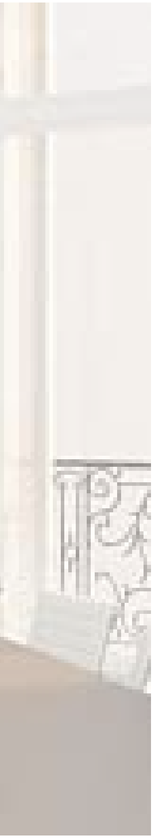
2011 FINANCIAL AND LEGAL REPORT

SOCIETE FONCIERE LYONNAISE



Contents

This registration document was filed with the *Autorité des Marchés Financiers* (AMF) on 6 April 2012, in accordance with Article 212-13 of the AMF's *Règlement Général*. It may be used for a financial transaction provided that it is accompanied by an Information Memorandum approved by the AMF.
This document was prepared by the issuer and is the responsibility of the persons who signed it.

This English language version of the Registration Document is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However in all matters of interpretation of information, views or opinions expressed therein the original language version of the document in French takes precedence over the translation.

SFL 2011 Management Report

Annual General Meeting of 19 April 2012
Management Report for the Year Ended 31 December 2011

We have called the Annual General Meeting in accordance with the Company's Articles of Association and the French Commercial Code to report to shareholders on Société Foncière Lyonnaise's operations and results for the year ended 31 December 2011 as well as its future outlook, and to submit for shareholder approval the 2011 financial statements of the Company and the Group.
All documents required by law were sent or made available to shareholders within the applicable periods.

1. Business Review and Significant Events of the Year

1.1. Property portfolio value

Our property portfolio's appraisal value totalled €3.1 billion excluding transfer costs (€3.2 billion including transfer costs) at 31 December 2011, a 4.3% increase compared with the year-earlier figure. All of the properties are located in Paris and the Paris region, with 82% (representing €2.5 billion excluding transfer costs) situated in the Paris Central Business District.

The vast majority of the portfolio consists of fully modernised office properties (72% of the total), retail units and a hotel (24%). Residential units now represent just 1% of the total and are located in a mixed-use building primarily made over to retail space. Parking garages account for 3% of the portfolio.

The average value per square metre excluding transfer costs was €8,823 in 2011 and the spot yield[1] was 5.5%.

The portfolio includes a number of major office complexes, such as Le Louvre des Entreprises, Edouard VII, Washington Plaza and Cézanne Saint-Honoré. The properties are leased to first-class clients, mainly businesses operating in a wide range of industries. At 31 December 2011, the occupancy rate excluding properties undergoing renovation stood at 94%.

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

Marketing programme

Leases were signed on 20,092 square meters in 2011. The total included 18,818 sq.m. of offices let at an average rent of €648 per sq.m. per year, representing annual revenue of €12,200 thousand (of which €10,598 thousand attributable to SFL), and 1,032 sq.m. of retail space let at an average €1,870 per sq.m. per year, for a total of €1,930 thousand attributable in full to SFL.

The average rent for our office portfolio at 31 December 2011 was €541 per sq.m per year and the average remaining life of leases to the next renewal date was 4.2 years.

Based on estimates produced by our valuers[2], reversionary potential was 33% for the total portfolio, 34% for offices and 29% for retail units.

Since electing for the REIT-style (SIIC) structure in 2003, SFL has been able to pursue a reasonably active portfolio management strategy.

Our performance has also been enhanced by the strategic refocusing on offices and retail properties, which now generate 97.6% of rental revenues.

2. CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.

1.2. Property purchases and sales during the year

Despite having the necessary financial resources, SFL did not purchase any new properties during 2011 and remains poised to take up any investment opportunities that may arise in the market. On 22 December, the Old England store at 12 boulevard des Capucines, Paris 9, was sold. The transaction price for this small, non-strategic asset represented an 18.7% premium to its most recent appraisal value.

Capitalized work for 2011 amounted to €61 million and mainly concerned the remodelling of the Mandarin Oriental Paris building, the Ozone building at 92 Champs-Elysées, and the In/Out urban business campus in Boulogne (in the Western Crescent). All the retail outlets in the Ozone building have now been let, after the permit was obtained from the CNAC retail zoning authority for the flagship Zara store that is due to be delivered in the second half of 2012. The final building permit for the In/Out complex was obtained in November 2011 and the development will be delivered in the first half of 2013.

2. Results

2.1. Consolidated results

Accounting methods

Effective from 31 December 2006, investment properties have been measured using the fair value model as provided for in IAS 40. Prior to that date, investment properties were measured using the cost model in accordance with IAS 16.

This change of method was adopted to facilitate comparisons with other property companies, the majority of which apply the fair value model.

The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. It reflects market conditions at the period-end and not those prevailing at any past or future date. It does not reflect future capital expenditure that will improve or enhance the property or the future benefits that will be derived from this future expenditure.

No deduction is made for transaction costs that may be incurred on sale or other disposal.

The fair values of investment properties carried in the balance sheet at 31 December 2011 correspond to the prices including transfer costs obtained from independent valuations performed by the method described in Note 2-3 to the consolidated financial statements, less a 6.20% discount for transfer costs.

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

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

- **Applicable standards and interpretations**

The standards and interpretations applied in the consolidated financial statements for the year ended 31 December 2011 are the same as those used in the financial statements for the year ended 31 December 2010, except as explained below.

The following revised or amended standards, improvements to standards and new interpretations were applied at 31 December 2011, with no material impact on the consolidated financial statements:

- Amendments to IAS 1 – Presentation of Financial Statements,
- IAS 24 (revised) – Related Party Disclosures,
- Amendment to IFRS 8 in respect of IAS 24 (revised),
- Annual IFRS improvements issued in May 2010,
- Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement,
- Amendments to IAS 32 – Classification of Rights Issues,
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments,
- Amendment to IFRS 1 in respect of IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments,
- Amendment to IFRS 7 – Financial Instruments: Disclosures–Transfers of Financial Assets.

- **The following new or amended standards had not been adopted by the European Union or were not yet applicable and were not early adopted as of 31 December 2011:**
  - IFRS 9 – Financial Instruments
  - Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets
  - IFRS 11 – Joint Arrangements,
  - IFRS 10 – Consolidated Financial Statements,
  - IFRS 12 – Disclosure of Interests in Other Entities,
  - IFRS 13 – Fair Value Measurement,
  - Amendment to IAS 19 – Employee Benefits,
  - IAS 27 – Consolidated and Separate Financial Statements,
  - IAS 28 – Investments in Associates and Joint Ventures.

Application of IFRS 11 would result in the equity method being used to account for the Parholding subgroup, which is currently proportionately consolidated. The main impact would be a €254,070 thousand reduction in "Investment property" and a €76,569 thousand reduction in borrowings and derivatives recognised in liabilities.

Profitability

In 2011, profit attributable to equity holders of the parent rose to €181 million from €165 million the previous year. Positive fair value adjustments to investment properties comfortably offset the "lost" revenues on the properties transferred to SIIC de Paris at the end of 2010.

- Property rentals amounted to €151.6 million in 2011 versus €174.9 million the previous year. The decline was due to the €19.7 million in "lost" revenues from properties sold on the market or transferred to SIIC de Paris in 2010 (the Coface and Les Miroirs buildings in La Défense) in exchange for shares in that company. It also reflected the inclusion in the 2010 basis of comparison of the €16.9 million lease termination penalty received from the Les Miroirs tenant in the third quarter of that year, although this was partly offset by the €4.1 million penalty received in 2011 from a tenant of the Edouard VII building. On a like-for-like basis, property rentals were up by €7.9 million or 6.6%, boosted by last year's improvement in occupancy rates. In addition, changes in the development pipeline during the period 2010-2011 drove a €1.3 million net increase in 2011 property rentals, corresponding to the €9.8 million positive contribution from properties put back on the market during the year (112 Wagram and Mandarin Oriental Paris) less the €8.5 million in "lost" revenues from properties that entered the development pipeline.

- Operating profit before disposal gains and losses and fair value adjustments to investment properties stood at €125.4 million for 2011, versus €146.6 million for the previous year.

- A capital gain of €7.7 million was realized on the December 2011 sale of the Old England store on boulevard des Capucines in Paris. In contrast, asset disposals in 2010 generated an aggregate net loss of €33.9 million.

- The portfolio's appraisal value rose by 5.8% over the year and 2.8% in the second half (on a comparable portfolio basis). The increase led to the recognition of positive fair value adjustments to investment properties of €98.1 million in 2011 versus a positive €107.0 million in 2010.

- Associates – corresponding to SIIC de Paris which has been 30%-owned since end-December 2010 – contributed €18.7 million to 2011 profit, of which €11.7 million was included in underlying net profit (EPRA earnings). The SIIC de Paris transaction generated a gain of €13.3 million in 2010, corresponding to the difference between the fair value of the net assets acquired and the net acquisition cost.

- Finance costs and other financial income and expense amounted to €53.7 million in 2011 versus €47.9 million in 2010. The €5.8 million year-on-year increase stemmed mainly from the sharp rise in confirmed lines of credit. These facilities ensure that the Group has sufficient liquidity and the necessary capacity to invest.

- Attributable net profit came in at €180.9 million compared with €164.6 million in 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 (EPRA earnings) amounted to €81.2 million in 2011 versus €96.7 million the year before.

- Current cash flow attributable to equity holders of the parent (excluding disposals) declined 37.4% to €65.1 million in 2011 from €104.1 million in 2010, primarily due to lower property rentals. Current cash flow per share – based on the average number of shares outstanding during the year – was down 37.5% to €1.40 from €2.24 in 2010.

NAV and financing

The appraisal value of the portfolio at 31 December 2011 was €3,086 million excluding transfer costs, up 4.3% from €2,960 million a year earlier. The estimated replacement value (including transfer costs) was €3,241 million. On a comparable portfolio basis, the year-on-year increase was 5.8%, mainly reflecting uplifts on recently delivered properties and properties in the development pipeline.

Prime office properties in Paris's Central Business District accounted for 75% of the total portfolio, while retail units and a hotel on the capital's best shopping streets represented 24% In all, 94% of the portfolio is located in central Paris and the other 6% in prime locations in the Western Crescent.

Net debt at 31 December 2011 amounted to €1,243 million, compared with €1,202 million at 31 December 2010, representing a loan-to-value ratio of 35.5% based on the portfolio's replacement value and including the minority interest held in SIIC de Paris. At that date, SFL also had €610 million in unused lines of credit. The average cost of debt after hedging was 4.2% at end-2011 and the average maturity was 3.7 years.

EPRA NNNAV stood at €1,992 million or €42.9 per share at 31 December 2011 compared with €40.6 per share at the previous year-end, an increase of 5.4%.

NAV per share amounted to €46.3 including transfer costs (replacement value) at 31 December 2011, an increase of 4.7% compared with the year-earlier figure of €44.1.

2.2. Parent company results

Accounting methods

The 2011 parent company financial statements have been prepared on a going concern basis in accordance with French generally accepted accounting principles, including the principles of prudence and segregation of accounting periods. Accounting policies have been applied consistently from one year to the next.

Parent company results and financial position

Net revenue contracted by 24.15% in 2011 to €99.2 million from €130.8 million in 2010. Total operating income came to €127.8 million versus €181.2 million, representing a decline of 29.44%, while total operating expense narrowed by 8.16% to €101.0 million from €110.0 million.

Operating profit came to €26.8 million versus €71.1 million the previous year.
Wages and salaries totalled €7.0 million, up 3.63% from the 2010 figure of €6.8 million.

Payroll taxes amounted to €3.3 million, up 4.04% from €3.2 million.

The average number of employees of the parent company was 68.2, a 0.15% decrease on 2010 when the average was 68.1.

After deducting net financial expense of €14.2 million in 2011, compared with €6.1 million the year before, profit before tax and other income and expense came in at €12.6 million versus €65.0 million in 2010.
Other income and expense represented net income of €33.8 million (versus 32.0 million in 2010), employee profit-sharing totalled €0.04 million and income tax expense came to €3.7 million. As a result, the Company ended the year with a net profit of €42.5 million compared with €97.1 million in 2010.

At 31 December 2011, the Company had total assets of €2,464.5 million, up 3.54% from €2,380.1 million at the previous year-end.
The risks associated with economic conditions and the property market are discussed on page 25.

A five-year financial summary for the parent company is provided in the appendix to this Management Report (as required by Article R.225-102 of the French Commercial Code).

ORDINARY RESOLUTIONS PRESENTED AT THE 2012 ANNUAL GENERAL MEETING

Appropriation of net profit

The Company reported net profit for the year, after tax and provision charges, of €42,547,037.96.

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

• Net profit for the year ended 31 December 2011	€42,547,037.96
• Retained earnings brought forward from the prior year	€1,374,614.67
• Profit available for distribution	€43,921,652.63

We recommend paying a dividend of €1.40 per share, representing a total payout of €65,140,563.60, to be funded in part by deducting €21,218,910.97 from the share premium account which would be reduced from €1,084,109,521.48 to €1,062,890,610.51.
If approved, the dividend will be paid as from 26 April 2012. Dividends on SFL shares held by the Company on that date – which are stripped of dividend rights – will be credited to retained earnings.

Of the total dividend per share, €1.01 will be paid out of "SIIC" profits that are exempt from corporate income tax and €0.39 out of profits on which corporate income tax has been paid.

Effective from 1 January 2012, personal income tax is due at the graduated rate on the gross amount of dividends received by individual shareholders out of tax-exempt "SIIC" profits. In addition, the *prélèvements sociaux* surtaxes are also due at the aggregate rate of 13.5%. For shareholders who have already elected for tax on dividends to be withheld at source, the amount withheld will be set off against their personal income tax liability for 2011.

For dividends paid out of profits on which corporate income tax has been paid, Individual shareholders resident in France for tax purposes continue to be eligible for the 40% tax relief on the dividend provided for in Article 158-3-2 of the French Tax Code, unless they have elected to pay the 21% flat-rate dividend withholding tax under Article 117 *quater* of the Code.

In accordance with Article 119 bis of the French Tax Code, dividends paid to non-resident shareholders will be subject to withholding tax at the rate of 21% (residents of a European Union member state, Iceland, Norway or Liechtenstein) or 30% (other countries, except for "uncooperative" countries or jurisdictions for which a 55% rate applies). However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries who choose to receive their dividend in cash will be required to provide a certificate of residence to benefit from the treaty rate.

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from French corporate income tax or an equivalent foreign tax, SFL must pay a 20% tax on the dividends paid to the shareholder concerned out of tax-exempt "SIIC" profits. To avoid the 20% tax, the non-resident shareholder must provide a certificate stating that the dividends paid out of the "SIIC" profits will be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the "SIIC" regime.

Non-deductible expenses

The SFL parent company financial statements do not include any expenses that cannot be deducted for tax purposes (disclosure made in accordance with Articles 223 quater and 223 quinquies of the French Tax Code). The 2011 accounting documents provided for in Article L.2323-8 of the French Labour Code have duly been given to the Works Council.

INFORMATION ON TRADE PAYABLES

(provided in compliance with Articles L.441-6-1 and D.441-4 of the French Commercial Code)

The table below analyses trade payables by type of supplier and payment schedule at 31 December 2011 and 2010 (in €)

At 31 December 2011	More than 60 days old	Less than 60 days old	Less than 30 days old	Not yet due	Total
Goods and services suppliers	17,217	15,251	716,402	-	748,870
Fixed asset suppliers	648,309	37,815	133,341	366,865	1,186,330
Retention monies	-	-	22,515	332,874	355,389
Total	665,526	53,066	872,258	699,739	2,290,589

At 31 December 2010	More than 60 days old	Less than 60 days old	Less than 30 days old	Not yet due	Total
Goods and services suppliers	30,188	61,540	218,250	-	309,978
Fixed asset suppliers	227,510	37,614	867,410	247,158	1,379,692
Retention monies	-	-	69,415	387,516	456,931
Total	257,698	99,154	1,155,075	634,674	2,146,601

Invoices more than 60 days old correspond to disputed invoices where the Company has withheld payment because the delivered goods or services were unsatisfactory.

Retention monies correspond to final payments for renovation work that are withheld until the problems listed on the snag list have been resolved. They are payable to the supplier when the problems have been resolved to the Company's satisfaction or automatically one year after delivery of the project unless the Company or the prime contractor has valid grounds for opposing their payment.

2.3. Review of the Group's main subsidiaries

The consolidated financial statements for the year ended 31 December 2011 were prepared using the fair value model. The scope of consolidation was as follows:

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company:			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully-consolidated companies:			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS SB1	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	444 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
Proportionately consolidated companies:			
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
SC Parchar	414 836 874	50	50
Associated companies accounted for by the equity method:			
SIIC de Paris	303 323 778	29.99	29.99

At 31 December 2011, Société Foncière Lyonnaise was 53.45%-owned by the Spanish company Inmobiliaria Colonial SA.

SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2011 (IN EUROS)

Company	Share capital	Reserves before appro-priation of profit	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Guarantees provided by SFL	2011 revenue	2011 net profit/ (loss)	Dividends paid to SFL in 2011	Fair value adjust-ments to the investment during the year
				Gross	Net						
A - Investments with a gross value in excess of 1% of SFL's capital:											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	111,498,682	100.00%	291,847,234	291,847,234	-	-	13,597,394	9,093,165	-	-
SCI 103 GRENELLE	150	2,172,201	100.00%	1,169,740	1,169,740	168,371,871	-	3,314,124	1,494,298	-	-
SCI WASHINGTON	94,872,000	7,024,588	66.00%	79,788,878	79,788,878	112,343,703	-	14,571,337	4,149,231	-	-
2 - Associates (10-50%-owned)											
SAS PARHOLDING	15,000,000	4,357,668	50.00%	18,400,300	18,400,300	45,101,252	-	-	1,495,259	701,134	-
SA SIIC DE PARIS	68,104,208	561,771,210	29.99%	235,981,062	235,981,062	-	-	80,146,252	37,579,585	4,724,729	-
B- Aggregate information about investments not listed in A above:											
1 - Subsidiaries (at least 50%-owned)	-	-	-	330,293	330,293	-	-	-	1,947,411	1,270,472	-
2 - Associates (less than 50%-owned)	-	-	-	2,286,735	-	-	-	-	-	-	-

Related party transactions correspond to transactions between fully and proportionately consolidated companies.

RELATED PARTY TRANSACTIONS IN 2011 (IN € THOUSANDS)

	Between fully consolidated companies and proportionately consolidated companies	Between proportionately consolidated companies
Statement of financial position		
Trade receivables	579	-
Current account advances (assets)	45,101	78,020
Other receivables	-	2,782
Trade payables	(579)	-
Current account advances (liabilities)	(45,101)	(78,020)
Other liabilities	-	(2,782)
Statement of comprehensive income		
Service revenue	699	-
Interest on loans and receivables	1,718	2,913
Fees	(699)	-
Interest on current accounts	(1,718)	(2,913)

3. Corporate Governance

The Directors' Charter is more than just a description of directors' statutory rights and obligations. It also deals with such issues as directors' transactions in SFL shares, potential conflicts of interest, multiple directorships, regular attendance at Board meetings and confidentiality.

Each director and non-voting director, elected in his or her own name or as permanent representative of a corporate director, is required to hold at least 25 SFL shares registered in his or her name. They are required to write to the Chairman of the Board of Directors providing full details of any and all SFL shares purchased or sold during the period.

In addition, each Director must notify the Chairman of all directorships and corporate functions held in other companies (giving the names of the companies concerned) at the end of each year and whenever any change occurs. Directors must act at all times in the Company's interest, notify the Board of any conflicts of interest, attend General Meetings and treat all information received as strictly confidential.

3.1. Members of the Board of Directors and the Management Committee at 31 December 2011

Members of the Board of Directors at 31 December 2011:

Juan José Brugera Clavero, Chairman
Jean Arvis, Director
Jacques Calvet, Director
Anne-Marie de Chalambert, Director
Jean-Jacques Duchamp, Director
Carlos Fernandez-Lerga Garralda, Director
Carmina Gañet Cirera, Director
Aref Lahham, Director
Bertrand Letamendia, Director
Carlos Losada Marrodan, Director
Luis Maluquer Trepat, Director
Pere Viñolas Serra, Director
Anthony Wyand, Director
Reig Capital Group Luxembourg SARL, Director (represented by Alejandro Hernández-Puértolas)

Members of the Management Committee at 31 December 2011:

Bertrand Julien-Laferrière, Chief Executive Officer
Nicolas Reynaud, Managing Director, Chief Financial Officer, Secretary to the Board of Directors
François Sebillotte, Chief Resources Officer
Dimitri Boulte, Deputy Managing Director and Chief Operating Officer
Fabienne Boileau, Budget Control and Accounting Director
Franck Dattée, Technical Director
François Derrian, Human Resources Director
Bénilde Escouboué, Investment and Asset Management Director
Franck Morin, Property Management Director
Marc Stravopodis, Marketing Director

Bertrand Julien-Laferrière (53, joined SFL as Chief Executive Officer in 2010. He holds an engineering degree from Ecole Centrale de Paris, a Master of Science from the University of California, Berkeley, and an MBA from INSEAD. Before joining SFL he was Chairman of Unibail- Rodamco Development from November 2007 and Chief Development Officer and a member of the Management Board at Unibail-Rodamco from 2008. Prior to that, he served as Chairman of CGW Gestion d'Actifs and CEO of Bail Investissement Foncière. He also held senior positions at Club Méditerranée, Accor Hotels and Ricardo Bofill Architects.

Nicolas Reynaud 50, is SFL's Managing Director and Chief Financial Officer. He began his career at Sophia, where he held various positions between 1988 and 2005, including Deputy Managing Director and Chief Financial Officer. He then joined SFL as a member of the Management Committee and Chief Financial Officer, Secretary to the Board and Deputy Managing Director.

François Sebillotte 56, has been Chief Resources Officer since 2001. He began his career in 1982 by joining law firm KPMG Fidal. From 1987 to 1992, he worked as Director of Legal Affairs for business guide publisher Editions Liaisons, later serving as the head of Legal Affairs and a member of the Management Committee for investment fund Unigrains, until joining SFL. He holds a post-graduate private law degree and an Executive MBA from HEC business school, formerly CPA.

Dimitri Boulte 34, joined SFL in 2011 as Deputy Managing Director and Chief Operating Officer with overall responsibility for operations (investments, asset management, technical matters, business development and marketing). He is a graduate of the HEC Paris business school and holds a CEMS Master of International Management degree from Bocconi University, Milan. He worked at Unibail-Rodamco for nine years in a variety of management positions, serving successively as Office Division Investment Manager (2004-2006) Office Division Development Manager (2006-2007) and Development Director for Large Urban Projects (2008-2011). He also played a role in creating and developing the Real Estate Chair at HEC where he was a lecturer.

Fabienne Boileau 44, has served as Budget Control and Accounting Director since September 2011. A graduate of ESC Reims business school and a qualified accountant, she joined SFL in 2005 after spending three years with KPMG Audit and holding various positions in the Budget Control department at Crédit Agricole SA.

Franck Dattée 44, is SFL's Technical Director. After graduating from France's ESTP engineering school, he joined the Vinci group in 1992 where he held a variety of management positions. In 2002 he moved to Promogim to take up a position as Technical Director. He has been with SFL since 2003.

François Derrian 42, is the Group's Human Resources Director. A graduate of Institut de Gestion Sociale with an "AES" degree (combining law, economics, management and social sciences), he joined SFL in 2002 after holding various human resources positions with Auchan and Pinault Printemps Redoute (Pinault Distribution, FNAC).

Bénilde Escouboué 38, joined SFL in 2011 as Investment and Asset Management Director. A graduate of ESC Bordeaux business school and with an MBA from INSEAD, he has 12 years' experience of the commercial real estate sector, acquired with Jones Lang LaSalle (1998/2000), The Blackstone Group (2000/2009) and Captiva/Natixis Capital Partners (2010/2011).

Franck Morin 39, is Property Management Director. A graduate of ICH, he began his career with SIMCO in 1996 before moving to Generali Immobilier in 2000. He has been with SFL since 2003.

Marc Stravopodis 50, Marketing Director, worked for 15 years in various management positions at Jones Lang LaSalle, most notably as head of the Western Ile de France agency and Associate Director Key Clients. Holding a degree in economics, he joined the Group in 2005.

3.2. Directorships and other positions held by the Chief Executive Officer and the Managing Director at 31 December 2011

Bertrand Julien-Laferrière

Chief Executive Officer
Appointed in 2010 for an indefinite period
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2011:
In France – SFL Group

Chief Executive Officer	. SOCIÉTÉ FONCIÈRE LYONNAISE (SA)
Chairman*	. PARHOLDING (SAS)

In France – Outside the SFL Group

Director	. SIIC DE PARIS (SA) (a listed company)
	. MAISON DES CENTRALIENS (SA)
Legal Manager*	. BJL INVESTISSEMENT (SARL)

Other directorships and positions held in the past five years:

Chief Operating Officer	
	. UNIBAIL MANAGEMENT (SASU)
Member of the Management Board	
	. UNIBAIL-RODAMCO SE
Chairman	. UNIBAIL-RODAMCO DEVELOPPEMENT (SASU)
	. CGW Gestion d'Actifs (SAS)
Director and Chief Executive Officer	
	. BAIL INVESTISSEMENT FONCIERE (SA)

Nicolas Reynaud

Managing Director and Chief Financial Officer
Appointed in 2008 for an indefinite period
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2011:
In France – SFL Group:

Managing Director*	
	. SOCIÉTÉ FONCIÈRE LYONNAISE (SA)
Chairman and Chief Executive Officer	
	. SEGPIM (SA)
Chief Executive Officer*	. PARHOLDING (SAS)

Other directorships and positions held in the past five years:
None

* Directorships not taken into account to determine compliance with Articles L.225-21 and L.225-77 of the French Commercial Code on multiple directorships.

Details of the other directorships and positions held by the members of the Board of Directors are presented on pages 59 to 65.

Re-election of directors
The term of office as director of Carlos Losada Marrodan is due to expire at the close of this Annual General Meeting. Shareholders are invited to re-elect him for a further three year term expiring at the close of the Annual General Meeting to be called in 2015 to approve the 2014 financial statements.

Carlos Losada Marrodan has confirmed that he wishes to stand for re-election and that he is not disqualified from serving as a director.

The terms as director of Jean Arvis and Jacques Calvet will also expire at the close of the Annual General Meeting and shareholders will be invited to re-elect them for a further one-year term expiring at the close of the Annual General Meeting to be called in 2013 to approve the 2012 financial statements.

Jean Arvis and Jacques Calvet have confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

3.3. Remuneration

Remuneration paid to the Chairman and Chief Executive Officer, the Chief Executive Officer and the Managing Director
The following information on remuneration paid to the Chairman and Chief Executive Officer, the Chief Executive Officer and the Managing Director has been prepared in accordance with the AFEP-MEDEF corporate governance code and the AMF recommendations of December 2011. The amounts in the tables below are presented in euros.

These tables concern the year ended 31 December 2011; consequently, they do not take into account the performance share awards decided by the Board of Directors on 16 February 2012, which are described on page 21.

Since 1 January 2009, directors' fees are as follows:
- Director or non-voting director: €18,000 per year
- Member of a Committee of the Board: €24,000 per year
- Chairman of the Board and/ or of a Committee of the Board: €36,000 per year

Directors' fees are pro rated to the number of months served on the Board, with no reductions for not attending meetings.

TABLE 1 - SUMMARY OF REMUNERATION PAID AND STOCK OPTIONS AND PERFORMANCE SHARES GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Juan José Brugera Clavero Chairman since 14 April 2010 Chief Executive Officer from 11 June to 5 October 2010	2010	2011
Remuneration due for the year	143,083	186,000
Fair value of stock options granted during the year	0	0
Fair value of performance shares awarded during the year	0	0
Total	143,083	186,000

Bertrand Julien-Laferrière Chief Executive Officer since 5 October 2010	2010	2011
Remuneration due for the year(1)	86,091	1,030,315
Fair value of stock options granted during the year	0	0
Fair value of performance shares awarded during the year	0	0
Total	86,091	1,030,315

(1) 2011 remuneration: remuneration due in 2011 (Table 2) + 2011 bonus paid in 2012.
On 16 February 2012, the Board of Directors decided to award 20,516 performance shares to Bertrand Julien-Laferrière pursuant to the commitments given at the time of his appointment on 5 October 2010. The value of these performance shares will be disclosed along with the other components of Mr. Julien-Laferrière's remuneration for 2012.

Nicolas Reynaud Managing Director	2010	2011
Remuneration due for the year(1)	480,533	454,264
Fair value of stock options granted during the year	0	0
Fair value of performance shares awarded during the year	0	0
Total	480,533	454,264

(1) 2010 remuneration: remuneration due in 2010 (Table 2) – 2009 bonus paid in 2010 + 2010 bonus paid in 2011.
2011 remuneration: remuneration due in 2011 (Table 2) – 2010 bonus paid in 2011 + 2011 bonus paid in 2012.
Nicolas Reynaud's remuneration presented above corresponds to the amounts paid to him under his employment contract as Chief Financial Officer.
He is not paid any additional remuneration for serving as Managing Director.

TABLE 2 – BREAKDOWN OF REMUNERATION PAID TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Juan José Brugera Clavero Chairman since 14 April 2010 Chief Executive Officer from 11 June to 5 October 2010	2010		2011	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary(1)	107,083	44,583	150,000	212,500
Bonus	0	0	0	0
Exceptional bonus	0	0	0	0
Directors' fees(2)	36,000	36,000	36,000	36,000
Benefits in kind	0	0	0	0
Other	0	0	0	0
Total	143,083	80,583	186,000	248,500

(1) The amount reported under "salary" in the above table for 2010 corresponds to the amount paid to Juan José Brugera Clavero as Chairman of the Board of Directors for the period from 14 April to 31 July 2010.
The remuneration accruing to him for the period from 1 August to 31 December 2010 was paid in 2011 in addition to his remuneration for that year.
(2) Directors' fees based on the annual amount of €36,000 allocated to the Chairman of the Board of Directors and/or of a Committee of the Board by decision of the Board of Directors on 9 December 2008.

Bertrand Julien-Laferrière Chief Executive Officer since 5 October 2010	2010		2011	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary	81,757	81,757	400,000	400,000
Bonus	0	0	0	0
Exceptional bonus(1)	0	0	270,000	270,000
Directors' fees	0	0	0	0
Benefits in kind(2)	4,334	4,334	19,715	19,715
Other	0	0	0	0
Total	86,091	86,091	689,715	689,715

(1)) Exceptional bonuses awarded by the Board of Directors on 5 October 2010 and 9 February 2011.
(2) Benefits in kind: company car and private unemployment insurance (as a "mandataire social", Mr. Julien-Laferrière is not eligible to participate in the government-sponsored unemployment insurance scheme).
Mr. Julien-Laferrière's 2011 bonus, calculated according to the method decided by the Board of Directors on 4 March 2011, amounted to €340,600 and was paid in 2012.
The criteria and methods used for calculating bonuses are described on page 20.

Nicolas Reynaud Managing Director	2010		2011	
	Due during the year	Paid during the year	Due during the year	Paid during the year
Salary	240,347	240,347	241,016	241,016
Bonus(1)	217,072	217,072	208,200	208,200
Exceptional bonus(2)	0	0	150	150
Directors' fees	0	0	0	0
Benefits in kind(3)	3,381	3,381	3,567	3,567
Other(4)	28,605	28,605	25,641	25,641
Total	489,405	489,405	478,574	478,574

(1) The method for calculating Nicolas Reynaud's bonus was decided by the Board of Directors on 20 July 2009 for the 2009 bonus paid in 2010 and on 12 February 2010 for the 2010 bonus paid in 2011.
His 2011 bonus, calculated according to the method decided by the Board of Directors on 4 March 2011, amounted to €183,890 and was paid in 2012. The criteria and methods used for calculating bonuses are described on page 20.
(2) Profit-sharing bonus introduced in the amended 2011 Social Security Financing Act and paid to Mr. Reynaud under his employment contract with the Company.
(3) Company car.
(4) Matching employer payments on voluntary contributions for 2010 and 2011 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, and rights under the non-discretionary and discretionary profit-sharing plans for 2009 and 2010 (paid in 2010 and 2011 respectively) set up pursuant to internal agreements with employee representatives dated 20 June 2002 and 26 June 2008.

TABLE 3 – DIRECTORS' FEES AND OTHER REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Name	Amounts paid in 2010	Amounts paid in 2011
Anthony WYAND		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jean ARVIS		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jean-Jacques DUCHAMP		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jacques CALVET		
Directors' fees	24,000	24,000
Other remuneration	0	0
REIG Capital Group Luxembourg		
Directors' fees	18,000	18,000
Other remuneration	0	0
Juan José BRUGERA CLAVERO*		
Directors' fees	36,000	36,000
Other remuneration	0	0
Pere VIÑOLAS SERRA		
Directors' fees	31,000	36,000
Other remuneration	0	0
Carlos FERNANDEZ-LERGA GARRALDA		
Directors' fees	36,000	36,000
Other remuneration	0	0
Carmina GAÑET CIRERA		
Directors' fees	24,000	24,000
Other remuneration	0	0
Aref LAHHAM (from 12 February 2010)		
Directors' fees	20,000	24,000
Other remuneration	0	0
Anne-Marie de CHALAMBERT (from 11 June 2010)		
Directors' fees	10,500	18,000
Other remuneration	0	0
Bertrand LETAMENDIA (from 11 June 2010)		
Directors' fees	10,500	18,000
Other remuneration	0	0
Carlos LOSADA MARRODAN (from 11 June 2010)		
Directors' fees	10,500	18,000
Other remuneration	0	0
Luis MALUQUER TREPAT (from 11 June 2010)		
Directors' fees	10,500	18,000
Other remuneration	0	0
Total	**303,000**	**342,000**

* Chairman of the Board of Directors from 14 April 2010, Chairman and Chief Executive Officer from 11 June 2010, Chairman of the Board of Directors from 5 October 2010.

TABLE 4 – STOCK OPTIONS GRANTED DURING THE YEAR TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR BY SFL OR OTHER GROUP COMPANIES

Name	Plan no. and date	Type of stock options (purchase or subscription)	Fair value of stock options as calculated in the consolidated accounts	Number of stock options granted during the year	Exercise price (in €)	Exercise period
Juan José BRUGERA CLAVERO	No stock options were granted during the year					
Bertrand JULIEN-LAFERRIERE	No stock options were granted during the year					
Nicolas REYNAUD (1)	No stock options were granted during the year					

(1) Nicolas Reynaud, the only currently serving corporate officer to have received options under the 13 March 2007 plan, was granted an additional 517 options by the Board of Directors on 1 December 2011, representing the adjustment required under Article L.228-99 of the French Commercial Code following the distribution from the share premium account of a special dividend of €0.70 per eligible share, as decided by the General Meeting of 4 November 2011. The calculation basis and resulting adjustments to the number of options and the exercise price following the above distribution of share premiums are presented on page 18.

TABLE 5 – STOCK OPTIONS EXERCISED BY THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR DURING THE YEAR

Name	Plan no. and date	Number of options exercised during the year	Exercise price
Juan José BRUGERA CLAVERO	No stock options were exercised during the year		
Bertrand JULIEN-LAFERRIERE	No stock options were exercised during the year		
Nicolas REYNAUD	No stock options were exercised during the year		

TABLE 6 – PERFORMANCE SHARES AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE CHIEF EXECUTIVE OFFICER, THE MANAGING DIRECTOR AND OTHER DIRECTORS

Performance shares awarded by SFL or other Group companies	Plan no. and date	Number of shares awarded during the year	Fair value of shares as calculated in the consolidated accounts	Vesting date	End of lock-up period	Performance criteria
Juan José BRUGERA CLAVERO	No performance shares were awarded during the year					
Bertrand JULIEN-LAFERRIERE	No performance shares were awarded during the year					
Nicolas REYNAUD	No performance shares were awarded during the year					
Directors	No performance shares were awarded during the year					

TABLE 7 – PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE YEAR

Performance shares that became available during the year	Plan no. and date	Number of performance shares that became available during the year	Vesting conditions
Juan José BRUGERA CLAVERO	No performance shares became available during the year		
Bertrand JULIEN-LAFERRIERE	No performance shares became available during the year		
Nicolas REYNAUD	No performance shares became available during the year		
Directors	No performance shares became available during the year		

TABLE 8 – SUMMARY OF STOCK OPTIONS GRANTED IN PREVIOUS YEARS (SITAUTION AT THE GRANT DATE)

Date of shareholder authorisation	17/10/1997	16/05/2002	21/04/2005
Grant date	21/03/2002	25/04/2003	13/03/2007
Total number of shares under option	309,000	346,000	273,000
Number of options exercisable by the Chairman and Chief Executive Officer, the Chief Executive Officer and the Managing Director:			
• at the grant date	165,000	165,000	79,000
• at 31 December 2011	0	0	25,000
• Nicolas REYNAUD	0	0	25,000
Starting date of exercise period	21/03/2002	25/04/2003	13/03/2007
Expiry date	20/03/2012	24/04/2013	12/03/2015
Adjusted exercise price (in €)(1)	27,22	25,88	61,33
Exercise periods (plans comprising several tranches)	-	-	-
Options granted as a result of the adjustment made during the year(1)	63	719	4,748
Number of options exercised at 31 December 2011	306,000	311,250	0
Cumulative number of options cancelled or forfeited	0	0	44,000
Adjusted number of options outstanding at 31 December 2011(1)	3,063	35,469	233,748

(1)) The above exercise price and number of shares under option were adjusted in application of Article L.228-99 of the French Commercial Code following the distribution from the share premium account of a special dividend of €0.70 per eligible share, as decided by the General Meeting of 4 November 2011.

The stock option exercise price was adjusted pro rata to the reduction in the value of the Company's shares, such that:

$$\text{New exercise price} = \text{Exercise price before dividend x } \left(1 - \frac{\text{Value of the dividend}}{\text{Value of shares before dividend}}\right)$$

The value of the shares before the cash dividend is considered as corresponding to the weighted average share price over the three trading sessions preceding the dividend payment date.
In this case, based on the weighted average price for the three trading sessions preceding the dividend payment date (14 November 2011), the value of the shares before the dividend was €34.56, the dividend amounted to €0.70 per share and the new exercise price was €27.22 for the 21 March 2002 plan, €25.88 for the 25 April 2003 plan and €61.33 for the 13 March 2007 plan.

The number of shares under option was adjusted in such a way that the aggregate exercise price is unchanged, as follows:

$$\text{Adjustment ratio} = \frac{\text{Exercise price before dividend}}{\text{Exercise price after dividend}}$$

For each grantee, the new number of options is equal to the number of options before the dividend multiplied by the adjustment ratio, rounded up to the next whole number of shares, with each option continuing to be exercisable for one share.

The same process was applied to all three stock option plans currently in progress.

The adjustment ratio for the plan decided by the Board of Directors on 1 December 2011 is 1.02067336089781.

TABLE 9 – STOCK OPTIONS GRANTED TO AND EXERCISED BY THE TEN EMPLOYEES OTHER THAN CORPORATE OFFICERS WHO RECEIVED THE GREATEST NUMBER OF OPTIONS IN 2011

	Number of options granted/exercised	Weighted average exercise price (in €)	Plan
Stock options granted in 2011 to the ten employees other than corporate officers who received the greatest number of options(1)	None	-	-
Stock options exercised in 2011 by the ten employees other than corporate officers who exercised the greatest number of options	None	-	-

(1) The 1,808 options granted in 2011 to the ten employees other than corporate officers who received the greatest number of options resulted from the adjustment required under Article L.228-99 of the Commercial Code following the distribution from the share premium account of a special dividend of €0.70 per eligible share, as decided by the General Meeting of 4 November 2011.
The calculation basis and resulting adjustments to the number of options and the exercise price following the above distribution of share premiums are presented on page 18.

TABLE 10 – INFORMATION ABOUT EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION BENEFITS, TERMINATION BENEFITS AND NON-COMPETE INDEMNITIES

Name	Employment contract		Supplementary pension benefits		Termination benefits		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
Juan José BRUGERA CLAVERO Chairman since 14 April 2010		X		X		X		X
Bertrand JULIEN-LAFERRIERE Chief Executive Officer since 5 October 2010		X		X	X (1)			X
Nicolas REYNAUD Managing Director since 24 October 2008	X (2)			X		X (3)		X

(1) The terms and conditions governing the compensation for loss of office as Chief Executive Officer that would be payable to Bertrand Julien-Laferrière were decided by the Board of Directors at its meetings on 5 October and 14 December 2010 (see page 21 for details).
(2) Nicolas Reynaud has an employment contract that covers his duties as Chief Financial Officer, a position he has held since 15 May 2006.
The position of Managing Director, to which he was appointed by the Board on 25 September 2008, is not covered by the AFEP-MEDEF corporate governance code, according to which, in a company with a Board of Directors, the Chairman of the Board and/or the Chief Executive Officer should not have an employment contract with the company.
(3) Nicolas Reynaud would not be entitled to any compensation for loss of office in the event that his appointment as Managing Director were to be terminated.
At its meeting on 9 February 2004, the Board of Directors decided to insert a change of control clause in the employment contracts of the members of the Company's Management Committee. Nicolas Reynaud is covered by this clause, which was updated at the Board meetings of 25 July 2006 and 4 April 2008.
Under the clause, if Nicolas Reynaud is dismissed (other than for gross misconduct) or resigns within 18 months following a material direct or indirect change in the Company's reference shareholders or controlling shareholder resulting in a significant change in his responsibilities, he will receive compensation in addition to the termination benefit due by law or under the collective bargaining agreement, provided that he undertakes not to encourage other Company employees to leave. The amount of said compensation has been set at double his gross annual remuneration for the financial year preceding his dismissal or resignation.

Performance criteria used to determine the 2010 and 2011 bonuses of the Chairman and Chief Executive Officer, the Chief Executive Officer and the Managing Director

At its 12 February 2010 meeting, the Remuneration and Selection Committee approved the terms and conditions for setting the 2010 remuneration of the Chairman and Chief Executive Officer, the Chief Executive Officer and the Managing Director.

Bonuses are calculated as a percentage of the executive's salary and are tied to an annual performance target.

For 2010, bonuses were based on an attributable current cash flow target of €100 million and were calculated as follows:

Actual performance as a % of the target	2010 bonus calculated as a percentage of salary based on actual performance as a % of the target
	Chairman and Chief Executive Officer Managing Director
A. 122% and over	116%
B. 100%	80 %
C. 70%	48%
D. Less than 70%	0

- Less than 70%: 0
- Between 70% and 100%: linear calculation between rates C and B
- 100%: rate B
- Between 100% and 122%: linear calculation between rates B and A
- Above 122%: rate A

At its 4 March 2011 meeting, the Remuneration and Selection Committee approved the performance criteria to be used to determine the 2011 bonuses of the Chief Executive Officer and the Managing Director.

These bonuses are determined as follows:

- 50% of the bonus is based on an annual financial target for the Group as whole (quantitative bonus), and
- 50% is based on personal performance targets (qualitative bonus).

For 2011, the first 50% of the bonus was based on an attributable current cash flow target of €70.2 million and was calculated as shown below:

Actual performance as a % of the target	2011 quantitative bonus calculated as a % of salary (1)	
	Chief Executive Officer	Managing Director
A. 122% and over	145%	116%
B. 100%	100%	80%
C. 70% and over	60%	48%
D. Less than 70%	0	0

(1) Before weighting for the portion of the total bonus represented by the quantitative bonus.

- Less than 70%: 0
- Between 70% and 100%: linear calculation between rates C and B
- 100%: rate B
- Between 100% and 122%: linear calculation between rates B and A
- Above 122%: rate A

The following information concerns remuneration, indemnities and benefits granted to the Chief Executive Officer and the Managing Director, and any other commitments made to them in connection with, or subsequent to, their appointment, termination or transfer.

Amendment to employment contracts concerning payment of compensation for loss of office in the event of a change of control

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

The clause was updated in 2006 to provide for the payment of compensation in addition to the termination benefit due by law or under the collective bargaining agreement in the case of (i) dismissal or (ii) resignation as a result of a significant change in responsibilities following a material direct or indirect change in the reference shareholders of the Company or of its controlling shareholder. The amount of said compensation was set at double the individual's annual remuneration for 2006, expressed in euros. As a member of the Management Committee, Nicolas Reynaud is covered by this clause pursuant the decision of the Board of Directors of 9 December 2008 (agreement approved by the General Meeting of 15 June 2009).

On 4 April 2008, the Board approved a proposal to set the gross compensation payable under the change of control clause at double the individual's total remuneration for the calendar year preceding the significant direct or indirect change in the reference shareholders of the Company or its controlling shareholder.

At the same meeting, the Board also approved a proposal to reduce the time limit for claiming compensation from two years to eighteen months, as from the next direct or indirect change in the ownership structure.

Agreement with Bertrand Julien-Laferrière, Chief Executive Officer

Authorised at the Board meeting of 5 October 2010 and approved by shareholders at the General Meeting of 9 May 2011.

Terms of the agreement: payment of compensation for loss of office

The agreement provides for the payment of compensation for loss of office to Mr. Julien-Laferrière in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct, notwithstanding any rights that he may have to a damages payment.
Said compensation would represent the equivalent of six months' remuneration.
If he were to be dismissed within three years of taking up his position, the compensation would correspond to one half of his annual salary and one half of his most recent bonus approved by the Board.
As from 1 January 2014, it would be based on one half of his latest annual salary and 50% of the average of his bonuses for the three years preceding his dismissal.
No other components of his remuneration package would be taken into account in the calculation.
Payment of the compensation for loss of office would be subject to certain performance criteria being met, as determined by the Board at its meeting of 14 December 2010.
Effective from 2011, half of Mr. Julien-Laferrière's bonus is based on qualitative performance criteria and half on quantitative criteria, to be determined each year by the Board of Directors based on the recommendation of the Remuneration Committee.

Basis for determining the compensation for loss of office: the quantitative criteria used to determine half of Mr. Julien-Laferrière's annual bonus would also be applied to determine his compensation for loss of office.

Performance targets used to determine compensation for loss of office: if average performance was at least equal to 60% of the target, the compensation for loss of office would be payable in full. If average performance was below 60% of the target, no compensation for loss of office would be payable.
The Board of Directors would be required to inform Mr. Julien-Laferrière of whether the performance criteria had been met within two months of his separation.
The compensation would be payable within sixty days of the Board meeting at which the fulfilment of the performance criteria was noted.

16 February 2012 performance share plan

On 16 February 2012, based on the recommendation of the Remuneration Committee, the Board of Directors decided to set up two performance share plans in line with the authorisation given by the General Meeting of 9 May 2011. A total of 50,478 performance shares were awarded to the Chairman, the Chief Executive Officer and the Managing Director under these plans, as follows:

Under Plan 1, 29,962 performance shares were awarded to these three individuals, including 21,843 to the Chief Executive Officer, Bertrand Julien-Laferrière, 4,369 to the Managing Director, Nicolas Reynaud, and 3,750 to the Chairman of the Board, Juan José Brugera Clavero. Performance shares were awarded under Plan 1 to all employees of the Company and other Group entities in order to give them a stake in the Company's development as required by Article L.225-197-6 of the French Commercial Code. A description of the plan is provided in section 6.1.9 of this Management Report.

Plan 2 was set up solely in favour of Bertrand Julien-Laferrière who was awarded 20,516 performance shares on 16 February 2012 pursuant to the commitments made to him at the time of his appointment.

The main features of the two plans and other related information are presented on the Company's website. They are summarised below.

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 10 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results:
(i) for the third financial year as from the award date (i.e. for this initial award, the year ended 31 December 2014) in the case of Plan 1; and
(ii) for the second financial year as from the award date (i.e. for this initial award, the year ended 31 December 2013) in the case of Plan 2.

- **Continued presence within the Group:**

The performance shares will vest only if, at the end of a three-year period (Plan 1) or two-year period (Plan 2), the grantee is still employed by the Company or another Group entity, as applicable, unless the grantee's separation is due to certain events that are beyond his or her control.

- **Performance targets:**

In accordance with the AFEP-MEDEF corporate governance code, for performance shares granted to corporate officers, the number of shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "**Reference Companies**"). The ranking is established based on growth in each of the Reference Companies' consolidated NAV per share over the vesting period for each of the plans.

- **Lock-up periods:**

In accordance with the recommendations contained in the AFEP-MEDEF corporate governance code, after the end of the statutory 2-year lock-up period, corporate officers are required to keep 40% of the shares for the remainder of their period of service with the Company, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

Also in line with the recommendations in the AFEP-MEDEF code, the corporate officers have given an undertaking not to hedge the risk of a fall in value of the shares received under the performance share plan.

REMUNERATION AND BENEFITS PAID TO SENIOR MANAGEMENT OTHER THAN THE CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

The following table presents the total gross remuneration for 2011 paid by Société Foncière Lyonnaise to the persons who were members of the Management Committee at 31 December 2011 other than the Chief Executive Officer and the Managing Director:

2011 salaries	755,407
2011 bonuses(1)	340,541
Benefits in kind	15,803
Exceptional bonus	30,886
Discretionary/non-discretionary profit-sharing(2)	83,645
Matching payments to the Group Pension Savings Plan (PERCO)	7,200

(1) Determined according to the method decided by the Board of Directors at its meeting of 4 March 2011.
(2) Discretionary and non-discretionary profit shares paid in 2011 pursuant to the internal agreements of 20 June 2002 and 26 June 2008.
Profit shares payable in 2012 in respect of 2011 had not been determined at the date this document was published.

4. Outlook and Risk Management

4.1. Subsequent events

Significant events since 31 December 2011

On 3 January, CBRE Global Investors, a world leader in real estate investment management, moved its French team into new offices in SFL's Edouard VII building in the 9th arrondissement of Paris. The 2,200 square-metre space has been let under a six-year "green" lease.

The Edouard VII complex comprises 27,500 square meters of offices, retail units and theatres, located in the heart of the Opéra-Madeleine-Vendôme triangle. The building is ideally suited to the needs of CBRE Global Investors due to its high-quality location, services and technical features.

The new lease demonstrated SFL's strong marketing dynamic, reaffirming its expertise in the Paris prime commercial property segment and its ability to meet the requirements of blue-chip companies.

During the transaction, SFL was advised by BNP Paribas Real Estate and CBRE Global Investors was advised by CBRE and law firm ARES-Avocats.

4.2. Outlook

Forecast developments and outlook

In a stalled economy where the leading indicators remain weak, the property markets can demonstrate a certain resilience, albeit with disparities depending on the quality of the assets. The growing flight to quality of both investors and corporate clients confirms the validity of SFL's positioning in Paris's prime commercial property segment.

4.3. Risk factors

At a time of deep financial market restructuring, SFL is prudently managing its various financial risks.

1- LIQUIDITY RISK

Liquidity risk remains the major concern in the current environment. On 25 May 2011, we issued €500 million worth of five-year 4.625% bonds due 2016, using the proceeds to meet the Group's short-term refinancing needs as well as to support its development. Thanks to the bond issue, we had continued access to €610 million in undrawn confirmed lines of credit at 31 December 2011. As a result, the Group is more than able to meet its refinancing needs through to the end of 2012 and once more enjoys an average debt maturity profile of around four years. At 31 December 2011, the average refinancing spread, excluding the bond issue, stood at 135 basis points.

With a loan-to-value ratio of 35.5%, high-quality property assets and the stake in SIIC de Paris which represents a liquid financial asset, we are in a position to raise additional resources if the need arises.

See also the notes to the consolidated financial statements (Note 6-8 - Trade and other receivables and Note 6-12 - Short and long-term interest-bearing debt).

2- COUNTERPARTY RISK

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasized that these same banks finance a portion of our debt.

Counterparty risk is minimal because available cash is generally used to repay borrowings under our revolving lines of credit.

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

We consider that the Group's exposure to counterparty risk on its operations is not material.

See also:

– Note 6-12 to the consolidated financial statements (Short and long-term interest-bearing debt), pages 106 to 108;
– Note 2-3 to the consolidated financial statements (Investment property), pages 92 to 94;
– Section 4.4 of the Management Report (Insurance), pages 30 to 32.

3- CURRENCY RISK

SFL had no exposure to currency risks at 31 December 2011.

4- INTEREST RATE RISK

Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing us to efficiently quantify and analyse the risks associated with interest rate changes, the timing of interest flows and rate volatility.

a/ Objectives and strategy

The strategy entails using standard interest rate derivatives – such as plain vanilla swaps, caps and swaptions – with the dual objective of reducing the sensitivity of borrowing costs to rising interest rates and minimising the cost of the derivatives. Steeper yield curves, market volatility and intrinsic interest rate levels all influence the choice of hedging instruments.

At least 70% of borrowings are hedged, with a focus on extending the average maturity of hedges during periods of low interest rates at a reasonable cost. The budget crises and worsening economic data in euro zone countries have flattened the yield curve, which should help prices to remain stable in the short-term. Nevertheless, the upward pressure on bond yields in the euro zone countries with the highest levels of debt remains a matter of concern.

Our strategy in this unprecedented environment consists of:

- Increasing the proportion of debt that is hedged in order to take advantage of historically low interest rates and protect against the consequences of a possible liquidity crisis;
- Taking advantage of any decline in 3 to 5-year swap rates to hedge future financing needs;
- Turning the implicit interest rate volatility to the Group's advantage.

b/ Risk assessment

The average spot cost of debt after hedging stood at 4.18% at 31 December 2011, versus 4.13% at 31 December 2010.

A 50-basis point rise in interest rates across the yield curve in 2011 would have had the effect of increasing the average cost of debt to 4.34%, and driving up finance costs by €1,954 thousand or 3.1%. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 4.17%, and reduced finance costs by €178 thousand or 0.3%.

As for the sensitivity of the Group's hedging instruments at 31 December 2011, a 50-basis point increase in interest rates would lift their fair value by €15,514 thousand (€8,164 thousand at 31 December 2010), while a 50-basis point drop in rates would reduce their fair value by €16,554 thousand (€8,831 thousand at 31 December 2010).

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

Interest rate hedges	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
CA-CIB swap at 2.218%	73,053	0	0	0	0	0	73,053
BNP Paribas swap at 2.375%	50,000	0	0	0	0	0	50,000
JP Morgan collar	0	0	400,000	0	0	0	400,000
RBS swap at 3.89%	0	40,800	0	0	0	0	40,800
BNP Paribas swap at 2.63%	0	0	50,000	0	0	0	50,000
HSBC swap at 2.63%	0	0	50,000	0	0	0	50,000
HSBC swap at 2.71%	0	0	100,000	0	0	0	100,000
BNP Paribas swap at 2.265%	0	50,000	0	0	0	0	50,000
CA-CIB swap at 2.53%	0	0	0	100,000	0	0	100,000
CADIF swap at 2.17%	0	0	0	150,000	0	0	150,000
CA-CIB swap at 2.50%	0	0	0	150 000	0	0	150 000
HSBC swap at 1.95%	0	0	0	0	0	200,000	200,000
CM-CIC swap at 1.8460%	0	0	0	0	0	100,000	100,000
Société Générale cap at 2.75%	200,000	0	0	0	0	0	200,000
HSBC swap at 3-month Euribor (versus 2.7430%)	0	0	0	0	(100,000)	0	(100,000)
Total	323,053	90,800	600,000	400,000	(100,000)	300,000	1,613,853

Floating rate debt	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Syndicated loans	200,000	0	0	40,000	0	0	240,000
BECM revolving facility	0	0	150,000	0	0	0	150,000
RBS loan	0	40,800	0	0	0	0	40,800
Deutsche Hypothekenbank loan	50,000	0	0	0	0	0	50,000
BancoSabadell loan	50,000	0	0	0	0	0	50,000
HSBC/CA-CIB/CFF loan	76,105	0	0	0	0	0	76,105
Lease liabilities	14,143	56,458	2,790	2,790	27,271	0	103,452
Current account advances	0	57,557	0	0	0	0	57,557
CADIF loan	15,000	0	0	0	0	0	15,000
Total	405,248	154,815	152,790	42,790	27,271	0	782,914

The other financial instruments used by the Group are not listed in the above table because they do not bear interest and are therefore not exposed to any interest rate risk.

The Group's net exposure to interest rate risks can be analysed as follows for the period between 31 December 2011 and 31 December 2015:

	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015
Syndicated loans	240,000	40,000	40,000	40,000	0
BECM revolving facility	150,000	150,000	150,000	0	0
RBS loan	40,800	40,800	0	0	0
Deutsche Hypothekenbank loan	50,000	0	0	0	0
BancoSabadell loan	50,000	0	0	0	0
HSBC/CA-CIB/CFF loan	76,105	0	0	0	0
Lease liabilities	103,452	89,309	32,851	30,061	27,271
Current account advances	57,557	57,557	0	0	0
CADIF loan	15,000	0	0	0	0
Total floating rate debt	782,914	377,666	222,851	70,061	27,271
CA-CIB swap at 2.218%	73,053	0	0	0	0
BNP Paribas swap at 2.375%	50,000	0	0	0	0
JP Morgan collar	400,000	400,000	400,000	0	0
RBS swap at 3.89%	40,800	40,800	0	0	0
BNP Paribas swap at 2.63%	50,000	50,000	50,000	0	0
HSBC swap at 2.63%	50,000	50,000	50,000	0	0
HSBC swap at 2.71%	100,000	100,000	100,000	0	0
BNP Paribas swap at 2.265%	50,000	50,000	0	0	0
CA-CIB swap at 2.53%	0	100,000	100,000	100,000	0
CADIF swap at 2.17%	0	150,000	150,000	150,000	0
CA-CIB swap at 2.50%	0	150,000	150,000	150,000	0
HSBC swap at 1.95%	0	200,000	200,000	200,000	200,000
CM-CIC swap at 1.8460%	0	100,000	100,000	100,000	100,000
Société Générale cap at 2.75%	200,000	0	0	0	0
HSBC swap at 3-month Euribor (versus 2.7430%)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Total interest rate hedges	**913,853**	**1,290,800**	**1,200,000**	**600,000**	**200,000**
NET UNHEDGED POSITION	(130,939)	(913,134)	(977,149)	(529,939)	(172,729)

At 31 December 2011, 81% of debt was hedged against interest rate risks.

5- THE COMPANY IS EXPOSED TO CHANGES IN THE ECONOMIC CLIMATE AND THE PROPERTY MARKET

The Company's performance depends on several factors, including:

– The level of rental revenues, which in turn depends on the financial condition of tenants. A steep drop in economic growth or consumer demand, or a spike in inflation or rental indices could lead to cash flow problems for tenants who could then have difficulty paying their rent, potentially resulting in a fall in our rental revenues.

Rental indices trended upwards in 2011, automatically leading to an increase in our rental revenues.

Two new indices have been created to replace the construction cost index – a commercial rent index (ILC) for retail properties and an office rent index (ILAT) for offices. These have been validated by the various professional organisations concerned.

– The property cycle, which is also affected by the national, and even global, economic and financial situation.

The property cycle can trigger a reversal of the rental and/or investment markets. Financial institutions were hit by the financial crisis of the last few years, and this had a knock-on effect on the main players in the property market. However, the property investment market enjoyed renewed vigour in 2011, particularly towards the end of the year when a change in capital gains tax rules was introduced (amendment to Article 210E of the French General Tax Code), and the take-up rate was above the average for the last ten years.
Yields stabilized for prime properties, which remained in fairly short supply.

To measure and take into account the risk of a market downturn, tests have been performed to determine the sensitivity of portfolio values to a 25-bps decrease or increase in perpetuity growth rates. These tests show that the impact would be limited, ranging from a positive 3.1% to a negative 3.0%.

– The difficulty of obtaining bank financing in a market where credit is in short supply.

The credit environment remains difficult, following the sovereign debt crisis in the latter part of 2011. Some market players will have to scale back their activities because of the need to refinance borrowings falling due in the coming years, while the banks will be less inclined to finance higher risk projects.

6- THE COMPANY OPERATES IN A HIGHLY COMPETITIVE PROPERTY INVESTMENT MARKET

The competitive landscape of the French property investment market shifted in 2008 and 2009, with the growing difficulty and cost of obtaining finance, which provides the leverage to increase profitability and reduce risk premiums.

As a result, our main competitors are:
- Investors with a strong capital base, such as insurance companies, property funds and certain sovereign wealth funds.
- Investors whose debt was kept under control during the year, such as certain REITs.

7- TENANT RISKS

The Company derives most of its revenue from renting its property assets to tenants. Therefore, any delay or default in rental payments would have an unfavourable impact on operating profit. At 31 December 2011, our top ten tenants accounted for around 43% of total rental revenue and the top two for roughly 18%. Around 38% of tenants operate in the banking and insurance sectors.

All rents are subject to escalation clauses, with 92% adjusted based on the INSEE's construction cost index, 7% on the ILC commercial property rent index and 1% on the IRL residential property rent index.

The Company's ability to collect rent depends on tenants' solvency and liquidity position. Tenants may be unable to pay their rent on time or may default on their payments, or the Company may be obliged to reduce the rent charged to certain tenants due to their financial position.

See Note 6-8 to the consolidated financial statements (Trade and other receivables).

8- RISKS ASSOCIATED WITH THE AVAILABILITY AND COST OF FINANCING

SFL needs to borrow money to finance strategic investments and acquisitions.

However, it may prove difficult or even impossible to raise debt or equity capital on attractive terms. This situation may arise due to (i) changing conditions in the capital markets or the property market or (ii) any other change in the Company's business or financial position or the financial position of its majority shareholder that could affect how investors view SFL's credit quality.

Funds can be raised by selling assets, but this source of financing is subject to market risk. Fewer asset sales or troubled markets could lead to financial losses, while the premature sale of assets could lead to strategic costs and opportunity costs. In addition, our ability to sell assets may be curtailed if the property market is not sufficiently liquid.

An inability to borrow money or raise financing due to unfavourable market conditions, a generally depressed economic environment or other factors specific to the Company could limit our ability to acquire new assets, finance the renovation of properties and refinance existing debt.

SFL's financing needs could increase if its debt acceleration clauses are triggered. Certain loan agreements include clauses whereby the debt becomes immediately repayable if certain financial ratios or other covenants are not met, or in the event of a change of control. A change of control is defined, for certain lines of credit, as the transfer of control from the current majority shareholder to a third party, and for others (representing €200 million) as a reduction in the majority shareholder's interest to less than 50%.

9- RISKS ASSOCIATED WITH THE LOSS OF KEY PERSONNEL

The departure of a member of the senior management team or any other manager could result in a loss of critical know-how and, in certain cases, give competitors and tenants access to sensitive information. Our success depends, in part, on our ability to retain the members of the Executive Committee and other key employees and continue to attract, motivate and retain highly qualified personnel. If key personnel are not retained, our business, financial position, results or future growth could be affected.

10- RISKS ASSOCIATED WITH SUBCONTRACTORS AND OTHER SERVICE PROVIDERS

We use contractors and other service providers for major redevelopment projects and for the day-to-day maintenance of our properties. There are a limited number of construction firms capable of carrying out very large scale property renovation projects or redevelopment projects in Paris. We are therefore dependent on these firms for the timely completion of our projects. In addition, if a contractor involved in any such project were to go out of business or file for bankruptcy, or if the quality of its services were to decline, this could delay completion of the project and drive up costs. Unexpected delays in renovation or remodelling could extend the period during which our properties are unavailable for rent, which could have an unfavourable impact on our business, financial position or results. Contractor and/or supplier bankruptcy could also prevent compliance with performance bonds.

11- RISKS ASSOCIATED WITH THE REGULATORY ENVIRONMENT

As the owner of office buildings and properties designed for commercial use, in addition to the tax rules associated with the SIIC tax regime, we are required to comply with a number of other regulations including construction codes, health, safety and environmental regulations, commercial lease regulations and permit requirements. Failure to comply with such regulations, and any changes thereto, including increasingly stringent environmental standards that make compliance more difficult and more expensive, could have an adverse effect on our results, profitability, growth or development prospects.

Complying with the applicable regulations and our own risk management policy could generate significant additional costs and have a negative impact on profitability. In certain circumstances, particularly in the case of environmental damage, a public health threat or reckless endangerment, we could be faced with a civil or even a criminal liability claim that would adversely affect our reputation.

In addition, like most property owners, we cannot guarantee that our tenants comply with all of the regulations applicable to them, particularly environmental, health and safety regulations.

We are subject to environmental and public health regulations, and can be held liable for non-compliance with such regulations in our capacity as the current or former owner or the developer of the property in question. These regulations often hold the owner or developer liable regardless of whether they were aware of or responsible for the existence of hazardous or toxic substances. They may impose the reduction or elimination of material containing asbestos when a property is damaged, demolished, renovated, rebuilt or extended, and also apply to the exposure of asbestos or its release to the atmosphere. Some of our properties contain or once contained materials containing asbestos.

The significant costs involved in identifying and eliminating hazardous or toxic substances could have an adverse effect on our results, business or financial position. Non-compliance with the applicable environmental and public health regulations and changes to those regulations could lead to additional operating expenses and maintenance costs or hinder the development of our business, which could affect our results. In addition, if we cannot comply with regulations or prevent an environmental incident, our properties could lose their appeal and we could be subject to sanctions that could generate additional costs and damage our reputation. Legal expenses may also be incurred to mount a defence against environmental claims or to implement measures to remedy newly identified environmental risks.

We have set up a risk management system guided by an environmental charter that describes the procedures for managing each identified environmental risk. Updated on a regular basis, tables monitoring the portfolio's exposure to such risks can be accessed on a dedicated server by all employees concerned.

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

12- RISKS ASSOCIATED WITH GOVERNMENT-RELATED PROCEDURES

For most large-scale redevelopment projects, building and/or other permits have to be obtained from the relevant municipal authorities, sometimes including commercial property authorizations from the CDAC or improvement permits from local commissions overseeing compliance with health and safety regulations in buildings open to the public.

The process of securing these permits entails a risk of project delays, as some permits take longer than others to obtain, and a risk of changes to the building plan, as a permit's issuance may be conditional on the project's compliance with certain criteria. Once the permits are obtained, there is still a risk that third parties will raise objections, which may introduce further project delays and, sometimes, plan changes.

We endeavour to limit these risks by drawing on the expertise of architects, design and engineering firms, inspection and certification firms, firms specialised in obtaining retail permits and other professionals, and by systematically reviewing projects with the municipal authorities to obtain feedback before submission and before the start of redevelopment or renovation work.

13- RISKS OF NEIGHBOURHOOD COMPLAINTS

Most SFL properties are located in densely settled urban areas, where large redevelopment projects can generate noise disamenities or vibration.

Neighbourhood complaints can lead to significant compensation claims or even injunctions to stop work.

When demolition work or work on the fabric of a building is planned, we systematically arrange for a court-appointed expert to prepare a report on the condition of neighbouring properties and on existing disamenities before the work begins.
Contractors are required to take measures to limit disamenities, mainly by keeping public spaces clean and managing traffic, dust, noise and vibrations. Noise levels and other disamenities are also regularly monitored. In addition, contractors are required to meet the high or very high-performance criteria under France's HQE standards for maintaining "green" worksites with a minimal environmental footprint.

14- RISKS ASSOCIATED WITH THE MAJORITY SHAREHOLDER

Colonial, with the majority of SFL's share capital and voting rights, has considerable influence over the Company and can control the decisions made by the Board of Directors, as well as the ordinary and extraordinary decisions of shareholders in General Meetings. This means that Colonial can decide issues that are important for SFL, such as the election of directors, the approval of the financial statements, the distribution of dividends and changes to the Company's share capital.
See paragraph 5.5.4 – Shareholders' pact, on page 41.

Although SFL is a controlled company as explained above, it does not believe that there is any risk of the majority shareholder misusing its powers.

15- RISKS ASSOCIATED WITH THE SIIC TAX REGIME

15.1 Conditions of eligibility for the SIIC tax regime

On 29 September 2003, SFL elected to be taxed under the REIT-style SIIC tax regime, with retroactive effect from 1 January 2003. Under this regime, SFL is exempt from paying corporate income tax on (i) profits derived from renting directly owned properties, properties acquired under finance leases and properties leased temporarily from the State, a national or regional government agency or a publicly controlled entity, (ii) capital gains made on qualifying sales of properties, finance lease rights, and shares in property companies that have elected to be taxed as SIICs, and (iii) dividends received from qualifying subsidiaries.

Eligibility for the regime depends on certain conditions being met and SIICs are also subject to certain minimum distribution obligations.

15.1.1 Conditions for eligibility

SFL's eligibility for the SIIC tax regime depends on its ongoing compliance with all of the following conditions:

- The SIIC must be listed on a regulated market in France or a regulated market that complies with the requirements of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.
- It must have share capital of at least €15 million.
- Its main corporate purpose must be either to acquire or construct rental property or to take direct or indirect ownership interests in entities with an identical corporate purpose that are taxed as look-through partnerships or are subject to corporate income tax.

- No single shareholder or group of shareholders acting in concert may hold 60% or more of the share capital or voting rights of the SIIC, apart from certain exceptions expressly provided for by law, in particular when the shareholder or shareholders acting in concert that hold, directly or indirectly, more than 60% of the capital or voting rights are themselves SIICs.

15.1.2 Distribution obligations

The SIIC must distribute to shareholders:

- 85% of profits derived from the rental of property (including properties acquired under finance leases or leased temporarily from the State, a national or regional government agency or a publicly controlled entity) either directly or through companies governed by Article 8 of the French Tax Code, within one financial year.
- 50% of capital gains realised on (i) sales of property or finance lease rights either directly or through companies governed by Article 8 of the French Tax Code and (ii) sales of qualifying interests in property companies, within two financial years.
- 100% of the dividends received from subsidiaries that have elected to be taxed as an SIIC, within one financial year.
- 100% of the dividends received from other SIICs or from foreign REITs or from variable capital property investment companies ("SPPICAVs") that have been over 5%-owned for at least two years, within one financial year.

15.2 Consequences of non-compliance with the conditions of eligibility for the SIIC tax regime

15.2.1 Non-compliance with conditions other than the 60% ownership ceiling

If any of these conditions were no longer fulfilled, the Company and its SIIC subsidiaries would lose their SIIC status. The main consequences of exiting the regime would be as follows:

- The Company and its subsidiaries would not benefit from the SIIC regime for the year during which the conditions were no longer fulfilled or for subsequent years. As a result, all of the profits generated during those years would be subject to corporate income tax.
- If the Company were to exit the SIIC regime within the first 10 years, any capital gains taxed at the reduced rate of 16.5% (or 19% as of 1 January 2009) on election for SIIC status (or when new assets became eligible for the SIIC regime) would be taxed at the full corporate income tax rate at the exit date, less the 16.5% or 19% tax paid when the election for SIIC status was made (or the assets became eligible for the SIIC regime).
- All capital gains realised after the Company exited the SIIC regime would be calculated by reference to the market value used to calculate the 16.5% exit tax paid when the Company elected for taxation as an SIIC (or the 19% tax for new assets that became eligible for the SIIC regime after 1 January 2009).
- All tax-exempt profits generated while the Company was an SIIC and not paid out in the form of dividends would have to be added back to the taxable profit of the Company and its subsidiaries when they exited the SIIC regime. All dividends subsequently paid out of after-tax profit would be eligible for the affiliation privilege, as would dividends paid out of profits taxed at the standard corporate income tax rate while the Company was an SIIC.
- Lastly, the Company would be subject to an additional 25% tax on the portion of unrealised capital gains generated during the tax-exempt period. Specifically, this rate would apply to the amount of unrealised capital gains generated on tax-exempt property since the Company's election for SIIC status, reduced by one tenth for every calendar year in which the Company was taxed as an SIIC.

15.2.2 Non-compliance with the 60% ownership ceiling

If the 60% limit were to be exceeded, the Company's SIIC status would simply be suspended for the financial year concerned, provided that (i) the breach was the first to occur since the election for SIIC status, i.e. during the 10 years following the Company's decision to be taxed as an SIIC or the subsequent 10-year period; and (ii) the situation was remedied before the financial year-end. As a consequence of this suspension, the Company would be subject to corporate tax at the standard rate on that year's profit, except that capital gains on sales of properties would be calculated by reference to the value used to calculate the exit tax paid when they became eligible for the SIIC regime, less depreciation previously deducted from tax-exempt earnings.

The suspension would be temporary, provided that the situation was remedied before the end of the financial year in which the breach occurred. The Company and its subsidiaries could therefore recover tax-exempt status the following year. However, if the 60% limit were still exceeded at the end of that year, the SIIC status of the Company and its subsidiaries would be definitively revoked.

With the return to tax-exempt status, the amount of tax due in respect of unrealised gains on property normally eligible for SIIC tax exemption would be limited to those gains generated during the suspension period. They would be taxable at the reduced rate of 19%. Unrealised gains on taxable property would however not be immediately subject to tax.
If the limit were to be exceeded during the year due to a public tender offer or a transaction governed by the tax rules applicable to mergers, the rule would not be considered to have been breached provided that the shareholder's interest was brought back to below 60% by the deadline for reporting the SIIC's results for the year concerned.

If its SIIC status were definitively revoked after a suspension period, the Company would be liable for tax at the abovementioned rates, plus the amount of tax that it would have paid had it returned to SIIC status, i.e. tax on unrealised capital gains generated during the suspension period on property normally eligible for SIIC tax exemption.

15.2.3 In the event of failure to comply with the distribution obligation for a given year, corporate income tax would be payable on the Company's total profit for the year concerned, at the standard rate.

If the Company were to comply with its distribution obligations for a given year but its tax-exempted profit were to be reassessed, only the undistributed portion of the reassessment would be subject to corporate income tax, after deducting any "excess" dividend already paid.

15.3 20% withholding

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from tax or taxed in France or abroad at a rate that is more than two-thirds lower than the standard French corporate income tax rate, the Company must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by the "SIIC" activities.

The 20% tax is due by the Company and not the shareholder. However, SFL's Articles of Association stipulate that the 20% tax will be deducted from dividends paid to the shareholder concerned, to avoid the Company and the other shareholders having to bear the cost.

No 20% tax has been paid to date because Colonial has issued a statement attesting that dividends paid by SFL out of profits generated by the "SIIC" activities would be taxed in Spain at a rate in excess of 11.11%.

The stipulation in the Articles of Association transferring the burden of the 20% tax to the shareholder at the origin of its payment may dissuade certain funds and other tax-exempt investors from acquiring a significant interest in the Company, and this in turn could adversely affect the share price.

15.4 Future changes to the SIIC regime

The SIIC eligibility criteria and the resulting tax exemption may change as a result of changes to the law or new interpretations by the tax authorities.

These could be dealt with in one or several instructions issued by the tax authorities, the content of which was not known as of the date when this report was drawn up.

Further changes in the SIIC regime could have a material adverse effect on the Company's business, financial position and results.

4.4. Insurance

The insurance programmes cover (i) the property portfolio and (ii) corporate risks.

A – PROPERTY INSURANCE

1. COMPREHENSIVE PROPERTY INSURANCE WITH NAMED EXCLUSIONS

This policy taken out by SFL covers all of its property assets and those of the following entities:

- SCI - 103 rue Grenelle,
- SCI Washington,
- SCI Paul Cézanne.

It covers accidental damage to the properties on an all-risks basis with named exclusions, as well as all resulting expenses and losses.

Insured assets:
All the properties owned by SFL and the subsidiaries listed above, including buildings in co-ownership.

For buildings in co-ownership that are managed by a third-party manager, the policy includes "manager failure" cover. Under this policy, insurance cover for the properties concerned kicks in where the cover taken out by the manager is inadequate.
The maximum insured value is €300 million. Loss of rental revenue is covered for up to 36 months or 48 months for the following seven properties:

- Washington Plaza,
- Cézanne Saint-Honoré,
- Square Edouard VII,
- 81/83 rue de Richelieu/rue de Gramont/rue Ménard/rue Grétry,
- 68/74 quai de la Rapée,
- 151 rue St Honoré/2 Place du Palais Royal,
- 82 à 90 avenue des Champs-Élysées,
- 104/110 boulevard Haussmann.

These periods have been set in such a way as to cover the estimated time required to rebuild and repair the properties after a major incident, taking into account their location, the complexity of the work that would be involved and the size of the site.
The policy also covers the cost of repairing damage to new work arising during renovations to the insured properties, up to a maximum of €7.5 million. This extension is designed to ensure that SFL can fulfil its commitments in respect of work not covered by a comprehensive site insurance policy that will, upon completion, form an integral part of a property asset covered by the main policy.

2. BUILDING OWNER'S LIABILITY

The policy covers our liability for bodily injury and material and non-material losses, whether consequential or inconsequential, caused by:

- Our properties or any of the equipment installed in those properties;
- Errors or negligence committed by the personnel in charge of the surveillance or maintenance of those properties.

The policy covers a maximum of €20 million per underwriting year, including:

- Material and non-material consequential losses for up to €15 million;
- Non-material inconsequential losses for up to €3.5 million;
- Consequential bodily injury, material and non-material losses caused by legionella for up to €6 million per claim and per underwriting year;
- Death and personal injury claims due to gross negligence, including the extension of damages resulting from the Constitutional Council's decision of 18 June 2010, for up to €150,000 per victim and €750,000 per insurance year;
- Consequential bodily injury, material and non-material losses caused by accidental pollution for up to €1 million per claim and per underwriting year.

B - CORPORATE INSURANCE

1. ALL-RISKS OFFICE AND IT

The all-risks office and IT policy covers the furniture and equipment used at the Group's 40/44 rue Washington headquarters, as well as related losses and expenses.
In parallel, the Group has set up a policy covering all the costs that would be incurred to restore lost data as well as any supplementary IT costs that would be incurred as a result of malicious damage – including computer viruses –, or a loss of data due to error, an accident or a natural catastrophe.

2. GENERAL LIABILITY

All of the Group's companies and operations, including both property management and trading, are covered by a single liability policy.
Insured entities:

- Locaparis,
- Segpim,
- Parholding and subsidiaries,
- SCI Washington,
- SCI Paul Cézanne,
- SCI 103 Grenelle,
- SAS SB1,
- SAS SB2,
- SAS SB3,
- SCI SB3.

The policy covers:

- Third-party liability during operations and works, capped at €15 million (combined single limit) and including €1.5 million in coverage for accidental environmental damage and gross negligence coverage of €1.5 million per claim and €2.5 million per year, including the extension of damages resulting from the Constitutional Council's decision of 18 June 2010. The purpose of this policy is to provide a second layer of cover, in addition to that provided by the building owner's liability policy.
- Professional liability insurance for the Group, up to a maximum of €3 million per claim and per underwriting year (combined single limit) of which €1 million corresponds to professional liability insurance for the property management and trading activities carried out by Locaparis.

3. DIRECTORS' AND OFFICERS' LIABILITY

This policy covers directors and officers, including de facto managers of the Company, against personal liability claims.

CONSTRUCTION INSURANCE

The following insurance cover is purchased for all of our property redevelopment projects:

- Structural damage and developer insurance,
- Contractors all-risks insurance,
- Project sponsor liability insurance, which is in addition to the cover provided by the general liability policy described in point 2 above.

CLAIMS AND LITIGATION

No governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) may have or have had significant effects on the Company's financial position or profitability during the last 12 months.

5. SFL and its Shareholders

5.1. Information about the Company's capital

CHANGES IN CAPITAL

Date	Description	Issues			New capital	
		Number of shares	Par value	Gross premium	New number of shares	New capital
From 1 January 1992 to 1 January 1995		-	-	-	3,714,251	FF 185,712,550
November 1995	Scrip dividend	86,085	FF 4,304,250	FF 42,009,480	3,800,336	FF 190,016,800
December 1995[(1)]	Shares issued in payment for properties acquired from Abeille Assurances	421,607	FF 21,080,350	FF 320,421,320	4,221,943	FF 211,097,150
December 1995[(1)]	Shares issued in payment for 100% of the shares of FIPARIM acquired from POSSF Paris Nominees Limited and SCIPAR-Montparnasse	1,333,294	FF 66,664,700	FF 1,013,303,440	5,555,237	FF 277,761,850
August 1996	Scrip dividend	105,302	FF 5,265,100	FF 51,387,376	5,660,539	FF 283,026,950
August 1997	Scrip dividend	25,518	FF 1,275,900	FF 16,101,858	5,686,057	FF 284,302,850
October 1997[(2)]	Issuance of shares for cash	1,007,042	FF 50,352,100	FF 664,647,720	6,693,099	FF 334,654,950
July 1998	Conversion of bonds	1,050	FF 52,500	FF 787,500	6,694,149	FF 334,707,450
August 1998[(3)]	Issuance of shares to EXOR	1,575,000	FF 78,750,000	FF 1,283,625,000	8,269,149	FF 413,457,450
August 1998	Exercise of share warrants	22	FF 1,100	FF 25,300	8,269,171	FF 413,458,550
May 1999	Redemption of Société Générale equity notes	650,773	FF 32,538,650	FF 467,461,243.14	8,919,944	FF 445,997,200
1999	Exercise of share warrants	4	FF 200	FF 4,600	8,919,948	FF 445,997,400
1 July 2000	Conversion of par value of shares from FF 50 to €8	-	€3,367,718.68	-	8,919,948	€71,359,584
6 November 2000	Four-for-one stock split – par value of shares reduced from €8 to €2	-	-	-	35,679,792	€71,359,584
2000	Exercise of share warrants	52	€104.00	€2,274.20	35,679,844	€71,359,688
27 December 2001	Employee share issue	16,076	€32,152.20	€311,874.40	35,695,920	€71,391,840
2001	Exercise of share warrants	60	€120.00	€2,624.10	35,695,980	€71,391,960

Date	Description	Issues			New capital	
		Number of shares	Par value	Gross premium	New number of shares	New capital
December 2002	Exercise of stock options	9,164	€18,328.00	€217,461.72	35,705,144	€71,410,288
2002	Exercise of share warrants	5,092	€10,184.00	€222,697.11	35,710,236	€71,420,472
First half of 2003	Exercise of stock options	66,767	€133,534.00	€1,584,380.91	35,777,003	€71,554,006
Second half of 2003	Exercise of stock options	32,168	€64,336.00	€763,346.64	35,809,171	€71,618,342
2004	Conversion of bonds	6,927,523	€13,855,046.00	€195,273,912.64	42,736,694	€85,473,388
2004	Exercise of stock options	250,493	€500,986.00	€6,505,485.85	42,987,187	€85,974,374
2005	Conversion of bonds	2,278	€4,556.00	€64,229.00	42,989,465	€85,978,930
2005	Exercise of stock options	74,323	€148,646.00	€3,041,230.46	43,063,788	€86,127,576
2006	Exercise of stock options	12,164	€24,328	€312,205.90	43,075,952	€86,151,904
30 March 2007	Issuance of shares for cash	3,425,349	€6,850,698	€191,819,544.00	46,501,301	€93,002,602
2007	Exercise of stock options	1,000	€2,000	€25,590.00	46,502,301	€93,004,602
2008		-	-	-	46,502,301	€93,004,602
2009	Exercise of stock options	3,375	€6,750	€86,366.25	46,505,676	€93,011,352
2010	Exercise of stock options	23,298	€46,596	€596,195.82	46,528,974	€93,057,948

(1) Described in the information document registered with the COB on 20 November 1995 under no. E 95-008.
(2) Described in the information document registered with the COB on 17 October 1997 under no. 97-570. Part of a broad-based fund raising exercise.
(3) Described in the information document registered with the COB on 23 July 1998 under no. 98-665.
(4) No other transactions took place in the period to 31 December 2011.

5.2. Ownership Structure

Directors at 31 December 2011	Number of SFL shares held at 31 December 2011[1]
Juan José BRUGERA CLAVERO	25
Jean ARVIS	500
Jacques CALVET	825
Anne-Marie de CHALAMBERT	25
Jean-Jacques DUCHAMP	25
Carlos FERNANDEZ-LERGA GARRALDA	50
Carmina GAÑET CIRERA	30
Aref LAHHAM	25
Bertrand LETAMENDIA	1,000
Carlos LOSADA MARRODAN	25
Luis MALUQUER TREPAT	400
Pere VIÑOLAS SERRA	1,825
Anthony WYAND	100
REIG CAPITAL GROUP LUXEMBOURG SARL (represented by Alejandro HERNANDEZ-PUERTOLAS)	2,038,956
Total	**2,043,811**

(1) The Directors' Charter stipulates that each Director must disclose to SFL the shares held directly and indirectly, within the meaning of Article L.225-109 of the French Commercial Code. Article 17 of the Company's Articles of Association states that each Director is required to hold at least 25 shares.

OWNERSHIP STRUCTURE AND VOTING RIGHTS AT 31 DECEMBER 2011

Major shareholders		Total shares	Total voting rights	Group total	% interest	% voting rights [2]
INMOBILIARIA COLONIAL SA[a]		24,870,165	24,870,165	**24,870,165**	53.45%	54.03%
CA-CIB[b]	GROUPE CRÉDIT AGRICOLE SA	3 978,554	3 978,554	**6 348,038**	8.55% (3)	8.64% (4)
PREDICA[c]		2,368,484	2,368,484		5.09% (3)	5.15% (4)
CRÉDIT AGRICOLE CHEVREUX[d]		1,000	1,000		ns (3)	ns (4)
ROYAL BANK OF SCOTLAND[e]		3,372,714	3,372,714	**3,372,714**	7.25%	7.33%
ORION III EUROPEAN 3 SARL[f]		2,972,714	2,972,714	**2,972,714**	6.39%	6.46%
UNIBAIL RODAMCO SE[g]		3,372,714	3,372,714	**3,372,714**	7.25%	7.33%
REIG CAPITAL GROUP[h]		2,038,956	2,038,956	**2,038,956**	4.38%	4.43%
Sub-total, main shareholders				**42 975,301**	**92.36%**	**93.36%**
Treasury stock	SFL	498,482	-	**498,482**	1.07%	-
Total number of shares		31 Dec. 2011				
	Capital at 31 December 2010 (1)	46 528,974		**46,528 974**	100.00%	
	Shares issued between 1 January and 31 December 2011	0				
Total number of voting rights			**46,030,492**			**98.93%**
Of which free float		3 055,191	3 055,191	**3 055,191**	6.57%	6.64%

(a) Spanish property company, a subsidiary of Grupo Inmocaral SA.
(b) Investment bank within the Crédit Agricole Group.
(c) Personal insurance subsidiary of the Crédit Agricole Group.
(d) European broker within the Crédit Agricole Group and a wholly-owned subsidiary of CA-CIB.
(e) A bank 70%-owned by the UK government.
(f) A Luxembourg-based fund managed by Orion Capital Managers.
(g) A listed European commercial property group that invests primarily in shopping centres in the main European cities, and in offices and convention-exhibition centres in Paris.
(h) Andorran holding company for the investments of the Reig Moles family.

(1) As placed on record by the Board of Directors on 10 February 2011.
(2) No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.
SFL's share capital at 31 December 2011 was €93,057,948.
To the best of the Company's knowledge, no other shareholder holds over 5% of the capital or voting rights and no agreement exists that could lead to a change of control of the Company.
(3) Percent interest (Group total): 13.64%
(4) Percent voting rights (Group total): 13.79%

Changes in interests disclosed since 1 January 2012

None.

Changes in interests disclosed in 2011

211C0256

On 2 March 2011, Eurohypo AG[1] (Helfmann Park 5, 65760 Eschborn, Germany) disclosed that it had sold its SFL shares in an off-market transaction and was no longer a shareholder.

[1] Controlled by Commerzbank AG.

211C0257

On 2 March 2011, Unibail-Rodamco SE (7, place du Chancelier Adenauer, 75016 Paris, France) disclosed that it had increased its interest in SFL to over 5% of the Company's capital and voting rights and that at that date it held 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights[1].

The shares were purchased off-market pursuant to a share purchase agreement signed on 24 February 2011 between *inter alia* Eurohypo AG and Unibail-Rodamco SE.

[1] Based on a total of 46,528,974 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

MAIN SHAREHOLDERS OF THE COMPANY (2008)

		COLONIAL	PREDICA	REIG CAPITAL GROUP	EUROHYPO AG	Treasury stock	Free float	Total
31/12/2008	Shares	35,675,525	2,368,509	2,038,955	3,372,714	505,297	2,541,301	46,502,301
	Voting rights	35,675,525	2,368,509	2,038,955	3,372,714	-	2,541,301	45,997,004
	% interest	76.72%	5.09%	4.38%	7.25%	1.09%	5.46%	100%
	% voting rights*	77.56%	5.15%	4.43%	7.33%	-	5.53%	98.91%

MAIN SHAREHOLDERS OF THE COMPANY (2009)

	COLONIAL	CALYON	PREDICA	CRÉDIT AGRICOLE CHEVREUX	ROYAL BANK OF SCOTLAND	ORION III EUROPEAN 3 SARL	EUROHYPO AG	REIG CAPITAL GROUP	Treasury stock	Free float	Total
Shares	24,870,165	4,091,541	2,368,509	1,000	3,372,714	3,372,714	3,372,714	2,038,955	472,992	2,544,372	46,505,676
Voting rights	24,870,165	4,091,541	2,368,509	1,000	3,372,714	3,372,714	3,372,714	2,038,955	-	2,544,372	46,032,684
% interest	53.48%	8.80%	5.09%	n.m.	7.25%	7.25%	7.25%	4.38%	1.02%	5.47%	100%
% voting rights*	54.03%	8.89%	5.15%	n.m.	7.33%	7.33%	7.33%	4.43%	-	5.53%	98.98%

MAIN SHAREHOLDERS OF THE COMPANY (2010)

	COLONIAL	CALYON	PREDICA	CRÉDIT AGRICOLE CHEVREUX	ROYAL BANK OF SCOTLAND	ORION III EUROPEAN 3 SARL	EUROHYPO AG	REIG CAPITAL GROUP	Treasury stock	Free float	Total
Shares	24,870,165	4,091,541	2,368,484	1,000	3,372,714	2,972,714	3,372,714	2,038,955	473,611	2,967,076	46,528,974
Voting rights	24,870,165	4,091,541	2,368,484	1,000	3,372,714	2,972,714	3,372,714	2,038,955	-	2,967,076	46,055,363
% interest	53.45%	8.79%	5.09%	n.m.	7.25%	6.39%	7.25%	4.38%	1.02%	6.38%	100%
% voting rights*	54.00%	8.88%	5.14%	n.m.	7.32%	6.45%	7.32%	4.43%	-	6.44%	98.98%

* No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.

To the best of the Company's knowledge, there were no other shareholders holding more than 5% of the capital or voting rights in the years presented.

Changes in interests disclosed to the Company in 2010

None.

Changes in interests disclosed to the Company in 2009

D&I 209C0047: On 8 January 2009, Crédit Agricole SA (91-93, boulevard Pasteur, 75015 Paris) disclosed that its subsidiary Calyon had exercised its call option on 4,091,541 SFL shares[(1)], thereby increasing Crédit Agricole SA's indirect interest[(2)] to over 10% of SFL's capital and voting rights held through its subsidiaries Calyon, Prédica and Crédit Agricole Cheuvreux[(3)], and that, at 5 January 2009, it indirectly held 6,461,050 shares and voting rights, representing 13.89% of SFL's capital and voting rights[(4)], as follows:

	Capital and voting rights	% of capital and voting rights
Calyon	4,091,541	8.80
Predica	2,368,509	5.09
Crédit Agricole Cheuvreux	1,000	n.m.
Total Crédit Agricole S.A.	6,461,050	13.89

Calyon's individual interest[(2)] was increased to over 5% of SFL's capital and voting rights and, at 5 January 2009, it held 4,091,541 SFL shares and voting rights, representing 8.80% of the Company's capital and voting rights[(4)].

Following these transactions, Crédit Agricole SA reiterated the terms of its statement of intent sent to the AMF by letter on 24 December and 30 December 2008 (see D&I 208C2364 dated 31 December 2008).

(1) See D&I 208C2162 dated 3 December 2008, D&I 208C2265 dated 16 December 2008 and D&I 209C0020 dated 6 January 2009.
(2) Within the meaning of Article L.233-7 of the French Commercial Code.
(3) Prédica is wholly-owned by Crédit Agricole SA. Calyon is 95.28%-owned directly and 97.74%-owned directly and indirectly by Crédit Agricole SA. Crédit Agricole Cheuvreux is indirectly controlled by Crédit Agricole SA.
(4) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

D&I 209C0086: On 16 January 2009, The Royal Bank of Scotland (36 Saint Andrew Square, Edinburgh EH22YB, UK) disclosed that it had exercised the option to purchase 3,372,714 SFL shares granted to it by Inmobiliaria Colonial SA on 25 November 2008[(1)], thereby increasing its interest to over 5% of SFL's capital and voting rights[(2)] and that, as of 9 January 2009, it held 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights[(3)].

(1) See D&I 208C2167 dated 3 December 2008 and D&I 208C2269 dated 16 December 2008.
(2) Within the meaning of Article L.233-7 of the French Commercial Code.
(3) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

D&I 209C0090: On 19 January 2009, The Goldman Sachs Group Inc. (Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, USA) disclosed that it had exercised the option to purchase 3,372,714 SFL shares granted to it by Inmobiliaria Colonial SA on 25 November 2008[(1)], thereby increasing its indirect interest to over 5% of SFL's capital and voting rights[(2)] and that, as of 7 January 2009, it held 3,379,215 shares and voting rights through its subsidiaries, representing 7.26% of SFL's capital and voting rights[(3)], as follows:

	Capital and voting rights	% of capital and voting rights
Goldman Sachs International Bank [(4)]	3,372,714	7.25
Goldman Sachs International	6,501	0.01
Total Goldman Sachs Group	3,379,215	7.26

(1) See D&I 208C2165 dated 3 December 2008 and D&I 208C2268 dated 16 December 2008.
(2) Within the meaning of Article L.233-7 of the French Commercial Code.
(3) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.
(4) Goldman Sachs International Bank individually holds over 5% of SFL's capital and voting rights as explained above.

D&I 209C0104: On 20 January 2009, Inmobiliaria Colonial (Avenida Diagonal, 532 – 08006 Barcelona, Spain) disclosed that it had reduced its direct interest to below two-thirds of SFL's capital and voting rights and that it held 24,838,556 shares and voting rights, representing 53.41% of SFL's capital and voting rights(1).

The decrease in interest arose following the exercise, on 7 and 9 January 2009 respectively, by Goldman Sachs International Bank and The Royal Bank of Scotland of the call options on 7.25% of SFL's capital(2) each granted to them by Inmobiliaria Colonial on 25 November 2008.

(1) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.
(2) See D&I 209C0086 dated 16 January 2009 and D&I 209C0090 dated 19 January 2009.

D&I 209C0145: On 28 January 2009, Orion III European 3 SARL(1) (6 avenue Pasteur L2310, Luxembourg), a *société à responsabilité limitée* governed by the laws of Luxembourg, disclosed that it had acquired over 5% of SFL's capital and voting rights and that, as of 23 January 2009, it held 3,372,714 shares and voting rights, representing 7.25% of the Company's capital and voting rights(2). The 3,372,714 shares were acquired in a block purchase.

(1) Controlled by Orion European Real Estate Fund III (Locatellikade 1, 1076 AZ Amsterdam, Netherlands), which is managed by Orion Capital Managers, LP.
(2) Based on a total of 46,502,301 shares and voting rights outstanding.

D&I 209C0154: On 30 January 2009, The Goldman Sachs Group Inc. (85 Broad Street, New York, NY 10004, USA) disclosed that it had reduced its indirect interest in SFL, held through its subsidiary Goldman Sachs International, to below 5% of SFL's capital and voting rights and that, as of 23 January 2009, it indirectly held 376 shares and voting rights, representing 0.001% of the Company's capital and voting rights(1).

The decrease resulted from the sale of 3,378,839 SFL shares.

(1) Based on a total of 46,502,301 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.

5.3. Dividends paid in the last three years

In accordance with Article 243 bis of the French Tax Code, information on dividends paid in the last three years is provided below:

Year	Dividend per share	Dividend qualifying for the 40% tax relief	Dividend not qualifying for the 40% tax relief
2008	€1.90	€1.90	€0
2009	€2.10	€2.10	€0
2010	€2.10	€2.10	€0

In addition, at the General Meeting of 4 November 2011, shareholders approved the payment of a special dividend of €0.70 per share. This dividend qualified for the 40% tax relief.

Dividend policy

The amount and manner of payment of future dividends will be decided each year according to the Company's earnings, cash position, financing terms, capital needs, overall business situation, the resources necessary to ensure the Company's development and any other factor that the Board of Directors considers relevant in preparing its recommendation to shareholders. The decision to pay a dividend, and the amount of such dividend, will also depend on the rights of holders of securities that may be issued in the future and any restrictions on dividend distributions that may exist as a result of existing lines of credit or any other debt. There can be no assurance that SFL will pay dividends in future years.

In any event, as a company taxed as an SIIC, SFL has certain distribution obligations. By virtue of Article 208 C of the French Tax Code, SFL is exempt from paying tax on (i) profits from its property rental activities, (ii) capital gains on property sales and sales of interests in look-through entities or subsidiaries that have elected for the SIIC regime, and (iii) dividends received from subsidiaries that have also elected for the SIIC tax regime. In exchange for this exemption, the Company must distribute (i) at least 85% of the exempted rental profits within 12 months of the close of the financial year in which the profits are earned, (ii) at least 50% of the exempted capital gains from the sale of properties or interests in look-through entities or subsidiaries that have elected for the SIIC tax regime, or the sale of finance-lease contracts, within 24 months of the close of the financial year during which the capital gains were generated and (iii) 100% of the dividends received from subsidiaries that have also elected for the SIIC tax regime within 12 months of the close of the financial year during which the dividends were received. The amounts to be distributed are determined separately by each company that has elected for the SIIC tax regime, based on its individual earnings.

5.4. Transactions in SFL shares

Stock options granted to and exercised by the Chief Executive Officer and the Managing Director in 2011

No stock options were granted to or exercised by the Chief Executive Officer or the Managing Director in 2011, except for the 517 options granted to Nicolas Reynaud representing the adjustment required under Article L.228-99 of the French Commercial Code following the distribution from the share premium account of a special dividend of €0.70 per eligible share, as decided by the General Meeting of 4 November 2011 (see Table 4).

Stock options outstanding at 31 December 2011

	Plan	Number of options granted	Exercise price (in €)	Expiry date	Number of options exercised	Number of options outstanding at 31 December 2011
Nicolas REYNAUD	13 March 2007 SFL	25,517	61,33	12 March 2015	-	25,517
Total		25,517			-	25,517

The General Meeting of 9 May 2011 authorised a share buyback programme with the following objectives:

- To purchase shares for allocation to Group employees in connection with (i) the non-discretionary profit-sharing scheme, (ii) any programme of employee share awards, with or without consideration, governed by Articles L.3332-1 et seq. of the French Labour Code or (iii) any stock option plan or performance share plan for all or certain categories of employees and corporate officers.

- To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).

- To permit the issue of debt securities convertible into equity instruments and the fulfilment of the obligations related thereto, in particular by delivering shares upon exercise of rights attached to securities convertible, redeemable or otherwise exercisable for shares.

- To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.

- To buy back shares for cancellation, in accordance with Article L.225-209 of the French Commercial Code, subject to an authorisation from the Extraordinary General Meeting to reduce the Company's capital.

- To carry out any market practices that may be recognised in the future by law or by the securities regulator.

The number of shares bought back in order to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger may not exceed 5% of the issued capital.

The maximum purchase price for these shares was set at €50 per share.

At 31 December 2011, the Company held 498,482 shares in treasury, representing 1.07% of the capital and breaking down as follows:

1. Shares purchased for allocation to SFL Group employees: 449,449;

2. Shares purchased under a liquidity contract with an investment firm: 25,750;

3. Shares held for delivery on exercise of rights attached to share equivalents: 0;

4. Shares purchased for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions: 23,283;

5. Shares were purchased for the purpose of being cancelled: 0.

The Board of Directors has decided to table a resolution at the 19 April 2012 Annual General Meeting authorising a further buyback programme. The maximum purchase price for these shares would be set at €50 (eighth ordinary resolution).

Under the terms of the new programme, the Company would be authorised to buy back shares representing up to 10% of the issued capital.

Based on the issued capital at 31 December 2011, the authorisation would concern the buyback of up to 4,652,898 shares. This ceiling will be adjusted in the event of any changes in issued capital in the period up to the date of the Annual General Meeting.

The aims of the programme would be:

- to purchase shares for allocation to Group employees in connection with (i) the non-discretionary profit-sharing scheme, (ii) any programme of employee share awards, with or without consideration, governed by Articles L.3332-1 et seq. of the French Labour Code or (iii) any stock option plan or performance share plan for all or certain categories of employees and corporate officers;

- to buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers);

- to permit the issue of debt securities convertible into equity instruments and the fulfilment of the obligations related thereto, in particular by delivering shares upon exercise of rights attached to securities convertible, redeemable or otherwise exercisable for shares;

- to buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions;

- to buy back shares for cancellation, in accordance with Article L.225-209 of the French Commercial Code, subject to an authorisation from the Extraordinary General Meeting to reduce the Company's capital;

- to carry out any market practices that may be recognised in the future by law or by the securities regulator.

If shares were to be bought back under a liquidity contract under the terms and conditions defined by the AMF's general regulations, the number of shares used to calculate the limit of 10% of the issued capital would correspond to the number of shares purchased minus the number of shares sold during the authorised period.

The number of shares that may be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger would not exceed 5% of the issued capital, i.e. 2,326,449 shares.

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

Summary of disclosures

Disclosure of treasury share transactions for the period from 1 January 2011 to 31 December 2011

Percentage of capital held by the Company and/or its subsidiaries	1.07%
Number of shares cancelled in the last 24 months	0
Number of shares held	498,482
Carrying amount of the portfolio	€27,172,620.83
Market value of the portfolio (at 31 December 2011)	€16,694,162.18

	Cumulative transactions		Open positions on the publication date of programme details			
	Purchases	Sales/ Transfers	Open buy positions		Open sell positions	
			Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	75,489	50,618	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average transaction price	€37.02	€36.86	-	-	-	-
Average exercise price	-	-	-	-	-	-
Amount	€2,794,947.18	€1,865,883.23	-	-	-	-

Transaction costs under the liquidity contract amounted to €26,800 in 2011.

Transactions carried out by directors or parties closely related to them in 2011.
None.

5.5 Items that could affect a public offer for the Company's shares

5.5.1. Corporate mutual fund

The "Actions SFL" corporate mutual fund has a Supervisory Board set up in accordance with Article L.214-40 of the French Monetary and Financial Code. The Board has a total of six members including three members representing employees and former employees and three representatives of SFL.
It met on 16 December 2011 to review the fund's annual management report.

In accordance with Article L.214-40 of the Monetary and Financial Code, in the event of a public offer for SFL's shares, the fund's Supervisory Board would be required to hold a meeting in order to decide whether to tender the shares held by the fund to the offer.

5.5.2. Employee compensation and severance schemes

Five employees (including one person who is also an officer of the Company) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their responsibilities following a significant direct or indirect change in the shareholder base of SFL or its controlling company.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008.

In addition, all employees whose employment contracts are governed by the National Collective Bargaining Agreement for the Property Industry are covered by Addendum no. 6 to the Company-level agreement dated 1 July 1999 which provides for enhanced severance pay in the event of redundancy. In such a case, total severance pay would be calculated as follows, based on the employee's gross monthly salary at the date the employment contract was terminated:

Length of service	Severance pay
1 to 2 years	4 months
2 to 4 years	5 months
5 to 6 years	6 months
7 to 10 years	7 months
11 to 14 years	8 months
15 to 18 years	9 months
19 to 21 years	10 months
22 years or more	10 months + ½ month per year of service beyond 21 years

5.5.3. Disclosure obligations under the Articles of Association

Paragraph III of Article 10 of the Company's Articles of Association states that in addition to the obligations arising from legal disclosure thresholds, any individual or legal entity acting alone or in concert that holds – directly or indirectly within the meaning of Articles L.233-7 et seq. of the French Commercial Code – shares and/or securities carrying rights to shares representing at least 2% of the Company's capital or voting rights, is required to disclose to the Company by registered letter with return receipt requested, within five trading days of the additional interest being recorded, details of the number of shares and/or securities carrying rights to shares that are held and the number of voting rights attached thereto.

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

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

5.5.4. Shareholders' pact

See paragraph 14 "Risks associated with the majority shareholder" on page 28.
D&I 204C1487: A copy of the shareholders' pact signed on 24 November 2004 between Colonial and Prédica was transmitted to the French securities regulator (Autorité des Marchés Financiers) on 1 December 2004. Prédica became a shareholder of SFL through its purchase from Colonial of shares representing 9.63% of the Company's capital and 9.90% of the voting rights at the transaction date.

In the pact's preamble, the parties stipulate that they do not intend to act in concert at meetings of SFL shareholders. The sole purpose of the pact is to enable Prédica to be represented on SFL's Board of Directors whilst exercising complete voting freedom at both General Meetings and Board meetings. Similarly, Colonial – SFL's controlling shareholder – freely determines the Company's strategy and policies. The main terms of the pact are as follows:

Prédica representative on the Board of Directors and certain committees

Prédica has the right to one seat on SFL's Board of Directors, for as long as Colonial controls SFL and Prédica's interest represents at least 5%. Prédica's ownership interest in the Company is protected by an anti-dilution clause which applies, subject to certain conditions, if a share issue is carried out by SFL that has not been approved by Prédica and in which Prédica has not had the opportunity to participate, and said issue results in Prédica's interest falling below 5% (excluding any shares to be issued on the exercise of stock options or the conversion of existing convertible bonds).

The director nominated by Prédica sits on the Company's Audit Committee and will also sit on any Investment Committee that may be set up.

Put option

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

- If SFL decides to revoke its election for the SIIC tax regime;
- If Colonial decides to delist SFL shares from the Premier Marché of NYSE Euronext Paris;
- If Colonial decides to change the Company's strategic priorities compared with those announced when it took control of SFL and which are set out in the shareholders' pact;
- If Colonial does not respect the provisions of the shareholders' pact concerning Prédica's representation on SFL's Board of Directors, for a period of over four months;
- If SFL is merged into Colonial.

However, the number of shares covered by the put option is capped in such as way as to ensure that Colonial would not be required to file a tender offer for SFL to comply with French securities regulations. Also, in order for Prédica to exercise its put option, Colonial must hold over 50% of SFL's capital and voting rights at the time that any of the above situations arises (or, in the event of a planned merger, prior to that merger).

Finally, if Colonial decides to delist SFL and Prédica has not exercised its put, Prédica will benefit from an exit clause in the case of a sale by Colonial of SFL shares to a third party that results in Colonial ceasing to exercise control over the Company (as defined by Article L.233-3 of the French Commercial Code).

Pre-emptive purchase right

Colonial has a pre-emptive right to purchase any SFL shares offered by Prédica, directly or indirectly, to any third party, with the customary exclusions (intercompany transfers by Prédica and sales of shares to directors), provided that Prédica may sell on the market in any 12-month period a number of shares representing up to 2% of SFL's capital.

Exit clause

Prédica benefits from an exit clause in the case of a private sale by Colonial of SFL shares to a third party that has the effect of reducing Colonial's interest to less than 50% of SFL's capital where (i) Colonial does not cease to control SFL (as defined in Article L.233-3 of the French Commercial Code), (ii) the third party does not acquire more than one third of SFL's capital, or (iii) the third party is not required to launch a takeover bid for SFL.

Cap on Prédica's interest in SFL

In exchange for the commitments given by Colonial and in order to ensure the liquidity of SFL shares, Prédica has agreed not to increase its percentage interest in SFL's capital (including shares held indirectly through subsidiaries) from the level held at the date of the shareholders' pact, unless there is a reasonably liquid market for the shares (considered to be the case if the free float represents at least 10% of the capital or any other higher threshold required by law).

The shareholders' pact was entered into for an initial period of five years and is automatically renewable for successive five-year periods unless either party gives notice of its intention to withdraw from the pact at least six months before the next renewal date.

210C1218 :

1 - A copy of the 25 November 2010 shareholders' pact between SFL and Spanish company Realia Patrimonio SLU ("Realia")[1] concerning SIIC de Paris shares was transmitted to the French securities regulator (*A*utorité des Marchés Financiers) on 26 November 2010[1].

The pact arose from the transactions to be carried out pursuant to the terms of the exclusive negotiation letters signed on 20 October 2010 between (i) SFL and SIIC de Paris and (ii) SFL and Realia[2], as confirmed by the agreements dated 25 November 2010.

At the time of the agreements, Realia held 84.83% of the capital and voting rights of SIIC de Paris.

The transactions described in the agreements dated 25 November 2010 are as follows:

- Contribution by SFL to SIIC de Paris of two office properties together valued at approximately €286 million, in exchange for 15,476,190 newly issued SIIC de Paris shares representing 36.36% of its capital and voting rights[3]. The purchase and share issue would be subject to approval by SIIC de Paris's shareholders at an Extraordinary General Meeting to be held on 27 December 2010. The share issue would have the effect of reducing Realia's interest in SIIC de Paris to 53.99% of the capital and voting rights;

- Immediately after the above transaction, sale by SFL to Realia of 2,706,652 SIIC de Paris shares, corresponding to 6.36% of the capital and voting rights, at a price of €18.48 per share (representing a total of approximately €50 million), in order to reduce its interest to 29.99% of the capital and voting rights. It was agreed that Realia would sell a certain number of SIIC de Paris shares prior to the Extraordinary Meeting, so that after acquiring these shares from SFL, its interest in SIIC de Paris would stand at between 56.36% and 59.75%.

2 - The 25 November 2010 shareholders' pact between SFL and Realia, the main terms of which were agreed in the exclusive negotiation letters signed on 20 October 2010, is primarily intended to protect SFL's position as a minority shareholder of SIIC de Paris. The principal clauses are as follows:

- The SIIC de Paris Board of Directors will have ten members, of which three nominated by SFL, and certain fundamental decisions[4] of the Board may only be made by a majority vote of eight of the ten members;

- SFL will have a pre-emptive purchase right in the event of (i) the planned transfer by Realia of all or some of its SIIC de Paris shares in a transaction that will reduce its interest to less than 50% of the capital and voting rights, and (ii) any subsequent transfer of SIIC de Paris shares by Realia[5];

- To compensate for the lack of a liquid market for SIIC de Paris shares, the pact includes tag-along rights for SFL whereby, in the event of a planned transfer of SIIC de Paris shares by Realia, SFL will have the right to simultaneously transfer:

  – A number of SIIC de Paris shares at least equal to the number of SIIC de Paris shares to be transferred by Realia if (i) Realia plans to transfer all or some of its shares in a transaction that will reduce its interest to less than 55% of the capital and voting rights, and (ii) Realia subsequently decides to transfer additional SIIC de Paris shares without reducing its interest to less than 45% of the capital and voting rights;

  – All or part of its interest in SIIC de Paris if (i) Realia plans to transfer all or some of its shares in a transaction that will reduce its interest to less than 45% of the capital and voting rights and (ii) Realia subsequently decides to transfer additional SIIC de Paris.

- Realia will have a pre-emptive purchase right in the event of a planned transfer of SIIC de Paris shares by SFL to a third party if SFL also plans to transfer its rights under the shareholders' pact to the acquirer;

- SFL will have a put option on its total interest in SIIC de Paris that will be exercisable in the event of a change of control of Realia Business SA (Realia's parent company) that does not result in a compulsory takeover bid for SIIC de Paris (or any breach by Realia Business SA of its commitment to retain exclusive control of Realia). The option price will be equal to SIIC de Paris's most recently published NAV per share and will be payable, at Realia's discretion, either in cash or – in certain circumstances – in assets held by Realia or any of its wholly-owned subsidiaries;

- The pact also describes:

  – The rules governing the possible transfer by SFL to a third party of its rights under the pact at the same time as the SIIC de Paris shares were transferred,

  – The system of reciprocal put options that would be exercisable if either party were to acquire over 60% of the capital and voting rights of SIIC de Paris, alone or jointly with another shareholder, resulting in SIIC de Paris temporarily or permanently losing the right to be taxed as an SIIC,

  – Realia's commitments concerning any sales of SIIC de Paris shares that could have an impact on the level of debt of SIIC de Paris or Realia,

  – The parties' reciprocal undertaking not to transfer any SIIC de Paris shares (except in certain specified circumstances) within six months of the completion date of the asset contribution, in order to avoid adversely affecting the SIIC de Paris share price.

Lastly, in the pact, SFL and Realia both state that they are not acting in concert.

3 - SFL's application for a waiver of the obligation to file a takeover bid for SIIC de Paris was reviewed by the AMF at its meeting on 16 November 2010.

The sale of assets in exchange for shares described in paragraph 1 would result in SFL acquiring over one-third of SIIC de Paris's capital and voting rights. Although its interest would immediately be reduced to below this threshold, under stock market rules (Article 234-2 of the AMF's general regulations), SFL would normally be required to file a takeover bid for the company.

SFL applied for a waiver of this rule based on Article 234-9-6 of the AMF's general regulations.

The AMF noted that (i) SFL would temporarily acquire over one-third of SIIC de Paris's capital and voting rights as a result of the asset contribution, and would immediately sell some of the shares in order to reduce its interest to 29.99% of the capital and voting rights, and (ii) Realia held and would continue to hold individually the majority of voting rights in SIIC de Paris.

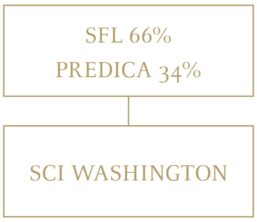
On this basis, and having noted that SFL and Realia did not intend to act in concert with regard to SIIC de Paris, the AMF agreed to waive the requirement for SFL to file a takeover bid for SIIC de Paris.

[1] In turn controlled by Realia Business SA
[2] See joint press release published by SFL and SIIC de Paris on 21 October 2010.
[3] Based on a total of 42,565,130 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.
[4] Defined as (i) any decision that may result in SIIC de Paris no longer qualifying for taxation as an SIIC; (ii) any material change to the company's articles of association (including any capital increase or reduction, merger, demerger, asset contribution, or issue of equity instruments) or its corporate purpose; (iii) any transaction that increases the company's debt by €200 million or more or that increases the Loan-to-Value ratio to over 55%; (iv) any investment that exceeds €75 million or has the effect of increasing the total investments made over the previous 12 months to more than €120 million; (v) any asset acquisition/disposal/transfer that exceeds €75 million or has the effect of increasing the total acquisitions/disposals/transfers carried out over the previous 12 months to more than €120 million; (vi) the signature, amendment or renewal of any agreement between an SIIC de Paris group company and SFL or Realia; and (vii) generally, any regulated agreement governed by Article L.225-38 of the French Commercial Code.
[5] Realia has given an undertaking that if, as a result of exercising its pre-emptive right to acquire SIIC de Paris shares, SFL were to be required to make a takeover bid for the company, no SIIC de Paris shares held by any companies in the Realia group would be tendered to the offer.

5.5.5. Partnerships

Partner	Joint venture	Main clauses
PRÉDICA (1)	SCI Washington (66%-owned by SFL)	In the case of a change of control (50%) of SFL or Prédica the other partner has the option of: – agreeing to the change of control (2); or – acquiring all the shares and shareholders' advances of the other partner; or - selling all its shares and shareholders' advances to the other partner, at a price corresponding to the market value of the underlying assets, to be determined jointly by the parties or by an independent expert.

(1) Life insurance subsidiary of Crédit Agricole Assurances.
(2) Following the takeover of SFL by Grupo Inmocaral, through its subsidiary Inmobiliaria Colonial SA, the joint venture partners agreed to SFL's change of control, as provided for under the terms of the related shareholders' pact.



Partner	Joint venture	Main clauses
PRÉDICA (1)	Parholding SAS (50%-owned by SFL)	In the case of a change of control (50%) of SFL or Prédica the other partner has the option of: - agreeing to the change of control; or - acquiring all the shares and shareholders' advances of the other partner; or - selling all its shares and shareholders' advances to the other partner, at a price corresponding to the market value of the underlying assets, to be determined jointly by the parties or by an independent expert.

(1) Prédica, the life insurance subsidiary of Crédit Agricole Assurances, became SFL's partner in Parholding on 6 October 2009 by acquiring the 50% stake previously held by Ile-de-France Investissements. The joint venture was approved by the European Commission on 25 September 2009.

5.6. Share performance

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

		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €m)
2011	January	34.78	33.86	38,786	1.334
	February	35.57	34.30	95,273	3.240
	March	39.00	34.26	143,958	5.225
	April	42.55	37.85	32,864	1.178
	May	42.34	38.83	49,971	2.023
	June	40.56	37.97	25,661	0.977
	July	39.20	36.98	27,240	1.040
	August	38.46	33.71	37,665	1.356
	September	36.43	31.86	18,626	0.578
	October	36.24	33.47	29,823	1.048
	November	34.92	32.05	45,649	1.462
	December	34.90	32.50	40,929	1.360
2012	January	36.30	33.00	107,029	3.257
	February	36.59	34.50	61,572	2.094

Source: NYSE Euronext (https://connect.nyx.com/fr/home)

6. Employee and Environmental Information

6.1. . Employee information

On the human resources front, 2011 was a year of major organisational change that ushered in a cultural transformation.

In order to more effectively address business challenges and implement the Group's strategy, the internal organisation has been restructured around three areas of expertise:

- Operations, encompassing the property, asset management, technical and marketing disciplines.
- Finance, including accounting, financing, budget control and investor relations.
- Support/Resources, spanning legal affairs, human resources, information systems, communication and internal control and audit.

This organisation structure illustrates the new corporate culture that we are promoting among employees, based on value creation, the development of a unique relationship with clients and other market players, team empowerment and motivation, and professional excellence.

To support this organisational and cultural change, a new bonus system has been introduced that is more incentivising and better aligned not only with the changes taking place in the Company and the market, but also with the new principles and values we are seeking to promote.

Lastly, in the area of remuneration, a new three-year discretionary profit-sharing agreement was signed during the year with employee representatives.

6.1.1 Number of employees

At 31 December 2011, SFL had a total of 83 employees, broken down by category and type of contract as follows:

Category	Men	Women	Total
Managers	29	24	53
Supervisors	2	12	14
Other administrative staff	-	14	14
Total Administrative staff	**31**	**50**	**81**
Caretakers	1	1	2
Building employees	-	-	-
Total Building staff	**1**	**1**	**2**
Total employees	32	51	83
of which:			
Fixed-term contracts	-	-	-
Permanent contracts	32	51	83

Four people were hired in 2011:

Type of contract	Administrative staff	Building staff	Total
Fixed-term contracts	-	-	-
Permanent contracts	4	-	4
Total	4	-	4

Seven employees left Company during the year:

Reason	Administrative staff	Building staff	Total
Resignations	1	-	1
Expiry of fixed-term contracts	1	-	1
Dismissal for personal reasons	2	-	2
Redundancies	-	1	1
Retirement	-	-	-
Other	2	-	2
Total	6	1	7

No layoff plans were implemented by the Group in 2011.

The difference between net employee movements during the year as shown in the above two tables and the net decrease in number of employees between 31 December 2010 and 31 December 2011 was due to the fact that one person left on 31 December 2011. The number of employees at 31 December 2011 stood at 83 compared with 85 at December 2010 and 86 at 31 December 2009.

The Company also uses the services of three agency employees for reception work and IT maintenance.

6.1.2 Working hours and absenteeism rate

Total working hours for employees covered by the National Collective Bargaining Agreement for the Property Industry are calculated on an annual basis in accordance with the applicable law and regulations. Pursuant to the company-level agreement dated 1 July 1999 and subsequent addenda, these employees are granted time off in lieu for hours worked in excess of a thirty-five hour week (calculated on an annual basis) in addition to their statutory holiday entitlements.

Breakdown of full-time and part-time administrative staff by gender at 31 December 2011:

Working hours	Women	Men	Total
Full-time	43	31	74
Part-time	8	1	9

Breakdown of employee absences in 2011:

Reason	Number of working days
Illness	541
Maternity leave	79
Occupational and commuting accidents	105
Leave to take care of sick children	27,50
Other family reasons (including paternal leave)	28

6.1.3 Remuneration, benefits and gender equality

Remuneration payable to Group employees is calculated as part of the annual budgeting and wage negotiation process.

All Group employees receive a fixed monthly salary and an annual performance-related bonus based on individual targets.

Following the annual pay round in December 2010, average individual salary increases were set at 2.30% as from 1 January 2011.

Each employee may pay voluntary contributions into the SFL PERCO employee pension savings scheme (Plan d'Epargne Retraite Collectif). The Company matches employee contributions up to a maximum of €3,600 per participant.

In 2011, employee contributions to the plan totalled €186,110.

Discretionary and non-discretionary profit-sharing paid in 2011 totalled €517,523 and €209,390 respectively, representing over 10% of the total payroll for the reference year for which these amounts were distributed.

Employees can invest their discretionary and non-discretionary profit-shares and voluntary contributions in one of the five company investment funds offered within the PEE and/or PERCO savings schemes: two equity funds, a fund that invests in SFL shares, a diversified fund and a money market fund.

As well as the employee savings schemes in force within the Group (PEE, PERCO, statutory and discretionary profit-sharing), during the year each employee was given €600 worth of human services vouchers (Chèques Emploi Service Universel) financed jointly by SFL and the Works Council.
Total Group payroll for the year ended 31 December 2011 amounted to €6,757,901.

Social security and other employee benefit contributions break down as follows for 2011:

- Social Security and unemployment benefit contributions €3,191,511
- Supplementary pension contributions €1,154,650
- Health and death/disability insurance contributions €289,771

The SFL Group is committed to promoting gender equality. Line managers in particular are reminded each year about the importance of applying the principle of equal pay when they award the pay rises agreed on during annual pay rounds.

The participants in the annual pay negotiations of December 2011 noted that the principle of gender equality was being actively applied to hiring, training and promotion practices.

6.1.4 Collective agreements

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

- Company-level agreement dated 1 July 1999 – administrative employees as defined in the Collective Bargaining Agreement for the Property Industry,
- Addendum no. 1 dated 17 December 1999 to the company-level agreement of 1 July 1999,

- Addendum no. 2 dated 16 October 2000 to the company-level agreement of 1 July 1999,
- Addendum no. 3 dated 15 December 2003 to the company-level agreement of 1 July 1999,
- Addendum no. 4 dated 21 December 2005 to the company-level agreement of 1 July 1999,
- Addendum no. 5 dated 21 December 2005 to the company-level agreement of 1 July 1999,
- Addendum no. 6 dated 26 September 2006 to the company-level agreement of 1 July 1999,
- Addendum no. 7 dated 26 June 2008 to the company-level agreement of 1 July 1999,
- Addendum no. 8 dated 30 June 2009 to the company-level agreement of 1 July 1999,
- Addendum no. 9 dated 12 January 2011 to the company-level agreement of 1 July 1999,
- SFL Group Non-Discretionary Profit-Sharing Agreement of 20 June 2002 and addenda dated 5 April 2003, 13 April 2005, 27 September 2005, 2 April 2007 and 29 February 2008,
- SFL Group Discretionary Profit-Sharing Agreement of 30 June 2011.
- SFL Group PEE Employee Sharesave Plan of 30 September 2002 and addenda dated 21 September 2004, 29 November 2004 and 2 April 2007.
- SFL Group Pension Savings Plan (PERCO) of 31 January 2005 and addenda dated 21 December 2006, 2 April 2007 and 12 December 2007.

6.1.5 Health and safety

The role of the Health, Safety and Working Conditions Committee, whose members were reappointed in 2011, is to contribute to improving employee health and safety and working conditions.

Specific employee safety training is organised each year with the help of risk engineering company Apave on such matters as fire safety and evacuation drills.

6.1.6 Training

SFL continued to implement an active training policy in 2011, investing the equivalent of some 3% of the total payroll.

Over 1,300 hours of training were given to 58 employees, in subjects including property management, accounting, IT, business management and languages.

6.1.7 Disabled workers

As part of its policy of supporting measures to help the disabled to find work, each year the Group allocates a significant proportion of the amount payable under the apprenticeship tax scheme to ADAPT, a not-for-profit organisation working in this area. In 2011, the Group's contribution amounted to €6,863.

In addition, €53,160 were contributed to Association de Gestion du Fonds pour l'Insertion Professionnelle des Travailleurs Handicapés (AGEFIPH) in fulfilment of the Group's obligations concerning the employment of disabled workers.

6.1.8 Company welfare schemes

As well as financing the Works Council's operating budget as legally required, the Group allocates 1.20% of the total payroll each year to financing social and cultural activities for its employees. In 2011, Works Council funding amounted to €81,094.

6.1.9 Employee share ownership

At 31 December 2011, employees held a total of 9,370 SFL shares through the "Actions SFL" corporate mutual fund.

At the Annual General Meeting of 9 May 2011, the Board of Directors was given a 38-month authorisation to set up a performance share plan governed by Articles L.225-197-1 et seq. of the French Commercial Code. The shares may be awarded to selected employees or officers of the Company or of related companies or entities within the meaning of Article L.225-197-2 of the Code. The total number of shares awarded may not exceed 1% of the number of SFL shares outstanding on the Meeting date.

Pursuant to the recommendation of the Remunerations Committee, the Board of Directors decided to award 49,481 shares under Plan 1 to (i) corporate officers and certain senior executives as a long-term incentive and (ii) all other employees of the Company and the other Group entities. In all, 19,519 performance shares were awarded to Company employees (excluding the shares awarded to the Managing Director under his employment contract).

The main purpose of Plan 1 is to set up a profit-related long-term incentive plan for corporate officers and certain senior executives that the Company is particularly interested in incentivising.

The plan was extended to all employees of the Company and the other Group entities in order to give them a stake in the Company's growth, in line with the requirements of Article L.225-197-6 of the French Commercial Code.

The main features of Plan 1 and other related information are presented on the Company's website. They can be summarised as follows:

– **Vesting date:**
Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 10 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the award date (i.e. for this initial award, the year ended 31 December 2014).

– **Continuing presence within the Group:**
The performance shares will vest only if, at the end of a three-year period, the grantee is still an employee or officer of the Company or another Group entity, as applicable, unless the grantee's separation is due to certain events that are beyond his or her control.

– **Performance targets:**
The number of performance shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking is established based on growth in each of the Reference Companies' consolidated NAV per share over the vesting period.

– **Lock-up period**
In accordance with the French Commercial Code, the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.
In addition, for performance shares awarded to corporate officers and certain senior executives, after the end of this statutory 2-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

6.2. Sustainable development strategy

Environmental Expenditure in 2011

(in €)	Commitments excluding tax	SFL's share
Diagnostics/Analyses/HQE audits (I)	1,301,914	1,258,877
WORK (II)		
Asbestos removal	1,969,471	1,933,497
Enhanced thermal insulation and sound-proofing (dry lining, double glazing)	329,549	294,249
Modernisation of plumbing, air conditioning, heating and lighting systems to reduce energy and water consumption	1,625,831	1,358,652
Expenditure to improve security installations and related compliance work (sprinklers, fire extinguishers, video surveillance systems, alarms, etc.)	275,139	239,229
TOTAL INITIATIVES (I + II)	5,501,905	5,084,505

SFL's sustainable development strategy covers two core areas: the environment, and health and safety.

6.2.1. Environmental protection

SFL's property portfolio is comprised solely of Paris properties that have the low-carbon advantage of being within easy reach of public transport. This is consistent with our environmental strategy built around certain core beliefs.

The three pillars of this strategy are to:

- Offer clients/tenants an unbeatable choice of properties in terms of carbon footprint.
- Continue to steadily improve the portfolio's environmental performance, leveraging the excellence of the current portfolio and tracking CO_2 emissions.
- Design redevelopment and major renovation projects to meet the highest environmental certification standards.

Transforming energy reduction obligations into opportunities

We have always chosen to invest in properties within convenient reach of public transport. This strategy, in place even before sustainable development become a major issue, has resulted in a particularly low carbon footprint. For our clients, this guarantees an overall carbon footprint per employee that is among the lowest in the world.

Rules and organisation

Rules

- For existing properties, apply a sustainable development policy whose effects can be measured by key indicators and quantifiable targets, set up energy efficiency programmes and raise client awareness of eco-friendly behaviours.
- For new assets undergoing redevelopment, introduce new design rules and obtain international certification (HQE®, BREEAM and LEED).
- To enhance employee awareness of sustainable development issues, continue to promote a new mindset and provide relevant training to technical staff during renovation or redevelopment projects.
- As regards client partnerships, gradually involve clients in SFL progress programmes and set up shared work guidelines for addressing such issues as green leases, environmental information appendices and the integration of greenhouse gas emissions reduction plans in their strategies.
- Generally, contribute to attenuating the effects of climate change and make the asset portfolio even more resilient:
  - We are being advised by the Carbone 4 environmental consulting firm on how to affirm the portfolio's reputation for intelligent excellence in the area of CO_2 performance. Starting in 2012, we plan to publish greenhouse gas emissions data for all of the properties in our portfolio. The aim is to communicate to all stakeholders on the superiority of this strategy, which has placed our portfolio among the best in Europe in terms of the environmental impact of property use by tenants.
  - Our most ambitious redevelopments are designed from the outset to comply with "very low energy consumption building" standards.
- Add climate change risk to the criteria considered prior to deciding on potential property acquisitions.
- Place on record and lock in the exceptional performance of our office portfolio in the areas of greenhouse gas emissions and energy consumption.
- Extend greenhouse gas emissions monitoring to include our internal operations, such as employee travel, and set targets for 2013.

Internal organisation

Our Company is organised in such a way as to allow the sustainable development strategy to be integrated in all decision-making processes and in all operating processes.

The **Technical/Risks & Environment (DT/R&E)** department analyses and recommends strategic responses to all issues which are then submitted to the **Sustainable Development Committee** for approval.

The DT/R&E ensures that the procedures and initiatives resulting from this approved strategy are rolled out to the operating teams and duly implemented (for example, by the Technical Operations and Real Estate Project teams).

Within the DT/R&E department, the Projects and Operations technical teams get together every week during **Technical Sustainable Development** meetings to discuss whether existing procedures are followed and to explain new products made necessary by regulatory or strategic changes.

The **Sustainable Development Committee** meets once a month to approve DT/R&E proposals, define objectives and review the status of the issues in progress.

The DR/R&E also leads the monthly meetings of an **internal working group** tasked with setting up an appropriate policy for SFL's day-to-day activities, with a focus on eco-friendly behaviours. The working group submits its proposals to the **Sustainable Development Committee**.

Once a year, the DT/R&E organises an information meeting for all of the operating and corporate departments. The topics addressed during these meetings include reminders of existing procedures, improvements to these procedures and explanations of new regulatory requirements.

Lastly, as a member of industry federation FSIF, we participate in the operational committee set up to examine how to implement the recommendations formulated during France's Grenelle de L'Environnement environmental summit.

Core sustainable development methods

An analysis programme has been set up, based on a detailed and structured methodology, to improve the environmental performance of each individual property in the portfolio. In addition, a document describing each property concerned provides a clear understanding of how resources are used within that property.

This methodology has three major strengths:

- It has highlighted avenues for improvement that allow us to commit to energy and water use reduction targets.
- It has allowed us to create an internal database that can be used to identify and apply best practices in terms of energy and water use reduction.
- It is immediately applicable to each new property added to the portfolio.

It is currently being applied to the eight largest properties in the portfolio, together representing 218,960 square meters or 84% of the total portfolio.

We are initially focusing on the common areas managed by our teams. The next step will be to include the private areas managed by clients within our environmental strategy.
Energy and water use reduction targets have been defined for each property based on an analysis of data for the three years 2009, 2010 and 2011. In this regard, our energy and water efficiency programme can be adjusted at anytime using the computer application that tracks monthly use of these resources.

In 2011, we designated the items to which our sustainable development strategy would be applied, based mainly on the criteria recommended by the European Public Real Estate Association (EPRA).

2012-2013 targets

- Roll out the sustainable development strategy to the entire property portfolio.
- Reduce energy use by 15%.
- Reduce water use by 10%.
- Set up a selective sorting system in 2012 for building use waste and recycle 10% more waste in 2013.
- Further reduce the portfolio's carbon footprint, which is already exceptionally low thanks to the properties' close proximity to the public transport network.

Ambition

Properties in use

We have set ourselves the challenge of obtaining environmental certification for the in-use performance of all of our properties by 2013. As an example, 103 Grenelle's HQE® In-Use certification was renewed in 2011 following an audit by Certivéa.
We are also considering seeking certification under other systems, such as BREEAM In-Use and LEED EBOM.

Properties undergoing redevelopment or renovation

Our environmental performance targets are defined in a programme that is regularly adjusted to take into account the latest technologies and regulatory requirements.
This method helps to ensure that our redevelopment projects are certified to the highest standards, including a HQE® Sustainable Building Passport rating of at least "Excellent", a BREEAM rating of at least "Very Good" and a LEED rating of at least "Gold".

Owner of the first freestone building to be awarded HQE® environmental certification, SFL has firmly established its credentials as a pioneer and will continue its programmes in this area.

The In/Out redevelopment project is last year's finest example of SFL's commitment to sustainable development.
Our aim is to obtain the HQE® Sustainable Building Passport, a BREEAM "Very Good" rating and a LEED "Gold" rating with the ambition of reaching "Platinum" standard.

Already, the In/Out planning and design phase has been awarded HQE® certification and the Certivéa sustainable building passport "Exceptional" rating. The project has also been awarded the HPE (high energy performance) label for compliance with Effinergie Rénovation 2009 standards.
An analysis of greenhouse gas emissions has shown the effectiveness of organisational choices for the In/Out project and the level of performance that can be achieved with renovation work on an existing property.

In/Out is one of the very select group of properties to receive this ranking in 2011, alongside just 15 other projects representing 7% of the projects audited in France during the year.
Another emblematic redevelopment project conducted by SFL in Paris – the Mandarin Hotel in rue Saint-Honoré – also had its HQE® certification confirmed for the planning and design phase. This project was a pilot site for the development of Certivéa's HQE® certification programme for hotels.

Multiple certifications are also to be sought for the other major redevelopment projects currently under review, such as the Cardinal project in Paris.

Properties considered for purchase

During the review and due diligence phase that precedes a property acquisition, a fast-track analysis application is used to identify environmental risks and costs.

Supporting biodiversity

To the extent possible, SFL uses plants to improve building ecology within the constraints of Paris's dense urban landscape. By taking this strategic angle on renovation and acquisition projects, the organisation is helping to safeguard biodiversity. For example, the entire surface of the 1,000 square-metre roof terrace of the Champs-Élysées shopping arcade in the 8th arrondissement has been planted with a variety of tree and other species.

In 2012, the property currently under renovation at 92 Champs-Élysées will be remodelled to feature a planted wall covering nearly 200 square metres. Making up for what it lacks in open space, the building will contribute further to biodiversity in the 8th arrondissement.

In 2013, the roughly 8,000 square metres of open space at the In/Out project site will be planted with nearly 120 tree varieties, selected for their non-allergenic properties.
All of these projects will have a positive effect on the city's ecological profile.

Lastly, SFL aims to develop a strategy of reusing existing materials and equipment found at project sites.
We place a priority on environmentally gentle and/or recycled materials (especially those certified compliant with FSC® and PEFC® standards) and materials with low VOC (volatile organic compound) emissions.
Waste production is kept to a minimum during the construction process.

6.2.2. Managing health and safety risks

Alongside our environmental strategy, our corporate social responsibility focuses primarily on health and safety issues within the buildings in the portfolio.

Main resources

Health and safety charter

Our health and safety organisation is governed by a charter and a procedure manual. These two documents are updated regularly to reflect changes in health and safety legislation.
The DT/R&E regularly informs the operating units (Projects and Operations) of these changes and ensures that the related procedures are applied in buildings in use and also in buildings undergoing redevelopment.
For each building in use or undergoing redevelopment, the operating units provide DT/R&E with all the necessary information for the administrative monitoring of regulatory issues. The DT/R&E monitors health and safety risk issues for all properties in the portfolio.

The Environmental Safety/Sustainable Development Scorecard

In 2011, the DT/R&E launched a project to develop a computer application to improve the monitoring and management of health and safety risk issues. The Environmental Safety/Sustainable Development Scorecard will be deployed as from the first half of 2012 across the entire SFL portfolio, with the support of Bureau Véritas.

A commitment to accessibility

Improving access to SFL's properties for people with reduced mobility

In line with our commitment to improving access to our properties for people with reduced mobility, we have included this objective in the specifications for all of our redevelopment projects.

Accessibility facts and figures

- 53% of buildings in use are accessible by people with reduced mobility.
- 100% of the buildings undergoing redevelopment or in the design phase will be accessible within two years.
- Ultimately, properties representing around 75% of the portfolio will be accessible for people with temporary or permanent reduced mobility.

Action in favour of other forms of handicap

In addition to making buildings accessible for people with reduced mobility, we also want to help the visually- and hearing-impaired. That's why we've decided to install special equipment enabling people with disabilities to safely navigate the building, including flashing sirens, elevator cabins with visual and audio information systems, braille call buttons and contrast strips in front of staircases.

7. Appendices

Appendix 7.1 – Special report to the Annual General Meeting of 19 April 2012 on stock options (prepared in accordance with Article L.225-184 of the French Commercial Code)

In compliance with Article L. 225-184 of the French Commercial Code we hereby report to you on stock options granted and exercised during the year ended 31 December 2011.

1) No stock options were granted by SFL or any related companies during the year to the Chief Executive Officer or the Managing Director in respect of directorships or corporate functions held in SFL.

2) No stock options were granted during the year to the Chief Executive Officer or the Managing Director by any companies in which SFL has a controlling interest in respect of directorships or corporate functions held in those companies.

3) No options on shares in the companies mentioned in 1) and 2) above were exercised during the year by the Chief Executive Officer or the Managing Director.

4) No stock options were granted in 2011 by SFL or any related companies to any employees of the Company other than the Chief Executive Officer or the Managing Director.

5) No employees of the Company other than the Chief Executive Officer or the Managing Director exercised any options on shares in the companies mentioned in 1) and 2) above in 2011.

The Board of Directors

Appendix 7.2 – Board of Directors' Special Report on Share Grants (prepared in accordance with Article L. 225-197-4 of the French Commercial Code)

In compliance with the first paragraph of Article L. 225-197-4 of the French Commercial Code, we hereby present our 2011 report to you on share grants for employees and executives who do not hold over 10% of the Company's capital.

1) No share grants were made by SFL or any related companies during the year to the Chief Executive Officer or the Managing Director in their capacity as corporate officers of SFL.

2) No share grants were made during the year to the Chief Executive Officer or the Managing Director by the companies in which SFL has a controlling interest in their capacity as directors or corporate officers of those companies.

3) No share grants were made during the year by SFL or any related companies to any employees other than the Chief Executive Officer or the Managing Director.

The Board of Directors

Appendix 7.3 – Five-year financial summary (parent company) (prepared in accordance with Article R. 225-102 of the French Commercial Code)

(in €)	2007	2008	2009	2010	2011
I. Capital at 31 December					
Share capital	93,004,602	93,004,602	93,011,352	93,057,948	93,057,948
Number of ordinary shares outstanding	46,502,301	46,502,301	46,505,676	46,528,974	46,528,974
Par value	2.00	2.00	2.00	2.00	2.00
Number of potential ordinary shares to be issued:					
. On conversion of convertible bonds	-	-	-	-	-
. On exercise of warrants	-	-	-	-	-
II. Results of operations					
Net revenue	123,879,444	128,851,442	130,513,358	130,779,707	99,194,508
Profit before tax, depreciation, amortisation and provisions	121,840,846	70,266,806	120,028,141	90,116,934	70,519,256
Income tax (expense)/benefit	263,017	9,249,487	386,328	(386,328)	3,752,786
Net profit	100,843,567	-3,141,109	31,566,023	97,098,358	42,547,038
Ordinary dividends	148,807,363	88,354,372	97,661,920	97,710,845	65,140,564
Special dividends					32,570,282
III. Earnings per share					
Earnings per share after tax, before depreciation, amortisation and provisions	2.61	1.31	2.57	1.95	1.43
Earnings per share	2.17	-0.07	0.68	2.09	0.91
Net ordinary dividend per share	3.20	1.90	2.10	2.10	1.40
Special dividend per share					0.70
IV. Employee data					
Number of employees at year-end	76	73	70	70	71
. Including building staff	4	3	3	3	2
Total payroll	7,669,244	6,443,873	6,511,026	6,778,433	7,024,460
Total benefits	3,149,109	3,304,790	3,098,388	3,202,378	3,331,603

Appendix 7.4 – Financial authorisations

In accordance with Article L. 225-100 of the French Commercial Code, the table below provides a summary of the shareholder authorisations given to the Board to issue shares pursuant to Articles L.225-129-1 and L.225-129-2 of the Code, along with details of their utilisation in 2011.

Date of AGM	Authorisation or delegation of competence	Used/ unused in 2011	Duration of authorisation
9 May 2011	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a public offer.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code.	Unused	26 months
9 May 2011	Authorisation given to the Board of Directors, for issues of ordinary shares or securities with rights to shares, without pre-emptive subscription rights, through a public placement or a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, to set the issue price by the method decided by the shareholders in General Meeting.	Unused	26 months
9 May 2011	Authorisation given to the Board of Directors, in the case of a share issue with or without pre-emptive subscription rights, to increase the number of shares offered.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company.	Unused	26 months
9 May 2011	Authorisation given to the Board of Directors to issue securities with rights to debt securities.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to issue shares to employees who are members of a Sharesave Plan.	Unused	26 months
9 May 2011	Authorisation given to the Board of Directors to grant stock options to employees and corporate officers.	Unused	38 months
9 May 2011	Authorisation given to the Board of Directors to grant performance shares to eligible employees and corporate officers[1].	Unused	38 months
9 May 2011	Delegation of competence to the Board of Directors to issue bonds with redeemable equity warrants, without pre-emptive subscription rights.	Unused	18 months

(1) Pursuant to this authorisation, the Board of Directors issued share grants under two performance share plans at its meeting of 16 February 2012. Note that the authorisation is still in effect to the extent that the ceiling set by the Shareholders' Meeting has not yet been reached.

Appendix 7.5 – Chairman's Report (prepared in accordance with Article L.225-37 of the French Commercial Code)

In accordance with Article L.225-37 of the French Commercial Code, we present below our report on the membership of the Board of Directors and the Board's application of the principle of gender balance, the practices of the Board of Directors, the restrictions on the powers of the Chief Executive Officer and the Managing Director imposed by the Board of Directors, and the Company's internal control and risk management procedures. The report was approved by the Audit Committee and the Board of Directors on 5 March 2012.

The Company refers to the AFEP-MEDEF corporate governance code for listed companies.

The code can be downloaded from the MEDEF website (www.medef.fr - Corporate Governance section).

The factors that could have an impact in the event of a public tender offer for the Company's shares are presented on pages 40 to 44.

See also section 4.3 "Risk factors", pages 23 to 30.

1. Corporate governance

1.1. Board practices

1.1.1 Organisation of the Board of Directors

Composition of the Board of Directors

SFL's Board of Directors had 14 members as of 31 December 2011, including nine representing the majority shareholder Colonial, two (Jean-Jacques Duchamp of Predica and Reig Capital Group, Luxembourg, represented by Alejandro Hernández-Puértolas) representing significant minority shareholders and three independent directors (Anthony Wyand, Jean Arvis and Jacques Calvet).

Directors are elected for a three-year term, except for candidates who are aged 70 or over on the date of their election or re-election, whose term is limited to one year.
The number of directors aged over 70 may not represent more than one third of the members of the Board.

Board of Directors from 1 January to 31 December 2011	Term expires at the end of the Annual General Meeting called to approve the financial statements for:
Juan José BRUGERA CLAVERO Chairman of the Board	2012
Jean ARVIS Director	2011
Jacques CALVET Director	2011
Aref LAHHAM Director	2012
Jean-Jacques DUCHAMP Director	2012
Anne-Marie de CHALAMBERT Director	2013
Carmina GAÑET CIRERA Director	2013
Luis MALUQUER TREPAT Director	2013
Pere VIÑOLAS SERRA Director	2012
Anthony WYAND Director	2012
Carlos LOSADA MARRODAN Director	2011
Carlos FERNANDEZ-LERGA GARRALDA Director	2012
Bertrand LETAMENDIA Director	2013
REIG CAPITAL GROUP Luxembourg, (represented by Alejandro Hernández-Puértolas)	2012

General information about the directors in office at 31 December 2011

Juan José Brugera Clavero (aged 65, a Spanish citizen) began his career in 1967 as a teacher at the Terrassa and La Salle engineering schools, before joining Inter Grundig as an engineer in 1968. He moved to Banco Atlantico in 1971, where he worked in sales and logistics until 1975. He also lectured in economics (1972-1975) and bank management (1975-1988) at the ESADE business school, and was appointed honorary Vice-Chairman of the school's Foundation in 1989 and Chairman in 1999, a position he held until 2005. From 1975 to 1987, he occupied various positions at BancoSabadell. He moved to Sindibank as Chief Executive Officer in 1987 and held the same position at Colonial from 1994 to 2006 and at Mutua Madrilena from 2006 to 2007. He was also a director of SFL from 2004 to 2006. He has been the Chairman of Panrico since 2007 and Chairman of Colonial since 2008.

Jean Arvis (aged 76, a French citizen) is an independent director, with over forty years' experience in insurance. He spent the early years of his career, from 1963 to 1968, with Soleil Aigle Assurance, first as an insurance inspector and later as Company Secretary. He then joined GAN, where he also occupied the position of Company Secretary, before being appointed Chief Executive Officer. In 1986, he moved to Groupe Victoire as Chief Executive Officer, becoming Chairman and Chief Executive Officer in 1989. After leaving the company in 1992, he held the positions of Advisor to the Chairman at Suez from 1992 to 1995, Special Advisor at AIG from 1993 to 1997 and Chairman of the Board at Monceau Assurances from 1993 to 2000. He served as Vice Chairman then Chairman of Fédération Française des Sociétés d'Assurance between 1991 and 1998. He has also sat on the Board of Directors of several companies, both in France and abroad.

Jacques Calvet (aged 80, a French citizen) is an independent director. He began his career in the Auditor General's department (1957-1959) before occupying various positions in the French Ministry of Finance, including, from 1970 to 1974, Principal Secretary to the Minister, Valéry Giscard d'Estaing. He joined BNP in 1974 as Deputy Managing Director, becoming Managing Director in 1976 and then Chairman from 1979 to 1982. He has been an Honorary Chairman of BNP Paribas since 1997. He has also occupied various management positions within the Peugeot group, including Chairman of Peugeot S.A. (1982-1984), Chairman of the Supervisory Board of Peugeot S.A. (1984-1997), Chairman of Automobiles Peugeot (1990-1997) and Chairman of Automobiles Citroën (1983-1997).

Jean-Jacques Duchamp (aged 57, a French citizen) began his career in 1979 as an engineer. After working on various hydraulic engineering projects, he joined the World Bank, where he was involved in financing international projects. He moved to Crédit Agricole as head of internal audit in 1985, before becoming a member of the Bank's Finance Department in 1991. He was appointed Chief Financial Officer of Prédica in 2001 and has been a member of the Prédica Executive Committee since 2004.

Carlos Fernandez-Lerga Garralda (aged 62, a Spanish citizen) is a lawyer specialized in civil and corporate law. He began his career as Advisor to the Spanish Minister and the Secretary of State for the European Union (1978-1983) before joining Grupo Banco Hispano Americano as Chief Executive Officer of the bank's Asesoramiento Comunitario SA subsidiary. He is a member of the Board of Directors of Colonial and several other companies. A former professor at Madrid University, he has written several books on competition law and intellectual property law.

Carmina Gañet Cirera (aged 43, a Spanish citizen) is an economist by training who started her career at Caixa de Catalunya and later joined Arthur Andersen as an auditor (1991-1995). She moved on to work for La Caixa's industrial holding company (now Criteria) as head of Budget Control within the Finance, Insurance and Property department, a position that led her to participate in the Inmobiliaria Colonial IPO process. In 2000, she was appointed Chief Financial Officer of Inmobiliaria Colonial, before becoming Corporate Managing Director in January 2009. She has been a member of the Junta del Circulo de Economia economic think tank and is a former professor at Ramon LLull University.

Pere Viñolas Serra (aged 49, a Spanish citizen) holds an MBA from Esade – Barcelona University.
He was Deputy Chief Executive Officer of the Barcelona Stock Exchange from 1990 to 1996, Chief Executive Officer of Filo, a listed property company, from 1997 to 2001 and Partner and Chief Operating Officer of the Riva y Garcia financial group from 2001 to 2008. Since 2008, he has been Chief Executive Officer of Inmobiliaria Colonial. From 1994 until 2000 he was Chairman of the Barcelona-based Catalonian Financial Analysts Institute and Chairman of the Urban Land Institute in Spain. He serves on the Board of Directors of several companies and is a professor in the Finance Department of Esade.

Anthony Wyand (aged 68, a UK citizen) is an honorary Chairman and independent director of SFL. He has occupied various positions throughout his career, including Executive Director of Commercial Union Plc (1987-1998), Deputy Chief Executive of CGU Plc (1998-2001) and Executive Director of Aviva Plc (2001-2003). He is currently a member of the Board of Directors of Société Générale (France) and Unicredito.

REIG Capital Group Luxembourg is represented by Alejandro Hernández-Puértolas (aged 40, a Spanish citizen) who holds an MBA in financial management from Jacksonville University in Florida. He was Marketing Director (1995-1998), Deputy Chief Executive Officer and then Chief Executive Officer (1999-2002) of Viajes Iberia, a member of the Iberostar Group, Chief Executive Officer of MedGroup Hospitality, a member of the MedGroup Investments Group (2003-2007) and Chief Executive Officer of the Reig Capital Hotels & Real Estate Division of Reig Capital Group (2007-2010). He is currently Chairman and Chief Executive Officer of Reig Capital Management, the holding company that manages the Reig Moles family's interests and investments.

Aref Lahham (aged 47, a US citizen) is a civil engineer with degrees from Cornell University (M.Eng.) and Purdue University (B.Sc.). He began his career in 1986 as a structural engineer with Leslie E. Robertson Associates in New York, working on several office towers such as the Bank of China building in Hong Kong and the Puerta Europa building in Madrid. In 1990, he began the MBA programme at the INSEAD business school in Fontainebleau, France, and on graduation joined Segece-Compagnie Bancaire as Director, Shopping Centre Projects. In 1992, he was chosen by LaSalle Partners, a firm of property consultants, to open their London office. In 1994, he opened the Paris office which he managed until 1999. During this period, he participated in the purchase of bank receivables in France and managed the Francilienne fund, which acquired several office buildings in France. He also served as Chief Executive Officer of Lafayette Partenaires, a subsidiary of Société Générale. In 1999, with two of his partners, he set up Orion Capital Managers, which he continues to manage and which has sponsored several European property funds.

Anne-Marie de Chalambert (aged 68, a French citizen) was Marketing Director of Valois (1970-1980); founder, Chairman & Chief Executive Officer of VLGI, a subsidiary of Banque Lazard (1980-1996); Chairman & Chief Executive Officer of Generali Immobilier (1996-2004), where she shifted the focus of the Generali France portfolio from residential to office property located primarily in Paris and the Paris region; Chairman of Generali Real Estate Europe (2004-2008), where she consolidated Generali's various property management teams in Europe and invested in joint transactions; and Chairman of Generali Immobiliare (2009-2010). Since 2010, she has been acting as an advisor to Generali Immobilier and Institut Pasteur. She is also a member of the Board of Directors of Nexity.

Bertrand Letamendia (aged 65, a French citizen) is a graduate of ESSEC business school. A member of the Supervisory Board of Klépierre since 1998, he has spent his entire career in property. Between 1997 and 2008, he was successively Development Manager at STIM (Bouygues Group), Director at Kaufman & Broad and Property Director at AGF. In 2009, he set up AITA Conseils SAS, a firm of economic, marketing and property consultants.

Luis Maluquer Trepat (aged 56, a Spanish citizen) has degrees in law (from Barcelona University) and international institutions (from Geneva University). He has been a lawyer and partner of the Maluquer Advocats law firm since 1995. He headed the BNP Paribas external law firm from 1980 to 1992 and the Caja Nacional del Crédito Agrícola external law firm in Barcelona from 1992 to 1998. He has represented Spain on the Board of the European Society for Banking and Financial Law since 2000. He also lectures in taxation at the Barcelona Chamber of Commerce.

Carlos Losada Marrodan (age 54, a Spanish citizen) holds a doctorate in management sciences from Esade-Universitat Ramon Llull, a law degree from Barcelona University (1979), an MBA from Esade (1980) and a diploma from Harvard University (1994). He began his career by participating in the creation of Kernel SA, serving as the company's Chief Executive Officer until 1981. He then joined the Catalan regional government, where he held a variety of positions, of which the most recent was Secretary General of the Public Administration and Civil Service. He served as an expert in public sector management and modernisation for the United Nations Management Development Programme (PNUD-MDP) and the Inter-American Development Bank (BID). He has been an Associate Professor in the Esade Business Policy Department since 1988, specialising in business administration, corporate strategy and public management. Since September 2000, he has been Chief Executive Officer of Esade.

Independent directors

The election of independent directors is part of the general trend to enhance the corporate governance practices of listed companies.

The AFEP-MEDEF corporate governance code states that "A director is independent of the corporation's management when he or she has no relationship of any kind whatsoever with the corporation or its group which might risk colouring his or her judgment." Consequently, an independent director is to be understood not only as a "non-executive director", i.e., one not performing management duties in the corporation or its group, but also one devoid of particular bonds of interest (significant shareholder, employee, other) with them.

The AFEP-MEDEF code lists the criteria that should be applied to determine whether a director is independent and to prevent conflicts of interest between the director, on the one hand, and management, the company or the group on the other. In particular:

– The director is not an employee or corporate officer ("mandataire social") of the company, nor an employee or director of its parent or of one of its consolidated subsidiaries, and has not been one during the previous five years.
– The director is not a customer, supplier, investment banker or commercial banker that is material for the company or its group or for which the company or its group represents a material proportion of the entity's activity.
– The director does not have any close family ties with a corporate officer ("mandataire social") of the company.
– The director has not been an auditor of the company over the past five years.
– The director has not been a director of the company for more than twelve years.
– The director is not a significant shareholder of the company.
– The director is not a corporate officer ("mandataire social") of a company in which the company holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the company designated as such or by a current or former (going back five years) corporate officer of the company.

The Board of SFL has decided that the fact that a director has served on the Board for more than 12 years does not automatically disqualify him or her from being considered as independent.

The three independent directors are:
– Anthony Wyand,
– Jacques Calvet,
– Jean Arvis.

Directorships and other positions held by the members of the Board

* Directorships not taken into account to determine compliance with Articles L.225-21 and L.225-77 of the French Commercial Code on multiple directorships.

Juan José BRUGERA CLAVERO

First elected: 2004
Current term expires in 2013
Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2011:

In France - SFL Group:
– **Chairman of the Board of Directors**
 • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

Outside France (Spain)*:
– **Director and Chairman**
 • INMOBILIARIA COLONIAL (SA)

Other directorships and positions held in the past five years:
– **Chief Executive Officer**
 • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)
 • MUTUA MADRILENA (Spain)
– **Chairman**
 • PANRICO (Spain)
 • ESADE (Spain)
– **Director**
 • CREAPOLIS S.L. (Spain)
 • MAPFRE Regional Council (Spain)
– **Chief Executive Officer**
 • COLONIAL (Spain)

Jean ARVIS

First elected: 1987
Current term expires in 2012
Business address: 40 rue Washington - 75008 Paris (France)

Directorships and other positions held in 2011:

In France - SFL Group:
– **Director**
 • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - SFL Group:
– **Non-Executive Chairman***
 • GFC (Groupement Français de Caution)
– **Non-voting Director***
 • Compagnie Financière Saint-Honoré (CFSH Rothschild)
– **Legal Manager***
 • SCI DE L'ARVERNE
 • SCI SAINT-GERMAIN 176
 • GROUPEMENT FORESTIER DE L'ARVERNE

Outside France*:

– **Chairman**
  • ALMA CAPITAL EUROPE (Luxembourg)
  • ATLAS FINANCES CONSEIL (Morocco)
  • MASSINISSA (Morocco)
– **Director**
  • SCOR US
  • SCOR CANADA
  • WAFA (Morocco)
  • FRIENDS PROVIDENT, Monitoring Board (UK)
  • AZBENAR (Morocco)

Other directorships and positions held in the past five years:

– **Director**
  • ADYAL
  • IMI
  • AXA SUN LIFE, Monitoring Board (UK)
  • FAPR (Ireland)
– **Non-voting Director**
  • GIMAR

Jacques CALVET

First elected: 1999
Current term expires in 2012
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2011:

In France - SFL Group

– **Director**
  • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - Outside the SFL Group

– **Director**
  • LASER COFINOGA (SA)*
  • LASER (SA)*
  • COTTIN FRERES (SA) (listed company)
  • LE MEILLEUR HOLDING (SAS)*
– **Vice Chairman and Member of the Supervisory Board**
  • SOCIETE ANONYME DES GALERIES LAFAYETTE (SA)
– **Chairman of the Supervisory Committee***
  • BAZAR DE L'HÔTEL DE VILLE - BHV (SAS)
– **Non-voting Director***
  • EPI - Société Européenne de Participations Industrielles (SAS)
  • AGENCE H (ex. SCHERLAFARGE),
– **Honorary Chairman***
  • BNP PARIBAS (listed company)
– **Advisor***
  • BANQUE DE FRANCE
– **Honorary Advisor***
  • COUR DES COMPTES (French National Audit Office)

Other directorships and positions held in the past five years:

– **Director**
  • ALDETA (SA)
  • ICADE (SA)
  • NOVARTE (SAS)
– **Non-voting Director**
  • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)
  • COTTIN FRERES (SA)

Anne-Marie DE CHALAMBERT

First elected: 2010
Current term expires in 2014
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2011:

In France - SFL Group:

– **Director**
  • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - Outside the SFL Group:

– **Director**
  • NEXITY (SA) (listed company)
– **Chairman***
  • AMCH (SASU)
– **Legal Manager***
  • SOCIÉTÉ CIVILE DU GOLF DU MORFONTAINE
– **Member of the Investment Committee***
  • INSTITUT PASTEUR

Other directorships and positions held in the past five years:

– **Chairman of the Board of Directors**
  • GENERALI IMMOBILIARE (SA) (Italy)
  • GENERALI REAL ESTATE EUROPE (SA)
– **Chairman of the Supervisory Board**
  • GENERALI IMMOBILIER GESTION (SA)
  • GENERALI IMMOBILIER CONSEIL (SA)
– **Permanent representative of Generali Vie Member of the Supervisory Board**
  • FONCIÈRE DES RÉGIONS (SA)
– **Permanent representative of Generali Vie Member of the Supervisory Board**
  • FONCIÈRE DES LOGEMENTS (SA)
– **Permanent representative of Generali Iard, Director**
  • SILIC (SA)
– **Director then Vice Chairman**
  • FSIF - Fédération des Sociétés Immobilières et Foncières (French property industry federation)

Jean-Jacques DUCHAMP

First elected: 2004
Current term expires in 2013
Business address: 16 Boulevard de Vaugirard - 75015 Paris (France)

Directorships and other positions held in 2011:

In France - SFL Group:

– **Director**
  • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - Outside the SFL Group:

– **Director**
  • CRÉDIT AGRICOLE IMMOBILIER (SA)*
  • CPR - Asset Management (SA)*
  • PACIFICA (SA)*
  • SPIRICA (SA)*
– **Permanent representative of Crédit Agricole Assurances, Director**
  . DOLCEA VIE (SA),
– **Permanent representative of Predica, Director**
  • SANEF (SA)
  • GECINA (SA) (listed company)
– **Deputy Chief Executive Officer***
  • CREDIT AGRICOLE ASSURANCES (SA)
– **Member of the Supervisory Board**
  • KORIAN (SA) (listed company)

Outside France*:

– **Director**
  • BES VIDA (SA), (Portugal)
  • CA VITA (SA), (Italy)

Other directorships and positions held in the past five years:

– **Director**
  • PREVISEO OBSÈQUES
  • UNIMO (SAS)
  • FONCIÈRE DES RÉGIONS

Carlos FERNANDEZ-LERGA GARRALDA

First elected: 2008
Current term expires in 2013
Business Address: Monte Esquinza, 14-7°D - 28010 Madrid (Spain)

Directorships and other positions held in 2011:

In France - SFL Group:

– **Director**
  • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

– **Outside France (Spain)*:**
– **Director**
  • INMOBILIARIA COLONIAL (SA)
  • GAMESA CORPORACION TECNOLOGICA (SA)
  • EUR - CONSULTORES SL

Other directorships and positions held in the past five years:

– **Director**
  • ABANTIA EMPRESARIAL SL(Spain)

Carmina GAÑET CIRERA

First elected: 2009
Current term expires in 2014
Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2011:

In France - SFL Group:

– **Director**
  • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - Outside the SFL Group:

– **Director**
  • SIIC DE PARIS (SA) (listed company)

Other directorships and positions held in the past five years:

– **Director**
  • TORRE MARENOSTRUM (Spain)

Aref LAHHAM

First elected: 2010
Current term expires in 2013
Business address: 2 Cavendish Square - W1G OPD London (UK)

Directorships and other positions held in 2011:

In France - SFL Group:

– **Director**
  • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - Outside the SFL Group:

– **Chairman***
  • CIB MANAGEMENT (SAS) (ex Ori Sheratan SAS)
– **Legal Manager***
  • ORION CAPITAL MANAGERS France (SARL)
– **Representative of CIB Management SAS, general partner and Legal Manager of CIB - COMPAGNIE IMMOBILIÈRE BELTEGEUSE (SCA)*(listed company)**

Outside France * :

– **Director**
- Infracity AB (Sweden)
- OCM Holdings, L.L.C. (USA)
- Orderbide II Limited (UK)
- Orion Capital Managers (Italy) Srl
- Orion Capital Managers (Spain) SL
- Orion Capital Managers (UK) Limited
- Orion European Manager, L.L.C. (USA)
- Orion European Partner B.V. (Netherlands)
- Orion Holding Belgium Sparl (Belgium)
- Orion Holding Spain BV (Netherlands)
- Orion Income Spain BV (Netherlands)
- RE Constellation I BV (Netherlands)
- RE Constellation II Sarl (Luxembourg)
- RE Galaxy II Sarl (Luxembourg)
- RE Constellation II Sarl (Luxembourg)
- Swan Constellation BV (Netherlands)
- Swan Constellation II Sarl (Luxembourg)

Other directorships and positions held in the past five years:

– **Directeur**
- Cepheus Immobiliare Srl/8Gallery Srl (Italy)
- Cygnus Immobiliare Srl (Italy)
- Sidera Srl (Italy)
- Lancerta Immobiliare Srl (Italy)
- Orderbide I Limited (UK)
- Cetus Immobiliare Srl (Italy)
- Orion Capital Managers (Germany) GmbH (Germany)
- Orion Twelfth Immobilien GmbH (Germany)
- Orion Holding Italy 2 BV (Netherlands)
- Orion Income Master Luxembourg Sàrl (Luxembourg)
- Orion Master III Luxembourg Sàrl (Luxembourg)
- Pyxis Immobiliare Srl (Italy)
- Orion Immobilien Bellatrix Sàrl (ex. Orion Europ 3 Investment) (Luxembourg)
- OIRP Investment 1 Sàrl (Luxembourg)
- OIRP Investment 10 Sàrl (ex.: KIZ 5) (Luxembourg)
- OIRP Investment 11 Sàrl (ex.: KIZ 6) (Luxembourg)
- OIRP Investment 2 Sàrl (Luxembourg)
- OIRP Investment 3 Sàrl (Luxembourg)
- OIRP Investment 4 Sàrl (Luxembourg)
- OIRP Investment 6 Sàrl (Luxembourg)
- OIRP Investment 7 Sàrl (ex.: KIZ 2) (Luxembourg)
- OIRP Investment 8 Sàrl (ex.: KIZ 3) (Luxembourg)
- OIRP Investment 9 Sàrl (ex.: KIZ 4) (Luxembourg)
- Orion Asset France III Sàrl (Luxembourg)
- Orion Asset France Sàrl (Luxembourg)
- Orion Asset Germany III Sarl (Luxembourg)
- Orion Asset Italy III Sarl (Luxembourg)
- Orion Asset UK III Sarl (Luxembourg)
- Orion European 9 Investments Sarl (OIII E3/Asset Spain III) (Luxembourg)
- Orion Finance II Luxembourg Sàrl (Luxembourg)
- Orion Finance III Luxembourg Sàrl (Luxembourg)
- Orion III European 12 Sàrl (ex. Orion Asset Germany III) (Luxembourg)
- Orion III European 13 Sàrl (ex. Orion Asset UK III) (Luxembourg)
- Orion III European 2 Sàrl (ex. Orion Immobilien 3) (Luxembourg)
- Orion III European 3 Sarl (ex. Orion Asset Spain III/ Orion European 9 Investment) (Luxembourg)
- Orion III European 4 Sàrl (Luxembourg)
- Orion III European 5 Sarl (Luxembourg)
- Orion III European 8 Sàrl (ex. Orion Asset Italy III) (Luxembourg)
- Orion III European 9 Sarl (ex. Orion Asset Spain III) (Luxembourg)
- Orion Income Finance Luxembourg Sàrl (Luxembourg)
- Orion Income Partners Luxembourg Sàrl (Luxembourg)
- Orion Investment Partners Luxembourg Sàrl (ex. Orion Immobilien 2) (Luxembourg)
- Orion Master II Luxembourg Sàrl (Luxembourg)
- Orion Asset Italy Sàrl (Luxembourg)
- Orion European 2 Investments Sàrl (Luxembourg)
- Orion European Alnilam Sàrl (Luxembourg)
- Orion Immobilien Christine Sàrl (Luxembourg)
- Orion Immobilien Saiph Sàrl (Luxembourg)
- Orion European 1 Investments Sàrl (Luxembourg)
- Orion European 5 Investments Sàrl (Luxembourg)
- Orion European 6 Investments Sàrl (Luxembourg)
- Orion Holding Belgium II Sparl (Belgium)
- Orion Holding Italy 1 BV (Netherlands)
- Andromeda Capman Holding SL (Spain)
- Andromeda Capman Propiedad SL (Spain)
- Canopus Capman Holding SL (Spain)
- Canopus Capman Propiedad (Spain)
- Orion Auriga SL (Spain)
- Orion Carina SL (Spain)
- Orion Columba SL (Spain)
- Orion Corona SL (Spain)
- Orion Kapella SL Spain)
- Orion Tucana SL (Spain)
- Eridanus Immobilare Srl (Italy)
- Perseus Immobilare Srl (Italy)
- Orion Finance Luxembourg Sarl (Luxembourg)
- Orion Master Luxembourg Sàrl (Luxembourg)
- Orderbide Limited (UK)

Bertrand LETAMENDIA
First elected: 2010
Current term expires in 2014
Business address: 30 rue de la Ferme, 92200 Neuilly-Sur-Seine (France)

Directorships and other positions held in 2011:

In France - SFL Group:
– **Director**
  • SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - Outside the SFL Group:
– **Director**
  • SOGEPROM (SA)
– **Member of the Supervisory Board**
  • KLEPIERRE (SA) (listed company)
– **Vice Chairman and Member of the Supervisory Board***
  • TEXAVENIR II (SAS)
– **Chairman***
  • AITA CONSEILS (SASU)

Other directorships and positions held in the past five years:
– **Director**
  • IMMOVALOR GESTION
– **Chairman**
  . SAS AGF Saint-Marc
  . SAS Kléber Lamartine
  . SAS Kléber Longchamp
  . SAS Kléber Passy
  . SAS Société Commerciale Vernet
  . SAS 48 Notre Dame des Victoires
  . SAS Établissements Paindavoine
  . SAS Étoile Foncière et Immobilière
  . SAS Financière Cogedim Laennec
  . SAS INVCO
  . SAS Madeleine Opéra
  . SAS Société Foncière Européenne
  . SAS Société de Négociations Immobilières et Mobilières Maleville « SONIMM »
  . Vernon SAS
– **Legal Manager**
  . SNC AIP
  . SNC Allianz Bercy
  . SNC Kléber Mirabeau
  . SNC Laennec Rive Gauche
  . SNC AGF Immobilier
  . SNC Phénix Immobilier
  . Allianz Immo 3 EURL
  . Allianz France SARL
  . EURL Business Vallée II
  . EURL 20/22 Rue le Peletier
  . SARL Relais de la Nautique
  . SARL de l'Etoile
  . SCCV 48-50 Henri Barbusse
  . SCCV 33 rue La Fayette
  . SCI 2, rue Largillière
  . SCI 10, rue de Richelieu
  . SCI 12, rue de Rambouillet
  . SCI 16/18 avenue George 5
  . SCI du 18 rue Vivienne
  . SCI 25, rue Clapeyron
  . SCI 30, rue Pergolèse
  . SCI 40, Avenue Duquesne
  . SCI Centre et Paris
  . SCI Civilassur
  . SCI Clichassur
  . SCI Corepassur
  . SCI Ingrassur
  . SCI Martinassur
  . SCI Mozartassur
  . SCI Sogefo
  . SCI VI Jaurès
  . SCI Tour Michelet
  . SCI Remaupin
  . SCI 3 Route de la Wantzenau « Les Portes de l'Europe »
  . SC Preylloyd Immobilier
  . SCI Via Pierre I
  . SCI Le Surmelin
  . Société de Construction et de Gestion Immoblière des Mesoyers

Carlos LOSADA MARRODAN
First elected: 2010
Current term expires in 2012
Business address: Avenida Pedralbes 60.62, 08034 Barcelona (Spain)

Directorships and other positions held in 2011:

In France - SFL Group:
– **Director**
  . SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

Outside France*:
– **Director**
  . GAS NATURAL FENOSA, SA (Spain)
  . INNOENERGY - Société Européenne (Netherlands)

Other directorships and positions held in the past five years:
- Chairman of the Board of Directors
  . CLICKAIR (SA) (Spain)
- Director
  . UNION FENOSA GAS (SA) (Spain)
  . CERCLE D'ECONOMIA (Spain)
  . INTERMON OXFAM (Spain)
  . PENTEO ICT ANALYST (Spain)
  . BANC DE SANG I TEIXITS (Spain)

Luis MALUQUER TREPAT

First elected: 2010
Current term expires in 2014
Business address: Rambla de Catalunya 123, 6a Planta - 08036 Barcelona (Spain)

Directorships and other positions held in 2011:

In France - SFL Group:
- **Director**
  . SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

Outside France (Spain)*:
- **Chairman of the Board of Directors**
  . BALAGUER 98 DE INVERSIONES, SIMCAV, SA
  . INVER 99 SICAV, SA
- **Director**
  . MALUQUER ADVOCATS, SCP
  . ALDESAGO SL
  . FILUX, SA
  . VITEK, SA
  . M&M ENTERTAINMENT, SL
  . FORTUNELLA, SL
  . PINEAPPLE TREE, SL

Other directorships and positions held in the past five years:
- **Director**
  . GAILLAC, SL

Pere VIÑOLAS SERRA

First elected: 2008
Current term expires in 2013
Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2011:

In France - SFL Group:
- **Director**
  . SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - Outside the SFL Group:
- **Director**
  . SIIC DE PARIS (SA) (listed company)

Outside France (Spain)*:
- **Chief Executive Officer**
  . INMOBILIARIA COLONIAL (SA)
- **Director**
  . ELECTRO-STOCKS S.L.
  . BLUESPACE

Other directorships and positions held in the past five years:
- **Director**
  . RIVA Y GARCIA
  . MECANOTUBO

Anthony WYAND

First elected: 1995
Current term expires in 2013
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2011:

In France - SFL Group:
- Director and Honorary Chairman
  . SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

In France - Outside the SFL Group:
- **Director**
  . AVIVA France (SA)*
  . AVIVA PARTICIPATIONS (SA)
  . SOCIÉTÉ GÉNÉRALE (SA) (listed company)
- **Legal Manager***
  . CHATEAU DU THEIL (SCI)

Outside France*:
- **Director**
  . UNICREDITO (Italy)

Other directorships and positions held in the past five years:
- **Chairman**
  . GROSVENOR CONTINENTAL EUROPE (SAS)

REIG CAPITAL GROUP Luxembourg, represented by Alejandro HERNÁNDEZ-PUÉRTOLAS

First elected: 2007

Current term expires in 2013

Business address: Avenida Diagonal, 477 – 8 a Planta – 08036 Barcelona (Spain)

Directorships and other positions held in 2011:

In France - SFL Group:

– **Permanent representative of Reig Capital Group Luxembourg (Sarl), Director**
  . SOCIÉTÉ FONCIÈRE LYONNAISE (SA)

Outside France*:

– **Chairman and Chief Executive Officer**
  . REIG CAPITAL MANAGEMENT (Spain),

Other directorships and positions held in the past five years:

– **Chief Executive Officer**
  . REIG CAPITAL HOTELS & REAL ESTATE DIVISION (Spain)
  . MEDGROUP HOSPITALITY (Spain)

1.1.2 Role of the Board of Directors

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

In addition, the Annual General Meeting of 9 May 2011 granted the Board of Directors a 26-month delegation of competence to decide the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares and securities with rights to ordinary shares. The aggregate amount by which the capital may be increased under this authorisation is capped at €100 million.

An additional 26-month delegation of competence was granted to the Board in the case of issues of ordinary shares and securities with rights to shares without pre-emptive subscription rights, to set the issue price by the method decided by the shareholders in General Meeting instead of applying the pricing rules specified by law. Under the terms of the resolutions, the Board is authorised:

– In the case of any share issue with or without pre-emptive subscription rights that is oversubscribed, to increase the number of shares offered.
– To issue ordinary shares and securities with rights to shares, without pre-emptive subscription rights, in payment for shares tendered to a public exchange offer for the shares of another company made by SFL. The aggregate par value of ordinary shares that may be issued under this authorisation may not exceed €100 million.
– To issue ordinary shares or securities with rights to shares, without pre-emptive subscription rights, in payment for shares or securities with rights to shares contributed to SFL. The aggregate par value of ordinary shares issued under this authorisation may not exceed 10% of the Company's share capital.
– To issue securities with rights to debt securities, provided that the aggregate amount of debt securities issued directly and indirectly on exercise of rights attached to the original securities does not exceed €2 billion.
– To increase the capital by a maximum of €25 million by capitalising reserves, profits or share premiums.
– To issue ordinary shares for cash to employees and retired employees who are members of a Sharesave Plan set up by the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code, provided that the aggregate par value of the new shares does not exceed €500,000, and to make grants of existing or newly issued ordinary shares or securities with rights to shares to employees and officers. The aggregate par value of new shares, if any, issued under this latter authorisation is also capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums.

The Annual General Meeting of 9 May 2011 authorised the Board of Directors:

– To grant stock options to employees and officers of the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code. These option grants are subject to a ceiling of 3% of the Company's issued capital at the date of the General Meeting (38-month authorisation).
– To make share grants to employees – or certain categories of employees – and officers of the Company and/or related companies within the meaning of Article L.225-197-2 of the French Commercial Code. The number of shares granted under the authorisation may not represent over 1% of the Company's issued capital at the date of the General Meeting (38-month authorisation).

The Annual General Meeting of 9 May 2011 also granted an 18-month authorisation to the Board of Directors to issue up to €200 million worth of bonds with redeemable equity warrants, entailing the waiver of shareholders' pre-emptive subscription rights in favour of a selected category of beneficiaries. The aggregate par value of shares issued upon exercise of equity warrants will not exceed €3 million. They also authorised the Board of Directors to cancel, on one or several occasions, all or some of the shares acquired by the Company under various shareholder-approved buyback programmes, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date. Shareholders will be asked to renew this authorisation at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2011.

The shareholder authorisations concerning treasury shares are described on page 38.

1.1.3 Practices of the Board of Directors

Board meetings

The Board of Directors met seven times in 2011, with an average attendance rate of 90%.

At least five days before each regularly scheduled meeting, the directors are given a file on the agenda items that warrant prior analysis and consideration. Where applicable, the file includes the recommendations of the Committees of the Board.

The issues covered during the 2011 meetings were as follows:

Agenda of the 10 February 2011 meeting:

I. REVIEW AND APPROVAL OF THE 2010 FINANCIAL STATEMENTS, THE AUDIT COMMITTEE'S REPORT AND THE AUDITORS' REPORT (2010 BUSINESS REVIEW, REVIEW OF REDEVELOPMENT PROJECTS IN PROGRESS, PROPERTY ACQUISITIONS AND DISPOSALS, RESULTS).
II. DECISION PLACING ON RECORD THE CAPITAL INCREASE RESULTING FROM THE EXERCISE OF STOCK OPTIONS.
III. DIVIDEND.
IV. OTHER BUSINESS (REPORT OF THE REMUNERATION AND SELECTION COMMITTEE, RENEWAL OF THE AUTHORISATION TO GUARANTEE THE COMMITMENTS OF LOCAPARIS).

Agenda of the 14 March 2011 meeting:

I. IN/OUT PROJECT (QUAI LE GALLO PROPERTY):
- Presentation of the project.
- Opinion and decision of the Board of Directors.

II. PREPARATION OF THE ANNUAL GENERAL MEETING:
- Notice of meeting and agenda.
- Approval of the resolutions to be tabled at the Meeting.
- Approval of the reports of the Board of Directors.
- Approval of the Chairman's report on corporate governance and internal control.

III. REVIEW OF INTERNAL FORECASTS AND PROJECTIONS.

Agenda of the 9 May 2011 meeting:

I. AUTHORISATION TO CARRY OUT A BOND ISSUE.
II. APPROVAL OF THE CONCLUSIONS OF THE EXECUTIVE AND STRATEGY COMMITTEE AFTER THE 14 APRIL 2011 MEETING CONCERNING THE QUAI LE GALLO BUILDING.
III. FIRST-QUARTER 2011 REVENUE.
IV. TRANSFER OF THE COMPANY'S HEADQUARTERS TO 40 RUE WASHINGTON, 75008 PARIS.

Agenda of the 21 July 2011 meeting:

I. REVIEW OF THE 2011 INTERIM FINANCIAL STATEMENTS AND FIRST-HALF BUSINESS REVIEW, PROPERTY APPRAISALS, NAV, THE AUDIT COMMITTEE REPORT AND THE AUDITORS' REPORT.
II - REVISED 2011 BUDGET.

Agenda of the 23 September 2011 meeting:

I- PREPARATION OF THE ORDINARY GENERAL MEETING.
- Notice of meeting and agenda: payment of an interim dividend of €0.70 per share to be deducted from the share premium account.
- Approval of the resolutions to be tabled at the Meeting.
- Approval of the report of the Board of Directors.

Agenda of the 24 October 2011 meeting:

AUTHORISATION FOR THE COMPANY TO PURCHASE A SIGNIFICANT PROPERTY ASSET IN THE PARIS CENTRAL BUSINESS DISTRICT.

Agenda of the 1 December 2011 meeting:

I - 2011 FORECAST, 2012 BUDGET AND 2013-2016 BUSINESS PLAN.
II - PAYMENT OF THE DIVIDEND APPROVED BY THE GENERAL MEETING OF 4 NOVEMBER 2011.
III - APPROVAL OF THE RECOMMENDATIONS OF THE EXECUTIVE AND STRATEGY COMMITTEE MADE AT ITS MEETING OF 4 NOVEMBER 2011: IN/OUT PROJECT.

1.1.4 Restrictions on the powers of the Chief Executive Officer and the Managing Director decided by the Board

Bertrand JULIEN-LAFERRIERE
Chief Executive Officer

Nicolas REYNAUD
Managing Director
Chief Financial Officer

The Chief Executive Officer and the Managing Director represent the Company in its dealings with third parties. In accordance with the law, they have the broadest powers to act in any and all circumstances in the Company's name within the limits of its corporate purpose, except for those powers expressly attributed by law to the shareholders and the Board of Directors. The Board of Directors' authorisation must, however, be obtained prior to any and all acquisitions, disposals or financial commitments in excess of €20 million.

Measures taken by the board of directors to assess its performance:
The Board of Directors has strengthened the position of its independent directors by creating a Committee of Independent Directors, whose expert, objective oversight will help to improve the quality of the Board's work.

Adoption of the SIIC code of conduct
Responding to concerns raised by the French securities regulator (AMF) about certain SIICs that are primarily run by outside managers in exchange for significant fees, the French industry federation, FSIF, stated that this was the standard operating procedure for REITs all over the world.
However, at the AMF's request, FSIF prepared a code of conduct to ensure the transparency of information about fees paid by SIICs to related parties and external service providers.

The FSIF Board of Directors adopted the code on 2 July 2008 and asked its members to follow suit.
SFL's Board of Directors approved the adoption of the code at its meeting of 25 September 2008.

Internal rules
A summary of the Board's internal rules and its ethical and corporate governance standards is available on-line at www.fonciere-lyonnaise.com See also page 11.

The internal rules describe the Board's duties and practices, as well as the rights and obligations of individual directors.

They reflect the main corporate governance recommendations of French securities regulator AMF, the provisions of the December 2008 AFEP-MEDEF corporate governance code (revised April 2010) and the guidelines issued by the Institut Français des Administrateurs and the Association Nationale des Sociétés par Actions.

Corporate governance statements
To the best of the Company's knowledge:

- There are no family ties between the members of the Board of Directors and the Auditors.
- No member of the Board of Directors has been found guilty of fraud in at least the past five years.
- No member of the Board of Directors has been involved in a bankruptcy, sequestration or liquidation in at least the past five years.
- No member of the Board of Directors has been charged by the statutory or regulatory authorities in at least the past five years.
- There are no potential conflicts of interest between the members of the Board and their duties to the Company. The Directors' Charter requires directors to disclose any conflicts of interest to the Board and to abstain from voting on related topics.
- No member of the Board of Directors has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in at least the past five years.
- In accordance with the Articles of Association, each director who is a natural person, each permanent representative of a corporate director and each non-voting director must directly own at least 25 SFL shares in registered form. No other restrictions have been agreed by any member of the Company's administrative, management, or supervisory bodies or senior management on the disposal within a certain period of time of their holdings in SFL's securities.
- There are no service contracts between members of the administrative, management or supervisory bodies' and SFL or any of its subsidiaries providing for benefits upon termination of employment.

Other information
The main terms and conditions of shareholder pacts are described on pages 41 to 44.

Related-party agreements
The Auditors' report on related-party agreements is on page 150.

1.2. Committees of the Board

The purpose of these Committees, whose members may or may not be directors, is to improve the Board's efficiency and generally enhance the Company's corporate governance.

The decision to create a committee is made by the Board. Each committee generally has three or four members who are appointed by the Board. They are selected for their skill and experience and are not necessarily directors or shareholders of the Company.

The committees only examine issues submitted to them by the Board of Directors or the Chairman, in the areas falling within their terms of reference as decided by the Board. They act exclusively in a consultative capacity; under no circumstances may they interfere in the management of the Company or act in any way that would indirectly reduce the powers of the Chief Executive Officer or the Managing Director(s). The committees report to the Board of Directors.

Their members are appointed for the duration of their term as director (where applicable), or for a shorter period.
They may be removed by the Board or stand down at any time, without any reason having to be given.
The members of the committees have the same obligations of allegiance and confidentiality as the directors.

In line with its commitment to transparency and to ensuring equitable treatment of all shareholders, particularly individual shareholders, at the end of 1995 SFL set up several committees whose purpose is to involve the Board more deeply in defining and overseeing strategies related to the Company's financial and operating performance.

The Committees report to the Board on their work after each of their meetings.

Audit Committee (five meetings in 2011, on 10 February, 14 March, 21 July, 16 November and 1 December; average attendance rate 85%)

Members of the Audit Committee in 2011:
Chairman: Carlos FERNANDEZ-LERGA GARRALDA
Members: Jean ARVIS
Jacques CALVET
Jean-Jacques DUCHAMP

Role:
- To make recommendations concerning the appointment or re- appointment of the Auditors.
- To review the financial statements to be presented to the Board.
- To assess the effectiveness of internal controls over procedures, risks and compliance with ethical standards.
- To review the audit plans of the internal and external auditors.
- To verify auditor independence.

Reports: a written report on the work of the Committee must be included in the minutes of the Board meeting at which the report is presented.

Assessment: companies are encouraged to perform an assessment of the Committee's practices each year at the same time as the Board's practices are assessed.

Remuneration and Selection Committee (five meetings in 2011, on 9 February, 4 March, 21 July, 23 September and 1 December; average attendance rate 95%)

Members of the Remuneration and Selection Committee in 2011:
Chairman: Pere VIÑOLAS SERRA
Members: Jean ARVIS
Juan José BRUGERA CLAVERO
Anthony WYAND

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

Executive and Strategy Committee (five meetings in 2011, on 11 April, 21 July, 16 September, 17 October and 4 November; average attendance rate 96%)

Members of the Executive and Strategy Committee in 2011:
Chairman : Juan José BRUGERA CLAVERO
Members: Jean-Jacques DUCHAMP
Carmina GAÑET CIRERA
Aref LAHHAM
Pere VIÑOLAS SERRA

Role:
- To advise the Board and senior management on overall strategies to promote business growth in the best interests of the Company and all of its shareholders.
- To help the Board and senior management to efficiently fulfil their respective responsibilities, by acting as an interface for strategic issues and transactions.
- To review business plans and projections in order to assess the medium and long-term outlook.
- To review and make recommendations concerning planned transactions that require the Board's prior approval.
- To report to the Board on the fulfilment of its responsibilities.

Committee of Independent Directors

Discussions about the changes in SFL's ownership led the Board, on 14 February 2008, to create a Committee of Independent Directors. Its members are:
Members : Jean ARVIS
Jacques CALVET
Anthony WYAND

The Committee meets separately from the full Board.

Its role is to make recommendations to the Board concerning any proposed transactions related to a possible reorganisation of the Company's ownership structure. It did not hold any meetings in 2011.

1.3 General Meetings (extracts from articles 24, 25 and 29 of the Articles of Association)

General Meetings are called in accordance with the applicable laws and regulations.
They are held at the Company's registered office or at the venue selected by the Board of Directors, as specified in the notice of meeting.
The Board of Directors sends or makes available to shareholders the documents required to enable them to make informed decisions about whether to vote for resolutions and an informed judgement about the management of the Company's business.
Following communication of the above information, shareholders may submit written questions to the Board of Directors to be answered during the General Meeting. If several questions are submitted on the same subject, the Board may issue a single statement in reply to all the questions.
A written question is considered as having been answered when the reply is posted on the FAQs page of the Company's website.

I - General Meetings may be attended by all holders of fully paid up shares which have been recorded in the shareholder's account prior to the date of the meeting as follows:

- Holders of bearer shares and holders of registered shares recorded in an account not kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are recorded in an account kept by an accredited intermediary as of the record date.
- Holders of registered shares recorded in an account kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are registered in their name as of the record date.

These formalities must be completed no later than midnight CEST on the fourth day preceding the date of the Meeting.

Shareholders, representatives of shareholders and accredited intermediaries are entitled to attend General Meetings on presentation of proof of their eligibility to attend and their identity. The Board of Directors may provide shareholders with personal admission cards for General Meetings and, if it thinks fit, require that they be shown prior to admittance.

II - Any shareholder may, on the basis stipulated in the applicable laws and regulations, vote remotely or give proxy to his or her spouse or civil partner or to another shareholder or to any other person or legal entity in order to be represented at General Meetings, by writing to the Company to request a distance voting/proxy form. Written requests for a proxy voting form must be received at the Company's registered office at least six days before the Meeting.

If a shareholder gives proxy to a person other than his or her spouse or civil partner, the proxyholder must notify the shareholder of any situation that could give rise to a conflict of interest so that the shareholder can assess the risk of the proxyholder not voting in the shareholder's best interests.

If any such situation arises, the proxyholder shall notify the shareholder without delay and the shareholder shall then be required to formally confirm the proxy. Failing that, the proxy will not be valid and the proxyholder must notify the Company.

Any individuals or entities other than a shareholder's spouse or civil partner that actively solicit proxies (for example, a minority shareholder or an organisation set up to defend shareholders' interests) by offering, directly or indirectly and by any method, to represent one or several shareholders, must disclose their voting policy. Said individuals or entities may also disclose their voting intentions with regard to the resolutions tabled at the Meeting. In this case, they will be required to vote in accordance with their stated intentions for all proxies received without any voting instructions.

If a proxyholder fails to comply with any of the above obligations, the represented shareholder may ask the commercial court in the jurisdiction where the Company has its registered office to ban the proxyholder from acting in this capacity at all General Meetings of the Company for a period of up to three years. The Company may file a similar application but only if the proxyholder has breached the rules governing the active solicitation of proxies.

The remote voting/proxy form must be received by the Company at least three days before the Meeting date.

The applicable conditions for the return of these forms are defined by the Board of Directors in the Notice of Meeting.

Shareholders domiciled outside France may give proxy to an intermediary, registered in accordance with the applicable legal conditions, provided the Company is informed of the proxy in writing at least five days before the date of the Meeting.

The Board of Directors may reduce or waive these time periods.

Resolutions are adopted by the number of votes prescribed in the corresponding legislation in force on the date of the Meeting. Shareholders are entitled to one vote per share. There are no shares with double voting rights.

2. Internal control and risk management procedures (2011 financial year)

This report describes the procedures set up by the Company to prevent and control risks arising in the course of its business, in line with the Chairman's legal obligation to report to shareholders on the measures taken to guarantee (i) the reliability of accounting and financial information, (ii) compliance with all applicable laws and regulations and (iii) the security of reporting or management processes.

The Company applies all the recommendations and key processes contained in the AMF's reference framework for risk management and internal control dated 22 July 2010, and follows the guidance issued by French business organisations (MEDEF, AFEP and ANSA) and accounting authorities (CNCC).

The pillars of the internal control system are:

– A standard set of procedures.
– Accountable operations, finance and audit teams.
– Team-work in decision-making processes
– Segregation of duties between the authorisation of expenditure and the related payments.

Two major changes took place during 2011 that should lead to very significant improvements in the efficiency of internal control and risk management processes:

– First, the Company has been reorganised around three areas of expertise.
– Second, the Company's governance rules have been upgraded in a process led by the Audit Committee on behalf of the Board of Directors.

Internal reorganisation

The new organisation has been built around three areas of expertise:

- Operations, encompassing the property, asset management, technical and marketing disciplines.
- Finance, including accounting, financing, budget control and investor relations.
- Support/Resources, spanning legal affairs, human resources, information systems, communication and internal control and audit.

The reorganisation was carried out in 2011 on the basis of a clear and careful definition of each staff member's role and responsibilities. Accompanied by a review of procedures, these definitions clarified who does what, leading to more effective control over risks.

Upgraded governance rules

Following a detailed consideration of the issue with the Company's senior management, the Audit Committee recommended to the Board of Directors that the internal audit function should be outsourced to a firm of accountants.
A call for bids was launched and four firms, all with outstanding references, were invited in to make presentations to the Audit Committee. At the end of this process, on 1 December 2011 the decision was made to retain the services of KPMG. Starting in 2012, KPMG will perform internal audits based on the audit plan to be drawn up by the Audit Committee with input from the Company's management. KPMG's internal audits will be overseen by the Chief Resources Officer, whose responsibilities include internal control and internal audit.

This report contains:

– A general presentation of the internal control system, the people and structures responsible for its implementation, and the process for preparing financial and accounting information for shareholders.
– A presentation of internal control procedures, with details of their scope of application and the risks covered, including the specific risks inherent in the Company's business, and the Chairman's assessment of their appropriateness and effectiveness.
– A description of the procedures carried out to prepare this report.

See also section 4.3 "Risk factors", page 23.

I. GENERAL PRESENTATION OF INTERNAL CONTROL

Managers have front-line responsibility for identifying risks and implementing appropriate control measures.

Senior management ensures that the necessary organisation is in place to permit effective control and oversees managers' activities in this area with support from the Chief Resources Officer who is responsible for internal control. Senior management reports to the Audit Committee on the supervision of internal control.

a) Overall organisation

Internal control procedures over business processes are communicated to all employees concerned and updated to reflect process changes.
The Company did not need to set up specific controls to obtain assurance concerning the quality of internal control within the various consolidated entities, because all of these entities apply the same procedures and the accounting teams responsible for producing their accounts rotate periodically. Procedure manuals were updated following implementation of the new information system.

To limit the risks of fraud, payables accounting and payment functions are strictly segregated. The Treasury Department is independent from the Accounting Department and reports directly to the Chief Financial Officer.

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

The quality of budget control data was enhanced with the implementation of a new information system, capable of producing more and better analyses than the previous system. Detailed data are now produced for each property in the portfolio. These data are aggregated and reconciled to the statutory accounting data and consolidation packages produced by the entities concerned, providing a critical means of control.

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

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

Several Group companies are owned jointly with external partners, who also have recurring and increasingly extensive reporting needs. These reports are submitted to the Boards of the companies that are the partners in these joint ventures, representing a valuable opportunity to share expertise and best practices.

b) Signing authority

Signing authority is granted only for payments, with dual signatures required in all cases. A strict segregation of duties is maintained between the authorisation of expenditure and the related payments.

The list of authorised signatories is checked periodically and updated to take account of organisational changes.

c) Information systems governance

The information system was upgraded in 2004 based on the Group's IT master plan. The current system covers all business processes.
The Information Systems Department is responsible for issuing systems security standards covering:

– Systems uptime rates
– Data classification
– Data backups and protection
– Incident management
– Protection against computer viruses and security breaches.

Information systems management is outsourced to an external service provider, which provides assurance that databases are backed up at daily intervals and that the technical quality of backups is satisfactory. The outsourcing contract also includes a contingency plan, providing for the transfer of processing operations to IBM Global Service in the event of a major systems failure. All of these back-up and contingency procedures were reviewed by an external auditor at the end of 2011 to verify their effectiveness.

Operation of mission-critical property management applications is also outsourced under a facilities management contract which comprises all necessary safeguards to guarantee data security, including:

– A communications protocol describing data exchange methods and the documents used for communications between SFL and the external service provider.
– A facilities management procedure manual describing the procedures to be followed for receiving, processing and tracking requests for applications changes and upgrades, as well as for the acceptance of new developments and their transfer from development to operational status.
– Weekly activity reports comprising indicators to monitor the quality of information systems administration services.

The Information Systems Department, which is responsible for coordinating security procedures and data processes, supports the external auditors in their analysis of information systems risks and their audit of control processes and transaction traceability.

The auditors' recommendations concerning the issue of written control procedures, notably for recently installed accounting applications, are in the process of being implemented.

d) Internal code of ethics

All Group employees are required to comply with the SFL Code of Ethics, whose guidelines are to be especially applied in dealings with third parties. All staff members have also been specifically notified of the rules concerning insider trading and the use of inside information. These rules have been published on the Company's intranet.

II. INTERNAL CONTROL PROCEDURES

a) Procedures for identifying and managing business-specific risks

Existence and valuation controls over the properties that constitute the bulk of the Group's assets are performed by independent valuers during their quarterly portfolio valuations.
The Accounts Department pays particular attention to ensuring the completeness of accounting entries concerning renovation, repair and other work undertaken by Group companies.

To this end, a member of the accounting team has been given specific responsibility for managing works accounts for all companies, providing the Technical Department with a single point of contact and guaranteeing consistent treatment of all transactions. The internal audit programme includes a detailed review of the risk-mapping exercise conducted for all major property redevelopment projects planned by the Group. The maps list and measure all the risks associated with each project, providing decision support for senior management and the basis for determining a risk monitoring methodology applicable during the redevelopment phase.

Procedures are performed at several levels to ensure that internal control objectives of completeness and valuation are met for liabilities:

– Tenant risks are reviewed regularly by the property specialists in the Legal Department and second-tier controls are performed by an accounting manager on a centralised basis;

– The risk of legal disputes with the Company's partners is closely monitored, with guidance from the property specialists in the Legal Department;.
– The Treasury Department participates actively in collecting information about off-balance sheet commitments related to hedging and debt instruments, as well as commitments to suppliers, and ensuring that the information is complete.

b) Identifiable risks

The Company's main identifiable risks are associated with:
– Loss of or damage to assets (managed through building maintenance, technical monitoring of refurbishment projects, property surveys, etc.).
– Breaches of environmental regulations.
– Rent defaults, failure to take into account the full impact of vacancy rates.
– Fraud.

The risks specific to the Company and the industry are described in detail on pages 23 to 30 and pages 114 to 115.

c) Insurance

The Company's insurance policies include both property cover and liability cover for SFL and its subsidiaries, based on the nature of their businesses and the underlying risks. The properties are insured on an all-risk basis with named exclusions, with a maximum insured value of €300 million. The policy covers reconstruction or replacement costs as well as loss of revenue for a maximum of 36 months, or 48 months for the main properties. Coverage has been extended to losses incurred during repair and maintenance work that is not included in a "contractors all risks" policy. The cap on this coverage is €7.5 million.

d) Controls over the quality of accounting and financial information

As a listed company, SFL has to take a more rigorous, highly disciplined approach to preparing financial information.

With a very high capital-per-employee ratio, SFL uses the services of external experts to stay informed of technical developments in the areas of accounting, finance and tax. As well as providing regular technical updates, these experts also give formal advice on the choice of accounting options that have a material impact on the financial statements.

SFL participates in work groups set up by the industry federation and other organisations representing the property sector, providing an opportunity to exchange information about best practices and industry standards.

In July 2011, the Company joined Institut Français des Administrateurs, the French federation of directors.

e) Book-keeping procedures

The accounts of all Group companies are all kept on the same internal accounting system, which is integrated in the management information system. The consolidated financial statements are produced using consolidation software that represents a market standard, guaranteeing its reliability and maintainability.

Following the internal reorganisation carried out during the year, all of the accounting teams are now integrated in the Accounting and Budget Control Department, which in turn forms part of the Finance Department.

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

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

The consolidated accounts are produced by the Head of Consolidation who reports to the Accounting and Budget Control Manager.

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

f) Procedure for the preparation of the consolidated financial statements

A full set of monthly consolidated accounts is produced by the sixth day following each month-end for internal management purposes and for submission to Colonial, the Company's majority shareholder. These monthly accounts are not audited or published.

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

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

g) Budget and business plan procedures

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

The annual budget is broken down into monthly budgets.

The business plan includes:

- 5-year profit and loss account projections
- A simplified balance sheet
- A quarterly analysis of changes in consolidated debt
- Key financial ratios: EBITDA, recurring net profit, loan-to-value.

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

The budget is updated twice during the year.

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

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

In conclusion, the Group's control procedures over the production of accounting and financial information, and its internal control procedures covering the preparation of the consolidated financial statements are appropriate for the purpose of producing reliable accounting and financial information.

h) Controls over liquidity risks

SFL's liquidity management policy consists of maintaining long maturities of debt, in order to be in a position to efficiently roll over or replace borrowings without having to contend with market distortions which, while rare, nevertheless exist. In addition, confirmed undrawn lines of credit are maintained for amounts at least equal to the debt repayments due to in the short-term, in order to cover liquidity risks.

i) Management of market risks

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

j) Controls over counterparty risks

All financial transactions are carried out with leading financial institutions.

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

k) Controls over property-related technical risks

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

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

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

l) Purchases and competing bids

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

III. AUDIT COMMITTEE PROCEDURES

As noted in the introduction, the Board of Directors has tasked the Audit Committee with strengthening the Company's corporate governance rules and diligently assessing internal control and risk management procedures.

The Committee looked closely at best governance practices among listed property companies. With input from management and the assistance of PricewaterhouseCoopers, it also performed a comparative analysis of financial communication practices, with a particular focus on the key indicators recommended by EPRA.

The Chairman of the Audit Committee regularly updated the Board of Directors about the Committee's work.

Following its selection to provide internal audit services for the Company, KPMG initiated a review at the end of 2011 of the risk map developed by management. This preliminary review will serve as the basis for the 2012 internal audit plan to be agreed with SFL's management and the Audit Committee.

The Audit Committee will be kept regularly informed about the status of its work. To improve its efficiency, the Audit Committee has appointed a secretary and drawn up an annual meeting calendar.

The Company's system of internal control is designed to:

- Ensure that all acts of management, all transactions, and the behaviour of all Company employees comply with the general strategic guidelines established by the Board of Directors, the applicable laws and regulations, and SFL's corporate values, standards and internal rules.
- Ensure that all accounting, financial and management information reported to the Company's Board of Directors gives a true and fair view of the Company's business and position.
- Prevent and manage business risks, as well as the risk of accounting and other errors and fraud.

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

Chairman of the Board of Directors

Appendix 7.6

Agenda for the Annual General Meeting of 19 April 2012

Ordinary Meeting

- Board of Directors' management report;
- Report of the Chairman of the Board of Directors drawn up in accordance with Article L;225-37 of the French Commercial Code;
- Group management report;
- Board of Directors' special report on stock options;
- Board of Directors' special report on share grants;
- Auditors' report on internal control;
- Auditors' report on the Company financial statements for the year ended 31 December 2011;
- Auditors' report on the consolidated financial statements for the year ended 31 December 2011;
- Auditors' special report on agreements governed by Articles L;225-38 et seq; of the French Commercial Code;
- Approval of the Company financial statements for the year ended 31 December 2011;
- Approval of the consolidated financial statements for the year ended 31 December 2011;
- Appropriation of profit;
- Re-election as a director of Carlos Losada Marrodan;
- Re-election as a director of Jean Arvis;
- Re-election as a director of Jacques Calvet;
- Authorisation given to the Board of Directors to purchase, hold or transfer SFL shares;
- Powers to carry out formalities.

Extraordinary Meeting

- Board of Directors' report;
- Auditors' special report;
- Authorisation given to the Board of Directors to reduce the capital by cancelling treasury shares;
- Powers to carry out formalities.

Annual General Meeting of 19 April 2012

ORDINARY RESOLUTIONS

FIRST ORDINARY RESOLUTION (Approval of the financial statements for the year ended 31 December 2011)

The Annual General Meeting, having considered the Chairman's report on internal control, the Board of Directors' management report and the Auditors' reports, approves the Company financial statements for the year ended 31 December 2011 as presented, showing net profit of €42,547,037.96, together with the transactions reflected in these financial statements or described in these reports.

SECOND ORDINARY RESOLUTION (Approval of the consolidated financial statements for the year ended 31 December 2011)

The Annual General Meeting, having considered the Board of Directors' management report and the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2011 as presented, as well as the transactions reflected in these accounts and described in the Group management report included in the Board of Directors' management report.

THIRD ORDINARY RESOLUTION (Appropriation of profit)

The Annual General Meeting:

- Notes that net profit for the year, after tax and provision charges, amounts to €42,547,037.96.

- Notes that profit available for distribution, including retained earnings brought forward from the prior year, is as follows:

Net profit for the year ended 31 December 2011	€42,547,037.96
Retained earnings brought forward from the prior year	€1,374,614.67
Profit available for distribution	€43,921,652.63

- Resolves, based on the recommendation of the Board of Directors, to:
  - Pay a total dividend of €65,140,563.60, representing a dividend per share of €1.40;
  - Deduct €21,218,910.97 from the share premium account for the payment of the above dividend, reducing this account from €1,084,109,521.48 to €1,062,890,610.51.

The total amount paid out in dividends will be adjusted based on the number of shares held in treasury on the payment date and to take into account any stock options exercised by grantees before the dividend payment date.

The Annual General Meeting authorises the Board of Directors to deduct from the share premium account the amounts necessary to pay the above dividend to shareholders who exercise stock options before the dividend payment date.

The Annual General Meeting resolves that, in compliance with Article L.225-210 of the French Commercial Code, dividends on any SFL shares held by the Company in treasury on the dividend payment date, as well as any dividends to which shareholders have waived their rights, will be credited to retained earnings.

The dividend will be paid as from 26 April 2012.

The Annual General Meeting gives the Board of Directors full powers to place on record the actual amount of dividends distributed, the amount credited to retained earnings and the new balance of the share premium account.

Of the total dividend per share, €1.01 will be paid out of "SIIC" profits that are exempt from corporate income tax and €0.39 out of profits on which corporate income tax has been paid.

Effective from 1 January 2012, personal income tax is due at the graduated rate on the gross amount of dividends received by individual shareholders out of tax-exempt "SIIC" profits. In addition, the *prélèvements sociaux surtaxes* are also due at the aggregate rate of 13.5%. For shareholders who have already elected for tax on dividends to be withheld at source, the amount withheld will be set off against their personal income tax liability for 2011.

For dividends paid out of profits on which corporate income tax has been paid, Individual shareholders resident in France for tax purposes continue to be eligible for the 40% tax relief on the dividend provided for in Article 158-3-2 of the French Tax Code, unless they have elected to pay the 21% flat-rate dividend withholding tax under Article 117 *quater* of the Code.

In accordance with Article 119 *bis* of the French Tax Code, dividends paid to non-resident shareholders will be subject to withholding tax at the rate of 21% (residents of a European Union member state, Iceland, Norway or Liechtenstein) or 30% (other countries, except for "uncooperative" countries or jurisdictions for which a 55% rate applies). However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries who choose to receive their dividend in cash will be required to provide a certificate of residence to benefit from the treaty rate.

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from French corporate income tax or an equivalent foreign tax, SFL must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by "SIIC" activities. To avoid the 20% tax, the non-resident shareholder must provide a certificate stating that the dividends paid out of the "SIIC" profits will be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the "SIIC" regime.

In accordance with Article 243 *bis* of the French Tax Code, information on dividends paid in the last three years is provided below:

Year	Dividend per share	Dividend qualifying for the 40% tax relief	Dividend not qualifying for the 40% tax relief
2008	€1.90	€1.90	€0
2009	€2.10	€2.10	€0
2010	€2.10	€2.10	€0

At the General Meeting of 4 November 2011, shareholders approved the payment of a special dividend of €0.70 per share. This dividend qualified for the 40% tax relief.

FOURTH ORDINARY RESOLUTION (Auditors' special report on agreements governed by Articles L. 225-38 *et seq.* of the Commercial Code)

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

FIFTH ORDINARY RESOLUTION (Re-election as a director of Carlos Losada Marrodan)

Having noted that Carlos Losada Marrodan's term of office as a director expires at the close of the Meeting, the Annual General Meeting resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2014.

SIXTH ORDINARY RESOLUTION (Re-election as a director of Jean Arvis)

The Annual General Meeting, having noted that Jean Arvis's term of office as a director expires at the close of this Meeting, resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2012.

SEVENTH ORDINARY RESOLUTION (Re-election as a director of Jacques Calvet)

The Annual General Meeting, having noted that Jacques Calvet's term of office as a director expires at the close of this Meeting, resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2012.

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

The Annual General Meeting, after considering the Board of Directors' report, resolves, in accordance with Article L.225-209, paragraph 2, of the French Commercial Code:

- To cancel with immediate effect the unused portion of the authorisation given in the nineteenth ordinary resolution of the General Meeting of 9 May 2011 to buy back the Company's shares.
- To authorise the Board of Directors, in accordance with Articles L.225-209 et seq. of the French Commercial Code, Articles 241-1 to 241-6 of the General Regulations of the Autorité des Marchés Financiers and European Commission Regulation 2273/2003 of 22 December 2003 and with the market practices recognised by the Autorité des Marchés Financiers, to buyback shares representing up to 10% of the Company's issued capital as of the date of this Meeting subject to the following restriction:
  – The shares may not be bought back at a price in excess of €50 per share, as adjusted if appropriate for the effects of any corporate actions, including any bonus share issue paid up by capitalising reserves and/or any share split or reverse share split.

Consequently, based on the number of shares outstanding at 31 December 2011, the total amount invested in the share buyback programme will represent a maximum of €232,644,900 corresponding to 4,652,898 ordinary shares. This maximum may be adjusted to reflect the number of shares outstanding at the date of this Meeting.

The share buyback programme may be carried out over a period of eighteen months from the date of this Meeting.

The share buybacks carried out under this authorisation may not under any circumstances result in the Company holding, directly or indirectly, more than 10% of the shares making up its issued capital.

The authorisation may be used at any time, including while a public offer is in progress provided that said offer is for cash only, on the basis and subject to the restrictions – particularly in terms of volumes and price – specified in the laws and regulations applicable on the transaction date. The transactions may be carried out by any appropriate method, including on the market, through a multilateral trading facility, through a "systematic internaliser" (as defined by the Markets in Financial Instruments Directive) or over-the-counter, through block purchases or sales or otherwise, or through the use of options or other derivative financial instruments or warrants, or through the remittance of shares following the issue of securities carrying rights to shares or the loan or temporary transfer of securities on the basis approved by the securities regulator. The timing of such transactions will be decided by the Board of Directors or by any person duly authorised by the Board. The entire programme may be carried out through a block purchase.

The shares may be bought back for any purpose allowed by law. The objectives of the share buyback programme shall be as follows:

- To purchase shares for allocation to Group employees in connection with (i) the non-discretionary profit-sharing scheme, (ii) any programme of employee share grants, with or without consideration, governed by Articles L.3332-1 et seq. of the French Labour Code or (iii) any stock option plan or share grant plan for all or certain categories of employees and corporate officers.

- To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).

- To purchase shares for delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date, for shares of the Company and to hedge the Company's obligations towards the holders of these securities.

- To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.

- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the first extraordinary resolution of this Meeting authorising the Board of Directors to reduce the capital.

- To implement any market practices that may be recognised by law or by the Autorité des Marchés Financiers.

When shares are bought back under a liquidity contract in accordance with the General Regulations of the Autorité des Marchés Financiers, the number of shares used to calculate the limit of 10% of the issued capital shall correspond to the number of shares purchased minus the number of shares sold during the authorised period.

The number of shares bought back in order to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger may not exceed 5% of the issued capital.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution, in accordance with Article L.225-209 of the French Commercial Code.

The Annual General Meeting gives full powers to the Board of Directors, including the power of delegation, to implement this authorisation, clarify its terms if necessary, and decide the method of implementation in accordance with the law and this resolution. Specifically, the Board of Directors is authorised to place buy and sell orders, enter into any and all agreements for the keeping of registers of purchases and sales or other registers, draw up any and all information and other documents, allocate or re-allocate the bought back shares to any of the above purposes, carry out any and all reporting and other formalities with the Autorité des Marchés Financiers and all other organisations, carry out any and all other formalities and generally do whatever is necessary.

NINTH ORDINARY RESOLUTION (Powers to carry out formalities)

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

Extraordinary resolutions

FIRST EXTRAORDINARY RESOLUTION (Authorisation given to the Board of Directors to reduce the share capital by cancelling shares)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-209 of the French Commercial Code, to:

1. Authorise the Board of Directors to cancel, on one or several occasions, all or some of the shares held by the Company or that may be held in the future following utilisation of the various buyback authorisations given by the General Meeting to the Board of Directors, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date. Said 10% limit shall apply to an adjusted number of shares, if necessary to take into account any corporate actions carried out after this Meeting.

2. Authorise the Board of Directors to charge the difference between the cost of the cancelled shares and their par value to any available premium or reserve account.

3. Grant full powers to the Board of Directors – directly or through a representative appointed in accordance with the applicable laws and regulations – to effect the capital reduction(s) resulting from the share cancellations authorised by this resolution, determine and place on record the final amount of the capital reduction(s), record the corresponding accounting entries, amend the Articles of Association to reflect the new capital and generally carry out any and all necessary formalities.

4. Set at 18 months from the date of this Meeting the period of validity of this authorisation, which cancels and replaces all previous authorisations with the same purpose.

SECOND EXTRAORDINARY RESOLUTION (Powers to carry out formalities)

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

Appendix 7.7
Report of the Board of Directors

On the extraordinary resolutions

Resolutions tabled at the Extraordinary General Meeting of 19 April 2012

Authorisation to cancel SFL shares held in treasury (first extraordinary resolution)

In relation to the eighth ordinary resolution of this Meeting and in accordance with the Article L.225-209 of the French Commercial Code, shareholders are asked to give the Board of Directors an 18-month authorisation to cancel all or some of the SFL shares bought back under the share buyback programme authorised in the eighth ordinary resolution or any other share buyback programme and therefore reduce the share capital.
According to the applicable legislation, the Company can only cancel shares representing up to 10% of issued capital in any 24-month period.

Cancellation of the authorisation given by the Extraordinary General Meeting of 9 May 2011

If the first extraordinary resolution tabled at this Meeting is adopted by shareholders, the unused portion of the authorisation given to the Board of Directors under the seventeenth extraordinary resolution of the General Meeting of 9 May 2011 will be automatically cancelled.

Activities of the Company since 1 January 2012

The report of the Board of Directors to the Annual General Meeting includes information about the activities of the Company since the beginning of the current financial year.

Shareholders are invited to adopt the resolutions tabled at this Meeting, after considering the reports of the Auditors drawn up in accordance with the applicable laws.

The Board of Directors

Appendix 7.8
Portfolio at 31 December 2011

Total portfolio		Surface area (Group share, sq.m.)	Offices (useable area, sq.m.)	Retail (usable area, sq.m.)
Owned properties		325,053	218,424	26,889
Properties under finance leases		31,856	27,370	-
Properties sold during the year		2,243	-	2,243
Total at 31 December 2011		**356,909**	**245,795**	**26,889**
Owned properties				
1st	LDE-LDA	47,820	28,648	6,680
1st	Mandarin Oriental Paris	17,371		1,332
2nd	Îlot Richelieu	38,207	24,392	
2nd	6, rue de Hanovre	4,761	3,003	
7th	103 Grenelle	17,307	15,177	258
8th	Washington Plaza (66%)	30,926	26,116	304
8th	Haussmann Saint-Augustin (50%)	6,718	5,899	339
8th	Galerie des Champs-Elysées (50%)	2,831		2,831
8th	90, avenue des Champs-Elysées (50%)	4,468	3,978	491
8th	Ozone – 92, avenue des Champs-Elysées	7,641	4,209	3,396
8th	Cézanne Saint-Honoré	29,252	24,411	1,849
9th	Edouard VII	54,809	28,112	8,025
16th	96, avenue d'Iéna	8,834	7,285	
17th	112 Wagram	5,437	4,470	892
Neuilly-sur-Seine	173, avenue Charles-de-Gaulle	7,336	5,621	492
Issy-les-Moulineaux	Le Vaisseau	6,332	6,026	
Boulogne-Billancourt	In/Out	35,003	31,078	
Total		**325,053**	**218,424**	**26,889**
Properties under finance leases				
12th	Rives de Seine	22,671	20,270	
17th	131 Wagram	9,185	7,100	
Total		**31,856**	**27,370**	**0**
For reference: Properties sold during the year				
9th	12, boulevard des Capucines	2,243		2,243
	Total	**2,243**	**0**	**2,243**

	Hotels (usable area, sq.m.)	Cinemas/Theatres (useable area, sq.m.)	Residential (useable area, sq.m.)	Staff restaurants and other infrastructure (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)
	17,768	8,019	4,801	26,118	23,033	2,830
	-	-	-	3,737	749	490
	-	-	-	-	-	-
	17,768	**8,019**	**4,801**	**29,855**	**23,782**	**3,320**
				3,929	8,563	235
	14,643				1,396	
				5,095	8,720	94
			61	1,697		
				1,872		100
				2,979	1,527	437
				480		52
						130
					36	
			231	1,257	1,504	125
	3,125	8,019	4,509	3,019		510
				1,189	360	263
					75	29
				381	842	145
				306		124
				3,914	11	586
	17,768	**8,019**	**4,801**	**26,118**	**23,033**	**2,830**
				2,184	217	366
				1,553	532	124
	0	**0**	**0**	**3,737**	**749**	**490**
	0	**0**	**0**	**0**	**0**	**0**

Consolidated Financial Statements for the Year Ended 31 December 2011

The financial statements were approved for publication by the Board of Directors on 16 February 2012.

A – Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 December 2011	31 December 2010	31 December 2009
Intangible assets	6-1	423	311	389
Property and equipment	6-2	23,774	15,929	15,654
Investment properties	6-3	3,181,626	3,059,344	3,116,890
Investments in associates	6-4	266,106	252,096	-
Financial assets	6-5	6,442	675	1,446
Other non-current assets	6-6	1,803	4,437	3,096
Total non-current assets		**3,480,175**	**3,332,793**	**3,137,475**
Investment properties held for sale	6-7	360	383	68,626
Inventories and work in progress		-	-	-
Trade and other receivables	6-8	51,608	42,137	41,681
Other current assets	6-9	3,579	3,509	2,495
Cash and cash equivalents	6-10	11,498	13,583	19,590
Total current assets		**67,045**	**59,613**	**132,392**
Total assets		**3,547,220**	**3,392,406**	**3,269,867**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 December 2011	31 December 2010	31 December 2009
Share capital		93,058	93,058	93,011
Reserves		1,674,351	1,607,493	1,975,384
Profit/(loss) for the period		180,891	164,627	-252,239
Equity attributable to equity holders of the parent		**1,948,300**	**1,865,179**	**1,816,156**
Non-controlling interests		89,116	79,155	75,020
Total non-controlling interests		**89,116**	**79,155**	**75,020**
Total equity	**6-11**	**2,037,416**	**1,944,334**	**1,891,176**
Long-term borrowings and derivative instruments	6-12	921,978	1,205,143	1,182,293
Long-term provisions	6-13	1,984	1,894	1,878
Deferred tax liabilities	6-14	63,192	65,413	56,262
Accrued taxes	6-15	2,500	2,183	4,258
Other non-current liabilities	6-16	13,470	12,901	16,451
Total non-current liabilities		**1,003,124**	**1,287,534**	**1,261,141**
Trade and other payables	6-17	19,519	16,772	26,467
Short-term borrowings	6-12	449,143	107,185	56,414
Short-term provisions	6-13	111	150	1,085
Other current liabilities	6-18	37,908	36,430	33,584
Total current liabilities		**506,679**	**160,538**	**117,551**
Total equity and liabilities		3,547,220	3,392,406	3,269,867

B - Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2011	2010	2009
Property rentals		151,599	174,897	182,981
Property expenses, net of recoveries		(10,583)	(13,082)	(10,310)
Net property rentals	**6-19**	**141,016**	**161,815**	**172,671**
Service and other revenues	6-20	416	346	241
Other income	6-21	2,982	4,804	5,991
Depreciation and amortisation expense	6-22	(757)	(964)	(855)
Provision (expense)/reversals, net	6-23	489	(117)	(314)
Employee benefits expense	6-24	(11,517)	(12,111)	(11,838)
Other expenses	6-25	(7,262)	(7,145)	(7,824)
Profit on disposal of other assets	6-26	1	-	-
Profit/(loss) on disposal of investment properties	6-27	7,668	(33,860)	(14,005)
Gains and losses from remeasurement at fair value of investment properties	6-28	98,094	107,030	(385,463)
Operating profit/(loss)		**231,132**	**219,797**	**(241,395)**
Share of profits of associates	6-29	18,703	13,327	-
Finance costs and other financial expenses	6-30	(62,965)	(58,803)	(50,150)
Financial income	6-30	12,620	14,896	9,207
Gains and losses from remeasurement at fair value of financial instruments	6-31	(4,751)	(4,141)	(529)
Discounting adjustments to receivables and payables		129	(238)	(299)
Interest on receivables	6-32	1,232	1,167	1,138
Provision (expense)/reversals, net - financial assets	6-33	-	(784)	(287)
Profit/(loss) before income tax		**196,100**	**185,222**	**(282,315)**
Income tax (expense)/benefit	6-34	(2,964)	(10,182)	15,402
Profit/(loss) for the period		**193,136**	**175,041**	**(266,913)**
Attributable to equity holders of the parent		**180,891**	**164,627**	**(252,239)**
Attributable to non-controlling interests		12,244	10,413	(14,673)
Other comprehensive income:				
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)		(10,156)	12,529	(7,028)
Deferred tax impact of valuation gains and losses on financial instruments taken to equity		(528)	(496)	336
Revaluation of owner-occupied property		1,179		
Other comprehensive income		**(9,505)**	**12,033**	**(6,693)**
Comprehensive income		**183,631**	**187,074**	**(273,605)**
Attributable to equity holders of the parent		**171,386**	**176,660**	**(258,932)**
Attributable to non-controlling interests		12,244	10,413	(14,673)
Basic earnings/(loss) per share	6-35	€3.89	€3.54	€(5.42)
Diluted earnings/(loss) per share	6-35	€3.89	€3.54	€(5.42)

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Other reserves	Other comprehensive income	Profit/(loss) for the period attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Non-controlling interests
Equity at 31 December 2009	**93,011**	**1,180,899**	**21,440**	**(19,010)**	**835,862**	**(43,807)**	**(252,239)**	**1,816,156**	**75,020**
Dividends paid to equity holders of the parent					(96,668)			(96,668)	
Profit transferred to non-controlling interests									(6,277)
Equity at 1 January 2010 after appropriation of profit	**93,011**	**1,180,899**	**21,440**	**(19,010)**	**739,194**	**(43,807)**	**(252,239)**	**1,719,488**	**68,742**
<u>Movements for the period</u>									
Profit for the period							164,627	164,627	10,413
Other comprehensive income						12,033		12,033	
Comprehensive income								**176,660**	**10,413**
Appropriation of profit		(65,165)			(187,074)		252,239	0	
Par value of shares issued during the period	47							47	
Adjustment to share premiums		596						596	
Treasury share transactions				(21)				(21)	
Gains and losses on sales of treasury shares				7				7	
Impact of share-based payments					641			641	
Interim dividend paid to equity holders of the parent					(32,239)			(32,239)	
Equity at 31 December 2010	**93,058**	**1,116,330**	**21,440**	**(19,025)**	**520,522**	**(31,774)**	**164,627**	**1,865,179**	**79,155**
Dividends paid to equity holders of the parent					(64,478)			(64,478)	
Profit transferred to non-controlling interests									(2,284)
Equity at 1 January 2011 after appropriation of profit	**93,058**	**1,116,330**	**21,440**	**(19,025)**	**456,043**	**(31,774)**	**164,627**	**1,800,700**	**76,872**
<u>Movements for the period:</u>									
Profit for the period							180,891	180,891	12,244
Other comprehensive income			1,179			(10,684)		(9,505)	
Comprehensive income								**171,386**	**12,244**
Appropriation of profit		(5)			164,632		(164,627)	0	
Treasury share transactions				(890)				(890)	
Gains and losses on sales of treasury shares				(39)				(39)	
Impact of share-based payments					115			115	
Declassification of hedging instruments					3,769	5,456		9,225	
Impact of associates					17			17	
Dividend paid out of share premium account		(32,216)						(32,216)	
Equity at 31 December 2011	93,058	1,084,110	22,621	(19,953)	624,577	(37,001)	180,891	1,948,300	89,116

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2011	2010	2009
Cash flows from operating activities:				
Profit/(loss) for the period		180,891	164,627	(252,239)
(Gains) and losses from remeasurement at fair value of investment properties		(98,094)	(107,030)	385,463
Depreciation and amortisation expense and impairment losses		137	2,387	1,288
Net additions to/(reversals of) provisions		51	(919)	168
Net (gains)/losses from disposals of assets, after tax		(7,670)	33,860	14,005
Discounting adjustments and valuation (gains)/losses on financial instruments		4,622	4,379	828
Deferral of rent-free periods and key money		(10,574)	4,655	2,182
Employee benefits		115	641	732
Share of profits of associates		(18,703)	(13,327)	-
Non-controlling interests in profit/(loss) for the period		12,244	10,413	(14,673)
Other movements		(671)	-	(1)
Cash flow after finance costs and income tax		**62,348**	**99,687**	**137,753**
Interest on receivables		(1,236)	(1,167)	(1,138)
Finance costs		50,349	42,849	35,650
Income tax		2,964	10,182	(15,402)
Cash flow before finance costs and income tax		**114,425**	**151,550**	**156,863**
Change in working capital		6,360	(9,400)	14,740
Dividends received from associates		4,723	-	-
Interest paid		(49,001)	(55,944)	(50,812)
Interest received		5,096	1,175	1,240
Income tax paid		(3,717)	(2,591)	(6,010)
Net cash provided by operating activities		**77,886**	**84,791**	**116,022**
Cash flows from investing activities:				
Acquisitions of and improvements to investment properties		(56,354)	(83,269)	(103,898)
Acquisitions of intangible assets and property and equipment		(7,893)	(3,122)	19
Acquisitions of subsidiaries, net of the cash acquired	6-38	-	-	-
Proceeds from disposals of intangible assets and property and equipment	6-38	49,795	58,247	114,590
Proceeds from disposals of subsidiaries, net of the cash sold	6-38	-	-	-
Other cash inflows and outflows		(99)	(22)	1,765
Net cash (used)/provided by investing activities		**(14,550)**	**(28,166)**	**12,475**
Cash flows from financing activities:				-
Proceeds from the issue of ordinary shares		-	643	-
Purchases and sales of treasury shares, net		(929)	(14)	93
Dividends paid to equity holders of the parent		(96,693)	(128,907)	(87,423)
Dividends paid to minority shareholders		(2,284)	(6,277)	(5,004)
Proceeds from new borrowings		867,991	494,821	390,196
Repayments of borrowings		(855,071)	(416,140)	(403,060)
Other		1,438	(4,348)	5,016
Net cash (used)/provided by financing activities		**(85,548)**	**(60,224)**	**(99,255)**
Net change in cash and cash equivalents		**(22,212)**	**(3,599)**	**29,242**
Cash and cash equivalents at beginning of period	6-38	4,159	7,758	(21,484)
Cash and cash equivalents at end of period	6-38	(18,053)	4,159	7,758
Net change in cash and cash equivalents		**(22,212)**	**(3,599)**	**29,242**
Cash and cash equivalents in the statement of cash flows are stated net of bank overdrafts.				

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

1-1) Accounting standards

As required under European Commission regulation (EC) 1606/2002 dated 19 July 2002, the consolidated financial statements have been prepared in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and related interpretations (SICs and IFRICs) adopted by the European Union.

Applicable standards and interpretations

The standards and interpretations applied in the consolidated financial statements for the year ended 31 December 2011 are the same as those used in the financial statements for the year ended 31 December 2010, except as explained below.

The following revised or amended standards, improvements to standards and new interpretations applied at 31 December 2011 had no material impact on the consolidated financial statements:

- Amendments to IAS 1 – Presentation of Financial Statements,
- IAS 24 (revised) – Related Party Disclosures,
- Amendment to IFRS 8 in respect of IAS 24 (revised)
- Annual IFRS improvements issued in May 2010,
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement,
- Amendment to IAS 32 – Classification of Rights Issues,
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments,
- Amendment to IFRS 1 in respect of IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments,
- Amendment to IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets.

The following new or amended standards had not been adopted by the European Union or were not yet applicable and were not early adopted as of 31 December 2011:

- IFRS 9 – Financial Instruments,
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets,
- IFRS 11 – Joint Arrangements,
- IFRS 10 – Consolidated Financial Statements,
- IFRS 12 – Disclosure of Interests in Other Entities,
- IFRS 13 – Fair Value Measurement,
- Amendment to IAS 19 – Employee Benefits,
- IAS 27 – Consolidated and Separate Financial Statements,
- IAS 28 – Investments in Associates and Joint Ventures.

Application of IFRS 11 would result in the equity method being used to account for the Parholding subgroup, which is currently proportionately consolidated. The main impact would be a €254,070 thousand reduction in "Investment property" and a €76,569 thousand reduction in borrowings and derivatives recognised in liabilities.

1-2) Accounting conventions

The consolidated financial statements are presented in thousands of euros.

The Group has chosen to measure investment properties using the fair value model (see Note 2-3).

1-3) Basis of consolidation

The consolidated financial statements include the financial statements of SFL and its subsidiaries. The financial statements of subsidiaries cover the same period as those of SFL and have been prepared according to the same accounting policies. Intragroup transactions are eliminated in consolidation.

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

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

1-4) Joint ventures

Joint ventures are consolidated by the proportional method based on the Group's percentage interest. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

1-5) Associates

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

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

Negative goodwill, corresponding to the excess of the acquisition-date fair value of the Group's interest in the associate's identifiable assets and liabilities over the cost of the shares acquired is recognised directly in the statement of comprehensive income.

1-6) Business combinations

In accordance with IFRS 3 (revised), the identifiable assets, liabilities, contingent liabilities and off-balance sheet items of entities acquired in a business combination are recognised at their fair values at the acquisition date.

General administrative expenses and other expenses not included in the cost of the business combination are recognised as an expense when incurred.

The excess of the acquisition cost over the acquisition-date fair value of the share of the net assets acquired is recognised as an asset under "Goodwill" in the consolidated statement of financial position. Any negative goodwill arising on the business combination is recognised directly in the statement of comprehensive income.

Acquisitions of property companies that do not meet the definition of a business combination under IFRS 3 are treated as direct acquisitions of the underlying property.

1-7) Foreign currency translation

The functional and presentation currency of SFL and its subsidiaries is the euro. Transactions in foreign currency are initially recognised in the functional currency by applying the exchange rate on the transaction date. At the period-end, foreign currency monetary assets and liabilities are translated at the closing rate. Translation differences are recognised in the statement of comprehensive income.

SFL does not have any foreign currency transactions.

1-8)) Income tax expense

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

For businesses subject to income tax, deferred tax assets and liabilities have been recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. The Group entities that have elected to be taxed as an SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

II - Measurement Methods

2-1) Intangible assets

Intangible assets correspond mainly to software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38.
They are amortised by the straight-line method over five years.

2-2) Property and equipment

Property and equipment consist mainly of furniture, computer equipment and owner-occupied property. Owner-occupied property is property held by the owner for use in the production or supply of goods or services or for administrative purposes. The only property in this category is the section of the Washington Plaza building used by the Group for administrative purposes.

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

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

2-3) Investment property

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

SFL has chosen to measure investment properties using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment properties are measured at fair value and gains or losses arising from changes in fair value are recognised in profit. The properties are not depreciated.
As from 1 January 2009, the fair value model is also used to measure buildings acquired for redevelopment that will subsequently be transferred to the "Investment property" portfolio, in compliance with the revised version of IAS 40.
The fair value of the Group's investment property is determined based on valuations performed by independent experts. The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. It reflects market conditions at the period-end and not those prevailing at any past or future date. It does not reflect future capital

expenditure that will improve or enhance the property or the related future benefits from this future expenditure.
No deduction is made for transaction costs that may be incurred on sale or other disposal.

The fair values of investment properties carried in the Group's statement of financial position correspond to the prices obtained from independent valuations performed using the method described below.
Changes in fair value, which are recognised in the statement of comprehensive income under "Gains and losses from remeasurement at fair value of investment properties", are calculated as follows:
Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

The change in fair value is adjusted to exclude the effects of specific lease terms or provisions recognised under other balance sheet captions and included in the fair value calculation, to avoid these effects being taken into account twice.

Valuation method

SFL's entire property portfolio was valued at 31 December 2011 by CBRE, Jones Lang Lasalle and BNP Paribas Real Estate.
The valuations were performed in accordance with the "Charte de l'Expertise en Evaluation Immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

Independent experts are rotated in compliance with the SIIC code of ethics, which states: "Regardless of the number of independent experts used by the SIIC, the following principles must be upheld:
– Appointments should be based on a selection process evaluating each candidate's independence, qualifications and competency to value property within the asset classes and geographical locations concerned.
– When a firm of valuers is used, the SIIC should ensure that the firm's internal valuation teams are rotated after a period of seven years.
– An independent valuer may serve for no more than two 4-year terms for any given client, unless that valuer is a company in which case the above team rotation rule applies."

SFL's portfolio is appraised on a half-yearly basis by a group of three independent firms, each of which is responsible for valuing part of the total portfolio (on a Group share basis, excluding transfer costs), as follows:
– CBRE: 32%,
– Jones Lang Lasalle: 54%,
– BNP Paribas Real Estate: 14%.

The firms ensure that their internal teams are rotated as required, and concurring appraisals are organised every six months on a portion of the assets in the portfolio. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them.

The properties are valued primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Assumptions concerning future revenue flows take into account passing rents, estimated market rents for the period beyond the lease expiry dates, any rent-free periods and rent step-ups, vacancy risk and projected changes in the construction cost index, which is the basis used to determine rent increases in France. Each property is analysed in detail, based on the surface of each designated area, lease by lease.

The valuers noted that rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.

Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs for the period until the units are re-let and any rent-free period expected to be granted. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure, except for expenditure that will improve or enhance the property and the related future benefits from this expenditure, as permitted under paragraph 51 of IAS 40.

Net cash flows for the final year of the projection period are capitalised to calculate the terminal value, corresponding to the property's resale price at the end of the period.

The results obtained are then compared to market data and adjusted, if necessary, to obtain a market-consistent value.

The appraisal values are quoted both including transfer costs (calculated on the basis of a standard 6.20% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs.

However, given that these appraisal values are essentially estimates, the proceeds from the sale of certain property assets may be different to their appraisal value, even if the sale takes place within a few months of the year-end.

2-4) Recoverable amount of non-current assets

IAS 36 defines the recoverable amount of an asset as being the higher of fair value less the costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

IAS 36 applies to intangible assets, property, plant and equipment, investments in associates, other financial assets and goodwill. No goodwill is carried in the Group's consolidated statement of financial position.

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

Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value. The appraisals referred to above serve to identify any impairments of properties or shares in property companies.

2-5) Borrowing costs

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

2-6) Investment properties held for sale

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

In practice, investment properties are reclassified as held for sale when their sale has been decided by the Board of Directors or a selling agent has been appointed. They continue to be measured at fair value after reclassification.

2-7) Financial instruments (other than derivatives)

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

All financial instruments are initially recognised at fair value.

Purchases and sales of financial instruments are recognised on the transaction date, corresponding to the date when the Group becomes a party to the contractual provisions of the instrument.

Marketable securities held by the Group are measured at fair value at the period-end.

2-8) Amounts receivable from tenants and trade receivables

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

2-9) Cash and cash equivalents

Cash and cash equivalents carried in the statement of financial position include cash at bank and on hand and short-term deposits with original maturities of less than three months. They are short-term, highly liquid investments that are readily convertible into a known amount of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less bank overdrafts. Cash equivalents are measured at fair value, in accordance with IAS 39.

2-10) Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at cost, corresponding to the fair value of the consideration paid or received, net of directly attributable transaction costs.

Interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost takes into account all debt issuance costs and any difference between the initial amount and the amount at maturity. Finance costs are recalculated based on this amortised cost figure and the related effective interest rate.

2-11) Discounting of non-current liabilities

Non-current liabilities with fixed maturities are discounted. This applies to the exit tax payable in four annual instalments following election for SIIC status.

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

2-12) Provisions

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

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

2-13) Employee benefits

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

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

2-14) Treasury shares

Treasury shares are recorded as a deduction from equity.

2-15) Share-based payments (IFRS 2)

Under the transitional provisions of IFRS 2, recognition in the financial statements of equity-settled share-based payments is required only for equity instruments that were granted after 7 November 2002 and had not yet vested at 1 January 2005. Stock options are measured at the grant date using the Black & Scholes option-pricing model and the related expense is recognised over their vesting period.

2-16) Finance leases

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

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

2-17) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates (and foreign exchange rates). These instruments are measured at fair value at each period-end, using standard market valuation models.

For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item that is attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.

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

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

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

2-18) Revenue

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

Property rentals

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

Specific lease terms

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

In compliance with IAS 17 and SIC 15, the effects of rent-free periods and step up clauses are recognised over the lease term.

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

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

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

Asset sales

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

Interest income

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

Dividends

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

2-19) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note 2-3).

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

III - Segment Information

The Group's properties are similar in nature and, although they are managed separately in the same manner, none are large enough to be treated as separate reportable segments. They are grouped into geographical segments according to the principles previously applied under IAS 14.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Golden Triangle	Financial District	Golden Crescent La Défense	Other	Headquarters	Total
Property rentals	56,464	73,821	5,014	16,301	-	151,599
Property expenses, net of recoveries	(3,640)	(8,807)	(137)	2,001	-	(10,583)
Net property rentals	**52,824**	**65,014**	**4,877**	**18,301**	**-**	**141,016**
Service and other revenues	-	-	-	-	416	416
Other income	1,074	1,168	170	8	562	2,982
Depreciation and amortisation expense	(239)	(107)	-	-	(411)	(757)
Provision reversals/(expense), net	502	(81)	-	158	(90)	489
Employee benefits expense	-	-	-	-	(11,517)	(11,517)
Other expenses	-	-	-	-	(7,262)	(7,262)
Profit on disposal of other assets	-	-	-	-	1	1
Profit/(loss) on disposal of investment properties	-	7,819	(103)	(47)	-	7,668
Gains and losses from remeasurement at fair value of investment properties	69,596	25,351	235	2,913	-	98,094
Operating profit/(loss)	**123,756**	**99,164**	**5,179**	**21,333**	**(18,300)**	**231,132**
Share of profits of associates	-	18,703	-	-	-	18,703
Finance costs and other financial expenses	-	-	-	-	(62,965)	(62,965)
Financial income	-	-	-	-	12,620	12,620
Gains and losses from remeasurement at fair value of financial instruments	-	-	-	-	(4,751)	(4,751)
Discounting adjustments to receivables and payables	-	-	-	-	129	129
Interest on receivables	-	-	-	-	1,232	1,232
Provision expense, net - financial assets	-	-	-	-	-	-
Profit/(loss) before income tax	**123,756**	**117,867**	**5,179**	**21,333**	**(72,035)**	**196,100**
Income tax benefit/(expense)	(5,573)	0	5,302	2,493	(5,186)	(2,964)
Profit/(loss) for the period	**118,183**	**117,867**	**10,481**	**23,826**	**(77,221)**	**193,136**
Attributable to equity holders of the parent	105,939	117,867	10,481	23,826	(77,221)	180,891
Attributable to non-controlling interests	12,244	-	-	-	-	12,244
Other comprehensive income:						
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	-	-	-	-	(10,156)	(10,156)
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	-	-	-	-	(528)	(528)
Revaluation of owner-occupied property	-	-	-	-	1,179	1,179
Other comprehensive income					**(9,505)**	**(9,505)**
Comprehensive income	**118,183**	**117,867**	**10,481**	**23,826**	**(86,726)**	**183,631**
Attributable to equity holders of the parent	105,939	117,867	10,481	23,826	(86,726)	171,386
Attributable to non-controlling interests	12,244	-	-	-	-	12,244

Assets break down as follows by geographical segment:

(in thousands of euros)	Golden Triangle	Financial District	Golden Crescent La Défense	Other	Headquarters	Total
Segment assets	1,400,629	1,519,208	189,207	363,118	605	3,472,768
Unallocated assets	-	-	-	-	74,452	74,452
Total assets	1,400,629	1,519,208	189,207	363,118	75,057	3,547,220

Segment assets correspond to the Group's property assets.

No analysis of liabilities by geographical segment is presented.

The Group's main geographical segments are as follows:

- The Golden Triangle: comprising parts of the 8th, 16th and 17th arrondissements in Paris. The segment extends from avenue Raymond Poincaré and boulevard Gouvion Saint-Cyr in the west to rue Tronchet in the east, and from avenue de Villiers and boulevard Malesherbes in the north to the banks of the Seine up to Trocadero in the south.
- The Financial District: comprising parts of the 1st, 2nd and 9th arrondissements. This segment extends from rue Tronchet in the west to rue du Sentier and rue du Faubourg-Poissonière in the east, and from rue de Châteaudun in the north to rue de Rivoli in the south.
- Golden Crescent/La Défense: located to the west of Paris, on the other side of the Boulevard Périphérique ring-road, and consisting mainly of La Défense.

IV - Significant Events of the Year

4-1) Redevelopment and renovation programmes

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 first half, and the property is therefore now fully let.

The building permit for the IN/OUT redevelopment project at 46 Quai Le Gallo in Boulogne was obtained in November 2011, allowing demolition and construction work to begin in January 2012.

4-2) 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.

On 12 July, SFL early exercised the purchase option under the finance lease on the Quai Le Gallo property in Boulogne, in an amount of €57 million, leading to an exit tax liability of €3.7 million.
As from the date of exercise, the property has been eligible for SIIC tax exemption.

4-3) Tax audits

The following is a discussion of tax audits, by type of proposed reassessment.

Provisions for major repairs

The tax authorities challenged the method used by SFL to calculate its provisions for major repairs and notified the Group of a €4,950 thousand reassessment of the tax base. Tax of €2,010 thousand (including late interest) was paid following a ruling by the Administrative Court. However, the Group contested the tax authorities' position, on the grounds that the work involved was certain of being carried out and could be reliably measured. The related provision amounted to €1,000 thousand (including late interest) at 31 December 2011.

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

The tax authorities challenged the breakdown of the value of certain properties in the accounts between the value of the land and that of the building.
The resulting €797 thousand reassessment of taxes was subsequently reduced by €637 thousand on 21 April.
The Group has partially contested the tax authorities' position. The related provision amounted to €137 thousand (including late interest) at 31 December 2011.

Tax audits carried out in 2011

Following tax audits of the 2008 and 2009 accounts, SFL accepted a €369 thousand reassessment of VAT on refuse collection tax reinvoiced to tenants and a €1,588 thousand increase in the tax base in respect of a disallowed debt waiver and a disallowed impairment loss on shares in a non-consolidated company.

No provision was recorded in the financial statements at 31 December 2011 in connection with these tax audits.

4-4) Subsequent events

No significant events occurred between 31 December 2011 and the date these financial statements were approved for publication.

V - Scope of Consolidation

Companies	Registration no.	Percentage (%)	
		Interest	Voting rights
Parent company:			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully-consolidated companies:			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS SB1	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	484 425 450	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
Proportionately consolidated companies:			
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
SC Parchar	414 836 874	50	50
Associated companies accounted for by the equity method:			
SIIC de Paris	303 323 778	29.99	29.99

At 31 December 2011, Société Foncière Lyonnaise was 53.45%-owned by the Spanish company Inmobiliaria Colonial SA.

VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income

The key items in the statement of financial position and the statement of comprehensive income are analysed below. All amounts are stated in thousands of euros.

6-1) Intangible assets

	31 December 2009	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31 December 2010
Cost						
Computer software	3,469	93	-	-	-	3,562
Other intangible assets	-	-	-	-	-	-
Accumulated amortisation						
Computer software	(3,080)	(171)	-	-	-	(3,251)
Other intangible assets	-	-	-	-	-	-
Carrying amount	389	(78)	-	-	-	311

	31 December 2010	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31 December 2011
Cost						
Computer software	3,562	71	-	157	-	3,790
Other intangible assets	-	51	-	(20)	-	31
Accumulated amortisation						
Computer software	(3,251)	(148)	-	-	-	(3,399)
Other intangible assets	-	-	-	-	-	-
Carrying amount	311	(26)	-	138	-	423

6-2) Property and equipment

	31 December 2009	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31 December 2010
Cost						
Owner-occupied property	16,034	-	-	198	-	16,232
Equipment	4,363	993	(308)	(424)	-	4,624
Accumulated depreciation						
Owner-occupied property	(2,542)	(244)	-	-	-	(2,786)
Equipment	(2,202)	(550)	308	302	-	(2,142)
Carrying amount	15,654	199	-	76	-	15,929

	31 December 2010	Increases	Decreases	Reclassifications	Acquisitions of subsidiaries	31 December 2011
Cost						
Owner-occupied property	16,232	-	-	5,006	-	21,238
Equipment	4,624	2,857	(61)	(3,894)	-	3,527
Accumulated depreciation						
Owner-occupied property	(2,786)	(346)	-	2,893	-	(239)
Equipment	(2,142)	(263)	57	1,596	-	(752)
Carrying amount	15,929	2,249	(4)	5,600	-	23,774

On 14 June 2011, SFL transferred its headquarters from Centre d'Affaires Le Louvre to 40 rue Washington in Paris's 8th arrondissement. The move led to the former headquarters being reclassified as an investment property, for an amount of €15,515 thousand, and the new headquarters being reclassified as owner-occupied property measured using the cost model, for an amount of €21,238 thousand.
The appraisal value of the new headquarters at 31 December 2011 was €23,194 thousand.

6-3) Investment property

	31 December 2009	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2010
Fair value								
Investment properties	3,116,890	98,374	152,493	(320,399)	(45,439)	57,423		3,059,344
Total	**3,116,890**	**98,374**	**152,493**	**(320,399)**	**(45,439)**	**57,423**	**-**	**3,059,344**

	31 December 2010	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2011
Fair value								
Investment properties	3,059,344	72,107	106,113	(42,204)	(7,995)	(5,738)		3,181,626
Total	**3,059,344**	**72,107**	**106,113**	**(42,204)**	**(7,995)**	**(5,738)**	**-**	**3,181,626**

	31 December 2011	31 December 2010	31 December 2009
Appraisal value of investment properties	3,211,782	3,078,927	3,137,641
Adjustments to reflect specific lease terms	(30,155)	(19,583)	(20,751)
Fair value of investment properties in the statement of financial position	**3,181,626**	**3,059,344**	**3,116,890**

Investment properties are valued by independent experts at half-yearly intervals.

No investment properties were acquired during the year.

6-4) Investments in associates

	% interest	31 December 2009	31 December 2010	Acquisition of associates	Dividend received	Profit	Other	31 December 2011
SIIC de Paris	29.99	-	252,096	-	(4,723)	18,703	30	266,106
Total		**-**	**252,096**	**-**	**(4,723)**	**18,703**	**30**	**266,106**

The 29.99% interest in SIIC de Paris acquired by SFL on 27 December 2010 was valued at €252,096 thousand at 31 December 2010. At 31 December 2011, the value of the investment measured by the equity method was €266,106 thousand.

6-5) Financial assets

	31 December 2009	31 December 2010	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	Reclassifications	31 December 2011
Investments in non-consolidated companies	1,071	1,071	-	-	-	-	-	1,071
Provisions for impairment	(287)	(1,071)	-	-	-	-	-	(1,071)
Investments in non-consolidated companies, net	**784**	-	-	-	-	-	-	-
Deposits	653	675	20	-	(59)	-	-	635
Hedging instruments	9	-	5,806	-	-	-	-	5,806
Total	**1,446**	**675**	**5,826**	**-**	**(59)**	**-**	**-**	**6,442**

Provisions maintained in the balance sheet since 31 December 2010 for impairment of investments in non-consolidated companies concerned the Groupe Vendôme Rome, which has a negative net worth and has been written down in full.

At 31 December 2011, hedging instruments with a positive fair value recognised in assets totalled €5,806 thousand, breaking down as follows:

Fair values of hedging instruments with a positive faire value	Effective interest rate	Due	Long-term portion		
			31 December 2011	31 December 2010	31 December 2009
HSBC swap	2.743%	23 May 2016	5,806	-	
BNP Paribas swap	2.265%	30 Sept 2013	-	-	9
Total			5,806	-	9

6-6) Other non-current assets

	31 December 2011	31 December 2010	31 December 2009
Deferred tax assets	478	1,866	2,947
Other receivables	40	463	-
Prepayments	1,286	2,108	148
Total	1,803	4,437	3,096

Deferred tax assets are analysed in Note 6-34.

6-7) Investment properties held for sale

	31 December 2009	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2010
Fair value								
Investment properties held for sale	68,626	-	9	(10,596)	(34)	(57,622)	-	383
Total	68,626	-	9	(10,596)	(34)	(57,622)	-	383

	31 December 2010	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2011
Fair value								
Investment properties held for sale	383	-	11	-	(35)	-	-	360
Total	383	-	11	-	(35)	-	-	360

	31 December 2011	31 December 2010	31 December 2009
Appraisal value of investment properties held for sale	360	383	68,626
Adjustments to reflect specific lease terms	-	-	-
Fair value of investment properties held for sale carried in the statement of financial position	360	383	68,626

No businesses were discontinued during the year.

6-8) Trade and other receivables

	31 December 2011			31 December 2010	31 December 2009
	Total	Due within one year	Due in more than one year	Total	Total
Trade receivables	35,739	7,735	28,004	27,947	27,423
Provisions	(2,456)	(599)	(1,857)	(3,075)	(2,437)
Trade receivables, net	**33,284**	**7,136**	**26,147**	**24,871**	**24,986**
Prepayments to suppliers	228	228	-	273	371
Employee advances	43	43	-	32	66
Tax receivables (other than income tax)	12,076	12,076	-	11,321	14,080
Other operating receivables	5,726	5,726	-	5,383	1,873
Other	251	251	-	256	304
Other receivables	**18,324**	**18,324**	**-**	**17,266**	**16,695**
Total	51,608	25,461	26,147	42,137	41,681

Receivables do not bear interest.

Provisions for doubtful debts can be analysed as follows:

	31 December 2011	31 December 2010	31 December 2009
Increases	(14)	(902)	(254)
Reversals	553	156	112
Bad debt write-offs	(14)	(68)	(46)
Total	526	(814)	(188)
Property rentals	(151,599)	174,897	182,981
Net losses as a % of property rentals	(0.35)%	0.47%	0.10%

6-9) Other current assets

	31 December 2011	31 December 2010	31 December 2009
Accrued interest on hedging instruments	138	-	-
Income tax prepayments	2,609	2,796	1,805
Other prepayments	831	713	690
Total	3,579	3,509	2,495

6-10) Cash and cash equivalents

	31 December 2011	31 December 2010	31 December 2009
Cash at bank and in hand	3,231	3,662	1,813
Short-term investments	8,266	9,921	17,778
Total	11,498	13,583	19,590

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

	31 December 2011	31 December 2010	31 December 2009
Rothschild money market fund	500	1,418	1,325
Société Générale money market fund	-	-	8,680
HSBC money market fund	4,907	5,505	4,342
CA-CIB money market fund	2,859	2,998	3,431
Total	8,266	9,921	17,778

6-11) Equity

The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

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

	31 December 2009	31 December 2010	Increases	Decreases	31 December 2011
Number of shares	472,992	473,611	75,489	(50,618)	498,482
Average purchase/sale price, in euros	€55.52	€55.49	€37.02	€37.64	€54.51
Total, in thousands of euros	26,261	26,283	2,795	(1,905)	27,173

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

6-12) Short and long-term interest-bearing debt

	Effective interest rate	Due	Long-term portion			Short-term portion		
			31 December 2011	31 December 2010	31 December 2009	31 December 2011	31 December 2010	31 December 2009
Bonds:								
€500 million issue	4.625%	May 2016	500,000	-	-	14,196	-	-
Bank loans:								
Natixis 2005 syndicated loan	3-month Euribor+0.40% (end of drawdown period)	26-Jan-12	-	180,000	400,000	200,026	18	20
Natixis 2010 syndicated loan	3-month Euribor +2.15% (end of drawdown period)	17-Dec-15	40,000	200,000	-	209	265	-
BNP Paribas 2009 syndicated loan	3-month Euribor +2.70% (end of drawdown period)	8-Oct-14	-	265,000	150,000	-	1,844	1,220
HSBC-CA-CIB-CFF loan	3-month Euribor +2.50% (end of drawdown period)	29-Dec-12	-	76,105	75,336	76,130	3,461	879
BancoSabadell revolving facility (€50 million)	3-month Euribor +0.60% (calendar quarter-end)	28-Feb-12	-	50,000	50,000	50,005	2	4
BECM revolving facility (€150 million)	3-month Euribor+0.40% (end of drawdown period)	4-May-14	150,000	150,000	150,000	15	25	7
Royal Bank of Scotland	3-month Euribor+0.56% (calendar quarter-end)	31-Oct-13	40,800	40,800	40,800	4	2	1
Deutsche Hypothekenbank revolving facility (€50 million)	3-month Euribor+0.55% (end of drawdown period)	23-Oct-12	-	50,000	50,000	50,011	23	23
CADIF loan	1-month Euribor +0.65% (end of drawdown period)	31-Dec-12	-	-	-	15,008	15,010	15,001
Lease liabilities:								
131, Wagram	3-month Euribor +2% (calendar quarter-end)	14-June-16	35,641	38,431	41,220	2,790	2,790	2,790
Quai le Gallo	3-month Euribor +0.75% (calendar quarter-end)	12-Jul-11	-	54,521	58,458	-	3,937	3,773
Rives de Seine	6-month Euribor +0.75% (29 April and 29 October)	29-Oct-13	53,668	65,021	75,905	11,353	10,884	10,434
Hedging instruments with a negative fair value:								
CA-CIB swap	2.218%	29-Dec-12	-	1,311	376	863	7	9
BNP Paribas swap	2.635%	31-Dec-10		-	-		-	803
BNP Paribas swap	2.375%	31-Mar-12	-	779	694	123	2	2
JPMorgan swap (on €400 million)	12-month Euribor (with a 5.085% cap) +1.415%	3-Jan-14	21,456	29,234	31,870	1,865	2,495	2,602
CA-CIB swap	3.785%	23-May-11		-	3,455	-	1,379	333
RBS swap	3.89%	31-Oct-13	2158	2,573	2,433	6	7	7
Natixis swap	4.4325%	31-Dec-10		-	-		-	6,839
BNP Paribas swap	2.63%	31-Mar-14	1,792	1,320	462	3	2	3
HSBC swap	2.63%	31-Mar-14	1,793	1,320	462	3	2	3
CADIF swap	1.655%	31-Mar-14		-	277	-	80	1
HSBC swap	2.71%	31-Jun-14	4,120	2,810	1,049	7	5	5
BNP Paribas swap	3.33%	31-Dec-10		-	-	-	0	1,154
BNP Paribas swap	2.265%	30-Sep-13	1,103	940	-	3	2	2
CA-CIB swap	2.53%	02-Jul-15	3,806	-	-	-	-	-
CADIF swap	2.17%	02-Jul-15	4,135	-	-	-	-	-
CA-CIB swap	2.50%	31-Jun-14	5,576	-	-	-	-	-
HSBC swap	1.95%	02-Jan-17	4,323	-	-	-	-	-
CM-CIC swap	1.846%	02-Jan-17	1,653	-	-	-	-	-
Bank overdrafts:	Various		-	-	-	29,464	9,424	11,833
Current account advances	3-month Euribor +0.60% (calendar quarter-end)	01-Jan-13	57,557	-	53,314	322	57,544	184
Impact of deferred recognition of debt arranging fees			(7,603)	(5,022)	(3,818)	(3,263)	(2,025)	(1,518)
Total			921,978	1,205,143	1,182,293	449,143	107,185	56,414

The following table analyses borrowings by maturity:

	31 December 2011	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 December 2010	31 December 2009
Syndicated loans	240,235	200,235	40,000	-	647,127	551,240
Bond issue	514,196	14,196	500,000	-	-	-
HSBC/CA CIB/CFF loan	76,130	76,130	-	-	79,566	76,215
BancoSabadell loan	50,005	50,005	-	-	50,002	50,004
BECM revolving facility	150,015	15	150,000	-	150,025	150,007
Royal Bank of Scotland loan	40,804	4	40,800	-	40,802	40,801
Deutsche Hypothekenbank loan	50,011	50,011	-	-	50,023	50,023
Lease liabilities	103,452	14,143	89,309	-	175,584	192,580
CADIF loan	15,008	15,008	-	-	15,010	15,001
Current account advances	57,879	322	57,557	-	57,544	53,498
Deferred debt arranging fees	(10,866)	(3,263)	(7,603)	-	(7,047)	(5,336)
CA-CIB swap at 2.218%	863	863	-	-	1,318	385
BNP-Paribas swap at 2.635%	-	-	-	-	-	803
BNP-Paribas swap at 2.375%	123	123	-	-	781	696
JP-MORGAN swap	23,321	1,865	21,456	-	31,729	34,472
CA-CIB swap at 3.785%	-	-	-	-	1,379	3,788
RBS swap at 3.89%	2,164	6	2,158	-	2,580	2,440
Natixis swap	-	-	-	-	-	6,839
BNP Paribas swap at 2.63%	1,795	3	1,792	-	1,322	465
HSBC swap at 2.63%	1,796	3	1,793	-	1,322	465
HSBC swap at 2.71%	4,127	7	4,120	-	2,815	1,054
CADIF swap at 1.655%	-	-	-	-	80	278
BNP Paribas swap at 2.265%	1,106	3	1,103	-	942	2
BNP Paribas swap at 3.33%	-	-	-	-	-	1,154
CA-CIB swap at 2.53%	3,806	-	3,806	-	-	-
CADIF swap at 2.17%	4,135	-	4,135	-	-	-
CA-CIB swap at 2.50%	5,576	-	5,576	-	-	-
HSBC swap at 1.95%	4,323	-	-	4,323	-	-
CM-CIC swap at 1.846%	1,653	-	-	1,653	-	-
Bank overdrafts	29,464	29,464	-	-	9,424	11,833
Total	1,371,121	449,143	916,002	5,976	1,312,328	1,238,707

At 31 December 2011, SFL had access to confirmed undrawn lines of credit representing €610,000 thousand.

Current account advances correspond to Prédica's minority interest in SCI Washington.

Hedging instruments are presented at their fair value plus accrued interest payable in 2012.

Debt covenants and acceleration clauses:

Credit facilities	Applicable ratios	Actual ratios at 31 December 2011	Actual ratios at 31 December 2010	Acceleration clauses [1]
NATIXIS 2005 SYNDICATED LOAN	Loan-to-value (LTV) <= 50%	36.6%	36.8%	Failure to pay a loan instalment
				Breach of financial covenants
	Interest cover > 2.5x	2.6	3.5	Administration or liquidation
				Change of control
	Secured LTV <= 20%	6.5%	9.1%	Material adverse event
	Unrestricted property portfolio value <= €1bn	€3.2bn	€3bn	
NATIXIS 2010 SYNDICATED LOAN	LTV <= 50%	36.6%	36.8%	Payment default
				Cross default
	Interest cover >= 2.5x	2.6	3.5	Termination of operations
				Bankruptcy proceedings
	Secured LTV <= 20%	6.5%	9.1%	Breach of financial covenants
				Material adverse event
	Unrestricted property portfolio value >= €2bn	€2.8bn	€2.5bn	
BNP PARIBAS SYNDICATED LOAN	LTV <= 50%	36.6%	36.8%	Payment default
				Cross default
	Interest cover >= 2x	2.6	3.5	Termination of operations
				Bankruptcy proceedings
	Secured LTV <= 20%	6.5%	9.1%	Breach of financial covenants
				Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	€2.8bn	€2.5bn	Material adverse event
BECM REVOLVING FACILITY	LTV <= 50%	42.0%	41.9%	Payment default
				Cross default
	Interest cover >= 2x	2.6	3.5	Termination of operations
				Bankruptcy proceedings
	Secured LTV < 20%	6.8%	9.6%	Breach of financial covenants
				Loss of SIIC status
	Property portfolio value > 2bn	€3.2bn	€3.1bn	Change of control
				Material adverse event
	Total surface area/Surface area under renovation < 30%	17.1%	17.2%	
RBS LOAN	LTV <= 50%	42.0%	41.9%	Payment default
				Cross default
	Interest cover >= 2.5x	2.6%	3.5	Termination of operations
				Bankruptcy proceedings
	Secured LTV <= 20%	6.8%	9.6%	Breach of financial covenants
				Change of control
	Unrestricted property portfolio value <= €1bn	€3bn	€2.8bn	Material adverse event
DEUTSCHE HYPOTHEKEN-BANK LOAN				Payment default
				Misrepresentations
	LTV <= 50%	42.0%	41.9%	Default reported to Banque de France
				Cross default
		2.6	3.5	Termination of operations
	Interest cover >= 1.8x			Bankruptcy proceedings
				Change of control
				Material adverse event
HSBC/CA-CIB/ CFF LOAN FOR PARHOLDING				Breach of financial covenants
	LTV <= 55%	31.4%	34.1%	Withdrawal of collateral
				Bankruptcy proceedings
				Termination of mandates
	DSCR 1.1x (property rentals/debt servicing costs)	2.0	2.7	Auditors' refusal to certify financial statements
				Asset seizures
				Failure to pay a loan instalment
				Material adverse event

(1) Summary list.

The Group was not in breach of any of its financial covenants at 31 December 2011.

6-13) Short and long-term provisions

	31 December 2009	31 December 2010	Increases	Decreases	o/w utilisations	Reclassifications	31 December 2011
Provisions related to refurbishment work and tenant claims	-	-	-	-	-	-	-
Provisions for taxes other than on income	680	780	1,000	(643)	-	-	1,137
Provisions for employee benefits	1,116	1,114		(267)	-	-	847
Other provisions	-	-	-	-	-	-	-
Provisions for warranties	82	-	-	-	-	-	-
Long-term provisions	**1,878**	**1,894**	**1,000**	**(910)**	**-**	**-**	**1,984**
Provisions related to refurbishment work and tenant claims	350	150	111	(150)		-	111
Provisions for taxes other than on income	451	-	-	-	-	-	-
Provisions for employee benefits	210	-	-	-	-	-	-
Other provisions	-	-	-	-	-	-	-
Provisions for warranties	74	-	-	-	-	-	-
Short-term provisions	**1,085**	**150**	**111**	**(150)**	**-**	**-**	**111**
Total	2,963	2,044	1,111	(1,060)	-	-	2,095

Provisions for employee benefits concern length-of-service awards payable to employees on retirement and jubilees for €848 thousand.

The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 3.80% and a 2.30% rate of future salary increases. Actuarial gains and losses are recognised in profit.

- Length-of-service awards payable to employees on retirement: the lump-sum benefit payable under this plan is specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the premium due to the insurance company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years service, and one month's salary to caretakers who complete 25 years service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €18 thousand at 31 December 2011.

Provisions are recorded in the financial statements if, and only if, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

6-14) Deferred taxes

See Note 6-34.

6-15) Other long-term tax liabilities

This item corresponds mainly to exit tax. The liability has been discounted based on the following maturities:

Due	2013	2014	2015	Total
Amount payable	868	833	799	**2,500**

On 12 July 2011, SFL early exercised the purchase option under the finance lease on the Quai Le Gallo property in Boulogne, in an amount of €57 million, leading to an exit tax liability of €3.7 million which has been discounted.

6-16) Other non-current liabilities

This item corresponds mainly to guarantee deposits and bonds received from tenants.

6-17) Trade and other payables

	31 December 2011	31 December 2010	31 December 2009
Trade payables	7,066	5,639	5,295
Amounts due within one year on asset acquisitions	12,453	11,133	21,172
Total	19,519	16,772	26,467

At 31 December 2011, amounts due within one year on asset acquisitions mainly correspond to the redevelopment of the buildings located at 92 and 82-88 avenue des Champs-Elysées and Quai le Gallo and to the renovation of the Louvre des Entreprises building.

6-18) Other current liabilities

Other current liabilities break down as follows:

	31 December 2011	31 December 2010	31 December 2009
Deposits	1,484	1,484	215
Customer prepayments	19,134	16,583	17,709
Accrued employee benefits expense	5,253	5,012	5,352
Accrued taxes	6,549	4,210	4,157
Other liabilities	2,672	5,630	6,119
Accruals	2,816	3,510	32
Total	37,908	36,430	33,584

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.
Accrued taxes include the 2012 exit tax instalment of €3,189 thousand. In 2010, they included the €2,282 thousand exit tax instalment paid in 2011. In 2009, they included the €2,281 thousand exit tax instalment paid in 2010.
Accruals correspond to deferred revenue.

6-19) Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 97.6% of property rentals. Net property rentals take into account the positive impact of recognising rent-free periods, rent step-ups and key money over the lease term. In 2011, this impact was €9,899 thousand.
Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

At 31 December 2011	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Future minimum lease payments	589,923	133,502	337,041	119,380

	31 December 2011	31 December 2010	31 December 2009
Property rentals	**151,599**	**174,897**	**182,981**
Property operating expenses	(37,915)	(41,949)	(41,823)
Property expenses recovered from tenants	27,332	28,868	31,513
Property expenses, net of recoveries	**(10,583)**	**(13,082)**	**(10,310)**
Net property rentals	141,016	161,815	172,671

Property expenses on vacant properties undergoing redevelopment or renovation came to €215 thousand in 2011, versus €1,585 thousand in 2010 and €375 thousand in 2009.

6-20) Service and other revenues

Service and other revenues amounted to €416 thousand in 2011, compared with €346 thousand in 2010 and €241 thousand in 2009.

6-21) Other income

	31 December 2011	31 December 2010	31 December 2009
Own-work capitalised	452	351	676
Other income	2,530	4,453	5,316
Total	2,982	4,804	5,992

The caption "Other income" corresponds to work billed to third parties and redevelopment project management fees.

6-22) Depreciation and amortisation expense

	31 December 2011	31 December 2010	31 December 2009
Amortisation of intangible assets	(148)	(171)	(306)
Depreciation of property and equipment	(609)	(794)	(549)
Total	(757)	(964)	(855)

Amortisation of intangible assets relates to computer software, and depreciation of property and equipment concerns owner-occupied property (corresponding to the Group's headquarters) and miscellaneous equipment.

6-23) Provision reversals/(expense), net

	31 December 2011	31 December 2010	31 December 2009
Charges to provisions for operating contingencies and charges	(111)	(85)	(146)
Charges to provisions for impairment of current assets	(14)	(902)	(254)
Charges to provisions for other contingencies and charges	(1,000)	(100)	(160)
Charges to provisions for impairment of property and equipment		-	-
Total Charges	(1,124)	(1,086)	(560)
Reversals of provisions for operating contingencies and charges	417	286	134
Reversals of provisions for impairment of current assets	553	156	112
Reversals of provisions for other contingencies and charges	643	527	-
Total Reversals	1,613	969	246
Total	489	(117)	(314)

6-24) Employee benefits expense

	31 December 2011	31 December 2010	31 December 2009
Wages and salaries	(7,465)	(7,185)	(6,699)
Social security taxes	(2,963)	(2,792)	(2,784)
Death and disability insurance	(69)	(64)	(65)
Other payroll taxes	(657)	(724)	(680)
Other employee benefits	(115)	(641)	(732)
Statutory and discretionary profit-sharing	(248)	(705)	(878)
Total	**(11,517)**	**(12,111)**	**(11,838)**

At 31 December 2011, the Group had 81 administrative staff (82 and 83 respectively at 31 December 2010 and 31 December 2009) and 2 building staff (3 at 31 December 2010 and 31 December 2009).

The remuneration paid to Company directors and officers (including bonuses and benefits in kind) amounted to €3,173 thousand in 2011, €3,353 thousand in 2010 and €2,258 thousand in 2009.

Stock option plans at 31 December 2011

Date of shareholder authorisation	17/10/1997	16/05/2002	21/04/2005
Grant date	21/03/2002	25/04/2003	13/03/2007
Number of shares under option	309,000	346,000	273,000
Issuer	SFL	SFL	SFL
Starting date of exercise period	21/03/2002	25/04/2003	13/03/2007
Expiry date	20/03/2012	24/04/2013	12/03/2015
Exercise price (options exercisable for newly-issued shares)			
Exercise price (options exercisable for shares bought back for this purpose)	€27.22	€25.88	€61.33
Number of options at 1 January	3,000	35,000	229,000
Options granted during the period	63	719	4,748
Options exercised during the period		250	
Options cancelled during the period			
Number of options outstanding at 31 December 2011	**3,063**	**35,469**	**233,748**

The expense recognised in 2011 in respect of stock option plans totalled €115 thousand.

6-25) Other expenses

	2011	2010	2009
Purchases	(133)	(109)	(95)
General subcontracting	(239)	(338)	(236)
Rent (operating leases)	(1,258)	(1,065)	(1,232)
Maintenance and repairs	(188)	(205)	(195)
Fees	(1,775)	(1,903)	(2,154)
Publications and public relations	(892)	(620)	(574)
Bank charges	(285)	(270)	(252)
Taxes other than on income	(1,376)	(1,205)	(1,217)
Travel and entertainment	(355)	(306)	(220)
Non-recurring expenses	87	(250)	(711)
Other	(847)	(874)	(936)
Total	**(7,262)**	**(7,145)**	**(7,824)**

6-26) Profit on disposal of other assets

Profit on disposal of other assets in 2011 corresponded to sales of equipment.

6-27) Profit/(loss) on disposal of investment properties

One investment property was sold in 2011.

Building:	Sale price excl. transfer costs and tax	Carrying amount	Disposal gain/(loss)	Disposal date
Capucines	50,000	42,181	7,819	22 Dec. 2011
Total	50,000	42,181	7,819	

During the year, additional disposal costs of €151 thousand were recognised for two buildings sold in 2010.

The carrying amount used to calculate the gain or loss on disposal of investment properties corresponds to the most recent appraisal value of the building at the transaction date.

6-28) Gains and losses from remeasurement at fair value of investment properties

Details of gains and losses from remeasurement of investment properties at fair value are provided in Notes 6-3 and Note 6-7.

6-29) Share of profits of associates

This item, in an amount of €18,703 thousand, corresponds to SFL's share of SIIC de Paris's profit for the period.

6-30) Finance costs and other financial income and expenses

	2011	2010	2009
Interest on bank loans	(39,015)	(19,201)	(18,170)
Interest on lease liabilities	(3,952)	(3,961)	(6,599)
Interest on external current account advances	(2,020)	(1,598)	(1,916)
Hedging losses	(15,285)	(31,927)	(22,059)
Other financial expenses	(2,693)	(2,117)	(1,406)
Total finance costs and other financial expenses	**(62,965)**	**(58,803)**	**(50,150)**
Interest income	5	0	(22)
Net gains on sales of short-term investments	142	100	231
Financial expense transfers	8,755	14,788	8,874
Hedging gains	782	-	-
Other financial income	2,936	8	124
Total financial income	**12,620**	**14,896**	**9,207**
Finance costs and other financial income and expenses, net	(50,345)	(43,906)	(40,943)

Financial expense transfers primarily correspond to interest capitalised at the rate of 3.88% on the properties at 247 rue Saint-Honoré, 92 avenue des Champs-Élysées and 46 quai le Gallo during their redevelopment.

6-31) Financial instruments

Financial risk management objectives and policy

At a time of financial market instability and restructuring, SFL is prudently managing its various financial risks.

1/ Liquidity risk

Liquidity risk remains a major concern in the current environment. On 25 May 2011, SFL issued €500 million worth of five-year 4.625% bonds due 2016, using proceeds meet the Group's short-term refinancing needs as well as to support its development. Thanks to the bond issue, SFL had access to €610 million in undrawn confirmed lines of credit at 31 December 2011. As a result, the Group is more than able to meet its refinancing needs through to the end of 2012 and once more enjoys an average debt maturity profile of more than four years. At 31 December 2011, the average refinancing spread, excluding the bond issue, stood at 135 basis points. With a loan-to-value ratio of 35.5%, high-quality property assets and the stake in SIIC de Paris which represents a liquid financial asset, SFL is in a position to raise additional resources if the need arises.

2/ Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasized that these same banks finance a portion of SFL's debt. Counterparty risk is minimal because available cash is generally used to repay borrowings under the Group's revolving lines of credit . The rental deposits obtained from tenants offer protection against the risk of rent default. SFL considers that its exposure to counterparty risk on its operations is not material.

3/ Currency risk

SFL had no exposure to currency risks at 31 December 2011.

4/ Interest rate risk

Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently quantify and analyse the risks associated with interest rate changes, the timing of interest flows and rate volatility.

a/ Objectives and strategy

The strategy entails using standard interest rate derivatives – such as plain vanilla swaps, caps and swaptions – with the dual objective of reducing the sensitivity of borrowing costs to rising interest rates and minimising the cost of the derivatives. Steeper yield curves, market volatility and intrinsic interest rate levels all influence the choice of hedging instruments.

At least 70% of borrowings are hedged, with a focus on extending the average maturity of hedges during periods of low interest rates at a reasonable cost. The budget crises and worsening economic data in eurozone countries have flattened the yield curve, which should help prices to remain stable in the short-term. Nevertheless, the upward pressure on bond yields in the eurozone countries with the highest levels of debt remains a matter of concern.

The Group's strategy in this unprecedented environment consists of:

- Increasing the proportion of debt that is hedged in order to take advantage of historically low interest rates and protect against the consequences of a possible liquidity crisis.
- Taking advantage of any decline in 3 to 5-year swap rates to hedge future financing needs.
- Turning the implicit interest rate volatility to the Group's advantage.

b/ Risk assessment

The average spot cost of debt after hedging stood at 4.18% at 31 December 2011, versus 4.13% at 31 December 2010.

A 50-basis point rise in interest rates across the yield curve in 2011 would have had the effect of increasing the average cost of debt to 4.34%, and driving up finance costs by €1,954 thousand or 3.1%. A 50-basis point decline in interest rates across the yield curve would have had the effect of lowering the average cost of debt to 4.17%, and reducing finance costs by €178 thousand or 0.3%.

As for the sensitivity of the Group's hedging instruments at 31 December 2011, a 50-basis point increase in interest rates would lift their fair value by €15,514 thousand (€8,164 thousand at 31 December 2010), while a 50-basis point drop in rates would reduce their fair value by €16,554 thousand (€8,831 thousand at 31 December 2010).

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

Interest rate hedges	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
CA-CIB swap at 2.218%	73,053	0	0	0	0	0	73,053
BNP-PARIBAS swap at 2.375%	50,000	0	0	0	0	0	50,000
JPMORGAN collar	0	0	400,000	0	0	0	400,000
RBS swap at 3.89%	0	40,800	0	0	0	0	40,800
BNP-PARIBAS swap at 2.63%	0	0	50,000	0	0	0	50,000
HSBC swap at 2.63%	0	0	50,000	0	0	0	50,000
HSBC swap at 2.71%	0	0	100,000	0	0	0	100,000
BNP-PARIBAS swap at 2.265%	0	50,000	0	0	0	0	50,000
CA-CIB swap at 2.53%	0	0	0	100,000	0	0	100,000
CADIF swap at 2.17%	0	0	0	150,000	0	0	150,000
CA-CIB swap at 2.50%	0	0	0	150,000	0	0	150,000
HSBC swap at 1.95%	0	0	0	0	0	200,000	200,000
CM-CIC swap at 1.8460%	0	0	0	0	0	100,000	100,000
Société Générale cap at 2.75%	200,000	0	0	0	0	0	200,000
HSBC 3-month Euribor swap (vs 2.7430%)	0	0	0	0	(100,000)	0	(100,000)
Total	323,053	90,800	600,000	400,000	(100,000)	300,000	1,613,853

Floating rate debt	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Syndicated loans	200,000	0	0	40,000	0	0	240,000
BECM revolving facility	0	0	150,000	0	0	0	150,000
RBS loan	0	40,800	0	0	0	0	40,800
Deutsche Hypothekenbank loan	50,000	0	0	0	0	0	50,000
BancoSabadell loan	50,000	0	0	0	0	0	50,000
HSBC/CA-CIB/CFF loan	76,105	0	0	0	0	0	76,105
Lease liabilities	14,143	56,458	2,790	2,790	27,271	0	103,452
Current account advances	0	57,557	0	0	0	0	57,557
CADIF loan	15,000	0	0	0	0	0	15,000
Total	405,248	154,815	152,790	42,790	27,271	0	782,914

The other financial instruments used by the Group are not listed in the above table because they do not bear interest and are therefore not exposed to any interest rate risk.

Net unhedged position

The Group's net exposure to interest rate risks can be analysed as follows for the period between 31 December 2011 and 31 December 2015:

	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015
Syndicated loans	240,000	40,000	40,000	40,000	0
BECM revolving facility	150,000	150,000	150,000	0	0
RBS loan	40,800	40,800	0	0	0
Deutsche Hypothekenbank loan	50,000	0	0	0	0
BancoSabadell loan	50,000	0	0	0	0
HSBC/CA-CIB/CFF loan	76,105	0	0	0	0
Lease liabilities	103,452	89,309	32,851	30,061	27,271
Current account advances	57,557	57,557	0	0	0
CADIF loan	15,000	0	0	0	0
Floating rate debt	782,914	377,666	222,851	70,061	27,271
CA-CIB swap at 2.218%	73,053	0	0	0	0
BNP Paribas swap at 2.375%	50,000	0	0	0	0
JPMORGAN collar	400,000	400,000	400,000	0	0
RBS swap at 3.89%	40,800	40,800	0	0	0
BNP Paribas swap at 2.63%	50,000	50,000	50,000	0	0
HSBC swap at 2.63%	50,000	50,000	50,000	0	0
HSBC swap at 2.71%	100,000	100,000	100,000	0	0
BNP Paribas swap at 2.265%	50,000	50,000	0	0	0
CA-CIB swap at 2.53%	0	100,000	100,000	100,000	0
CADIF swap at 2.17%	0	150,000	150,000	150,000	0
CA-CIB swap at 2.50%	0	150,000	150,000	150,000	0
HSBC swap at 1.95%	0	200,000	200,000	200,000	200,000
CM-CIC swap at 1.8460%	0	100,000	100,000	100,000	100,000
Société Générale cap at 2.75%	200,000	0	0	0	0
HSBC 3-month Euribor swap (vs. 2.7430%)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Total interest rate hedges	**913,853**	**1,290,800**	**1,200,000**	**600,000**	**200,000**
NET UNHEDGED POSITION	(130,939)	(913,134)	(977,149)	(529,939)	(172,729)

At 31 December 2011, 81% of debt was hedged against interest rate risks.

Hedgings

Changes in the fair value of hedges between 31 December 2010 and 31 December 2011 resulted in a €5,682 thousand net unrealised loss, corresponding to a €10,156 thousand deduction from equity and income of €4,474 thousand recognised in the statement of comprehensive income along with the gains and losses referred to below.

Declassification of hedging instruments

When a hedging relationship is discontinued, it no longer qualifies for hedge accounting and any subsequent changes in fair value of the hedging instrument are recognized directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity are reclassified ("recycled") to the statement of comprehensive income over the remaining life of the hedged item.

At 31 December 2011, hedging instruments totalling €30,823 thousand were declassified, leading to the reclassification to the statement of comprehensive income of cumulative net losses of €9,225 thousand.

The hedging portfolio comprises the following types of contracts:

General hedges of floating rate debt

Counterparty: JP Morgan. *Description:* swap with no underlying debt. Following the restructuring carried out on 3 January 2005, the hedge is on a notional amount of €400 million and expires on 3 January 2014. SFL pays the 12-month Euribor +141.5 bps, with a cap at 508.5 bps and a floor at 200 bps. At 31 December 2011, the contract had a negative fair value of €21,456 thousand.
Counterparty: RBS. *Description:* cash flow hedge. This 7-year swap on a notional amount of €40.8 million came into effect on 31 October 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.89%. At 31 December 2011, the contract had a negative fair value of €2,158 thousand.

Counterparty: BNP Paribas. *Description:* swap with no underlying debt. This swap on a notional amount of €50 million came into effect on 26 January 2009 and expires on 31 March 2012. SFL pays a fixed rate of 2.375%. At 31 December 2011, the contract had a negative fair value of €122 thousand.

Counterparty: BNP Paribas. *Description:* cash flow hedge. This swap on a notional amount of €50 million came into effect on 31 March 2009 as a hedge of identified debt and expires on 31 March 2014. SFL pays a fixed rate of 2.63%. At 31 December 2011, the contract had a negative fair value of €1,792 thousand.

Counterparty: HSBC. *Description:* cash flow hedge. This swap on a notional amount of €50 million came into effect on 7 May 2009 as a hedge of identified debt and expires on 31 March 2014. SFL pays a fixed rate of 2.63%. At 31 December 2011, the contract had a negative fair value of €1,792 thousand.

Counterparty: HSBC. *Description:* cash flow hedge. This swap on a notional amount of €100 million came into effect on 8 July 2009 as a hedge of identified debt and expires on 30 June 2014. SFL pays a fixed rate of 2.71%. At 31 December 2011, the contract had a negative fair value of €4,120 thousand.

Counterparty: BNP Paribas. *Description:* swap with no underlying debt. This swap on a notional amount of €50 million came into effect on 5 October 2009 and expires on 30 September 2013. SFL pays a fixed rate of 2.265%. At 31 December 2011, the contract had a negative fair value of €1,103 thousand.

Counterparty: HSBC. *Description:* swap converting fixed rate debt to floating rate. This swap on a notional amount of €100 million came into effect on 23 May 2011 and expires on 23 May 2016. SFL pays the 3-month Euribor and receives a fixed rate of 2.743%. At 31 December 2011, the contract had a positive fair value of €5,806 thousand.

Counterparty: CA CIB. *Description:* swap with no underlying debt. This swap on a notional amount of €150 million came into effect on 2 July 2012 and expires on 2 July 2015. SFL pays a fixed rate of 2.50%. At 31 December 2011, the contract had a negative fair value of €5,576 thousand.

Counterparty: HSBC. *Description:* swap with no underlying debt. This swap on a notional amount of €200 million came into effect on 2 January 2012 and expires on 2 January 2017. SFL pays a fixed rate of 1.95%. At 31 December 2011, the contract had a negative fair value of €4,323 thousand.

Counterparty: Société Générale. *Description:* cap with no underlying debt. This 2.75% cap on a notional amount of €200 million came into effect on 6 July 2011 and expires on 6 July 2012. At 31 December 2011, the contract's fair value was €2.

Counterparty: CA CIB. *Description:* cash flow hedge. This swap on a notional amount of €100 million comes into effect on 2 July 2012 as a hedge of identified debt and expires on 2 July 2015. SFL pays a fixed rate of 2.53%. At 31 December 2011, the contract had a negative fair value of €3,806 thousand.

Counterparty: CADIF. *Description:* cash flow hedge. This swap on a notional amount of €150 million comes into effect on 2 July 2012 as a hedge of identified debt and expires on 2 July 2015. SFL pays a fixed rate of 2.17%. At 31 December 2011, the contract had a negative fair value of €4,135 thousand.

Counterparty: CM-CIC. *Description:* cash flow hedge. This swap on a notional amount of €100 million came into effect on 2 January 2012 as a hedge of identified debt and expires on 2 January 2017. SFL pays a fixed rate of 1.846%. At 31 December 2011, the contract had a negative fair value of €1,653 thousand

Interest rate hedges on the financing of the Parholding portfolio

Counterparty: CA-CIB. *Description:* cash flow hedge. This swap on a notional amount of €73,053 thousand was set up on 29 December 2009 as a hedge of identified debt and expires on 29 December 2012. SFL pays a fixed rate of 2.218%. At 31 December 2011, the contract had a negative fair value of €858 thousand.

Measuring hedging instruments

All SFL's hedging instruments are classified in Level 2 of the fair value hierarchy. Their fair values are estimated based on inputs other than quoted prices included within Level 1 that are observable directly (i.e. as prices) on active and liquid markets. At 31 December 2011, hedging instruments had a total negative fair value of €47,090 thousand.

Market value of bonds issued during the period

At 31 December 2011, the market value of the €500,000 thousand bond issue due May 2016 was €475,400 thousand.

6-32) Interest on receivables

	2011	2010	2009
Interest on the Champvernier loan	373	368	449
Other financial income	859	799	690
Total	1,232	1,167	1,138

6-33) Provision expense, net - financial assets

There were no movements on provisions on financial assets in 2011.

6-34) Income tax expense

The election for taxation as an SIIC led to the elimination of the tax bases of the SIICs' assets used to calculate deferred taxes. The only remaining deferred tax assets and liabilities concern partnerships that are not eligible for taxation as an SIIC and assets under finance leases arranged prior to 1 January 2005. Deferred taxes recognised in the statement of comprehensive income, calculated at the tax rate applicable at the period-end, consist mainly of the following:

Deferred taxes	Statement of financial position 31 December 2009	Statement of financial position 31 December 2010	Changes in scope of Consolidation	Equity	2011 Profit	Statement of financial position 31 December 2011
Gains and losses from remeasurement at fair value of investment properties	(51,461)	(59,994)	-	-	2,683	(57,311)
Hedging instruments	1,319	824	-	(528)		295
Adjustment of depreciation	(1,868)	(2,628)	-	-	(834)	(3,462)
Adjustment of property rentals	(2,578)	(2,427)	-	-	373	(2,055)
Capitalisation of interest expense and transaction costs	(231)	(231)	-	-		(231)
Recognition of deferred tax assets for tax loss carryforwards	1,616	1,030	-	-	(860)	170
Other	(111)	(120)	-	-	-	(120)
Net	(53,314)	(63,547)	-	(528)	1,361	(62,713)
Of which: deferred tax assets	2,947	1,866	-	(528)	(860)	478
Of which: deferred tax liabilities	56,262	65,413	-	-	(2,221)	63,192

Current income tax expense for the year amounted to €4,326 thousand.

6-35) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, adjusted for the dilutive effect of in-the-money stock options and non-cumulative mandatorily convertible preference shares.

The following table shows the earnings and numbers of shares used to calculate basic and diluted earnings per share for all businesses:

	2011	2010	2009
Profit (loss) used to calculate basic earnings per share	180,891	164,627	(252,239)
Profit (loss) used to calculate diluted earnings per share	180,891	164,627	(252,239)
Number of ordinary shares at 31 December used to calculate basic earnings per share	46,528,974	46,528,974	46,505,676
Weighted average number of ordinary shares used to calculate basic earnings per share	46,528,974	46,525,243	46,502,742
Number of stock options used to calculate diluted earnings per share	0	0	23,298
Diluted number of ordinary shares at 31 December	46,528,974	46,528,974	46,528,974
Diluted weighted average number of ordinary shares	46,528,974	46,525,243	46,526,040
Basic earnings (loss) per share	€3.89	€3.54	€(5.42)
Diluted earnings (loss) per share	€3.89	€3.54	€(5.42)
Basic earnings (loss) per weighted average share	€3.89	€3.54	€(5.42)
Diluted earnings (loss) per weighted average share	€3.89	€3.54	€(5.42)

There were no other transactions on ordinary shares or potential ordinary shares between the period-end and the date when these financial statements were drawn up.

6-36) Dividends

	2011		2010		2009	
	Total	Per share	Total	Per share	Total	Per share
Declared dividend for prior year	97,711	€2.10	97,662	€2.10	88,354	€1.90
Prior year interim dividend	32,239	€0.70	-	-	-	-
Prior year dividend paid in current year	64,478	€1.40	96,668	€2.10	87,423	€1.90
Total	96,717	€2.10	96,668	€2.10	87,423	€1.90

On 4 November 2011, the shareholders in general meeting approved the payment of a special dividend of €0.70, representing a total distribution of €32,216 thousand deducted from the share premium account.

6-37) Off-balance sheet commitments

All of the Group's off-balance sheet commitments at 31 December 2011 are detailed below.

Pledges and mortgages on Parholding sub-group companies.

50% stake in the Parholding Group held directly and indirectly by SFL.

1/ Mortgages securing the loan set up on 9 November 2009

Type of mortgage		Security interest			Standard mortgage				Overall total 31/12/2011	Overall total 31/12/2010
Company		PARGAL	PARCHAMPS	PARHAUS	PARGAL	PARCHAMPS	PARCHAR	PARHAUS		
Expiry date		29/12/2013	29/12/2013	29/12/2013	29/12/2013	29/12/2013	29/12/2013	29/12/2013		
Registered by Calyon	Principal	11,460	2,483	7,663	5,982	2,737	1,320	19,922	51,567	51,567
	Costs and incidentals	1,146	248	766	598	274	132	1,992	5,157	5,157
	Total	**12,607**	**2,731**	**8,429**	**6,580**	**3,011**	**1,452**	**21,915**	**56,724**	**56,724**
Registered by HSBC Private Bank	Principal	11,269	2,442	7,535	5,882	2,691	1,298	19,590	50,708	50,708
	Costs and incidentals	1,127	244	754	588	269	130	1,959	5,071	5,071
	Total	**12,396**	**2,686**	**8,289**	**6,470**	**2,960**	**1,428**	**21,549**	**55,778**	**55,778**
Registered by CFF	Principal	7,640	1,655	5,108	3,988	1,825	880	13,282	34,378	34,378
	Costs and incidentals	764	166	511	399	182	88	1,328	3,438	3,438
	Total	**8,404**	**1,821**	**5,619**	**4,386**	**2,007**	**968**	**14,610**	**37,816**	**37,816**
Registered by HSBC France	Principal	7,831	1,697	5,236	4,087	1,870	902	13,614	35,237	35,237
	Costs and incidentals	783	170	524	409	187	90	1,361	3,524	3,524
	Total	**8,614**	**1,866**	**5,760**	**4,496**	**2,057**	**992**	**14,975**	**38,761**	**38,761**
Total		**42,022**	**9,105**	**28,097**	**21,932**	**10,035**	**4,840**	**73,048**	**189,079**	**189,079**
Total SFL		21,011	4,552	14,048	10,966	5,018	2,420	36,524	94,540	94,540

2/ Pledges on shares held by Parholding/Parhaus/Parchamps under the 9 November 2009 loan agreement.

Shareholder	Pledge	Expiry date	2011		2010	
			Pledged to lenders	Total value (SFL share)	Pledged to lenders	Total value (SFL share)
PARHOLDING	59,999 Pargal shares	29/12/2013	9,120		9,120	
PARCHAMPS	1 Pargal share	29/12/2013	0		0	
		Sub-total	9,120	4,560	9,120	4,560
PARHOLDING	99,999 Parchamps shares	29/12/2013	1,500		1,500	
PARHAUS	1 part Parchamps share	29/12/2013	0		0	
		Sub-total	1,500	750	1,500	750
PARHOLDING	1,373 Parchar shares	29/12/2013	21		21	
PARHAUS	1 Parchar share	29/12/2013	0		0	
		Sub-total	21	10	21	10
PARHOLDING	99,999 Parhaus shares	29/12/2013	1,500		1,500	
PARCHAMPS	1 Parhaus share	29/12/2013	0		0	
		Sub-total	1,500	750	1,500	750
		Total	12,141	6,070	12,141	6,070

Pledges and mortgages on the Iéna property

Company	Type of mortgage	Expiry date	Securing loan from the ROYAL BANK OF SCOTLAND			
			Principal	Costs and incidentals	Total 31/12/2011	Total 31/12/2010
SFL	Standard mortgage	31/10/2014	40,800	4,080	44,880	44,880
Total			40,800	4,080	44,880	44,880

Guarantees and other commitments

	Total	Within 1 year	Due in 1 to 5 years	Beyond 5 years
Commitments given:				
• Guarantee given to Société Générale on behalf of SAS Locaparis pursuant to Article 3-2 of the Act of 2 January 1970	140	0	140	0
• Property guarantees	1,000	1,000	0	0
Commitments received:				
• Guarantees received from tenants	22,532	695	4,977	16,860
• Guarantees received from suppliers	21,372	19,877	535	960
• Natixis 2010 syndicated line of credit	310,000	0	310,000	0
• BNP Paribas syndicated line of credit	300,000	0	300,000	0

Employee benefit obligations

Five employees (including one person who is also an officer of the Company) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their responsibilities following a significant direct or indirect change in the shareholder base of SFL or its controlling company.

An officer of the Company who is not an employee is entitled to compensation for loss of office in the event that he is dismissed from his position for reasons other than gross or wilful misconduct.

The aggregate compensation that would be payable to these individuals amounts to €2,756 thousand.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008 in the case of the employees and on 5 October 2010 in the case of the corporate officer who is not an employee.

No related provisions have been recorded in the financial statements.

Contractual redevelopment and renovation obligations

At 31 December 2011, the Group's contractual commitments relating to investment properties undergoing redevelopment or renovation totalled €22,182 thousand, compared with €34,549 thousand at 31 December 2010.

6-38) Note to the statement of cash flows

	2011	2010	2009
Proceeds from disposals of intangible assets and property and equipment:			
Sale price	50,005	58,303	116,764
Transaction costs	(209)	(56)	(2,174)
Capital gains tax	-	-	-
Cash and cash equivalents at end of period:			
Short-term investments	8,266	9,921	17,778
Cash at bank and in hand	3,231	3,662	1,812
Short-term bank loans and overdrafts	(29,551)	(9,424)	(11,832)

Additional information

The impact of recognising rent-free periods as well as additions to and reversals of provisions for trade receivables are included in "Cash flow".

Changes in deposits received from tenants are included in cash flows from operating activities.

6-39) Related party information

The consolidated financial statements comprise the financial statements of all companies included in the scope of consolidation.

The main related party transactions during the period concern transactions between fully and proportionately consolidated companies.

	Between fully consolidated companies and proportionately consolidated companies	Between proportionately consolidated companies
Statement of financial position:		
Trade receivables	579	-
Current account advances (assets)	45,101	78,020
Other receivables	-	2,782
Trade payables	(579)	-
Current account advances (liabilities)	(45,101)	(78,020)
Other liabilities	-	(2,782)
Statement of comprehensive income:		
Service revenue	699	-
Interest on loans and receivables	1,718	2,913
Fees	(699)	-
Interest on current accounts	(1,718)	(2,913)

Remuneration of the members of the Board of Directors and Management Committee

	2011	2010	2009
Short-term benefits, excluding payroll taxes (1)	3,515	3,750	2,627
Payroll taxes on short-term benefits	1,300	1,363	1,034
Post-employment benefits (2)	-	-	-
Other long-term benefits (3)	-	-	-
Share-based payments (4)	45	342	334
Total	**4,860**	**5,455**	**3,995**

(1) Gross salary and other remuneration, bonuses, discretionary and non-discretionary profit-sharing, matching Company payments, directors' fees and benefits in kind paid during the period.
(2) Service cost.
(3) Other vested deferred remuneration.
(4) Cost recognised in the statement of comprehensive income for stock options and employee rights issues.

Company Financial Statements
for the year ended 31 December 2011

Balance Sheet

ASSETS

(in euros)	31 December 2011			31 December 2010
	Total	Depreciation, amortization and provisions	Net	Net
NON-CURRENT ASSETS				
Intangible assets				
Start-up costs				
Software	3,744,609	3,398,727	345,882	265,740
Lease premiums and goodwill (1)	84,025,717	4,798,992	79,226,725	74,956,409
Other				
Intangible assets in progress	463,450		463,450	216,174
Property and equipment				
Land	577,140,255	2,183,555	574,956,700	481,556,476
Buildings	718,271,064	125,659,452	592,611,612	493,756,047
Other	3,519,606	757,629	2,761,977	1,771,588
Assets under construction	164,593,288		164,593,288	280,580,763
Prepayments to suppliers of property and equipment	853,349		853,349	1,884,125
Non-current financial assets (2)				
Shares in subsidiaries and affiliates	629,804,457	2,286,948	627,517,509	627,166,237
Advances to subsidiaries and affiliates	11,831,667		11,831,667	16,127,193
Other long-term investments				
Loans	9,796,473		9,796,473	11,881,344
Other	727,897		727,897	443,792
TOTAL I	**2,204,771,832**	**139,085,303**	**2,065,686,529**	**1,990,605,888**
CURRENT ASSETS				
Inventories and work in progress				
Receivables (3)				
Prepayments to suppliers	185,192		185,192	147,884
Rental receivables	6,390,961	3,539,594	2,851,367	3,078,223
Other	340,181,421	449,837	339,731,584	335,930,275
Current financial assets				
Treasury shares	27,172,621	10,606,853	16,565,768	16,142,092
Other marketable securities	497,697		497,697	1,412,704
Cash equivalents	20,100		20,100	
Cash	24,009,232		24,009,232	22,176,027
Prepaid expenses (3)	4,400,721		4,400,721	4,123,646
TOTAL II	**402,857,945**	**14,596,284**	**388,261,661**	**383,010,851**
Deferred charges (III)	8,776,457		8,776,457	6,527,897
Debt redemption premiums (IV)	1,753,417		1,753,417	
TOTAL ASSETS (I + II + III + IV)	**2,618,159,651**	**153,681,587**	**2,464,478,064**	**2,380,144,636**
(1) Of which, lease premiums			*31,808,250*	*31,808,250*
(2) Of which, due within one year (gross)			*14,102,482*	*18,305,036*
(3) Of which, due beyond one year (gross)			*329,878,840*	*320,829,743*

EQUITY AND LIABILITIES

(in euros)	31 December 2011	31 December 2010
EQUITY		
Share capital	**93,057,948**	**93,057,948**
Share premium account	1,084,109,521	1,116,330,433
Revaluation reserve	21,438,656	21,438,656
Reserves:		
Legal reserve	9,305,795	9,301,135
Statutory reserve		
Untaxed reserves		
Other		
Revenue reserves	1,374,615	993,798
Interim dividend		(32,239,159)
Profit for the period	42,547,038	97,098,358
Capital and reserves	1,251,833,573	1,305,981,168
Government grants		
Untaxed provisions	15,101,354	13,201,999
TOTAL I	1,266,934,927	1,319,183,167
Income from issuance of shares and share equivalents		
TOTAL I a		
Provisions	1,446,518	922,374
TOTAL II	1,446,518	922,374
LIABILITIES (1) (2)		
Convertible bonds		
Other bonds	514,196,181	
Bank borrowings (3)	599,539,110	984,374,775
Other borrowings	40,009,452	34,256,640
Prepaid property rentals	8,558,437	8,738,277
Trade payables	7,997,256	7,157,508
Accrued taxes and payroll costs	11,317,435	9,334,071
Due to suppliers of property and equipment	10,603,063	8,604,950
Other liabilities	3,873,337	7,551,565
Cash equivalents		
Deferred income	2,348	21,309
TOTAL III	1,196,096,619	1,060,039,095
TOTAL EQUITY AND LIABILITIES (I + I a + II + III)	2,464,478,064	2,380,144,636
(1) Of which, due beyond one year	*773,521,090*	*987,189,607*
(2) Of which, due within one year	*422,575,529*	*72,849,488*
(3) Of which, short-term bank loans and overdrafts	*53,459,044*	*31,385,084*

Profit and Loss Account

(in euros)	31/12/2011	31/12/2010
Operating income		
Property rentals	97,451,138	130,715,589
Service revenue	1,743,370	64,118
Total revenue	**99,194,508**	**130,779,707**
Reversals of depreciation, amortization and provisions	4,519,712	24,161,588
Other income	2,088,409	2,587,236
Expense transfers	22,021,944	23,631,930
Total I	**127,824,574**	**181,160,460**
OPERATING EXPENSE		
Other purchases and external charges	54,751,596	58,430,094
Taxes other than on income		
Payroll-based taxes	554,079	666,524
Other	8,339,747	8,549,499
Payroll costs		
Wages and salaries	7,024,460	6,778,433
Payroll taxes and other employee benefits expenses	3,331,603	3,202,378
Depreciation, amortization and provision expense		
Depreciation and amortization expense	25,927,212	31,554,355
Impairment losses on non-current assets	35,899	129,005
Impairment losses on current assets	6,085	159,467
Provision expense	110,611	
Other expenses	952,479	542,888
TOTAL II	**101,033,771**	**110,012,642**
OPERATING PROFIT (I - II)	**26,790,803**	**71,147,819**
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	18,527,994	23,705,163
From other non-current financial assets	372,523	368,078
Other interest income	10,922,298	5,522,026
Reversals of provisions and impairment losses, and expense transfers	8,543,677	15,158,496
Net gains from sales of current financial assets	44,624	29,147
TOTAL III	**38,411,117**	**44,782,909**
FINANCIAL EXPENSES		
Amortization, impairment losses on financial assets and other financial provision expense	755,216	784,083
Interest expense	51,866,503	50,143,786
Net losses from sales of current financial assets	0	0
TOTAL IV	**52,621,719**	**50,927,870**
NET FINANCIAL INCOME (EXPENSE) (III - IV)	**(14,210,602)**	**(6,144,960)**
PROFIT BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)	**12,580,200**	**65,002,858**
OTHER INCOME		
From revenue transactions	908,021	460,162
From capital transactions	50,009,411	347,090,726
Reversals of provisions and impairment losses, and expense transfers	1,033,768	16,586,057
TOTAL V	**51,951,200**	**364,136,946**
OTHER EXPENSE		
From revenue transactions	438,224	903,224
From capital transactions	14,462,564	328,382,288
Amortization, impairment losses and other provision expense	3,290,124	2,817,562
TOTAL VI	**18,190,911**	**332,103,074**
OTHER INCOME (EXPENSE), NET (V - VI)	**33,760,290**	**32,033,872**
Employee profit-sharing (IX)	40,666	324,700
Income tax expense (X)	3,752,786	(386,328)
Total income (I + III + V)	**218,186,891**	**590,080,316**
Total expenses (II +IV + VI + IX + X)	**175,639,853**	**492,981,957**
NET PROFIT (LOSS)	42,547,038	97,098,358

The financial statements have been prepared in accordance with French generally accepted accounting principles (GAAP).

I - Accounting policies

The financial statements have been prepared on a going concern basis, in accordance with the principles of prudence and separation of accounting periods.

The main accounting policies, which have been applied consistently from one year to the next, are as follows:

a) Intangible assets

Intangible assets recognised in the balance sheet mainly comprise:

- Software purchased or developed for the Company's ERP system.
- Lease premiums, corresponding to the fee payable on new finance leases.
- Goodwill, corresponding to the technical merger deficits arising from mergers with:
  – SA Dandy Nuances on 20 November 2006.
  – SAS Iéna on 30 June 2008.

These deficits, which have been allocated to the buildings, have been tested for impairment and are regularly monitored by reference to the buildings in accordance with Article 322-5 of standard CRC 99-03 (as amended by standard 2002-10).

Other intangible assets correspond to the cost of acquiring commercial user rights.

b) Property and equipment

1 - Cost

The property portfolio was revalued in 2003, when the Company elected for SIIC status.

All expenses, including eviction compensation paid to tenants of properties scheduled for large-scale renovation, are considered as an integral part of the renovation cost and are therefore capitalized.

Capitalized renovation costs also include borrowing costs for the period until the property is put back on the rental market. The cost of properties does not include transaction expenses (CRC 2004-06).

2 - Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its useful life. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.

Properties were analysed by estimating the cost of rebuilding or replacing each part of the property, its degree of wear and tear and its useful life. These technical data were used to determine the proportion of each property's value represented by each component part. This ratio was then applied to the revaluations at 1 January 2005 that were used as deemed cost at the IFRS transition date.

The useful lives of the component parts of investment properties are as follows, except for certain specific cases which do not materially affect depreciation expense:

Shell	100 to 125 years
Roof and fencing	20 to 125 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

Depreciation is calculated by the straight-line method, based on:

- The useful lives of the component parts of the property. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its respective useful life.
- The cost of the asset less its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accelerated depreciation is calculated for tax purposes on the residual value, in accordance with the tax instruction issued in 2005.

The properties' carrying amounts are compared with their market values at six-monthly intervals and an impairment loss is recognized if market value is less than the carrying amount. The valuation of the portfolio at 31 December 2011 was performed by independent experts CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.

c) Non-current financial assets

Non-current financial assets are stated at cost, and a provision for impairment is recorded if fair value is less than this amount at the balance sheet date. The fair value of shares in subsidiaries and affiliates takes into account the market value of the investee's property assets.

Furthermore, a provision for contingencies is recorded when the Company has an obligation to cover losses in excess of the amount of its interest in the subsidiary or affiliate concerned. The total amount of the provision is booked against the following items, in the order listed: shares in subsidiaries and affiliates, long-term receivables and current account advances, with any balance recognized in liabilities under provisions for contingencies.

d) Stock option and share grant plans

In accordance with CNC standard no. 2008-17 dated 4 December 2008 concerning the accounting treatment of stock option and share grant plans, SFL has bought back shares for allocation to stock option plans based on the probability of options being exercised under those plans.

Shares bought back for allocation to plans under which exercise of options is probable gave rise to a provision for contingencies established based on the employee stock option exercise price.
Impairment of treasury shares not allocated to a stock option or share grant plan is calculated based on their fair value at the balance sheet date.

The increase in the share price above the exercise price for a certain number of options led to the reversal of the provision for impairment of these shares and the recognition of a provision for contingencies determined based on the exercise price of the options.

Details of the plans are presented in Note A-1 2).

e) Rental receivables

Rental receivables are measured at the lower of their nominal value and recoverable amount, determined on a case-by-case basis.
Files are transferred to the collection department when rentals are 30 days past due.

Except in specific cases, the following provision rates are applied according to the type of lease:

- Residential leases: 100%.
- Office and retail leases: 50% when the tenant is still occupying the premises, 100% when they have vacated the premises.

f) Current financial assets

Current financial assets are stated at the lower of cost and fair value. Fair value corresponds to the market price for the last month of the period.

g) Expense transfers

Expense transfers correspond mainly to service charges billed to tenants, including various property taxes, and deferred borrowing costs.

h) Financial income and expense

Accrued interest payable or receivable under interest rate swaps is recognised in the balance sheet.
Net gains and losses on swaps contracted for hedging purposes are recognized in the profit and loss account on an accruals basis.
No provision is booked for unrealized losses, as gains and losses on hedged items are offset by losses and gains on the hedging instrument.

i) Other income and expenses

correspond to income and expenses from non-recurring transactions, such as property acquisition or disposal costs.

II - Significant events of the year

A - Significant events

On 14 June 2011, SFL transferred its headquarters to 40 rue Washington in the 8th arrondissement of Paris.

Asset purchases and sales

During 2011, SFL carried out the following transactions as part of its active asset management strategy:

- The purchase option under the finance lease for the In/Out building was exercised early on 12 July 2011.
- A 2,243 square-metre retail unit at 12 boulevard des Capucines in the 9th arrondissement of Paris was sold for €50 million on 22 December 2011.

This transaction is presented in Notes A-1 and B-6.

Construction and renovation programmes

A major redevelopment project, the Mandarin Oriental Paris at 247 rue Saint Honoré, was delivered in April, becoming the first luxury hotel to be certified compliant with France's High Environmental Quality (HQE®) hotel renovation standards. Two luxury boutique premises on the ground floor of the building were also let and delivered during the first half, and the property is therefore now fully let.

SFL is currently engaged in two other redevelopment projects, the Ozone building at 92 avenue des Champs-Élysées and the In/Out building in Boulogne.

- The Ozone property, a mixed-use retail and office building undergoing a complete renovation, will be delivered in 2012. It is the first Haussmann-style property on the Champs-Élysées to be renovated to HQE® standards.

- The In/Out project aims to convert the site of Thomson's former headquarters on quai Le Gallo in Boulogne into a 35,000 square-metre urban business campus, in compliance with HQE®, BREEAM and LEED standards. Scheduled for completion in the first half of 2013, work began at the site in January 2012.

Legal restructuring

No legal restructuring was undertaken in 2011.

Financing and hedges

On 17 May 2011, Société Foncière Lyonnaise successfully completed a €500 million 5-year 4.625% inaugural bond issue due 25 May 2016.
The issue is part of the strategy implemented by SFL's management to diversify its financing sources, extend the debt maturity profile and strengthen the Company's financial capacity.

Hedges are described in Note F.

Special dividend approved by shareholders

The shareholders in General Meeting on 4 November 2011 approved the payment of a special dividend of €0.70 per share, representing a total distribution of €32,216,252 deducted from the share premium account.

B - Tax audits

Provisions for major repairs

The tax authorities challenged the method used by SFL to calculate its provisions for major repairs and notified the Group of a €3,882 thousand reassessment of the tax base. Tax of €2,010 thousand (including late interest) was paid following a ruling by the Administrative Court. However, the Company has contested the tax authorities' position, on the grounds that the work involved was certain of being carried out and could be reliably measured. The related provision amounted to €1 million (including late interest) at 31 December 2011.

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

The tax authorities have challenged the breakdown of the value of certain properties in the accounts between the value of the land and that of the building.
The resulting €797 thousand reassessment of taxes was subsequently reduced by €637 thousand on 21 April.
The Company has partially contested the tax authorities' position. The related provision has been maintained in an amount of €137 thousand (including interest) and reversed in an amount of €643 thousand.

Tax audits carried out in 2011

Following tax audits of the accounts covering the periods between 1 January 2008 and 31 December 2009, the Company accepted:

- A tax reassessment of VAT on refuse collection tax reinvoiced to tenants, and
- A €1,588 thousand increase in the tax base in respect of a disallowed debt waiver and a disallowed impairment loss on shares in a non-consolidated company.

The case is now closed. No provision was recorded in the financial statements at 31 December 2011 in connection with the tax audits.

III - Notes to the financial statements

A - Notes to the balance sheet

Note A-1: Notes on assets

1) Non-current assets

1.1) Intangible assets and property and equipment

The carrying amount of intangible assets and property and equipment increased to €1,415,813 thousand at 31 December 2011 from €1,334,987 thousand at the previous year-end.

Increases in "Buildings" and "Fixtures and fittings" correspond to properties acquired during the year. "Transfers between accounts" correspond to renovation work completed during the year.

Changes in excess tax depreciation are explained in the section "Changes in equity", in Note A-2.

Details concerning impairment of property are presented in Note A-3 1 (a).

Intangible assets and property and equipment (in euros)	Cost at 1 January 2011	Additions	Disposals	Transfers between accounts	Total at 31 December 2011
Intangible assets					
Software	3,516,292	70,934		157,383	3,744,609
Lease premiums	31,808,250				31,808,250
Goodwill	52,217,467				52,217,467
Intangible assets in progress	216,174	267,061		(19,786)	463,450
Total	**87,758,183**	**337,996**		**137,597**	**88,233,776**
Property and equipment					
Land	483,717,018	70,400	2,542,392	95,895,230	577,140,255
Buildings	312,235,890	245,416	7,088,332	63,133,705	368,526,680
Fixtures and fittings	285,694,127	8,535	6,714,889	70,756,610	349,744,383
Furniture and equipment	2,523,927	48,330	5,489	952,838	3,519,606
Assets under construction	280,652,439	114,833,330	16,500	(230,875,981)	164,593,288
Prepayments to suppliers of property and equipment	1,884,125		1,030,776		853,349
Total	**1,366,707,526**	**115,206,012**	**17,398,378**	**(137,597)**	**1,464,377,562**
Total cost	**1,454,465,709**	**115,544,007**	**17,398,378**	**0**	**1,552,611,338**

Amortization and depreciation (in euros)	Accumulated amortization/ depreciation at 1 January 2011	Increases	Decreases	Reclassifications	Accumulated amortization/ depreciation at 31 December 2011
Intangible assets					
Software	3,250,552	148,175			3,398,727
Lease premiums and goodwill					
Total	**3,250,552**	**148,175**			**3,398,727**
Property and equipment					
Land					
Buildings	18,049,402	4,071,071	123,864		21,996,609
Fixtures and fittings	82,945,485	19,240,569	1,907,285	204,989	100,483,758
Furniture and equipment	752,338	211,780	1,500	(204,989)	757,629
Assets under construction					
Total	**101,747,225**	**23,523,420**	**2,032,648**	**-**	**123,237,996**
Total amortization/depreciation	**104,997,777**	**23,671,595**	**2,032,648**	**-**	**126,636,723**

Impairment losses (in euros)	Accumulated impairment losses at 1 January 2011	Increases	Decreases	Reclassifications	Accumulated impairment losses at 31 December 2011
Intangible assets					
Software					
Lease premiums and goodwill	9,069,308		4,270,316		4,798,992
Total	**9,069,308**		**4,270,316**		**4,798,992**
Property and equipment					
Land	2,160,542	35,899	84,562	71,676	2,183,555
Buildings	3,179,084				3,179,084
Assets under construction	71,676			(71,676)	
Total	**5,411,302**	**35,899**	**84,562**		**5,362,639**
Total impairment losses	14,480,610	35,899	4,354,878		10,161,631

1.2) Non-current financial assets

Non-current financial assets (in euros)	Cost at 1 January 2011	Transfers between accounts	Additions	Deceases	Cost at 31 December 2011
Shares in subsidiaries and affiliates	629,804,457				629,804,457
Advances to subsidiaries and affiliates	16,127,193		11,831,659	16,127,184	11,831,667
Loans	11,881,344		92,972	2,177,843	9,796,473
Deposits	443,792		343,222	59,117	727,897
Total	658,256,785		12,267,853	18,364,144	652,160,494

Shares in subsidiaries and affiliates are presented below in part 3) of this note.

2) Current financial assets

2.1) Treasury sharess

The carrying amount of all treasury shares held by SFL at 31 December 2011 came to €27,173 thousand, whereas their fair value stood at €16,694 thousand. A provision for impairment has therefore been recorded in the amount of €10,607 thousand.

Treasury shares (in euros)	Cost	Provisions	Carrying amount	Market value	Unrealized gain or loss
SFL shares held for allocation upon exercise of stock options granted prior to 2006	1,180,122		1,180,122	1,290,437	110,315
SFL shares held for allocation upon exercise of stock options granted in 2007	14,563,838	6,735,618	7,828,220	7,828,220	(6,735,618)
SFL shares held for allocation under future stock option plans	9,804,625	3,871,236	5,933,389	5,933,390	(3,871,236)
SFL shares held for future stock-for-stock acquisitions and under the liquidity contract	1,624,035		1,624,035	1,642,115	18,080
Total	27,172,621	10,606,854	16,565,767	16,694,162	(10,478,459)

	31 December 2010	Additions	Disposals	31 December 2011
Change in the number of shares held in treasury during the period	473,611	75,489	50,618	498,482
Average purchase/sale price, in euros	€55.49	€37.02	€37.64	€54.51
Total	26,282,809	2,794,947	1,905,135	27,172,621

Stock option plans			
Date of shareholder authorization	17/10/1997	16/05/2002	21/04/2005
Grant date	21/03/2002	25/04/2003	13/03/2007
Number of shares under option	309,000	346,000	273,000
Issuer	SFL	SFL	SFL
Starting date of exercise period	21/03/2002	25/04/2003	13/03/2011
Expiry date	21/03/2012	24/04/2013	12/03/2015
Exercise price (options exercisable for newly-issued shares)			
Exercise price (options exercisable for shares bought back for this purpose)	€27.22	€25.88	€61.33
Number of options at 1 January	3,000	35,000	229,000
Options granted during the period	63	719	4,748
Options exercised during the period		250	
Options cancelled during the period			
Number of options outstanding	3,063	35,469	233,748

2.2) Other current financial assets

Other current financial assets	Number	Unit purchase price	Cost	Market value	Unrealized gain or loss
Aviva Investors Monétaire C	224.1309	2,221	497,697	500,130	2,433
Total	224.1309	2,221	497,697	500,130	2,433

No provisions for impairment have been recorded against these financial assets.

3) Subsidiaries and affiliates

Company	Share capital	Reserves	% interest	Carrying amount of investment		Outstanding loans and advances	Outstanding guarantees	Last published revenue	Last published profit/(loss)	Dividends received during the year	Fair value adjustments to the investment during the year
				Cost	Net						
A - Investments with a gross value in excess of 1% of SFL's capital:											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	111,498,682	100.00%	291,847,234	291,847,234	-	-	13,597,394	9,093,165	-	-
SCI 103 GRENELLE	150	2,172,201	100.00%	1,169,740	1,169,740	168,371,871	-	3,314,124	1,494,298	-	-
SCI WASHINGTON	94,872,000	7,024,588	66.00%	79,788,878	79,788,878	112,343,703	-	14,571,337	4,149,231	-	-
2 - Associates (10-50%-owned)											
SAS PARHOLDING	15,000,000	4,357,668	50.00%	18,400,300	18,400,300	45,101,252	-	-	1,495,259	701,134	-
SA SIIC DE PARIS	68,104,208	561,771,210	29.99%	235,981,062	235,981,062		-	80,146,252	37,579,585	4,724,729	-
Aggregate information about investments not referred to in A above:											
1 - Subsidiaries (at least 50%-owned):				330,293	330,293	-	-	-	1,947,411	1,270,472	-
2 - Associates (less than 50%-owned):				2,286,735	-	-	-	-	-	-	-

Note A-2: Notes on equity and liabilities

Changes in equity (in euros)

A. Equity at 31 December 2010 before appropriation of profit	**1,319,183,167**
B. Appropriation of profit decided at the Annual General Meeting	
Transfer to the legal reserve	4,659
C. Dividend decided by the Annual General Meeting	
Dividend decided by the Annual General Meeting of 9 May 2011	(64,478,382)
Special dividend decided in General Meeting on 4 November 2011	(32,216,252)
D. Movements for the period:	
Share issues – par value of shares	
Share issues – premium	(4,659)
Increase in untaxed provisions	1,899,355
Profit for the period	42,547,038
E. Equity at 31 December 2011	**1,266,934,927**
F. Change in equity during the year	**52,248,240**

At 31 December 2011, the Company's share capital comprised 46,528,974 ordinary shares with a par value of €2. The number of voting rights at that date was 46,030,492.

Société Foncière Lyonnaise was 53.45%-owned by the Spanish company Inmobiliaria Colonial SA at 31 December 2011.

The increase in untaxed provisions corresponds exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties, less any reversals arising due to their sale.

Note A-3: Notes on items affecting both assets and liabilities

1) Provisions (in euros)

		1 January 2011	Increases	Decreases	31 December 2011
Untaxed provisions					
Excess tax depreciation		13,201,999	2,290,124	390,768	15,101,354
Total		**13,201,999**	**2,290,124**	**390,768**	**15,101,354**
Provisions for contingencies and charges					
Provisions for losses on SFL share grants		142,374	37,399	964	178,809
Provisions for property-related contingencies			110,611		110,611
Provisions for financial instrument risks			20,098		20,098
Provisions for tax risks		780,000	1,000,000	643,000	1,137,000
Total		**922,374**	**1,168,108**	**643,964**	**1,446,518**
Provisions for impairment					
On intangible assets	(a)	9,069,308		4,270,316	4,798,992
On property and equipment	(a)	5,411,302	35,899	84,562	5,362,639
On non-current financial assets		2,638,219		351,271	2,286,948
On trade receivables		3,698,344	6,085	164,834	3,539,594
On other receivables		449,837			449,837
On other current financial assets	(b)	10,140,717	466,136		10,606,853
Total		**31,407,727**	**508,120**	**4,870,983**	**27,044,864**
Total provisions		45,532,100	3,966,351	5,905,715	43,592,736

(a) Provisions for impairment of intangible assets and property, plant and equipment

Following changes in appraisal values excluding transfer costs, provisions for impairment were recorded as follows:

(in euros)	1 January 2011	Increases	Decreases	31 December 2011
96, avenue d'Iéna	9,069,308		4,270,316	4,798,992
Intangible assets	**9,069,308**	**-**	**4,270,316**	**4,798,992**
Le Vaisseau	5,210,621	1,905		5,212,526
108-112, avenue Wagram	71,676		71,676	0
Parking Stockholm	24,990		12,886	12,104
Parking Saint-Augustin	104,015	33,994		138,009
Property and equipment	**5,411,302**	**35,899**	**84,562**	**5,362,639**

(b) Provisions for impairment of current financial assets

An additional charge to provisions for impairment of treasury shares was recognized in an amount of €466,136 based on the average SFL share price for December 2011 of €33.49 (versus €34.65 for December 2010)

2) Receivables and liabilities

Receivables (in euros)	Total	Accrued income	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current assets					
Advances to subsidiaries and affiliates	11,831,667		11,831,667		
Loans	9,796,473		2,270,815	7,525,658	
Deposits	727,896				727,896
Current assets					
Amounts receivable from tenants and trade receivables	6,390,961	*2,213,960*	2,383,694	4,007,267	
Employee advances	33,602		33,602		
Prepaid and recoverable taxes	9,736,622	*116,231*	9,736,622		
Current account advances	328,214,628	*2,343,055*	2,343,055	325,871,573	
Miscellaneous receivables	2,196,569		2,196,569		
Prepaid expenses	**4,400,721**		**4,400,721**		
Total receivables	373,329,139	*4,673,246*	35,196,746	337,404,497	727,896

Liabilities (in euros)	Total	Accrued expenses	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Long and short-term debt					
Convertible bonds	514,196,181	*14,196,181*	14,196,181	500,000,000	
Bank borrowings	599,539,110	*366,810*	368,739,110	230,800,000	
Tenant deposits	7,264,983			7,264,983	
Payables					
Prepaid property rentals	8,558,437		8,558,437		
Trade payables	7,997,256	*7,248,386*	7,997,256		
Accrued employee benefits expense	4,810,194	*4,082,554*	4,810,194		
Accrued taxes	6,507,241	*55,405*	3,250,567	3,256,674	
Due to suppliers of property	10,603,063	*9,061,344*	10,603,063		
Current account advances	32,744,469	*545,037*	545,037	32,199,433	
Other liabilities	3,873,337	*2,839,936*	3,873,337		
Deferred income	2,348		2,348		
Total liabilities	1,196,096,619	*38,395,652*	422,575,529	773,521,090	

Prepaid property rentals correspond to rental income received in advance and expenses falling due in the first quarter of 2012.
Accrued employee benefits expense includes discretionary profit-sharing and bonus accruals.
Accrued taxes include annual exit tax instalments totalling €6,065,157.

3) Long and short-term debt

(in euros)	2011	2010	Year-on-year change
2011 bond issue	514,196,181		514,196,181
Natixis 2005 syndicated loan	200,025,945	180,018,060	20,007,885
Natixis 2010 syndicated loan	40,209,387	200,264,583	(160,055,197)
BNP Paribas syndicated loan	0	266,844,397	(266,844,397)
Banco Sabadell loan	50,005,042	50,002,264	2,778
BECM revolving credit facility	150,015,481	150,025,463	(9,982)
Royal Bank of Scotland loan	40,804,413	40,801,802	2,611
Deutsche Hypothekenbank loan	50,011,604	50,022,717	(11,113)
CADIF loan	15,008,195	15,010,405	(2,210)
Bank overdrafts	53,459,044	31,385,084	22,073,960
Total	1,113,735,291	984,374,775	129,360,516

B - Notes to the profit and loss account

Note B-1: Net revenue

(in euros)	2011	2010
Property rentals – residential	1,328,252	1,327,493
Property rentals – retail	14,854,665	11,997,506
Property rentals – small business premises	431,081	519,174
Property rentals – parking garages	2,843,480	3,190,119
Property rentals – offices	65,161,509	88,333,148
Property rentals – other	185,201	221,293
Property management fees	1,054,514	1,090,179
Penalties for failure to vacate premises on the lease termination date	1,090,977	375,724
Lease termination penalties	4,449,265	18,263,990
Les Citadines and Servcorp Edouard VII revenue	4,894,657	4,182,295
Fees	1,157,538	1,214,668
Property management fees	145,000	64,118
Payments received for seconded employees	1,598,370	
Total	99,194,508	130,779,707

Note B-2: Payroll costs

(in euros)	2011			2010
	Building staff	Administrative staff	Total	Total
Wages and salaries				
Wages and salaries	193,545	6,830,914	7,024,460	6,778,433
Total	193,545	6,830,914	7,024,460	6,778,433
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	63,464	2,705,297	2,768,761	2,607,189
Other employee benefits expenses	2,839	560,003	562,842	595,189
Total	66,303	3,265,299	3,331,603	3,202,378
Total	259,849	10,096,214	10,356,062	9,980,811

The remuneration paid to Company directors and officers (including bonuses and benefits in kind) amounted to €3,173,407 in 2011.

Directors' fees represented a total of €342,000.

Note B-3: Number of employees at 31 December

	2011	2010
Building caretakers	2	3
Administrative employees	8	9
Supervisors	12	13
Managers	47	45
Officers	2	2
Total	71	72

Note B-4: Fees paid to the Auditors(*)

(in euros)	2011	2010	2011	2010
	PricewaterhouseCoopers Audit		Deloitte & Associés	
Statutory and contractual audits	247,115	242,870	245,587	242,746
Other services	15,518	25,961	15,979	158,931
Total	262,633	268,831	261,566	401,677

(*) Share of non-deductible VAT included.

Note B-5: Net financial income (expense)

(in euros)	2011	2010
Income from subsidiaries and affiliates		
Dividends from SAS Parholding	701,134	6,204,150
Dividends from SA Segpim	1,270,472	1,373,829
Dividends from SA SIIC de Paris	4,724,729	
Revenue from SCI Paul Cézanne	9,093,165	11,693,867
Revenue from SCI Washington	2,738,494	4,433,317
Interest income from the SCI Champvernier loan	372,523	368,078
Interest received from swaps	781,978	
Premiums received on sales of swaptions and other	2,895,000	
Interest income from current account advances to subsidiaries	7,227,494	5,522,026
Capitalized interest expense	8,191,442	13,866,573
Other financial income	17,826	
Reversals of provisions for financial risks	964	473,454
Reversals of impairment of shares in subsidiaries and affiliates	351,271	818,469
Net gains from sales of current financial assets	44,624	29,147
Total	**38,411,117**	**44,782,909**
Total finance costs and other financial expenses		
Loss from SNC Fly Tolbiac		1,298,062
Interest paid on swaps	14,642,933	30,835,815
Interest expense on bank borrowings	16,274,604	14,733,737
Interest expense on bonds issued in 2011	14,196,181	
Interest expense on current account advances from subsidiaries	1,314,637	971,864
Interest expense on bank overdrafts	436,342	371,973
Bank fees related to borrowings	5,000,310	1,422,783
Other financial expenses	1,495	509,553
Provision for financial risks	57,497	184
Provision for convertible bond redemption premiums	231,583	
Impairment of treasury shares	466,136	783,899
Total	**52,621,719**	**50,927,870**
Net financial Income (Expense)	**(14,210,602)**	**(6,144,960)**

Capitalized interest expense primarily corresponds to capitalised interest on the building at 92 avenue des Champs-Élysées and the In/Out property, which are both undergoing renovation.

Reversals of impairment of shares in subsidiaries and affiliates mainly correspond to SCI 103 Grenelle shares.

Note B-6: Other income and expense

(in euros)	2011	2010
Total capital gains on property disposals	35,749,853	18,726,481
Tax rebates and reassessments, net	190,304	
Miscellaneous project costs	(164,722)	(18,043)
Gains and losses on other prior period adjustments, net	280,462	(479,293)
Net gains/(losses) on sales of other shares	(39,252)	7,116
Technical merger gains relating to SCI 5 de Vigny		29,115
Reversals of/(charges to) provisions for rent guarantees, net		156,000
T8 project impairment loss		12,119,677
Untaxed provisions	(1,899,355)	1,382,818
Charges to provisions for employee-related and tax risks	(357,000)	110,000
Total other income and expense, net	**33,760,290**	**32,033,871**

Note B-7: Analysis of net capital gains on disposals

Investment properties sold during the year (in euros)	Disposal date	Sale price excl. transfer costs and tax	Carrying amount	Net capital gains	Disposal costs	Net capital gains and losses
Capucines	22/12/2011	50,000,000	14,250,147	35,749,853	58,650	35,691,204
Total		50,000,000	14,250,147	35,749,853	58,650	35,691,204

Note B-8: Income tax expense

(in euros)	2011	2010
Income tax on businesses taxable at the standard rate of 33.33%		(386,328)
Exit tax resulting from the exercise of the purchase option under the In/Out finance lease	3,752,786	
Total	3,752,786	(386,328)

C - Note on items affecting both the balance sheet and the profit and loss account

Note C-1: Related party transactions (in euros)

(in euros)	2011	2010
Balance sheet		
Non-current financial assets	627,517,508	627,517,508
Advances to subsidiaries and affiliates	11,831,667	16,127,184
Other receivables	328,214,628	322,838,226
Liabilities related to advances to subsidiaries and affiliates		
Trade payables	3,015,386	2,957,565
Other liabilities	32,744,469	27,654,464
Profit and loss account		
Revenue	1,847,311	289,182
Other income	354,000	
Other purchases and external charges	380,347	(6,228)
Property, rental and technical management fees	2,148,694	2,575,949
Dividend income from subsidiaries and affiliates	18,527,994	23,705,163
Interest income on advances to subsidiaries and affiliates	6,473,194	4,971,681
Financial expenses related to investments in subsidiaries and affiliates		1,298,063
Interest expense on liabilities related to advances to subsidiaries and affiliates	560,337	421,624

Note C-2 : Prepaid expenses

At 31 December 2011, prepaid operating expenses amounted to €4,121 thousand, corresponding mainly to finance lease payments due in 2012.

Note C-3: Deferred charges

Debt issuance costs

(in euros)	Maturity	Total	Accumulated amortization at 1 January 2011	Amortization for the year	Accumulated amortization at 31 December 2011	Net
Natixis 2005 syndicated loan fees	84 months	2,598,624	2,201,793	371,393	2,573,186	25,438
BECM loan fees	5 years	300,000	219,704	59,934	279,638	20,362
Deutsche loan fees	5 years	120,000	76,585	23,974	100,559	19,441
BNP Paribas loan fees	5 years	3,650,000	899,507	729,600	1,629,107	2,020,893
Natixis 2010 syndicated loan fees	5 years	3,283,837	26,976	656,408	683,384	2,600,453
2011 bond issue	5 years	2,876,717		335,617	335,617	2,541,100
Renegotiation of the Natixis loan	4 years	876,231		35,765	35,765	840,466
Renegotiation of the BNP Paribas loan	3 years	751,231		42,927	42,927	708,304
Total		14,456,640	3,424,565	2,255,618	5,680,183	8,776,457

Fees are amortised over the life of the loan.

Convertible bond redemption premiums

(en euros)	Maturity	Total premium	Amortisation for the year	Accumulated amortisation	Net premium
2011 bond issue	5 years	1,985,000	231,583	231,583	1,753,417
Total		1,985,000	231,583	231,583	1,753,417

The premium is recognised over the life of the bonds.

D - Unrecognised deferred taxes

Information about unrecognised deferred taxes is not relevant due to the Company's tax-exempt status under the SIIC regime.

E - Finance leases

Future minimum lease payments

(in euros)	Lease payments		Future minimum lease payments due			Residual
	For the year	Cumulative	Within 1 year	In 1 to 5 years	Beyond 5 years	value
Rives de seine	10,884,125	94,288,482	11,353,173	5,858,763		47,809,186
131 Wagram	4,967,762	22,849,933	4,967,762	17,166,379		26,000,000
Total	15,851,887	117,138,415	16,320,935	23,025,142		73,809,186

The values shown concern the portion of lease payments corresponding to the repayment of the principal.
Under the rules governing property leases applicable since 1 January 1996, the portion of the principal corresponding to the land can be depreciated at the end of the lease period or included in the residual value. SFL has chosen to apply the latter option.

F - Off-balance sheet commitments

Guarantees and other commitments

(in euros)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Commitments given				
SAS Locaparis guarantees	140,000		140,000	
Commitments received				
Guarantees received from tenants and suppliers	34,308,277	20,489,044	1,305,362	12,513,871
BNP Paribas syndicated line of credit	300,000,000		300,000,000	
Natixis 2010 syndicated line of credit	310,000,000		310,000,000	
Total	**644,448,277**	**20,489,044**	**611,445,362**	**12,513,871**

Pledges and mortgages on the Iéna property, securing the €40.8 million RBS loan

Company	Type of mortgage	Due	Principal	Costs and incidentals	Total
SFL	Standard mortgage	31/10/2014	40,800,000	4,080,000	44,880,000

Hedging

General hedges of floating rate debt

Counterparty: JP Morgan. *Description:* cash flow hedge with no underlying debt. Following the restructuring carried out on 3 January 2005, the hedge is on a notional amount of €400 million and expires on 3 January 2014. SFL pays the 12-month Euribor +141.5 bps, with a cap at 508.5 bps and a floor at 200 bps. At 31 December 2011, the contract had a negative fair value of €21,456 thousand.

Counterparty: RBS. *Description:* swap. This 7-year swap on a notional amount of €40.8 million came into effect on 31 October 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.89%. At 31 December 2011, the contract had a negative fair value of €2,158 thousand.

Counterparty: BNP Paribas. *Description:* swap with no underlying debt. This swap on a notional amount of €50 million came into effect on 26 January 2009 and expires on 31 March 2012. SFL pays a fixed rate of 2.375%. At 31 December 2011, the contract had a negative fair value of €122 thousand.

Counterparty: BNP Paribas. *Description:* swap. This swap on a notional amount of €50 million came into effect on 31 March 2009 as a hedge of identified debt and expires on 31 March 2014. SFL pays a fixed rate of 2.63%. At 31 December 2011, the contract had a negative fair value of €1,792 thousand.

Counterparty: HSBC. *Description:* swap. This swap on a notional amount of €50 million came into effect on 7 May 2009 as a hedge of identified debt and expires on 31 March 2014. SFL pays a fixed rate of 2.63%. At 31 December 2011, the contract had a negative fair value of €1,792 thousand.

Counterparty: HSBC. *Description:* swap. This swap on a notional amount of €100 million came into effect on 8 July 2009 as a hedge of identified debt and expires on 30 June 2014. SFL pays a fixed rate of 2.71%. At 31 December 2011, the contract had a negative fair value of €4,120 thousand.

Counterparty: BNP Paribas. *Description:* swap with no underlying debt. This swap on a notional amount of €50 million came into effect on 5 October 2009 and expires on 30 September 2013. SFL pays a fixed rate of 2.265%. At 31 December 2011, the contract had a negative fair value of €1,103 thousand.

Counterparty: HSBC. *Description:* swap converting fixed rate debt to floating rate. This swap on a notional amount of €100 million came into effect on 23 May 2011 and expires on 23 May 2016. SFL pays the 3-month Euribor and receives a fixed rate of 2.743%. At 31 December 2011, the contract had a positive fair value of €5,806 thousand.

Counterparty: CA-CIB. *Description:* swap with no underlying debt. This swap on a notional amount of €150 million came into effect on 2 July 2012 and expires on 2 July 2015. SFL pays a fixed rate of 2.50%. At 31 December 2011, the contract had a negative fair value of €5,576 thousand.

Counterparty: HSBC. *Description:* swap with no underlying debt. This swap on a notional amount of €200 million came into effect on 2 January 2012 and expires on 2 January 2017. SFL pays a fixed rate of 1.95%. At 31 December 2011, the contract had a negative fair value of €4,323 thousand.

Counterparty: Société Générale. *Description:* cap with no underlying debt. This 2.75% cap on a notional amount of €200 million came into effect on 6 July 2011 and expires on 6 July 2012. At 31 December 2011, the contract's fair value was €2.

Counterparty: CA-CIB. *Description:* swap. This swap on a notional amount of €100 million comes into effect on 2 July 2012 as a hedge of identified debt and expires on 2 July 2015. SFL pays a fixed rate of 2.53%. At 31 December 2011, the contract had a negative fair value of €3,806 thousand.

Counterparty: CADIF. *Description:* swap. This swap on a notional amount of €150 million comes into effect on 2 July 2012 as a hedge of identified debt and expires on 2 July 2015. SFL pays a fixed rate of 2.17%. At 31 December 2011, the contract had a negative fair value of €4,135 thousand.

Counterparty: CM-CIC. *Description:* swap. This swap on a notional amount of €100 million came into effect on 2 January 2012 as a hedge of identified debt and expires on 2 January 2017. SFL pays a fixed rate of 1.846%. At 31 December 2011, the contract had a negative fair value of €1,653 thousand.

Contractual redevelopment and renovation obligations

At 31 December 2011, the Group's contractual commitments relating to investment properties undergoing renovation totalled €21,841,387, compared with €31,627,028 a year earlier.
The 92 Champs-Élysées, LDE/LDA and In/Out buildings accounted for 83% of the commitments in 2011.

Employee benefits

SFL has elected not to use the recommended method for recognising pension and other post-employment benefit obligations.
The amount of these obligations, for which no provision has been set aside, amounted to €426,310 at 31 December 2011.

The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at age 65 at the employer's initiative. The calculation parameters are determined on a historical basis. The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 3.80% and a 2.30% rate of future salary increases.

- Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years service, and one month's salary to caretakers who complete 25 years service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

G – Additional information

There were no subsequent events requiring disclosure.

H – Consolidation

Société Foncière Lyonnaise is included in the consolidated financial statements of Colonial, a company governed by Spanish law and listed on the Madrid stock exchange (code ISIN: ES0139140018).

Statutory Auditors' reports

Statutory Auditors' report on the consolidated financial statements
Year ended 31 December 2011

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2011, on:

- the audit of the accompanying consolidated financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for the year give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies, in accordance with IFRSs as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in Note 2-3 to the consolidated financial statements, all of the Company's property assets have been measured by qualified independent valuers to estimate their fair value. Our work consisted of verifying the valuation methods used by the independent experts, ensuring that fair value measurements of property assets were carried out on the basis of independent valuations, and that the notes to the consolidated financial statements contain the appropriate disclosures.
- Notes 2-17 and 6-31 to the consolidated financial statements describe the accounting policies applied to determine the fair value of derivative instruments, as well as the characteristics of the hedging instruments used by the Group. We examined the classification and documentation criteria to be applied under IAS 39 and obtained assurance that the accounting policies used and the disclosures provided in the notes were appropriate.

These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we have also verified the information given in the group management report.

We have no matters to report regarding the fair presentation of this information and its conformity with the consolidated financial statements.

Neuilly-sur-Seine, 21 March 2012

The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Statutory Auditors' report on the Company financial statements
Year ended 31 December 2011

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2011, on:

- the audit of the accompanying financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's results for the period as well as of its financial position, assets and liabilities at the period-end, in accordance with the accounting rules and principles applicable in France.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in Note I-b) on accounting policies for property and equipment, all of the Company's property assets have been measured by qualified independent valuers in order to test for impairment. Our work consisted in verifying the valuation methods used by the independent experts, ensuring that impairment tests on property assets were carried out on the basis of independent valuations, and that the notes to the financial statements contain the appropriate disclosures.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verifications and information

In accordance with the professional standards applicable in France, we have also verified the information given in the financial statements.

We have no matters to report concerning the fair presentation of this information and its conformity with the Board of Directors' management report and with the documents addressed to shareholders regarding the Company's financial position and financial statements.

We have examined the information provided in accordance with Article L.225-102-1 of the French Commercial Code concerning compensation and benefits granted to executive directors and any other commitments made in their favour, and verified its conformity with the information used to prepare the Company financial statements and, where necessary, with data collected by your Company from its controlling shareholders or subsidiaries. On this basis, we have no matters to report concerning the fair presentation of this information.

In accordance with the law, we obtained assurance that the appropriate disclosures were made in the management report concerning the identity of shareholders and holders of voting rights.

Neuilly-sur-Seine, 21 March 2012

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Benoît AUDIBERT	Christophe POSTEL-VINAY

Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Société Foncière Lyonnaise
Year ended 31 December 2011

To the shareholders,

In our capacity as Statutory Auditors of Société Foncière Lyonnaise and in accordance with Article L.225-235 of the French Commercial Code (Code de Commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:
- to report to you our observations on the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information; and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with the professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of accounting and financial information

French professional standards require that we perform procedures to assess the fairness of the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted of:
- Obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information underpinning the information given in the Chairman's report, and of the existing documentation.
- Obtaining an understanding of the work performed to support the information given in the report and of the existing documentation.
- Determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we may have identified during the course of our work are appropriately disclosed in the Chairman's report.

Based on our procedures, we have no matters to report concerning the information given on internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L.255-37 of the French Commercial Code.

Neuilly-sur-Seine,21 March 2012

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Benoît AUDIBERT	Christophe POSTEL-VINAY

Statutory Auditors' special report on related party agreements and commitments
Year ended 31 December 2011

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

We are required to report to shareholders, based on the information provided, about the main terms and conditions of the related party agreements and commitments that have been disclosed to us or that we identified during our audit, without commenting on their relevance or substance. Our responsibility does not include identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (Code de Commerce), it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We are also required to disclose the information provided for under Article L.225-31 of the French Commercial Code concerning the performance during 2011 of any related party agreements and commitments approved in prior years by shareholders.

We performed the procedures we deemed necessary to carry out this responsibility in accordance with the professional guidelines of the French Institute of Statutory Auditors (CNCC). These standards require us to perform procedures to verify that the information given to us agrees with the underlying documents.

Related party agreements and commitments submitted for approval at the Annual General Meeting

We were not advised of any agreements or commitments authorised during the past year that would have to be submitted to the Annual General Meeting for approval in accordance with Article L.225-38 of the French Commercial Code.

Agreements and commitments approved in prior years

I) Agreements and commitments that were applied in 2011

In accordance with Article R.225-30 of the French Commercial Code, we were informed of the following agreements and commitments authorised in prior years that were applied in 2011.

a) Agreement with Prédica

- Authorised at the Board meeting of 20 July 2009 and approved by shareholders at the General Meeting of 19 April 2010.
- Partnership agreement.
- Following Prédica's acquisition of Ile de France Investissements SA's 50% interest in Parholding SAS, SFL entered into a new partnership agreement with Prédica organising their relations as joint shareholders of Parholding.
- Jean-Jacques Duchamp is a director of both SFL and Prédica, and the Crédit Agricole Group, of which Prédica is a member, holds over 10% of the voting rights in SFL. Consequently, the partnership agreement (including the term sheet, the shareholders' pact and related documents) with Prédica is governed by Articles L.225-38 et seq. of the French Commercial Code.

b) Agreement with Parholding

- Authorised at the Board meeting of 20 July 2009 and approved by shareholders at the General Meeting of 19 April 2010.
- Terms of the agreement: pledges of shares and/or financial instruments accounts.
- Parholding, which is 50%-owned by SFL, has obtained a €172 million no-recourse loan at a spread of 250 bps, due December 2012. The loan, which is secured by a mortgage, was used to repay a €137 million loan that fell due in December 2009 and to finance €35 million worth of redevelopment work in the Galerie des Champs-Elysées shopping arcade. To secure the loan, Parholding's partners pledged their Parholding shares and/or financial instruments accounts to the banks as collateral.
- Bertrand Julien-Laferrière is Chairman of Parholding and Chief Executive Officer of SFL and Nicolas Reynaud is Chief Executive Officer of Parholding and Managing Director of SFL.

c) Agreement with Locaparis

- Renewal of the agreement authorised at the Board meeting of 10 February 2011 and approved by shareholders at the General Meeting of 9 May 2011.
- Locaparis is a wholly owned subsidiary of SEGPIM, which is a 99%-owned subsidiary of SFL.
- A counter guarantee given by SFL for €140,000, covering the financial guarantee given by Société Générale on behalf of Locaparis in accordance with Article 3-2 of the Act of 2 January 1970.

II) Agreements and commitments that were not applied in 2011

We were also informed that the following related party agreements and commitments – which were approved in prior years by shareholders – were not applied in 2011.

a) Agreement with Nicolas Reynaud

- Authorised at the Board meeting of 9 December 2008 and approved by shareholders at the General Meeting of 15 June 2009.
- Corporate officer concerned: Nicolas Reynaud is both an officer and an employee of the Group, as Managing Director since 24 October 2008 and Chief Financial Officer.
- Terms of the agreement: under the terms of his employment contract, Nicolas Reynaud will receive a termination benefit in the event of a change in ownership structure.

In the event of a significant direct or indirect change in the composition of the main shareholder group of the Company or its controlling shareholder, if Nicolas Reynaud is dismissed (except for gross negligence) or is forced to resign as a result of significant changes in his responsibilities in the 18 months following the date of such a change, he will receive, in addition to the severance pay due by law or under the collective bargaining agreement, a termination benefit of an amount equal to twice the total gross annual remuneration – including any and all bonuses and benefits in kind – for the calendar year preceding the dismissal (except for gross negligence) or resignation, subject to a commitment by Nicolas Reynaud not to encourage the departure of other SFL employees.

b) Agreement with Bertrand Julien-Laferrière

- Authorised at the Board meeting of 5 October 2010 and approved by shareholders at the General Meeting of 9 May 2011.
- Corporate officer concerned: Bertrand Julien-Laferrière, Chief Executive Officer since 5 October 2010.
- Terms of the agreement: the agreement provides for the payment of compensation for loss of office to Bertrand Julien-Laferrière in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct, notwithstanding any rights that he may have to a damages payment.

Said compensation would represent the equivalent of six months' remuneration. If he were to be dismissed within three years of taking up his position, the compensation would correspond to one half of his annual salary and one half of his most recent bonus approved by the Board. As from 1 January 2014, it would be based on one half of his latest annual salary and 50% of the average of his bonuses for the three years preceding his dismissal. No other components of his remuneration package would be taken into account in the calculation.

Payment of the compensation for loss of office would be subject to certain performance criteria being met, as determined by the Board at its meeting of 14 December 2010.

Effective from 2011, half of Mr. Julien-Laferrière's bonus is based on qualitative performance criteria and half on quantitative criteria, to be determined each year by the Board of Directors based on the recommendation of the Remuneration Committee.

Basis for determining the compensation for loss of office: the quantitative criteria used to determine half of Mr. Julien-Laferrière's annual bonus would also be applied to determine his compensation for loss of office.

Performance targets used to determine compensation for loss of office: if average performance was at least equal to 60% of the target, the compensation for loss of office would be payable in full. If average performance was below 60% of the target, no compensation for loss of office would be payable.

The Board of Directors would be required to inform Mr. Julien-Laferrière of whether the performance criteria had been met within two months of his separation.
The compensation would be payable within sixty days of the Board meeting at which the fulfilment of the performance criteria was noted.

Neuilly-sur-Seine, 21 March 2012

The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Additional Information

1. Persons Responsible for the Registration Document and the Audit of the Accounts

1.1 Statement by the person responsible for the Registration Document

Name and position

Nicolas Reynaud, Managing Director.

Statement

"I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the scope of consolidation, and the report of the Board of Directors on page 4 presents fairly the changes in business, results and financial position of the Company and the entities included in the scope of consolidation, as well as a description of their principal risks and contingencies.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein.

The historical financial information presented in the Registration Document has been audited by the Statutory Auditors, whose corresponding reports are provided on pages 147 and 148.

Note that, without qualifying their opinion, the Statutory Auditors made the following observations on the 2010 and 2009 consolidated financial statements:

- In their report on the consolidated financial statements for the year ended 31 December 2010, presented on page 194 of the 2010 Registration Document (DDR D.11-0337) dated 20 April 2011, the auditors drew attention to Note 1-1 to the consolidated financial statements, describing the effect of new standards and interpretations.
- In their report on the consolidated financial statements for the year ended 31 December 2009, presented on page 150 of the 2009 Registration Document (DDR D.10-0249) dated 13 April 2010, the auditors drew attention to Note 1-1 to the consolidated financial statements, describing the effect of new standards and interpretations, such as IAS 40 (revised).

1.2 Persons responsible for the audit of the accounts

AUDITORS

	First appointed	Term renewed	Term expires*
Statutory Auditors			
Deloitte & Associés Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 185, avenue Charles de Gaulle - 92200 Neuilly-sur-Seine - France Represented by Christophe Postel-Vinay	21 April 2005	9 May 2011	2016
PricewaterhouseCoopers Audit SA Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers - 92200 Neuilly-sur-Seine - France Represented by Benoît Audibert	25 April 2003	9 May 2011	2012
Substitute Auditors			
BEAS Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 7/9, villa Houssay - 92200 Neuilly-sur-Seine - France	21 April 2005	9 May 2011	2016
Anik Chaumartin Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers - 92200 Neuilly-sur-Seine - France	9 May 2007	-	2012

* At the close of the Annual General Meeting to be called to approve the financial statements for the year indicated.

FEES PAID TO THE AUDITORS

(in euros)	PricewaterhouseCoopers Audit SA						Deloitte & Associés					
	Amount (excl. VAT)			%			Amount (excl. VAT)			%		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
Statutory and contractual audits												
Issuer	240,968	235,924	240,600	68%	66%	72%	239,479	235,829	245,608	94%	60%	100%
Fully consolidated subsidiaries	90,124	95,156	94,745	25%	27%	28%	-	-	-	-	-	-
Audit-related services												
Issuer	24,882	25,220	-	7%	7%	-	15,582	155,363	-	6%	40%	-
Fully consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	**355,974**	**356,300**	**335,345**	**100%**	**100%**	**100%**	**255,061**	**391,192**	**245,608**	**100%**	**100%**	**100%**
Other services												
Legal and tax advice	-	-	-	-	-	-	-	153,016	-	-	100%	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	**153,016**	-	-	**100%**	-
Total	**355,974**	**356,300**	**335,345**	**100%**	**100%**	**100%**	**255,061**	**544,208**	**245,608**	**100%**	**100%**	**100%**

2. Additional Legal Information

Corporate name and registered office

- Corporate name: Société Foncière Lyonnaise.
- Registered office: 40 rue Washington, 75008 Paris, France.
- Phone: 00 33 (0)1 42 97 27 00

Legal form

“Société anonyme” (public limited company) governed by the French Commercial Code.

Governing Law

French law.

Date of incorporation and term

- Incorporated on 9 October 1879.
- Term: 8 October 2064.

Corporate purpose (Article 3 of the Articles of Association)

The Company’s purpose is to:

- Acquire, by way of purchase or absorption or under a 99-year lease or a shorter lease, any and all real property located in France, the French overseas territories or abroad, and to extend any such properties; conduct any industrial, rental or management activities and generally enhance the value of the properties.
- Sell or exchange such properties, for cash or for shares.
- Manage properties on behalf of third parties.
- Participate by any method in any and all existing or future companies or business ventures related to the corporate purpose, including by means of the formation of new companies, the sale of assets in exchange for shares, membership of a general partnership, subscription or purchase of shares or other rights.
- Conduct any and all transactions related directly or indirectly to the corporate purpose or which are likely to facilitate the fulfilment of said purpose.

Registration particulars

Paris Companies Registry: 552 040 982 - NAF Code: 6820B.

Financial year

1 January to 31 December.

3. Additional Information about the Company's Capital and Share Ownership

3.1 Excerpts from the Articles of Association concerning the Company's capital and share ownership

Changes in capital
(Articles 6, 7 and 8 of the Articles of Association)
The Company's capital may be increased on one or more occasions by any method provided for by law.

The share capital is increased by the issue of ordinary shares or preference shares, or by raising the par value of existing shares. It may also be increased through the exercise of rights attached to securities with rights to shares, on the basis defined by law.

Shareholders in General Meeting may resolve to reduce the Company's capital either by reducing the par value of the shares or reducing the number of shares in issue.

Where shareholders in General Meeting resolve to reduce the Company's capital for any reason other than to absorb losses, the Board of Directors may be authorised to purchase a fixed number of shares to be subsequently cancelled in accordance with the applicable law.

Where a capital increase is carried out by issuing shares payable in cash, at least one quarter of the par value of such shares shall be paid up at the time of the issue, as well as the entire amount of any related premium. The Board of Directors shall decide upon the timing and amount(s) of the subsequent payment(s) of the balance due.

Amendments of shareholders' rights
(Article 9 of the Articles of Association)
Where called but unpaid amounts on partially paid-up shares are not settled in accordance with the terms and conditions determined by the Board of Directors, said outstanding amounts shall accrue interest on a daily basis, calculated at the legal interest rate, without any requirement for an application to court.
In addition, in order to obtain any such called but unpaid amounts, the Company shall be entitled to sell the shares concerned and to take all appropriate action as provided for by law. In such a case the Company shall serve the defaulting shareholder with a formal notice to pay, by way of a registered letter with return receipt requested. If the amount due is not settled within thirty days of service of the said notice the unpaid shares shall be stripped of attendance and voting rights for shareholders' meetings as well as dividend rights and pre-emptive subscription rights for subsequent share issues. However, following the payment of all outstanding amounts due to the Company (corresponding to the principal amount plus interest and costs), the shareholder concerned may request the payment of any dividends that are not time-barred and will recover their rights to attend and vote at shareholders' meetings.

Identification of shareholders
(Article 10 of the Articles of Association)
Fully paid up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the law. They are recorded in a shareholder's account in accordance with the terms and conditions provided for in the applicable laws and regulations.

The Board of Directors is authorised to use all methods provided for under the applicable laws and regulations – including an application to the securities clearing house – to obtain identification details of holders of shares and other securities convertible, redeemable, exercisable or otherwise exchangeable for shares carrying voting rights at the Company's General Meetings, together with details of the number of securities held by each such person and of any restrictions affecting the securities.

Disclosure thresholds
Obligations relating to the applicable disclosure thresholds are described on page 40 of the Management Report.

Rights attaches to shares (Articles 11, 12, 13 and 14 of the Articles of Association)
Shares are indivisible vis-à-vis the Company, meaning that one share confers only one right. This does not, however, apply to the right to receive information prior to General Meetings as such entitlement applies both to the bare owners ("nu-propriétaires") and the beneficial owners ("*usufruitiers*") of any jointly held shares.

If several persons own one share, they are required to elect one representative to act on behalf of that share. If no agreement can be reached on the appointment of such a representative, he or she shall be named by a Commercial Court judge in summary proceedings following an application by the first joint shareholder to take action.

Voting rights attached to the Company's shares shall be exercised by the beneficial owner in Ordinary General Meetings and by the bare owner in Extraordinary General Meetings. Voting rights attached to pledged shares are retained by the pledger.

In the event of a capital increase, any pre-emptive subscription or allocation rights attached to shares that have both legal and beneficial owners shall be exercised in accordance with the applicable law.

Shares are freely transferable, subject to the applicable legal and regulatory limits.
The Company's bearer shares may be traded on the stock market in accordance with the applicable law. Shares may also be purchased or sold through off-market account transfers, subject to the conditions set down by the applicable laws and regulations.

All rights and obligations attached to shares are transferred with title thereto. Share ownership automatically requires shareholders to comply with the Company's Articles of Association and the decisions made by General Meetings.
The heirs or creditors of a shareholder may not under any circumstances apply for the Company's assets to be placed under seal or to be sold or divided, and may not interfere in any way whatsoever with the running of the Company. All rights of said persons are governed by the Company's applicable rules and regulations and decisions of General Meetings.

In accordance with Article 33 below, each share entitles its holder to a proportion of profits and net assets based on the proportion of capital represented by the share. All tax exemptions as well as any tax payable by the Company, shall be applied to all of the Company's shares equally prior to any allocation or redemption, throughout the term of the Company or upon its liquidation, in order to ensure that all shares receive the same net amount.

Where a shareholder must own a specific number of shares to exercise a particular right relating to the exchange or allocation of shares, a reverse stock-split, a capital increase or reduction, a merger or other corporate action, shareholders owning fewer than the number of shares required to exercise the rights concerned will be personally responsible for obtaining said number, through share purchases or sales if necessary.

Appropriation of profits
(Article 33 of the Articles of Association)

The profit or loss for the year represents the difference between total income and total expenses, including charges to and reversals from depreciation, amortisation and provisions, shown in the profit and loss account.

At least 5% of net profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve, until such time as the legal reserve represents one tenth of the share capital.

Profit available for distribution consists of profit for the year, less any losses carried forward from prior years and any amounts transferred to the legal reserve as provided for above, plus retained profits carried forward from prior years. Total profit available for distribution is appropriated as follows:

– to provident reserves or any other reserves, by decision of the Annual General Meeting;
– to dividends payable to shareholders.

Any unappropriated balance is carried forward to the next year.

3.2 Share capital

Share capital at 31 December 2011
As of 31 December 2011, the Company's issued share capital amounted to €93,057,948 divided into 46,528,974 ordinary shares with a par value of €2, all fully paid-up.

Authorised, unissued capital
In addition, the Annual General Meeting of 9 May 2011 granted the Board of Directors a 26-month delegation of competence to decide the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares and securities with rights to ordinary shares. The aggregate amount by which the capital may be increased under this authorisation is capped at €100 million.

An additional 26-month delegation of competence was granted to the Board in the case of issues of ordinary shares and securities with rights to shares without pre-emptive subscription rights, to set the issue price by the method decided by the shareholders in General Meeting instead of applying the pricing rules specified by law. Under the terms of the resolutions, the Board is authorised:

– In the case of any share issue with or without pre-emptive subscription rights that is oversubscribed, to increase the number of shares offered.

– To issue ordinary shares and securities with rights to shares, without pre-emptive subscription rights, in payment for shares tendered to a public exchange offer for the shares of another company made by SFL. The aggregate par value of ordinary shares that may be issued under this authorisation shall not exceed €100 million.

- To issue ordinary shares or securities with rights to shares, without pre-emptive subscription rights, in payment for shares or securities with rights to shares contributed to SFL. The aggregate par value of ordinary shares that may be issued under this authorisation shall not exceed 10% of the Company's share capital.

- To issue securities with rights to debt securities, provided that the aggregate amount of debt securities issued directly and indirectly on exercise of rights attached to the original securities does not exceed €2 billion.

- To increase the capital by a maximum of €25 million by capitalising reserves, profits or share premiums.

- To issue ordinary shares for cash to employees and retired employees who are members of a Sharesave Plan set up by the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code, provided that the aggregate par value of the new shares does not exceed €500,000, and to make grants of existing or newly issued ordinary shares or securities with rights to shares to employees and officers. The aggregate par value of new shares, if any, issued under this latter authorisation is also capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums.

The Annual General Meeting of 9 May 2011 authorised the Board of Directors:

- To grant stock options to employees and officers of the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code. These option grants are subject to a ceiling of 3% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

- To make share grants to employees – or certain categories of employees – and officers of the Company and/or related companies within the meaning of Article L.225-197-2 of the French Commercial Code. The number of shares granted under the authorisation may not represent over 1% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

The Annual General Meeting of 9 May 2011 also granted an 18-month authorisation to the Board of Directors to issue up to €200 million worth of bonds with redeemable equity warrants, entailing the waiver of shareholders' pre-emptive subscription rights, in favour of a selected category of beneficiaries. The aggregate par value of shares issued upon exercise of equity warrants will not exceed €3 million. It also authorised the Board of Directors to cancel, on one or several occasions, all or some of the shares acquired by the Company under various shareholder-approved buyback programmes, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date. Shareholders will be asked to renew this authorisation at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2011. The shareholder authorisations concerning treasury shares are described on pages 38 and 39 of the Management Report.

Authorised, issued capital
None.

Pledges of the Company's shares
As far as the Company is aware none of its shareholders have pledged any of their shares.

3.3 Ownership structure

SFL's ownership structure is described on page 34 of the Management Report.

In application of Article 21 of the Articles of Association, the functions of Chairman of the Board and Chief Executive Officer were separated on 14 April 2010.

The Chairman's report on corporate governance and internal control can be found on page 56 of the Management Report.

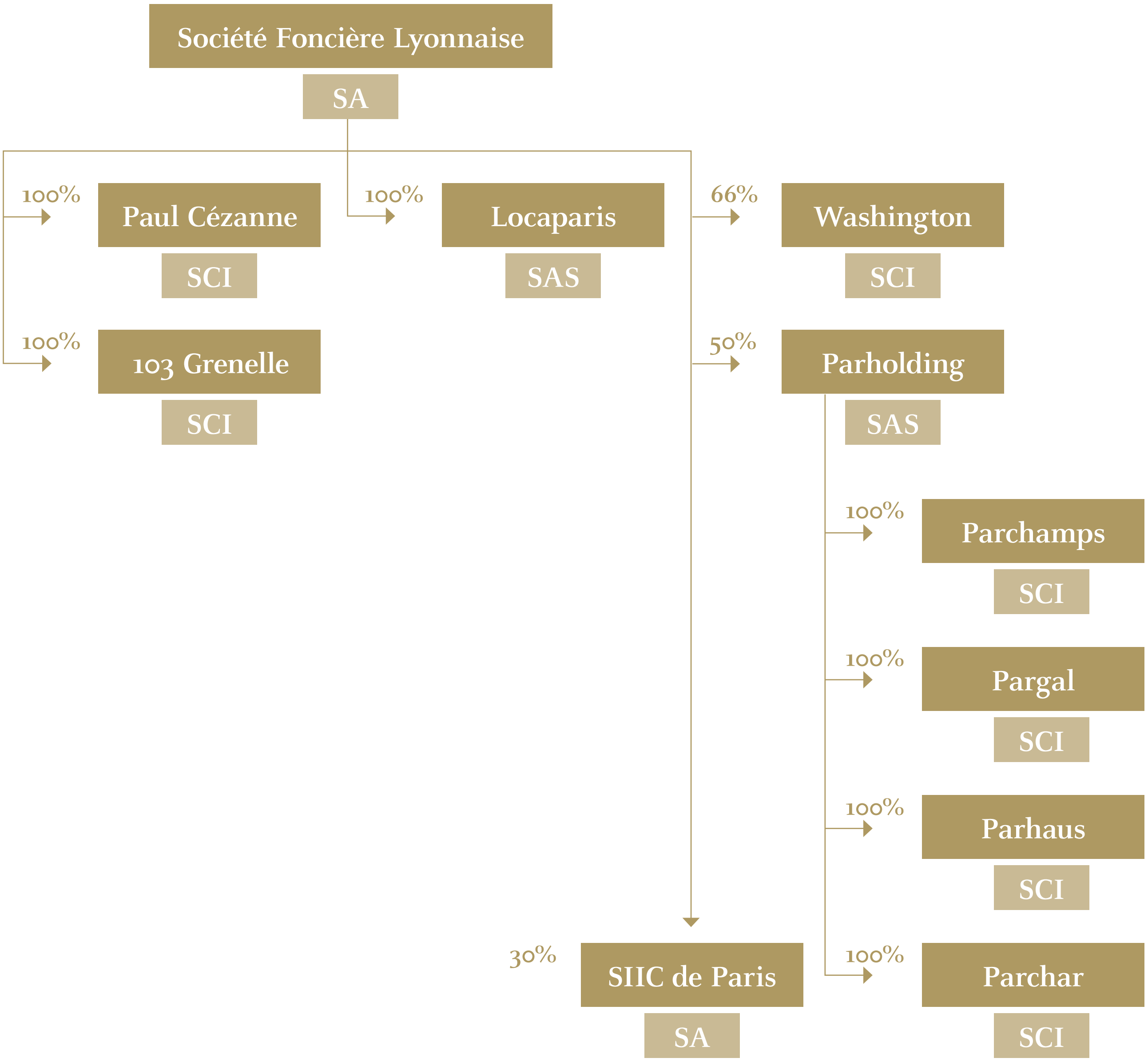
As far as the Company is aware, no arrangements exist whose implementation may result in a change in control in the future.

3.4 Shareholder's pacts

See pages 41 to 44 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

4. Additional Information about the Group's Operations and Organisational Structure

4.1 Organisation chart



4.2 Material contracts

No company within the SFL Group is party to an agreement that would entail a material obligation or commitment for the Group, other than contracts entered into in the ordinary scope of business.

4.3 Dependence on patents or licences

Dependence

The SFL Group is not dependent on any patents or licences for the conduct of its business.

4.4 Third party information, statement by experts and declarations of interests

Property valuation report

SFL's entire property portfolio was valued at 31 December 2011, part by CB Richard Ellis Valuation and part by Jones Lang LaSalle Expertises (excluding the buildings at 247 rue Saint-Honoré and 103 Grenelle, which were valued by BNP Paribas Real Estate Expertise).

The valuations were performed in accordance with the "Charte de l'Expertise en Evaluation Immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF in 2004). They also complied with the standards issued by the European Group of Valuers' Associations (TEGoVA) and with Royal Institution of Chartered Surveyors (RICS) standards.

Method

The properties were valued primarily by the discounted cash flow method, which consists of discounting projected net future cash flows and the resale value of the property at the end of the projection period. Each property was analysed in detail, based on the type of use and the surface area of each unit, lease by lease.

The valuers noted that fourth-quarter 2011 rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.

Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs and service charges for the period until the units are re-let.

The cost of scheduled renovation work – based on information supplied by the Group – was taken into account over the cash flow projection period.

The results of the valuation were checked by applying the capitalised net rental revenue method, and based on direct comparisons with the observed price per square metre of recent buy-to-let transactions involving occupied and vacant properties.

The appraisal values are stated including transfer costs (calculated on the basis of a standard 6.2% rate for all properties subject to registration duties) and also excluding transfer costs and transaction expenses.

At the request of the Group, the valuation method used in 2011 was the discounted cash flow method.

Each of the three firms provided an individual appraisal value and is not responsible for the valuations performed by the other two firms.

On the basis described above, the value of the portfolio, Group share, at 31 December 2011 is **€3,086,406,778 excluding transfer costs and €3,240,787,655 including transfer costs.**

BNP PARIBAS REAL ESTATE
VALUATION FRANCE
Adresse : 167, quai de la Bataille de Stalingrad
92867 ISSY-LES-MOULINEAUX Cedex
327 657 169 RCS NANTERRE

D. Fra...

CBRE VALUATION
SAS au capital de 1.434.704 €
145 - 151 rue de Courcelles - 75017 PARIS
Tél. 01 53 64 00 00 - Fax 01 53 64 00 01
SIREN 384 853 701 - RCS PARIS - APE 6831 Z

JONES LANG
LASALLE EXPERTISES
S.A.S. au capital de 37 000 Euros
Siège social : 40/42 rue La Boétie
Tél : 01 40 55 15 15 - 75008 PARIS
444 628 150 R.C.S. PARIS

5. Documents on display

All legal documents related to the Company's activities may be consulted at SFL's registered office at 40 rue Washington, 75008 Paris, France, as well as on the Company's website at www.fonciere-lyonnaise.com.

List of information published or publicly disclosed in 2011

In accordance with the requirements of Article 222-7 of the General Regulations of the AMF, the following table sets out all the information published or publicly disclosed by the issuer over the last twelve months pursuant to the applicable laws and regulations.

Title	Filing/ publication date	Filed with/ published by	Address for consultation
PORTS 1961 is opening a store on rue Saint Honoré on the ground floor of the new Mandarin Oriental Paris Hotel	04/01/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Half-yearly report on the liquidity contract	07/01/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL strengthens its management organisation Information on the total number of voting rights as of 31 December 2010	26/01/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL's 2010 Results	10/02/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Lagardère and Universal to move into Washington Plaza, Louis Vuitton Malletier into Louvre Des Entreprises and ESMA into 103 Grenelle	10/02/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Share issue (in French only)	10/02/2011	The Paris Commercial Court	http://www.infogreffe.fr/infogreffe/index.jsp
Change in SFL's ownership structure	02/03/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notifications received under disclosure threshold rules (in French only)	02/03/2011	Autorité des Marchés Financiers	http://www.amf-france.org
Information on the total number of voting rights as of 31 January 2011	03/03/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Zurich France, a leading corporate insurer, is moving into 112 avenue de Wagram Information on the total number of voting rights as of 28 February 2011	04/03/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Paris prime real estate market remains strong	07/03/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice of AGM (in French only)	1/4/2011	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Information on the total number of voting rights as of 31 March 2011	11/04/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Corrigendum to Notice of AGM (in French only)	11/4/2011	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Publication of the 2010 registration document (in French only)	20/4/2011	Autorité des Marchés Financiers	www.amf-france.org
The Company announces the publication of its 2010 registration document	21/04/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice of AGM (in French only)	22/4/2011	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
SFL – First Quarter 2011	27/4/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Ordinary and Extraordinary General Meeting of 9 May 2011 (in French only) Information on the total number of voting rights as of 30 April 2011	4/5/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
DSQUARED2 is opening a store on 249 rue Saint Honoré on the ground floor of the new Mandarin Oriental Paris Hotel	5/5/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL transfers its headquarters (in French only)	9/5/2011	The Paris Commercial Court	www.infogreffe.fr
SFL successfully completes its inaugural bond issue	17/5/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Approval of the financial statements for the year ended 31 December 2010 (in French only)	20/5/2011	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo

Title	Filing/ publication date	Filed with/ published by	Address for consultation
SFL issues fixed-rate bonds (in French only)	23/5/2011	Autorité des Marchés Financiers	www.amf-france.org
Société Foncière Lyonnaise delivers Mandarin Oriental Hotel in Paris	9/6/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 May 2011	14/6/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Half-yearly report on the liquidity contract	4/7/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 30 June 2011	19/7/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
First-Half 2011 Results	21/7/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL releases its 2011 Interim Financial Report	28/7/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 July 2011	29/8/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 August 2011	7/9/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Autolib' sets up shop in the Edouard VII district	13/9/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL to distribute €0.70 per share	23/9/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Mandarin Oriental Paris – a world-class property by SFL	27/9/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice of Meeting (in French only)	30/9/2011	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
SFL – Two new prestigious lease signings	3/10/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 30 September 2011	10/10/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information concerning the availability of proxy documents ahead of the General Meeting of 4 November 2011 (in French only)	14/10/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice of Meeting (in French only)	19/10/2011	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
SFL – Third Quarter 2011	4/11/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 October 2011	9/11/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL awarded the "Ville & Avenir" prize	30/11/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice to stock option holders (in French only)	19/12/2011	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Bénilde Escouboué joins Société Foncière Lyonnaise	23/12/2011	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Half-yearly report on the liquidity contract	2/1/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
CBRE Global Investors, a world leader in real estate investment management, moves into Edouard VII	3/1/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 30 November and 31 December 2011	20/1/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL's 2011 Results SFL issues performance shares (in French only) (Published in accordance with Articles 212-4 F° and 212-F 6° of the AMF's general rules) (Published in accordance with the AFEP/MEDEF corporate governance code for listed companies)	16/2/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Jean-Luc Potier to leave Société Foncière Lyonnaise	22/2/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 January 2012	1/3/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com

Cross-reference table

Information	Annual Report	Registration Document
8. Property, plant and equipment		
8.1 Existing or planned material tangible fixed assets and any major encumbrances thereon	48 to 53	92, 101, 111, 113, 122, 126, 132, 133, 135
8.2 Environmental issues that may affect the utilisation of tangible fixed assets	29 to 33	27, 49 to 52
9. Operating and financial review		
9.1 Financial condition		6 to 9, 86
9.2 Operating results		8, 128
10. Capital resources		
10.1 Information concerning capital resources	43, 44	10, 86 to 88, 95, 105, 117, 127, 135
10.2 Cash flows		88, 90, 97, 122
10.3 Borrowing requirements and funding structure	42, 43	23 to 25, 90, 106 to 108, 114 to 116, 131, 136, 137, 141
10.4 Restrictions on the use of capital resources		23 to 25, 90, 106 to 108, 114 to 116, 131, 136, 137, 141
10.5 Information regarding anticipated sources of funds needed to fulfil capital expenditure commitments	NA	NA
11. Research, development, patents and licenses	NA	NA
12. Trend information		
12.1 The most significant recent trends in production, sales and inventory, and costs and selling prices		23
12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	18, 19, 26, 27	23
13. Profit estimates or forecasts	NA	NA
14. Administrative, management, and supervisory bodies and senior management		
14.1 Board member and senior management information	8, 9	11, 12, 56 to 68
14.2 Conflicts of interest		59, 67
15. Remuneration and benefits		
15.1 Remuneration and benefits in kind		13 to 22, 47
15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits		19
16. Board practices		
16.1 Date of expiration of current terms of office		56
16.2 Service contracts with members of the administrative, management or supervisory bodies		20 to 22
16.3 Committee information	9	68, 69
16.4 Statement of compliance with France's corporate and governance regime		11, 13, 56
17. Employees		
17.1 Number of employees		46

Information	Annual Report	Registration Document
17.2 Shareholdings and stock options		17 to 19, 38
17.3 Arrangements for involving employees in the company's capital		48
18. Major shareholders		
18.1 Shareholders owning over 5% of the capital or voting rights	45	34, 35
18.2 Different voting rights		34, 35
18.3 Control of the issuer		28, 34, 41
18.4 Arrangements which may result in a change in control of the issuer		41
19. Related party transactions		68
20. Financial information concerning the issuer’s assets and liabilities, financial position and profits and losses		
20.1 Historical financial information		54, 169
20.2 Pro forma financial information	NA	NA
20.3 Financial statements		126 to 143
20.4 Auditing of historical annual financial information		147 to 152
20.5 Age of latest financial information		169
20.6 Interim and other financial information	NA	NA
20.7 Dividend policy		37
20.8 Legal and arbitration proceedings		32
20.9 Significant change in the issuer’s financial or trading position		23
21. Additional Information		
21.1 Share capital		160
21.2 Memorandum and articles of association		159, 160
22. Material contracts		163
23. Third party information, statement by experts and declarations of any interests		163
24. Documents on display		164, 165
25. Information on holdings		10, 11

Table of the main items of the annual financial report

The table below indicates the pages in the Registration Document where key information required by the French securities regulator (AMF) can be found, in accordance with Article 212-13 VI of the AMF's general rules.

Information	Registration Document
1. Financial statements of the Company	126 to 143
2. Consolidated financial statements	86 to 122
3. Management report	5 to 83
4. Statement by the person responsible for the registration document	156
5. Auditors' reports on the financial statements of the Company and the consolidated financial statements	147 to 148
6. Fees paid to the statutory auditors	157
7. Chairman's report (drawn up in accordance with Article L.225-37 of the French Commercial Code)	56 to 75
8. Auditors' report on the report of the Chairman of the Board of Directors	149

Historical financial information

Financial statements and Statutory Auditors' reports for 2011: see table above.
Pursuant to Article 2012 of the AMF general regulations, the following information is incorporated by reference:

- The consolidated financial statements for the year ended 31 December 2009, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 85-125 and 150-151 of the 2009 Registration Document filed with the AMF on 13 April 2010 under No. D.10-0249.
- The consolidated financial statements for the year ended 31 December 2010, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 127-167 and 194-195 of the 2010 Registration Document filed with the AMF on 20 April 2011 under No. D.11-0337.

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