SOCIETE FONCIERE LYONNAISE

FIRST-HALF 2011 RESULTS

Paris, 21 July 2011 – The interim consolidated financial statements for the six months ended 30 June 2011 were approved by the Board of Directors of Société Foncière Lyonnaise on 21 July 2011, at its meeting chaired by Juan-José Brugera**.** Presented by Bertrand Julien-Laferrière, Chief Executive Officer, these financial statements show that property rentals declined compared with first-half 2010. This was mainly due to the end-2010 transfer of certain properties to SIIC de Paris in exchange for shares in that company. The portfolio's appraisal value at 30 June 2011 was 2.9% higher than at 31 December 2010 and net profit for the period, which included the contribution of SIIC de Paris (accounted for by the equity method), rose sharply versus first-half 2010.
The auditors have completed their limited review of the interim financial information and are in the process of issuing their review report.

Consolidated data (€ millions)

	First-half 2011	First-half 2010
Property rentals	71.6	80.9
Operating profit before disposals and fair value adjustments	58.8	67.2
Attributable net profit	90.1	50.6
Underlying attributable profit	38.6	43.1

	30 June 2011	31 Dec. 2010
Attributable equity	1,905	1,865
Attributable portfolio value excluding transfer costs	3,044	2,960
Attributable portfolio value including transfer costs	3,198	3,120
Diluted NAV/share excluding transfer costs	€41.4	€40.6
Diluted NAV/share including transfer costs	€44.7	€44.1

Results

- Property rentals for the period amounted to €71.6 million, down €9.2 million from the €80.9 million reported in first-half 2010. On a comparable portfolio basis, rentals were stable at €67.8 million. The properties sold on the market or in exchange for shares in 2010 had an €11.3 million negative impact on revenues for first-half 2011 versus the year-earlier period, while there is a reduction of € 1 million attached to assets entered into the development pipeline over the same period. Conversely, renovated properties put back on the market (112 Wagram and 249 Saint-Honoré) generated €3.0 million in new revenues during the period.

- Operating profit before disposals and fair value adjustments amounted to €58.8 million in first-half 2011 versus €67.2 million in the year-earlier period, a decline of €8.3 million.

- The property portfolio's appraisal value increased by 2.9% between 31 December 2010 and 30 June 2011 on a comparable portfolio basis. Fair value adjustments to investment properties added €44.4 million to first-half 2011 profit compared with €22.4 million in the year-earlier period.

With an exceptional portfolio of properties valued at €3.2 billion including transfer costs, essentially located in the Paris Central Business District, SFL is a preferred vehicle for investors wishing to invest in the Paris office and retail property market. As the leading player in this market, the Group is firmly focused on pro-actively managing high-quality property assets. SFL has elected to be taxed as an SIIC since 2003.

STOCK MARKET:
Euronext Paris Compartment A – Euronext Paris ISIN FR0000033409 – Bloomberg: FLY FP – Reuters: FLYP PA

S&P RATING: BBB- stable

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- Associates – corresponding to SIIC de Paris which has been 30%-owned since end-December 2010 – contributed €11.1 million to profit, of which €5.8 million was included in underlying net profit. No associates were accounted for by the equity method in first-half 2010.

- Net finance costs declined to €19.2 million from €29.3 million in first-half 2010. Fair value adjustments to financial instruments represented a positive €3.6 million versus a negative €8.4 million in the year-earlier period.

- After taking into account these key items, the Group reported attributable net profit for the period of €90.1 million, compared with €50.6 million for first-half 2010. Excluding the impact of disposals, changes in fair value of investment properties and financial instruments and the related tax effect, underlying attributable net profit came in at €38.6 million for first-half 2011 compared with €43.1 million for the year-earlier period.

First-Half 2011 Business Review

The occupancy rate at 30 June 2011 (excluding properties undergoing renovation) stood at 94% versus 90% at 31 December 2010, following the signature of major leases that came into effect during the period (including the ESMA, Louis Vuitton Malletier, Lagardère and Zurich leases). In all, some 14,000 square meters were marketed in the first six months of the year, in a rental market that slowed considerably in the second quarter.

A major redevelopment project, the Mandarin Oriental Paris at 249 Saint Honoré, was delivered in April and the hotel opened for business on 28 June. Two luxury boutique premises on the ground floor of the building were also let and delivered during the period, and the property is therefore now fully let.

Capitalised work carried out in first-half 2011 totalled €31 million and mainly concerned redevelopment projects at 249 Saint Honoré (which has now been completed, see above), 92 Champs-Elysées and the In/Out building in Boulogne for which preparatory work is underway.

No properties were purchased or sold during first-half 2011.

Financing

In May, SFL carried out a €500 million 5-year inaugural bond issue. The bonds were reoffered by the underwriters at a price of 4.72% representing a 180-bps swap spread. The bonds are rated BBB- (stable) by Standard & Poor's, corresponding to the SFL rating announced in April 2011.

Net debt at 30 June 2011 amounted to €1,288 million, compared with €1,202 million at 31 December 2010, representing a loan-to-value ratio of 37.2% including the minority interest held in SIIC de Paris. In addition, SFL has €570 million in undrawn lines of credit. At 30 June 2011, the average cost of debt after hedging was 4.2% and the average maturity was 4.1 years.

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Net Asset Value

The appraisal value of the portfolio at 30 June 2011 was €3,044 million excluding transfer costs, up 2.9% on a comparable portfolio basis from €2,960 million at 31 December 2010. The estimated replacement value (including transfer costs) was €3,198 million.

Prime office properties – mainly in Paris's Central Business District – accounted for 74% of the total portfolio, while a hotel property and retail units on the capital's best shopping streets represented 25%. In all, 94% of the portfolio is located in central Paris and 6% in the Western Crescent.

The average rental yield stood at 5.5% at 30 June 2011 compared with 5.8% at 31 December 2010.

The 30% stake in SIIC de Paris was valued at €261 million at 30 June 2011 versus €252 million at 31 December 2010.

At 30 June 2011, fully-diluted NAV per share stood at €44.7 including transfer costs – up 1.5% from €44.1 at 31 December 2010 – and €41.4 excluding transfer costs.

For more information, visit www.fonciere-lyonnaise.com

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