000,000
SCI Marceau Bezons	10,000,000
SCI Comète	1,869,231
SNC Awon Asset Management	400,000
SCI Sodeprom	1,200,000
■ TOTAL	26,469,231

- Parallel to signing the sales agreement for the Chartres building, the Palatine Bank issued a first demand guarantee to warrant Société de la Tour Eiffel’s payment to the promissor of the demurrage owed by Société de la Tour Eiffel. This demurrage was contributed to SAS Locafimo’s current account as part of this company’s substitution as beneficiary of the agreement to sell, which occurred on 27 June 2008.

- On 9 January 2008, the Scalbert Dupont bank issued a contract of a bank guarantee to secure payment of all sums owed by Lee Cooper France SAS under the lease of the building located in Amiens.
- On 4 March 2008, under the share transfer contract (article 9) of SCI Duranne Sud, the guarantor pledged to guarantee and compensate SCI Duranne Sud or Société de la Tour Eiffel or the SCI du 153, avenue Jean-Jaurès an amount equal to any damages or financial losses.

4.4.9 – RECIPROCAL COMMITMENTS

Reciprocal commitments are as follows:

Loans extended to subsidiaries not yet repaid under the credit master agreement	24,175,700
Available amount under the revolving credit master agreement	57,615,383
■ TOTAL	81,791,083

4.4.10 – FINANCING OF THE SUBSIDIARIES

Treasury agreement

The subsidiaries of Société de la Tour Eiffel acceded to the treasury agreement signed on 2 April 2004 and to its amendment of 24 June 2004.

The interest rate applied within the group is 3-month Euribor plus 25 basis points.

Subordinated loans

Société de la Tour Eiffel, as lender, loans money to its subsidiaries under subordinated loan agreements. These loans are extended at 3-month Euribor plus 100 basis points for a term identical to the line of credit master agreement, i.e. to 15 June 2013.

Repayment of these loans is subordinated to the creditors’ agreement in accordance with the line of credit framework agreement signed with the bank.



NOTES

4.5 – ASSETS

4.5.1 – FIXED ASSETS

Framework A (Euros)	Gross value		Increases
	Beginning of year	Revaluations	Acquisitions
Intangible fixed assets			
Other intangible fixed assets	3,373		6,410
Total I	3,373		6,410
Tangible fixed assets			
Land	3,019,345		7,947,351
Buildings on own land	5,607,356		13,703,205
Office equipment and furnishings	10,243		4,273
Construction work in progress	1,185,696		
Total II	9,822,640		21,654,829
Long-term investments			
Equity interests	260,641,435		718,510
Receivables on equity interests	78,914,326		9,652,354
Other long-term investments	1,861,691		
Total III	341,417,452		10,370,864
■ GRAND TOTAL (I + II + III)	351,243,465		32,032,103

Framework B (Euros)	Decreases		Gross value at year end	Revaluations Value of origin
	Reclassifications	Disposals		
Intangible fixed assets				
Other intangible fixed assets			9,784	9,784
Total I			9,784	9,784
Tangible fixed assets				
Land			10,966,696	10,966,696
Buildings on own land		31,663	19,278,898	19,278,898
Office equipment and furnishings			14,516	14,516
Construction work in progress	1,185,696			
Total II	1,185,696	31,663	30,260,110	30,260,110
Long-term investments				
Equity interests		13,407	261,346,538	261,346,538
Receivables on equity interests		29,675,027	58,891,653	58,891,653
Other long-term investments		1,861,691		
Total III		31,550,125	320,238,191	320,238,191
■ GRAND TOTAL (I + II + III)	1,185,696	31,581,788	350,508,085	350,508,085

4.5.2 – RECEIVABLES AND DEBT STATEMENTS

RECEIVABLES STATEMENT (Euros)	Gross amount	Under 1 year	Over 1 year
Fixed assets			
Receivables on equity investments	58,891,653	8,759,492	50,132,161
Other long-term investments			
Current assets			
Other trade receivables	2,369,162	2,369,162	
Due from employees and related accounts	6,500	6,500	
Company income tax refund owed	90,000	90,000	
Value added tax refund owed	488,250	488,250	
Due from group and partners	43,228,424	43,228,424	
Non-trade receivables	14,712	14,712	
Prepaid expenses	634,759	634,759	
■ TOTAL	105,723,461	55,591,300	50,132,161

4.5.3 – ACCRUED INCOME

Euros	31/12/2008	31/12/2007
Investment-related receivables	608,396	1,111,065
Accounts receivable and associated items	1,114,437	2,749,952
Other receivables	1,062,477	706,250
Marketable securities	13,767	
Cash and near cash	153,028	80,181
■ GRAND TOTAL	2,952,104	4,647,449

4.5.4 – PREPAID EXPENSES

Euros	31/12/2008	31/12/2007
Various prepaid expenses	47,677	19,628
Public relations prepaid expenses	43,698	25,309
CAP premiums prepaid expenses	543,383	684,311
■ GRAND TOTAL	634,759	729,249

4.5.5 – DEFERRED EXPENSES

Euros	31/12/2008	31/12/2007
Debt issuance costs	292,087	288,877
■ GRAND TOTAL	292,087	288,877

4.5.6 – INVENTORY OF THE MARKETABLE SECURITIES PORTFOLIO
(C. com. Art. L. 232-7 and L. 232-8)

4.5.6.1 – EQUITY INVESTMENTS

The equity investments are only composed of the shares of non-trading real estate investment companies, shares of partnerships and shares in simplified public limited liability companies.

4.5.6.2 – MARKETABLE SECURITIES

Treasury shares

At 31 December 2008, Société de la Tour Eiffel held 11,265 treasury shares for a gross amount of €415,725 under the liquidity agreement.

At 31 December 2008, Société de la Tour Eiffel held 96,093 treasury shares for a gross amount of €8,206,859 under the share repurchase programme.

At period end, 9,750 of these shares were allocated to cover the free shares awarded at the board meetings held on 12 February 2007 and 16 October 2007. They represent a value of €2,595,479.

Other bonds

During the month of December 2008, Société de la Tour Eiffel opened three time-deposit accounts with Société Générale with the following characteristics:

Amounts	Start dates	Expiration date
5,000,000	19/12/2008	19/03/2009
5,000,000	19/12/2008	19/02/2009
4,000,000	19/12/2008	19/01/2009

These accounts bear credit interest.

4.5.7 – ITEMS RELATING TO SEVERAL BALANCE SHEET ITEMS
(Decree 83-1020 of 29-11-1983 – Articles 10 and 24-15)

Euros			
Items relating to several balance sheet items	Amount concerning companies		Total debts or receivables represented by trade bills
	that are affiliates	with which the company is linked by equity	
Financial fixed assets			
Equity interests	261,346,538		
Dividends owed on equity interests	58,891,653		
■ TOTAL FIXED ASSETS	320,238,191		
Receivables			
Trade and related receivables	1,904,518		
Other receivables	43,229,357		
■ TOTAL RECEIVABLES	45,133,875		

4.5.8 – TABLE OF SUBSIDIARIES AND EQUITY INTERESTS 31/12/08

Financial information	Share capital	Reserves and retained earnings before appropriation of net profit	Equity interest held as a %	Book value of the securities held		Loans and advances extended by the company
				Gross	Net	
■ DETAILED INFORMATION ON EACH SECURITY WHOSE GROSS VALUE EXCEEDS 1% OF THE AFFILIATED COMPANY'S SHARE CAPITAL AT THE TIME OF PUBLICATION:						
1 – Subsidiaries (over a 50% equity interest)						
SCI JEAN-JAURÈS	152	(1,033,194)	99.00	5,106,124	5 106,124	922,862
SCI NOWA	5,293,090	(1,488,793)	99.99	14,526,401	14,526,401	9,001,985
SCI BERGES DE L'OURCQ	1,000	(124,798)	99.00	990	990	5,202,714
SCI COMETE	1,000	(812,164)	99.00	16,375,070	16,375,070	746,571
SCI CHAMPIGNY CARNOT	1,000	(384,956)	99.00	990	990	11,486,239
SCI ETUPES DE L'ALLAN	1,000	(17,193)	99.00	990	990	6,082,029
SCI LYON GENLIS	1,000	(97,627)	99.00	990	990	3,157,999
SCI CAEN COLOMBELLES	1,000	(538,502)	99.00	990	990	10,075,993
SCI MASSY CAMPUS 2	1,000	(15,514,128)	99.00	990	990	4,065,373
SCI ARMAN F02	11,192,100	5,476,118	99.99	20,254,699	20,254,699	13,892,684
SCI MALAKOFF VALETTE	1,000	214,576	100.00	4,863,978	4,863,978	1,133,042
SCI MARCEAU BEZONS	10,000	173,184	99.90	1,003,944	1,003,944	842,681
SAS LOCAFIMO	3,780,150	3,045,372	100.00	180,983,743	180,983,743	59,181
SCI GRENOBLE PONT D'OXFORD	1,000	220,716	99.00	990	990	3,834,261
SCI RUEIL NATIONAL	1,000	1,276,553	99.00	990	990	14,049,345
SNC AWON ASSET MANAGEMENT	150,000	(435,570)	99.99	4,112,548	4,112,548	1,462,449
SCI SODEPROM	15,000	187 361	99.90	13,393,601	13,393,601	16,100,825
SCI DURANNE	1,000	44,689	99.00	718,500	718,500	1,890,326
2 – Equity interests (from 10 to 50% of the capital held)						
■ GENERAL INFORMATION ON SECURITIES 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 – Equity interests:						
a) French (all)	1,000	590	1.00	10	10	
b) Foreign (all)						

(Continued)

Financial information	Sureties and guarantees given by the Company	Turnover excluding tax from the previous year	Net profit or loss from the previous financial year	Dividends received by the Company during the financial year	Comments
Subsidiaries Equity interests					
■ DETAILED INFORMATION ON EACH SECURITY 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-JAURÈS	13,632,999	1,985,835	1,033,194	574,429	
SCI NOWA	61,417,478	11,800,238	3,250,277	4,620,441	
SCI BERGES DE L'OURCQ	8,433,394	1,381,169	124,798	63,889	
SCI COMETE	25,964,043	4,530,827	1,566,276	1,554,464	
SCI CHAMPIGNY CARNOT	18,924,691	3,205,024	488,486	661,011	
SCI ETUPES DE L'ALLAN	9,938,307	1,731,635	17,193	19,036	
SCI LYON GENLIS	3,675,989	468,742	97,627	466,949	
SCI CAEN COLOMBELLES	23,550,221	3,701,950	538,502	440,871	
SCI MASSY CAMPUS 2		1,838,592	19,620,565	15,718,701	
SCI ARMAN F02	2,000,000	5,892,004	259,718	1,235,199	
SCI MALAKOFF VALETTE	6,262,508	1,253,435	485,407	512,728	
SCI MARCEAU BEZONS	4,685,123	642,102	(173,184)	68,779	
SAS LOCAFIMO	4,900,000	36,161,820	(12,211,540)	10,881,431	
SCI GRENOBLE PONT D'OXFORD	7,431,878	964,371	(220,716)		
SCI RUEIL NATIONAL	23,188,827	216,065	(1,276,553)		
SNC AWON ASSET MANAGMENT		4,585,095	435,570	654,757	
SCI SODEPROM			(187,117)	160,543	
SCI DURANNE	2,938,501		(44,689)		
2 - Equity interests (from 10 to 50% of the capital held)					
■ GENERAL INFORMATION ON SECURITIES 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)			(590)		
b) Foreign (all)					

4.6 – Liabilities

4.6.1 – BREAKDOWN OF SHARE CAPITAL (Decree 83-1020 of 29-11-1983 – Article 24-12)

Euros

Different categories of securities	Nominal value	At the financial year start	Number of securities		At the financial year end
			Created during the financial year	Repaid during the financial year	
■ ORDINARY SHARES	48	5,193,003			5,193,003

4.6.2 – PROVISIONS AND IMPAIRMENTS RECORDED ON THE BALANCE-SHEET

Euros

	Amount at beginning of the year	Increase allocations for the year	Reductions: Reversals		Amount at end of the year
			Used	Not used	
Loss provisions					
Provisions for losses and expenses		969,695			969,695
Total I		969,695			969,695
Impairments					
Other impairments	552,089	4,157,934	466,581		4,243,442
Total II	552,089	4,157,934	466,581		4,243,442
■ GRAND TOTAL (I + II)	552,089	5,127,629	466,581		5,213,137
<i>Of which allocations and reversals:</i>					
- operations					
- financial		4,157,934	466,581		
- exceptional		969,695			

4.6.3 – INDEBTEDNESS STATEMENTS

Euros

Indebtedness statement	Gross amount	Up to 1 year maximum	From 1 to 5 years	Over 5 years
Bank borrowings:				
- up to one year maximum at the start	711	711		
- over one year at the start	86,786,831	1,097,180	74,170,113	11,519,538
Loans and various financial debts	294,066	294,066		
Trade and related payables	2,578,485	2,578,485		
Personnel and related accounts	6,500	6,500		
Social security and other social welfare agencies	181,340	181,340		
Income tax				
Value-added tax	357,899	357,899		
Other duties, taxes and comparable payments	11,956	11,956		
Payables to fixed asset suppliers and related accounts	484,502	484,502		
Group companies	16,869,456	16,869,456		
Other debts	275,378	275,378		
Prepaid income	388,498	388,498		
■ TOTAL	108,235,622	22,545,971	74,170,113	11,519,538

4.6.4 – DETAIL OF ACCRUED EXPENSES

Euros

	31/12/2008	31/12/2007
Bank borrowings	791,767	2,550
Loans and various financial debts	426,781	975,617
Trade notes and accounts payable	1,411,966	1,884,515
Tax and social security liabilities	115,118	201,755
Payables to fixed asset suppliers and related accounts	269,289	
Other debts	108,764	101,005
■ GRAND TOTAL	3,123,685	3,165,441

4.6.5 – ITEMS RELATING TO SEVERAL BALANCE SHEET ITEMS (Decree 83-1020 of 29-11-1983 – Articles 10 and 24-15)

Euros

Items relating to several balance sheet items	Amount concerning companies		Total debts or receivables represented by trade bills
	that are affiliates	with which the company is linked by equity	
Debts			
Miscellaneous borrowings and financial debts	16,729,456		
Trade notes and accounts payable	1,621,526		
Other debts	76,480		
■ TOTAL DEBTS	18,427,462		

4.6.6 – CHANGE IN EQUITY CAPITAL (IN EUROS)

	Share capital	Premiums	Legal reserve	Reserves	Retained earnings	Net profit	Dividends	Total
■ AT 31/12/2006	249,132,144	42,570,647	742,807	518,802	38,977	36,403,314	(18,944,424)	310,462,268
GSM of 29 March 2007								
Appropriation of earnings			1,820,166		(38,977)	(36 403,314)	34,622,125	
Balance of 2006 dividends payment							(12,975,632)	(12,975,632)
Remaining distributable profit					2,702,069		(2,702,069)	
Board meeting at 26/07/07								
2007 interim dividend							(15,454,962)	(15,454,962)
Share options exercised in 2007								
New equity issue	132,000							132,000
Issuance premium		85,220						85,220
Adjustment for costs incurred relating to 2006 equity issue		(2,940)						(2,940)
2007 net profit						31,576,159		31,576,159
■ AT 31/12/2007	249,264,144	42,652,927	2,562,973	518,802	2,702,069	31,576,159	(15,454,962)	313,822,113
GSM of 27 March 2008								
Appropriation of net profit			1,578,808		(1,043,320)	(31,576,159)	32,692,720	1,652,049
Remainder of 2007 dividend paid							(15,579,009)	(15,579,009)
Remaining distributable profit					334,530		(1,658,749)	(1,324,219)
Board meeting at 29/07/08								
2008 interim dividend							(17,820,390)	(17,820,390)
2008 net profit						28,180,742		28,180,742
■ AT 31/12/2008	249,264,144	42,652,927	4,141,781	518,802	1,993,279	28,180,742	(17,820,390)	308,931,286

4.6.7 – SUMMARY OF INTEREST RATE HEDGING INSTRUMENTS (IN EUROS)

4.6.7.1 – CAP

Period	Rate	Notional
01/08/2006 to 07/06/2013	4.5%	19,605,652
02/05/2007 to 07/06/2013	4.5%	16,633,880
01/08/2006 to 07/06/2009	4.5%	17,000,000

4.6.7.2 – SWAP

Period	Rate	Notional
01/08/2006 to 07/06/2013	Variable rate 3-month Euribor as against a fixed rate of 4.1%	58,816,957
01/05/2007 to 07/06/2013	Variable rate 3-month Euribor as against a fixed rate of 4.1875%	49,901,641
01/11/2007 to 01/05/2010	Variable rate 3-month Euribor as against a fixed rate of 4.78%	31,800,000
01/02/2008 to 16/01/2015	Variable rate 3-month Euribor as against a fixed rate of 4.36%	9,607,850

4.6.7.3 – DETAIL OF PREPAID INCOME

Euros	31/12/2008	31/12/2007
Operating revenues	388,498	0
■ GRAND TOTAL	388,498	0

INCOME STATEMENT

4.7 – Turnover

Société de la Tour Eiffel and its subsidiaries signed a rebilling contract to specify and confirm the terms for rebilling the subsidiaries for the costs borne by Société de la Tour Eiffel (management expenses paid for technical functions, financing or refinancing costs, etc.).

The turnover of Société de la Tour Eiffel is mainly produced by rebilling its subsidiaries for services rendered in respect of real estate, administration, asset management, financing and consulting, and to a lesser degree, for the rents and expenses rebilled to the tenants in the Energy II, Saint Cloud and Amiens properties.

4.8 – Depreciation

Euros		Position and movements during the year		
Framework A	Beginning value	Increases Allocations	Reductions Exits / Reversals	Value at period end
Depreciable fixed assets				
Tangible fixed assets				
Constructions on own land	169,670	540,040	2,867	706,843
Office and data processing equipment, furniture	2,334	2,630	2,867	4,964
Total	172,004	542,670	2,867	711,807
■ GRAND TOTAL	172,004	542,670	2,867	711,807
Framework B	Net amount at beginning of year	Increases	Amortisation expense	Net amount at year end
Amortized movements of expenses over several years				
Expenses amortised over several years	288,877	124,275	121,065	292,087



4.9 – Transfers of charges

During 2008, €124,275 in debt issuance expenses were transferred to operating expenses.

The transfer of €75,551 in financial expenses equate to recording the interest on related borrowings and amortisation of the expenses to be amortised.

4.10 – Capitalized production

During 2008, €773,651 in assets acquisition expenses were recorded as fixed asset cost.

4.11 – Statutory auditors fees

During 2008, the statutory auditors' fees totalled €307,192 for the legal audit of the financial statements.

OTHER

4.12 – STATEMENT OF CASH FLOWS

In euros	2008	2007
Net profit	28,180,742	31,576,159
Elimination of income and expenses not affecting cash		
+ Amortisation and provisions	1,633,431	880,152
- Reversals of amortisation and provisions	(2,867)	
+ Net book value of assets disposed of	42,203	28,518
- Proceeds from asset disposals	(15)	(28,488)
Change in WCR	(1,518,147)	(1,951,827)
Cash flow from operating activities	31,371,640	30,504,515
- Acquisition of fixed assets	(19,959,380)	(1,354,848)
- Acquisition of long-term investments	(41,586,221)	(14,970,051)
- Deferred expenses	(124,275)	(306,811)
+ Decrease in long-term investments	31,507,922	12,197,084
+ Proceeds from asset disposals	15	28,488
Cash flow linked to investment transactions	(30,161,938)	(4,406,138)
- Distribution of dividends	(33,064,869)	(28,437,317)
+ Capital increase		214,280
+ Increase in financial debts	44,402,925	9,390,302
Cash flow linked to financing transactions	11,338,056	(18,832,735)
- Cash at period beginning	8,645,051	1,379,409
+ Cash at period end	21,192,809	8,645,051
■ VARIATION IN CASH FLOW	12,547,758	7,265,642

The variation of the current accounts of the subsidiaries initially registered with the WCR from now on is presented in operations of investments.

5 – STATUTORY AUDITORS’ REPORT ON THE ANNUAL FINANCIAL STATEMENTS

(Financial year ended 31 December 2008)

To the shareholders of:

SOCIÉTÉ DE LA TOUR EIFFEL
A French joint stock company with capital
of €249,264,144

20-22, rue de la Ville l’Évêque
75008 Paris

In carrying out the mission entrusted to us by your General Shareholders’ Meeting, we present our report for the year ended 31 December 2008 on:

- The audit of Société de la Tour Eiffel’s financial statements as they are appended to this report,
- The justification for our assessments,
- The specific verifications and reports stipulated by law.

The year-end financial statements were closed by the Board of Directors. It is our responsibility, based on our audit, to provide our opinion on these financial statements.

5.1 – Opinion on the annual financial statements

We conducted our audit in accordance with the auditing standards applicable in France; these standards require performing the due diligence enabling us to confirm, with reasonable assurance, that the annual financial statements contain no significant misstatements. An audit consists in the examination, on a test basis or by means of other selection methods, of the elements justifying of the amounts and information appearing in the financial statements. It also consists in appraising the accounting principles applied, the significant estimates retained and the overall presentations of the accounts. We believe that the elements we have collected provide a sufficient and appropriate basis on which to formulate our opinion.

We certify that, with regard to the French accounting principles and standards, the consolidated financial statements are a true and fair representation of the results of the past year’s operations and of the company’s financial position and assets and liabilities at the financial year end.

Without calling into question the aforesaid opinion, and in accordance with article L.232-6 of the French Commercial Code, we draw your attention to point 3 of the paragraph in the Notes concerning the Important Facts which describes the change in accounting method pursuant to CNC regulation no. 2008-15 dated 4 December 2008 relating to the accounting treatment for share purchase or subscription option plans and free share award plans for employees.

5.2 – Basis of our appraisals

In application of Article L. 823-9, section 1, of the French Commercial Code concerning the basis of appraisals, we would like to draw your attention to the following items:

- As part of our assessment of the accounting rules and principles followed, we verified the merit of the change in accounting method mentioned in the first part of our report and of its presentation.
- Due to the prevailing economic conditions at financial year end, the accounting estimates made while drawing up the financial statements at 31 December 2008 were made against a market backdrop characterised by a noticeable decline in real estate transactions and a certain difficulty in assessing the economic and financial prospects:

– Paragraph 1.1.2 of the “Accounting Rules and Methods” in the Notes explains that the company commissions an appraisal of its property portfolio by independent experts every six months to estimate any possible building impairments. Our duty was to examine the appraisal methodology used by the experts and to ensure that the absence of impairment was justified based on the independent appraisals;

– Paragraph 3 of the «Accounting Rules and Methods” in the Notes describes the principles for assigning a value to equity securities and other long-term investment securities at period end. It states in particular that in the case of real estate investment companies, the going-concern value factors in the market value of the assets of the company held, assets which are subjected to an independent appraisal. Our duty consisted in assessing the methodology used by the experts and the fact going concern values thus obtained did not require recognising any impairment of the historical value of the securities held.

Assessments made in this manner fall within the scope of our procedure for auditing the annual financial statements as a whole and have therefore contributed to our opinion provided in the first part of this report.

5.3 – Specific verifications and information

We have also performed the specific audits required by law.

We have no opinion in respect of:

- The fairness and consistency with the annual financial statements, the information provided in the Board of Directors' management report and in the documents sent to the shareholders on the financial position and the annual financial statements,

- The fairness of the information given in the management report on the remuneration and benefits paid to the company officers and directors and on the commitments made in their favour when they took on, relinquished or changed their duties or subsequently to these.

Pursuant to the law, we made sure that the various pieces of information relating to the acquisition of equity interests and controlling stakes and to the identity of the equity holders were reported to you in the management report.

Paris and Neuilly-sur-Seine, 23 March 2009

The Statutory Auditors

Expertise & Audit SA
3, rue Scheffer - 75016 Paris

Pascal Fleury

PricewaterhouseCoopers Audit
63, rue de Villiers - 92200 Neuilly-sur-Seine

Catherine Thuret

6 – STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

(Financial year ended 31 December 2008)

To the shareholders of:

SOCIÉTÉ DE LA TOUR EIFFEL
A French joint stock company with capital
of €249,264,144

20-22, rue de la Ville l'Évêque
75008 Paris

In our capacity as your company's statutory auditors, we present our report on the regulated agreements and commitments.

6.1 – Agreements and commitments authorised during the financial year

Pursuant to Article L.225-40 of the French Commercial Code, we are presenting you with our report on the regulated agreements and commitments.

We are not responsible for enquiring into the possible existence of other agreements and commitments, but rather to report on the essential characteristics and terms and conditions of those disclosed to us based on the information which was provided to us and without having to render an opinion as to their utility and merit. It is your responsibility under the terms of Article R.225-31 of the French Commercial Code to assess the value gained from entering into these agreements and commitments so as to decide whether or not to approve them.

We performed the due diligence that we deemed necessary under the professional standards of the Compagnie Nationale des Commissaires aux Comptes which apply to this audit. This due diligence consisted of verifying that the information given to us was consistent with that provided in the primary documents from which it came.

Board meeting held on 16 October 2008

Amendment to the contract committing the subsidiaries to the asset management master agreement entered into with Awon Asset Management

On 21 October 2008, your company entered into a new amendment to the master agreement of 30 November 2006 the purpose of which was to determine the amount of fees covered by Article 8.3 of the aforesaid master agreement, amount left as an expense to Société de la Tour Eiffel.

The fees billed by Awon Asset Management left as an expense to your company in 2008 under this contract came to €150,000.

Directors involved: Mr. Mark Inch, Mr. Robert Waterland and Mr. Jérôme Descamps.

6.2 – Agreements and commitments authorized in 2009 for which special approval is required during this shareholders' meeting

Board meeting held on 4 March 2009

Amendment no. 2 to Mr. Robert Waterland's employment contract

This amendment modifies the employment contract of Mr. Robert Waterland as follows:

- the total amount of compensation which would be paid at his departure is capped at two years of remuneration, both fixed and variable;
- there is now only one performance condition:
 - An increase in the consolidated operating cash flow of at least 5% over the past three years average on a like-for-like basis excluding realised capital gains,

it being specified that this condition applies only to the severance pay and not to the compensation in lieu of notice which could be paid in the event Mr. Waterland would not be required to work during said notice.

Director involved: Mr. Robert Waterland.

6.3 – Agreements and commitments approved in previous years whose performance continues during the financial year

Furthermore, in accordance with the French Commercial Code, we were informed that the following agreements and commitments which continued into the last financial year were approved during prior financial years:

• With Awon Asset Management

The asset management master agreement entered into on 24 April 2004 as modified by an amendment dated 30 November 2006 continued into the financial year.



The remuneration paid by Société de la Tour Eiffel to Awon Asset Management during the 2008 financial year came to €4,448,892.

• **With the subsidiaries**

The subsidiaries standardised contract form to the asset management master agreement dated 30 November 2006 resulted in a rebilling to the subsidiaries of €3,435,665.

The contract for rebilling the expenses borne by Société de la Tour Eiffel to the subsidiaries dated 30 November 2006 resulted in a rebilling of €1,296,826 for management costs and €311,500 for refinancing fees.

The standardised contract forms entered into with RBS cover the following subsidiaries and continued into the year:

	Amounts used as at 31 /12/2008
SCI DES BERGES DE L'OURCQ	€8,555,333
SCI COMETE	€25,734,176
SCI CHAMPIGNY CARNOT	€18,756,126
SCI LYON GENLIS	€3,641,964
SCI DU 153, AVENUE JEAN-JAURÈS	€13,512,307
SCI CAEN COLOMBELLES	€23,332,236
SCI ETUPES DE L'ALLAN	€9,846,316
SCI MARCEAU BEZONS	€4,643,646
SCI GRENOBLE PONT D'OXFORD	€7,363,087
SCI RUEIL NATIONAL	€22,980 590
SCI MALAKOFF VALETTE	€6,207,067

• **With Bluebird Investissements**

This contract which gives Bluebird Investissement the task of helping the top executives to manage the existing property portfolio, and upon acquisitions of new buildings, resulted in the payment of €670,000 for the 2008 financial year.

• **Mr. Robert Waterland's employment contract**

Mr. Robert Waterland received a gross remuneration of €500,000 for the 2008 financial year as Property Director responsible for the management and the growth of your company's property portfolio and those of its subsidiaries.

• **With the company Fanar Investment Limited Holding**

The deed signed in 2007 transferring the rights and obligations resulting from Société de la Tour Eiffel's filing the trademarks "Tour Eiffel" and "Burj Eiffel" in the United Arab Emirates stipulates a variable remuneration fixed at 15% of the royalties on the trademark which Fanar would eventually receive over a 5-year period with the understanding that the amount relinquished must not exceed 30% of Fanar's profit.

Fanar Investment Holding Limited did not pay any amount under this contract in 2008.

Paris and Neuilly-sur-Seine, 23 March 2009

The Statutory Auditors

Expertise & Audit SA
3, rue Scheffer - 75016 Paris

Pascal Fleury

PricewaterhouseCoopers Audit
63, rue de Villiers - 92200 Neuilly-sur-Seine

Catherine Thuret

7 – STATUTORY AUDITORS’ SPECIAL REPORT ON THE CAPITAL REDUCTION

(General Shareholders’ Meeting of 14 May 2009)

To the shareholders of:

SOCIÉTÉ DE LA TOUR EIFFEL	20-22, rue de la Ville l’Évêque
A French joint stock company with capital of €249,132,144	75008 Paris

In our capacity as statutory auditors for Société de la Tour Eiffel, and as part of our mission stipulated in article L. 225-204 of the French Commercial Code, we have prepared this report to inform you of our assessment of the causes and conditions of the planned capital reduction.

We performed the due diligence we deemed necessary under the professional standards of the Compagnie Nationale des Commissaires aux Comptes in respect of this assignment. This due diligence requires that we

examine whether the causes and conditions of the planned capital reduction are equitable. In particular, it consisted of verifying that the capital reduction does not lower the share capital amount to figures below the legal minimum, and that it does not impinge on the equality of treatment for shareholders.

We have no opinion regarding causes and conditions of this transaction, which will reduce your company’s share capital from €249,264,144 to €25,965,015.

Paris and Neuilly-sur-Seine, 23 March 2009

The Statutory Auditors

Expertise & Audit SA
3, rue Scheffer - 75016 Paris
Pascal Fleury

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

8 – STATUTORY AUDITORS’ SPECIAL REPORT ON THE CAPITAL REDUCTION BY CANCELLATION OF PURCHASED SHARES

(General shareholders’ meeting of 14 May 2009)

To the shareholders of:

SOCIÉTÉ DE LA TOUR EIFFEL	20-22, rue de la Ville l’Évêque
A French joint stock company with capital of €249,264,144	75008 Paris

In our capacity as statutory auditors for Société de la Tour Eiffel and as part of our mission stipulated in article L. 225-209 section 7 of the French Commercial Code in the event of a capital reduction by cancellation of purchased shares, we prepared this report to inform you of our assessment of the causes and conditions of the planned capital reduction.

We performed the due diligence we deemed necessary under the professional standards of the Compagnie Nationale des Commissaires aux Comptes in respect of this mission. This due diligence requires that we examine whether the causes and conditions of the planned capital reduction are equitable.

This transaction falls within the scope of your company’s limit on purchasing its own shares up to 10% of its share capital by the terms set forth in article L. 225-209 of the

French Commercial Code. This purchase authorisation will be put before your shareholders for their approval at your general meeting, and would be given for an 18-month period.

Your Board is asking you to delegate to it for an 18-month period, within the scope of exercising the authorisation of purchase by your company of its own shares in the limit of 10% of its capital, full powers to cancel the thus purchased shares.

We have no opinion regarding the causes and conditions of the planned capital reduction, it being noted that it can only be carried out insofar as your shareholders meeting approves your company’s purchase of its own shares beforehand.

Paris and Neuilly-sur-Seine, 23 March 2009

The Statutory Auditors

Expertise & Audit SA
3, rue Scheffer - 75016 Paris
Pascal Fleury

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



Report of the Chairman of the Board of directors

Ladies and Gentlemen,

In accordance with Article L 225-37 paragraph 6 of the Commercial Code as modified by Law 2005-842 of 26 July 2005, this report contains the following information:

- composition of the Board of Directors;
- the terms and conditions for preparing and organising the work to be done by your Board of Directors;
- your Company's internal audit and risk management procedures;
- possible limitations made by the Board of Directors to the Managing Director's powers.

The company cites the AFEP-MEDEF corporate governance code of December 2008, the recommendations of which it will gradually implement. This document is available on the MEDEF's website at www.medef.fr.

Concerning the internal audit and risk management procedures, the company follows the "French Financial Markets Authority (AMF) Position on the working group's report on improvements in the financial regulation for small and midcaps chaired by Yves Mansion" released by AMF on 9 January 2008, and particularly on the "Internal control reference framework – Implementation guide for small and midcaps" which appears in Annex II, released by AMF on 25 February 2008.

1 – COMPOSITION OF THE BOARD OF DIRECTORS TERMS AND CONDITIONS FOR PREPARING AND ORGANISING THE WORK TO BE DONE BY YOUR BOARD OF DIRECTORS

Composition of the Board

Société de la Tour Eiffel's Board of Directors is composed of seven members. Three directors, Mr. Mark Inch, Mr. Jérôme Descamps and Mr. Robert Waterland are also top executives of the Company: Mr. Mark Inch is chairman and managing director, Mr. Jérôme Descamps and Mr. Robert Waterland are deputy managing directors.

The four remaining directors, Messrs Michel Gauthier, Claude Marin, Philippe Prouillac and Marc Allez have no tie with the Company, although Messrs Michel Gauthier and Claude Marin have been directors for over twelve years. The remunerations received by the directors are made up of attendance fees. Those directors who sit on the audit committee and the remunerations committee receive a remuneration covering the period from 29 July 2008 to 31 December 2008. In 2008, the attendance fees were paid in equal amounts to each director while in 2009, this allocation will factor in certain directors' participation in the audit and remunerations committees.

At least half of the Board is composed of independent directors in accordance with the recommendation of the AFEP-MEDEF corporate governance code for listed companies dated December 2008. This report defines an independent director as follows: "*directors are independent when they have no relationship of any sort whatsoever with the company, its group or its senior management which could compromise the exercise of their free judgment*".

On 29 July 2008, the Board of Directors appointed an audit committee and a remunerations committee which serve an advisory role. The committee members are also independent directors.

Board meetings

Article 14 of the articles of association and memorandum stipulates that the Board shall meet as often as the Company's interest requires. Thus, over the past financial year, your Board of Directors met five times, with an average attendance rate of 97%:

- 12 February 2008:
 - co-opted Mr. Philippe Prouillac as director,
 - closed the individual and consolidated financial statements at 31 December 2007, dealt with appropriation of earnings, prepared and called the annual general shareholder's meeting,
 - modified the articles of association following the share issue resulting from the exercise of share subscription options,
 - terms and conditions for delivery to the beneficiaries of the free shares awarded on 14 June and 29 November 2006,
 - authorised sureties, backings and guarantees,
 - fixed the performance conditions relating to Mr. Robert Waterland's severance package, amended Mr. Robert Waterland's employment contract (regulated conventions),



- 27 March 2008:
 - answers to be given at the annual general meeting to the possible written questions put by the shareholders (no questions asked).
- 29 July 2008:
 - closed the consolidated and individual financial statements at 30 June 2008, activity report,
 - distributed an interim dividend,
 - granted free shares,
 - implemented a new share buy-back programme,
 - formed an audit committee and a remunerations committee, appointed the members and chairmen and modified the rules of procedure.
- 16 October 2008:
 - distributed the attendance fees,
 - authorised a regulated convention: amendment 2 to the 30 November 2006 subsidiaries' adhesion contract.
- 11 December 2008:
 - granted share subscription options,
 - took decisions as per the AFEP–MEDEF recommendations issued 6 October 2008.

Moreover, at every meeting, the Board hears a report by the senior management on business and property assets, and it discusses the company's policy in respect of investing, financing and trading assets.

Directors' convocation

The directors were called to meet several days in advance by simple letter and/or electronic message.

In accordance with Article L 225-238 of the Commercial Code, the Statutory Auditors were called to Board meetings, where they reviewed and closed the first-half interim financial statements as well as the annual accounts. They also were invited to attend each Board meeting.

Providing reports to the directors

Before attending each Board meeting, each director is sent any necessary documents and information, notably the detailed meeting agenda, the minutes of the previous meeting for approval, a file containing the points which require a special report (particularly on property investment transactions) and a table showing the progress of the property transactions under way.

Holding meetings

The Board meetings are held at the head office. In general, the year-end Board of Directors meeting sets a schedule for the following year. Each Board meeting date is confirmed at the close of the previous meeting.

Board of Directors' mission - Committees

According to the articles of association, the Board of Directors sets the course for the Company's business and monitors its execution. It deliberates on any issue affecting the Company's progress and governs its affairs through its deliberations.

It also reviews and decides the strategy for property investments and financing, the financial statements, budgetary procedures and organisational orientations as well as audit and internal control.

Two specialised committees, the audit committee and the remunerations committee, help it in his task.

Audit committee:

This committee was formed by the Board of Directors on 29 July 2008. It currently consists of three members: Mr. Michel Gauthier, Chairman, Mr. Marc Allez and Mr. Philippe Prouillac, selected by the Board of Directors for their competence and qualification in financial and accounting matters; they were elected for a one-year renewable term.

The audit committee regularly audits the conditions for drawing up the individual and consolidated financial statements and ensures the accounting methods used are accurate, permanent, appropriate and transparent. It also makes sure that the internal procedures for collecting and checking information are in keeping with these objectives. It advises the Board of Directors on any accounting, financial or fiscal matter brought before it or which it deems useful to bring up. It regularly informs the Board of Directors which formed it of its diligence and observations.

Its mission is as follows:

- to track the financial reporting process,
- to monitor how effective the internal control and risk management systems are, particularly to investigate any transaction or fact or event which could have a material impact on the company's position in terms of commitments and/or risks,
- to monitor the legal audit of the financial statements and the aspects relating to the statutory auditors' independence,
- to issue recommendations for appointing statutory auditors,

- to verify that the company has suitable means (audit, accounting and legal) to prevent risks and anomalies in managing the company's affairs.

It gives an account of its mission to the Board of Directors.

During 2008, the audit committee met three times.

Remunerations committee:

This committee was formed by the Board of Directors on 29 July 2008. It currently consists of three members: Mr. Claude Marin, Chairman, Mr. Marc Allez and Mr. Philippe Prouillac, selected by the Board of Directors because of their competence in management and human resources. They were elected for a one-year renewable term.

The remunerations committee makes sure that the remuneration of the company officers and top executives, and any changes made thereto, is in keeping with the shareholders' interests and the company's performance, in particular against the competition. The committee also ensures that all remunerations enable the company to recruit, motivate and retain the best executives.

It makes proposals or recommendations to the Board of Directors in the following areas:

- implementing a comprehensive remuneration policy for company officers and top executives consisting of a base salary, variable portion, share subscription or purchase options, granting free shares, miscellaneous benefits and pension plan,
- developments occurring in all of the components making up executive remuneration, exceptional remunerations and other benefits,
- the total equity remuneration package consisting of share options and free shares, the scope of beneficiaries and a breakdown by category,
- fixing the amount of the attendance fees and their distribution,
- supervising agreements entered into with top executives,
- evaluating the financial consequences of these various items on the company's financial statements,
- establishing rules for reimbursing expenses and miscellaneous benefits,
- the performance conditions to be set for top executives receiving deferred remunerations.

It gives an account of its mission to the Board of directors.

During 2008, the remunerations committee met three times.

Rules of procedure

On 16 October 2007 and then on 29 July 2008, the Board of Directors added to the rules of procedure which have been followed since 6 July 2006.

Principles and rules drawn up by the Board of Directors to determine the range of remuneration and benefits granted to the company officers and directors

The remuneration paid to the top executives, Mr. Mark Inch, Chairman and Managing Director and Mr. Robert Waterland, Deputy Managing Director, are fixed and were reassessed on 1 January 2007.

It should be noted that Mr. Robert Waterland collects remuneration under his employment contract as property manager. As Deputy Managing Director, Mr. Jérôme Descamps is remunerated exclusively under his employment contract with Awon Asset Management.

On 16 October 2008, the Board of Directors allocated the attendance fees equally among the directors.

Under the terms of the seventeenth resolution of the special shareholders' meeting of 29 March 2007, the top executives, along with Awon Asset Management employees, may be granted share subscription or purchase options as an incentive by providing an additional remuneration tool which factors in the Company's expansion.

In another attempt to foster company loyalty, the top executives and Awon Asset Management employees may receive free shares equal to 20% of the increase in the dividend per share times the number of shares with the benchmark for the free shares corresponding to the average of the opening stock prices over the twenty trading sessions previous to the day when the free shares were granted. This allotment is governed by the eighteenth resolution of the special general shareholders' meeting of 29 March 2007.

As from the 2009 financial year, the company cites the AFEP-MEDEF corporate governance code of December 2008 the recommendations of which it will gradually implement in respect of its executive remuneration policy. This document is available on the MEDEF's website at www.medef.fr.



2 – INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

The internal control procedures cover the Company and all of its subsidiaries which are included in the consolidation scope.

In 2008, the company undertook the implementation of the “Internal control reference framework – Implementation guide for small and midcaps” which AMF released on 25 February 2008.

It also set up the group’s risk control procedures by identifying and evaluating them based on the drafting and implementation of reliable policies, procedures and operations systems.

2.1 – Internal control and risk management objectives

The Company and its subsidiaries are now managed from within; the control procedures set up for the group are meant to:

- ensure that the managerial actions fall within the scope of the Company’s corporate purpose, the strategic orientations as defined by the Board of Directors based on proposals of the top management, in accordance with current laws and regulations, the company’s corporate interest and that of each of its subsidiaries,
- improve the efficiency of the Company’s operations and enable the efficient use of its resources,
- coordinate the proper dissemination of accounting, financial and management reports among outside parties and the group’s top executives, verify that these reports are regularly sent to the Company’s corporate bodies and those of its subsidiaries, and that they fairly reflect the group’s activity and financial position,
- and lastly, foresee and control the risks relating to the group’s activity and the risks of errors or fraud, particularly in the accounting and financial areas.

Internal control cannot provide absolute certainty the Company’s objectives will be achieved.

2.2 – Drawing up and auditing accounting and financial reports

2.2.1 – ROLES OF THE VARIOUS INVOLVED PARTIES

2.2.1.1 – GENERAL SECRETARIAT

Awon Asset Management carries out the duties of the General Secretariat as well as a mission which is jointly defined as asset management (as an Asset Manager).

The General Secretariat disseminates and coordinates financial reporting among the various service providers and other parties while taking into account strategic imperatives as defined by the Owner.

Owing to the General Secretariat’s role as a go-between among the Owner, the Asset Manager and the Building Managers, the General Secretariat has an overall view of the Owner and of the Companies. It makes sure that legal and contractual commitments are honoured, and that financial, tax and administrative obligations are met so the Owner and the Companies can provide efficient and optimal management.

To carry out its mission, the General Secretariat makes sure that it is kept informed of anything involving the Owner and the Companies. It makes sure that it takes the measures necessary to gather whatever information it needs, to validate the decisions taken and to alert the competent bodies and the Owner of any unfavourable consequences of pending decisions.

To provide administrative follow-up of the Companies, the General Secretariat supervises the Companies’ accounting which is sub-contracted out to accounting firms, their cash management tasks and tax returns.

In its supervisory role, the General Secretariat keeps the Owner and the Asset Manager informed, forewarned and alerted of any and all legislative and case law developments which have consequences on the administration and management of the Owner or the Companies. It makes recommendations to them on their strategy and follow-up which could affect the buildings touched by these developments.

Lastly, the General Secretariat keeps the Owner aware, counselled, and informed of any major event concerning its strategy. It coordinates with the Asset Manager the preparation and presentation of the overall budget and the medium-term business plan. The General Secretariat presents the Owner’s short and medium-term objectives and strategy to the Asset Manager.

2.2.1.2 – THE BUILDING MANAGERS

The Building Managers do the bookkeeping for income and expenses relating to the buildings in accordance with current French accounting regulations.

They monitor and input into the computer all settlements, follow-up actions, arrangements or legal disputes and their results so that the Owner can have clear and updated information.

At any time and whenever necessary, the Building Managers provide the Owner, the Asset Manager, or any other person designated by the General Secretariat, with the data needed to fill out the tax returns.

Once a month, and within 10 days at the most after each month end, the Building Managers sent in the data needed to draw up the Owner's accounts to the General Secretariat or to any persons it designates.

Every year within 20 days after the period end, the Building Managers send in the annual accounting to the General Secretariat, which is responsible for keeping the books.

The Asset Manager and the Building Managers meet once a quarter to report on the past and future management of the buildings. At this time, the Building Managers submit a report to the Asset Manager which reports on the activity, the important events that occurred over the past quarter and the proposed responses for the following month.

2.2.1.3 – THE ASSET MANAGER

The Owner, the Building Managers and the Asset Manager (the "Asset Manager's" job being performed by the same company which runs the General Secretariat) and/or their respective representatives meet at least once a year and more often if need be in accordance with the timetable established jointly at the beginning of the year in order to:

- report on the current state and forecasted trend of the markets where the buildings are located,
- update the management objectives and commercial strategy and approve the multi-annual construction plan and to update it for the coming year,
- examine issues of safety and regulatory compliance,
- review the IT system, its performances, developments and interconnections,
- review the bookkeeping and management analyses.

The Asset Manager will promptly notify the Owner of any event or circumstance that has a substantial negative or positive effect on the buildings value.

2.2.2 – DRAWING UP AND CONTROLLING THE ACCOUNTING AND FINANCIAL INFORMATION PROVIDED TO THE SHAREHOLDERS

The individual and consolidated financial statements are drawn up by certified accountants working closely with the General Secretariat. The certified accountants, statutory auditors and top executives, and, where applicable, the Board of Directors discuss the main options as to the choice of accounting methods beforehand.

The top executives, General Secretariat, and outside parties (certified accountants and statutory auditors), and where applicable, the Board of Directors, draw up the accounting and financial reports to be circulated to the shareholders.

The Chairman and Managing Director and the Deputy Managing Directors are responsible for drawing up and controlling the accounting and financial information submitted to the shareholders working closely with the certified accountants and under the supervision of the statutory auditors.

2.3 – Ways to improve control

In 2009, the company will continue to improve the group's internal control and risk management by further implementing the "Internal control reference framework – Implementation guide for small and midcaps" released by AMF on 25 February 2008, as well as by identifying and evaluating risks based on the drafting and implementation of reliable policies, procedures and operations systems.

3 – MANAGING DIRECTOR'S POWERS

Société de la Tour Eiffel top management post can be assumed either by the Board of Directors Chairman or by another individual appointed by the Board and bearing the Managing Director's title.

The Board of Directors voted on 10 July 2003 to appoint Mr. Mark Inch as Managing Director and appointed him as Chairman of the Board on 22 July 2003. At its meeting of 29 March 2007, the Board decided to have the Chairman of the Board continue to serve as Managing Director according to the procedures then in place. It renewed the Chairman's term for a three-year period.

It should be noted that the Board placed no limit on Mr. Mark Inch's powers as Managing Director.

Moreover, we inform you that the Board of Directors appointed two Deputy Managing Directors on 30 September 2003 and 14 March 2005 respectively, conferring on them the same powers as the Managing Director's. Their mandates were renewed on 29 March 2007 for a three-year term.

4 – PARTICIPATION IN THE SHAREHOLDERS' MEETINGS

Participation in the shareholders' meetings is governed by articles 22 to 31 of the company's articles of association.

5 – FACTORS THAT COULD HAVE AN EFFECT DURING A PUBLIC OFFERING

This information appears in paragraph 5.5 of this 2008 management report.

The Chairman of the Board of Directors



6 – STATUTORY AUDITORS' REPORT

Drawn up pursuant to Article L. 225-235 of the French Commercial Code Based on the report submitted by the Chairman of the Board of Directors of Société de la Tour Eiffel

(Financial year ended 31 December 2008)

To the shareholders of:

SOCIÉTÉ DE LA TOUR EIFFEL	20-22, rue de la Ville l'Évêque
A French joint stock company with capital of €249,264,144	75008 Paris

In our capacity of Statutory Auditors to Société de la Tour Eiffel and pursuant to Articles L. 225-235 of the French Commercial Code, following is our report on the report submitted by the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code for the year ended 31 December 2008.

It is the Chairman's duty to draw up a report on the internal control and risk management procedures in place at the company and to submit it for approval by the Board of Directors. The report also discloses the other information required under article L. 225-37 of the French commercial code relating notably to the corporate governance policy.

It is our responsibility to:

- report our observations on the information contained in the Chairman's report on the internal control procedures relating to the drafting of the accounting and financial information, and
- certify that the report contains the information required by article L. 225-37 of the French Commercial Code, with the understanding that we are not responsible for verifying the fairness of this other information.

We carried out our work in accordance with the code of professional conduct applicable in France.

Information concerning the internal control procedures relating to the drawing up and treatment of accounting and financial information

The standards of professional conduct require that we practice due diligence to assess the fairness of the accounting and financial information concerning the internal control procedures relating to the drafting and treatment of the accounting and financial information contained in the Chairman's report. This due diligence entailed the following in particular:

- familiarising ourselves with the objectives and general organisation of the internal audit procedures preparation and processing of the accounting and financial information underlying the information presented in the Chairman's report plus any existing documentation;
- familiarising ourselves with the work performed to compile this information and existing documentation;
- determining whether any material deficiencies in the internal audit relating to the preparation and processing of the accounting and financial information we might have uncovered while performing our audit are properly disclosed in the Chairman's report.

On the basis of our work, we have no opinion regarding the information provided on the company's internal audit procedures for the preparation and processing of accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared in application of article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman of the Board's report comprises the other information required in article L. 225-37 of the French commercial code.

Paris and Neuilly-sur-Seine, 23 March 2009

The Statutory Auditors

Expertise & Audit SA
3, rue Scheffer - 75016 Paris
Pascal Fleury

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



Text of resolutions submitted to the combined general shareholders' meeting held on 14 May 2009

1 – BY DECISION OF THE ORDINARY SHAREHOLDERS' MEETING

FIRST RESOLUTION

(Approval of the company accounts)

Having heard and considered the Board of Directors' management report, the Chairman's report (Article L. 225-37 of the French Commercial Code) and the Statutory Auditors' report, the shareholders vote to adopt the annual financial statements for the financial year ended 31 December 2008, which show earnings of € 28,180,742.

The General Meeting of Shareholders also approves transactions reported in these statements or summed up in these reports.

As a result, the Directors are fully and unreservedly discharged of their duties for said financial year.

SECOND RESOLUTION

(Appropriation of earnings - distribution)

In accordance with a proposal made by the Board of Directors, the General Shareholders' Meeting resolves to allocate the financial year's earnings as follows:

Financial year earnings of	28,180,742 euros
to which are added retained earnings	<u>1,993,279 euros</u>
giving a total of	30,174,021 euros
- a legal reserve contribution of	<u>1,409,038 euros</u>
leaving distributable earnings of	28,764,983 euros
from which has already been paid out an interim dividend of	<u>17,820,390 euros</u>
or €3.50 per share, as voted by the Board of Directors on 29 July 2008, resulting in a distributable earnings balance of	10,944,593 euros
- for distribution as the dividend balance	7,789,504.50 euros ⁽¹⁾
of €1.50 per share	
- with the balance of	3,155,088.50 euros ⁽¹⁾
being considered as retained earnings	

(1) This amount could be adjusted as indicated below in the resolution

The total amount of the dividends and retained earnings account may be adjusted to take into account the following :

- in the event that, when a dividend is being paid, should new shares have been issued before the dividend payment date as a result of exercising share subscription options, these new shares would give rise to a dividend payment which would be withheld, where applicable, from the retained earnings,
- in the event that, when a dividend is being paid, the company happens to hold some treasury stock, the profit corresponding to the dividend not paid on the aforesaid stock would be allocated to the retained earnings account,
- payment of the dividend in shares.

The General Meeting, having acknowledged that the share capital is entirely paid up and heard the reading of the Board of Directors' report and of the statutory auditors' report, resolves to offer each shareholder an option of having the €1.50 per share dividend paid either in cash or in shares.

This option would apply to the entire dividend.

The share price used to calculate the dividend payment will be calculated as follows: 90% of the average market value of the 20 days of trading prior to the date on which the decision to distribute is made, minus the net amount of the dividend rounded up to the nearest centime, subject to the issuing price being not less than the share's nominal value, as required by law, and the adoption of the ninth resolution.

If the dividend amount for which the option is exercised does not equal a whole number of shares, the shareholders may obtain the number of shares immediately below plus a cash payment.



Shareholders who request payment of the dividend in shares will be able to exercise their option from 21 May 2009 to 4 June 2009 inclusive through financial intermediaries authorised by the Company to pay out the dividend. Once this deadline has elapsed, the dividend will be paid out in cash on 12 June 2009.

The General Shareholders' Meeting, after having heard the Board of Directors' report and pursuant to article L. 232-18 paragraph 1 of the French Commercial Code, authorises the Board of Directors in the event of an interim dividend is paid out, to offer each shareholder the option of receiving their interim dividend payment in cash or in shares. This option would apply to the entire interim dividend.

The share price used to calculate the interim dividend payment will be calculated by the Board of Directors as follows: 90% of the average market value of the 20 days of trading prior to the date on which the decision to distribute is made, minus the net amount of the dividend rounded up to the nearest centime, subject to the issuing price being not less than the share's nominal value, as required by law.

This authorisation is valid up to the next Ordinary General Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2009.

The shares issued to pay the dividend or interim dividend will be created with dividends payable from 1 January 2009.

The General Shareholders' Meeting gives full powers to the Board of Directors, which may delegate to its Chairman in order to implement this resolution, acknowledge the capital increase resulting from shareholders having exercised their option to be paid the dividend in shares, modify the articles of association as a consequence and proceed with the required announcements.

The individuals domiciled in France are reminded that, all of the sums distributable and paid out in 2009 which are subject to the income tax on the progressive scale are eligible, where applicable, for:

- firstly, a 40% tax deduction in accordance with Article 158-3-2 of France's General Tax Code as revised,
- secondly, a fixed annual tax deduction of €1,525 for single, divorced, widowed and married taxpayers filing separate returns and €3,050 for married taxpayers filing joint returns or who are bound by a civil union agreement qualifying them for a joint filing pursuant to article 158-3-5 of the General Tax Code.

Individuals domiciled in France may opt to have 18% withheld on the amounts distributed and paid in 2009 in lieu of the progressive income tax by the terms of Article 117 "quater" of the General Tax Code.

The General Shareholders' Meeting officially notifies the Board of Directors that in accordance with Article 243 of the General Tax Code, it has been notified that the dividends paid over the past three financial years were as follows:

	FY 2005	FY 2006	FY 2007
Number of shares	5,076,540	5,190,253	5,190,25 ⁽⁴⁾
Net dividend per share	€2.85 ⁽¹⁾	€6.15 ⁽²⁾	€6 ⁽³⁾

(1) includes €2.00 eligible for the 50% tax deduction and €0.85 eligible for a 40% tax deduction benefiting individuals whose tax domicile is in France as stipulated by Article 158-3 of the General Tax Code.

(2) amount eligible for a 40% tax deduction benefiting individuals whose tax domicile is in France as stipulated by Article 158-3 of the General Tax Code.

(3) amount eligible for a 40% tax deduction and for the option of a withholding at a rate of 18% for individuals whose tax domicile is in France as stipulated in article 158-3 of the General Tax Code.

(4) for the company's treasury shares, the earnings corresponding to the dividends not paid on the aforesaid shares was appropriated to the Retained Earnings.

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 2008 as well as the transactions stated in these accounts or summed up in the Group management report included in the management report.

FOURTH RESOLUTION

(Modification of Mr. Robert Waterland's deferred remuneration conditions)

The General Shareholders' Meeting, after having heard the Board of Directors' report and the statutory auditors' special report, resolves that the total amount of the severance package which may be paid to Mr. Waterland upon his departure from the company shall be limited to two years of salary in accordance with the recommendation of the AFEP-MEDEF corporate governance code for listed companies dated December 2008 and resolves to modify the performance conditions governing the deferred remuneration owed to Mr. Robert Waterland at the end of his term in office.

The previously applicable performance conditions, i.e.:

- the condition tied to an average annual increase of at least 5% of the consolidated sales turnover (excluding the reduction of rents resulting from divestments) starting 1 January 2007,
- and the condition tied to an average annual dividend increase of at least 5% starting 1 January 2007,

will be replaced by the following condition:

- an increase in the consolidated operating cash-flow on a like-for-like basis, excluding the appreciation of divestments, at least 5% higher than the average of the past three financial years.

FIFTH RESOLUTION

(Approval of regulated agreements)

Having heard and considered the Statutory Auditors' special report on the agreements regulated by Article L. 225-38 and following of the Commercial Code, the shareholders resolve to approve the conclusions of the said report and the agreements mentioned therein.

SIXTH RESOLUTION

(Attendance fees)

The General Meeting resolves that the total amount of Directors' fees to be split among the Board Members for the current financial year will amount to €100,000.

SEVENTH 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 company's shares (in order to meet stock option plans attributions, the allocation of free shares and convertible debts, to make acquisitions in exchange for shares and, under the terms of a liquidity agreement, to stimulate the market) or alternatively to cancel them.

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 making up the share capital adjusted to allow for any modifications during the authorised period.

The maximum purchase price is set at €90 exclusive of fees.

The Board of Directors may adjust the aforementioned price 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 issue of free shares, in the event of a stock split or a reverse stock split, 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 would then be adjusted using a multiplier equal to the difference between the number of shares making up the capital before and after the operation.

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 regulations.

The authorisation is valid for a maximum period of eighteen months from the date of the present Meeting.

It cancels out any previous authorisation having the same purpose.



EIGHTH RESOLUTION

(Appointment of a new director)

Having received the Board of Directors' management report, the shareholders vote to appoint as a new Board member Mr Renaud Haberkorn, domiciled 8, Abingdon Court Abingdon, Villas London W8 6BS - Grande Bretagne, for a period of three years namely until the end of the General Meeting to be held to approve the accounts for the financial year 2011.

Mr Renaud Haberkorn has informed the Board that he accepts this mandate and that he is subject to no impediment as to its execution.»

2 – BY DECISION OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

NINTH RESOLUTION

(Capital reduction by decreasing the share's nominal value)

The General Meeting, having heard the Board of Directors' report and the statutory auditors' special report, authorises the reduction the company's share capital from €249,264,144 to €25,965,015.

This transaction will be carried out by lowering the nominal value of each share from €48 to €5.

The capital reduction amount, i.e. €223,299,129 will be allocated to the "Other reserves" account.

The General Meeting confers full powers to the Board of Directors to carry out this capital reduction as resolved previously within a maximum term of three months starting from this day and to modify the articles of association accordingly.

TENTH RESOLUTION

(Resolution to end the delegations of power granted to the Board of Directors to increase the capital by issuing marketable securities)

The General Shareholders' Meeting, having met the conditions of quorum and majority required for extraordinary shareholders' meetings, and having heard the Board of Directors' report, resolves to end starting from this day the unexpired delegations of power granted to the Board of Directors to increase the share capital by issuing any and all marketable securities pursuant to the twelfth, thirteenth, fourteenth, fifteenth and sixteenth resolutions of the General Shareholders' meeting held on 29 March 2007.

ELEVENTH RESOLUTION

(Authorisation to be given to the Board of Directors to reduce the capital by cancelling treasury shares)

The General Meeting, having met the conditions of quorum and majority required for special shareholders' meetings, and having heard the Board of Directors' report and the statutory auditors' special report:

- 1) authorises the Board of Directors to reduce the share capital by cancelling the company's shares which it may be holding under the delegation of power described in the seventh resolution above, up to a limit of 10% of the company's capital, with the understanding that the rights of the holders of marketable securities with an equity participation will be maintained if applicable and in compliance with law;
- 2) gives full powers to the Board of Directors to modify the company's articles of association and to carry out any formalities which it may deem necessary.

This authorisation is valid for a maximum term of eight months from this meeting date.

TWELFTH RESOLUTION

(Powers to effect formalities)

The General Meeting gives full powers to the bearer of an original, a copy or an excerpt of the minutes of this meeting in order to carry out any and all necessary formalities.

STOCK MARKET LISTINGS

The shares of Société de la Tour Eiffel are listed on Euronext Paris (Eurolist B):

ISIN Code: FR 0000036816

Reuters: EIFF.PA

Bloomberg: EIFF.FP

FINANCIAL INFORMATION

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FINANCIAL REPORTING

The press releases as well as financial and legal information are available on the Company's website at: www.societetoureiffel.com

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